

ALASKA MUNICIPAL BOND BANK

AUTHORITY

BOARD OF DIRECTOR'S MEETING

TO BE HELD AT

**Offices of Wohlfort, h Brecht, Cartledge, & Brooking
900 West 5th Ave., Suite 600
Anchorage, AK**

May 2, 2013

8:00 A.M.





333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

AGENDA FOR BOARD OF DIRECTOR'S MEETING

Offices of Wohlforth, Brecht, Cartledge, & Brooking
900 West 5th Ave. Suite 600, Anchorage, AK
May 2, 2013 at 8:00 a.m.

- I. **Call to Order**
- II. **Roll Call**
- III. **Public Meeting Notice**
- IV. **Approval of Agenda**
- V. **Minutes of the January 28, 2013 and February 19, 2013 Meetings of the Board of Directors**
- VI. **General Business**
 - A. **Loan Application – Kodiak Island Borough**
 - B. **Loan Application City of Ketchikan**
 - C. **Loan Application Municipality of Skagway**
 - D. **Loan Application City of Homer**
 - E. **Resolution 2013-03 – Authorizing Issuance of 2013 Two Series Bonds**
 - F. **Accounting Practice**
 - G. **Post Sale Summary 2013 One Bond Issue**
 - H. **Executive Director's Report**
- VII. **Public Comments**
- VIII. **Board Comments**
- IX. **Adjournment**

Notice of Meeting - Alaska Municipal Bond Bank Authority

The Alaska Municipal Bond Bank Authority will hold a meeting in the Offices of Wohlforth, Brecht, Cartledge, & Brooking, 900 West 5th Avenue, Suite 600, Anchorage, Alaska, on May 2, 2013 at 8 a.m. The meeting will include, but is not limited to, the following agenda items:

Kodiak Island Borough Loan Request

City of Ketchikan Loan Request

Municipality of Skagway Loan Request

City of Homer Loan Request

Resolution 2013-03 authorizing the issuance of 2013 Two bond issue

Post Sale Summary 2013 One Bond Issue

Executive Directors Report

The public is invited to attend. Individuals who may need special modifications to participate should call 907-465-3750 prior to the meeting.

Dated April 17, 2013

Deven Mitchell, Executive Director

Attachments, History, Details

Attachments

None

Revision History

Created 4/18/2013 11:20:01 AM by ljwilcox

Details

Department:	Revenue
Category:	Agency Meetings
Sub-Category:	
Location(s):	Statewide
Project/Regulation #:	

Publish Date:	4/18/2013
Archive Date:	5/3/2013

Events/Deadlines:

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City of Homer Loan Request
Resolution 2013-03 authorizing the issuance of 2013 Two bond issue
Post Sale Summary 2013 One Bond Issue
Executive Directors Report

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Dated April 17, 2013
Deven Mitchell, Executive Director



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**OFFICIAL MINUTES for the BOARD OF DIRECTORS MEETING
ALASKA MUNICIPAL BOND BANK AUTHORITY
January 28, 2013**

I. CALL TO ORDER

Greg Gursey called the meeting to order on January 28, 2013 at 10:05 a.m. Members participated at the 11th Floor Department of Revenue Commissioner's Conference Room at 333 Willoughby 11th Floor, Juneau, AK and by phone.

II. ROLL CALL

Present

Gregory Gursey

Ted Leonard

Angela Rodell

Mark Pfeffer was absent

Luke Welles was absent

OTHERS IN ATTENDANCE

Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority

Ryan Williams, Operations Research Analyst, SOA Department of Revenue

Cindy Cartledge, Bond Counsel, Wohlforth, Brecht, Cartledge & Brooking

Chip Pierce, Financial Advisor, Western Financial Group

Jay Sweeney, Finance Director, City & Borough of Sitka

Dan Bockhorst, Manager, Ketchikan Gateway Borough

Mike Houts, Finance Director, Ketchikan Gateway Borough

Paul Day, Manager, City of Sand Point

Bob Bartholomew, Finance Director, City and Borough of Juneau

Marc Greenough, Foster Pepper, PLLC

III. PUBLIC MEETING NOTICE

A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was reviewed for the record.

IV. APPROVAL OF AGENDA

Ms. Rodell moved and Mr. Leonard seconded approval of the agenda. Without objection, the agenda was approved as written.

V. MINUTES October 30, 2012 Board of Directors Meeting

Ms. Rodell moved and Mr. Leonard seconded approval of the minutes of October 30, 2012 Bond Bank Board of Directors Meeting. Without objection, the minutes were approved as written.

VI. GENERAL BUSINESS

Loan Analysis Kodiak Island Borough

Mr. Pierce presented Western Financial Group's summary and loan analysis. The loan request is being made for a \$25 million general obligation supported partial funding of the replacement of the Kodiak High School. The bonds are eligible for reimbursement under the State's School Debt Reimbursement Program at the 60% rate. The coverage of total Bond Bank debt service by interceptable state aid is projected to be 9.21 times. Kodiak is expected to save \$1.7 million over the life of the loan versus an independent issuance of the Borough. Mr. Pierce then highlighted the financial position of the borough, the consistency and type of tax collection, fund balances, and future capital plans. The statement of no litigation for the Borough was noted for the record. Mr. Pierce summarized the loan and recommended Board approval. Mr. Leonard moved approval of the \$25 million loan application for the Kodiak Island Borough and Ms. Rodell seconded. The motion passed with three yes votes

Loan Analysis Ketchikan Gateway Borough

Mr. Pierce summarized Western Financial Group's summary and loan analysis. The loan request is being made for a \$5.5 million general obligation loan to provide for school district maintenance projects. The bonds are eligible for reimbursement under the State's

School Debt Reimbursement Program at the 68% rate. The coverage of total Bond Bank debt service by interceptable state aid is projected to be 7.88 times. Ketchikan is expected to save \$336,000 over the life of the loan versus an independent issuance of the Borough. Mr. Pierce then highlighted the financial position of the borough, the consistency and type of tax collection, fund balance trends, and future capital plans. The statement of no litigation for the Borough was not available. Mr. Pierce summarized the loan and recommended Board approval subject to receipt of the no litigation letter. Ms. Rodell moved approval of the \$5.5 million loan application for the Ketchikan Gateway Borough subject to receipt of the no litigation letter and Mr. Leonard seconded. The motion passed with three yes votes

Loan Analysis City and Borough of Juneau

Mr. Pierce presented Western Financial Group's summary and loan analysis. The loan request is being made for up to a \$25 million general obligation issuance to provide for a variety of community capital projects. The bonds are only payable by revenue collected by the Borough. The coverage of total Bond Bank debt service by interceptable state aid is projected to be 6.96 times. Juneau is expected to save \$1.75 million over the life of the total loan versus an independent issuance of the Borough. Mr. Pierce then highlighted the financial position of the borough, the consistency and type of tax collection, fund balances, and future capital plans. The statement of no litigation for the Borough was noted for the record. Mr. Pierce summarized the loan and recommended Board approval. Ms. Rodell moved approval of the \$25 million loan application for the City and Borough of Juneau and Mr. Leonard seconded. The motion passed with three yes votes

Loan Analysis City of Sand Point

Mr. Pierce presented Western Financial Group's summary and loan analysis. The loan request is being made for a \$3 million general obligation issuance to provide for a portion of the \$10 million cost of a major harbor improvement project. The bonds are only payable by revenue collected by the City. The coverage of total Bond Bank debt service by interceptable state aid is projected to be 17.48 times. Sand Point is expected to save \$1.27 million over the life of the total loan versus an independent issuance of the City. Mr. Pierce then highlighted the financial position of the City, the consistency and type of tax collection, fund balances including the boat harbor enterprise fund, and future capital plans. The statement of no litigation for the City was noted for the record. Mr. Pierce summarized the loan and recommended Board approval. Mr. Leonard moved approval of the \$3 million loan application for the City and Borough of Juneau and Ms. Rodell seconded. The motion passed with three yes votes

Loan Analysis City and Borough of Sitka Electric System Enterprise

Mr. Pierce presented Western Financial Group's summary and loan analysis. The loan request is being made for up to a \$40 million revenue bond issuance to provide for the continuation of the expansion of the Blue Lake Hydroelectric Project. The bonds are payable by electric system revenue collected by the Borough. The coverage of total Bond Bank debt service by interceptable state aid is projected to be 7.47 times. Sitka is expected to save \$8.43 million over the life of the total loan versus an independent issuance of the Borough. Mr. Pierce then highlighted the financial position of the electric enterprise, the consistency and trend of operating revenue collection, fund balance, and future capital plans. It was noted that Sitka expects to seek additional funding from the Bond Bank to pay for the completion of the expansion project. The statement of no litigation for the Borough was noted for the record. Mr. Pierce summarized the loan and recommended Board approval. Ms. Rodell inquired about the designation of RBC Capital for the underwriting assignment. Mr. Mitchell noted that the standing policy of the Bond Bank is to allow municipal borrowers to designate the underwriting assignment for their bonds. For the upcoming bond issue both Juneau and Sitka designated RBC Capital. Accordingly the proportion of the bonds that Juneau and Sitka represent will be underwritten by RBC and the remainder by JP Morgan as selected from the pool of Bond Bank underwriters. Ms. Rodell stated that she wanted to ensure that the Bond Bank wasn't viewed by the market as sole sourcing underwriting from just one firm when there are four firms in the Bond Bank's pool. Following this discussion Ms. Rodell moved approval of the \$40 million loan application for the City and Borough of Juneau and Mr. Leonard seconded. The motion passed with three yes votes

AMBBA Resolution No. 2013-01

Ms. Cartledge summarized the resolution authorizing the 2013 Series One issuance of up to \$110,000,000 of bonds of the Bond Bank. The bond proceeds will be used to fund loans to Kenai Peninsula Borough, the City and Borough of Sitka, the Kodiak Island Borough, the Ketchikan Gateway Borough, The City and Borough of Juneau, and the City of Sand Point. Ms. Cartledge made a point of declaring her firms representation of the Kenai Peninsula Borough and the Kodiak Island Borough. The method of sale is identified in the resolution. Mr. Mitchell clarified that the intent for the transaction as previously discussed was to have RBC Capital act as senior manager based on the designations for 70% of the transaction, and JP Morgan to act as a co-manager for 30%. Ms. Rodell moved approval of Resolution 2013-01 and Mr. Leonard seconded. Mr. Mitchell called roll and the motion passed with three yes votes.

2012 Series Three Post Sale Summary

Mr. Pierce reported the results of the Bond Bank's 2012 Series Three bonds. The bonds were sold via negotiated sale with RBC Capital Markets and the 6.387 year average life bonds achieved a true interest cost of 1.7607%. Mr. Pierce summarized the market of the week of the sale and compared the bonds pricing to the Municipal Market Data AAA bond scale. The borrowers achieved estimated present value savings of \$1,149,773 for Juneau, \$338,878 for Haines, \$395,000 for the Juneau new money loan, and \$154,000 for Petersburg.

Executive Director's Report

The City of Valdez

Mr. Mitchell that the City of Valdez decided to issue bonds independently of the Bond Bank for their new school project.

Fitch Rating

On January 8, 2103 Fitch Ratings upgraded the Bond Bank from AA to AA+ due to the upgrade of the State of Alaska to AAA.

Ongoing Disclosure

Mr. Mitchell reported having filed the Audit and the Fitch rating action on EMMA, and plans to file the reserve sufficiency declaration in the coming week.

Kodiak Island Borough

The Borough has submitted an application for \$25 million to pay for the construction of an assisted living facility in Kodiak. If they are successful in obtaining their certificate of need from the state we expect to work towards a funding date in June 2013.

City of Ketchikan

The City of Ketchikan Finance Director Bob Newell has indicated that the City will be applying for a \$15 million revenue bond loan for their Whitman Lake Hydroelectric project.

VII. PUBLIC COMMENTS

None.

VIII. BOARD COMMENTS

None.

IX. ADJOURNMENT

Mr. Gursey adjourned the meeting without objection at 11:21 a.m.

Mark Pfeffer, Chairperson



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**OFFICIAL MINUTES for the BOARD OF DIRECTORS MEETING
ALASKA MUNICIPAL BOND BANK AUTHORITY
February 19, 2013**

I. CALL TO ORDER

Mark Pfeffer called the meeting to order on February 19, 2013 at 9:00 a.m. Members participated at the 11th Floor Department of Revenue Commissioner's Conference Room at 333 Willoughby 11th Floor, Juneau, AK and by phone.

II. ROLL CALL

Present

Mark Pfeffer

Gregory Gurse

Angela Rodell

Ted Leonard was absent

Luke Welles was absent

OTHERS IN ATTENDANCE

Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority

Ryan Williams, Operations Research Analyst, SOA Department of Revenue

Cindy Cartledge, Bond Counsel, Wohlforth, Brecht, Cartledge & Brooking

Chip Pierce, Financial Advisor, Western Financial Group

III. PUBLIC MEETING NOTICE

A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was reviewed for the record.

IV. APPROVAL OF AGENDA

The agenda was approved as written without objection.

VI. GENERAL BUSINESS

Resolution 2013-02

Mr. Mitchell introduced resolution 2013-02 and highlighted the need for its passage to simplify potential future releases from the 2005 reserve fund at the point in the future when the amendment would be effective. Ms. Cartledge further explained that the resolution would allow for bond holder consent and other technical aspects. Ms. Rodell moved approval of Resolution 2013-02 and Mr. Gurseay seconded. The motion passed with three yes votes

VII. PUBLIC COMMENTS

None.

VIII. BOARD COMMENTS

Mr. Mitchell noted for the record that Mr. Leonard had arrived at the Juneau meeting location. Mr. Mitchell also reminded the Board of an e-mail he'd sent detailing the intent to shift from using Treasury Division staff to provide the compilation accounting work to using an external CPA firm.

IX. ADIURNMENT

Mr. Leonard moved adjourned of the meeting at 9:16 a.m. without objection.

Mark Pfeffer
Chairperson

Alaska Municipal Bond Bank
Application Credit Review Summary Page

Applicant:	Kodiak Island Borough
Loan Amount:	Approximately \$20,000,000
Project Type:	Construction of a long-term care facility
Project Description:	The Borough will apply the proceeds of the Bond Bank loan toward the construction of a long-term care facility that will replace the Borough's existing facility, which is approaching the end of its useful life.
Term of Loan:	20 years
Revenues Pledged to Loan:	Lease payments from Providence Health & Services in Alaska ("Providence")
Most Recent FY Pledged Revenues:	N/A
Estimated Annual Debt Service:	\$1.3 million
Total Bond Bank Annual Debt Service:	\$7.1 million
Most Recent FY Debt Service Coverage Ratio:	N/A
Most Recent FY State-Shared Revenues (SSR):	\$55.1 million
Debt Service Coverage of AMBB DS from SSR:	7.75x
Loan Subject to State Debt Service Reimbursement:	no
Estimated Borrower Savings (Gross):	\$3.3 million
Estimated Borrower Savings (Present Value):	\$2.7 million
No Litigation Letter Received:	no

Loan Application Evaluation

Kodiak Island Borough

Introduction

Kodiak Island Borough (the “Borough”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a revenue bond loan totaling approximately \$20,000,000. The loan proceeds will be used to construct a new 22-bed long-term care facility located on the Providence Kodiak Island Medical Center campus.

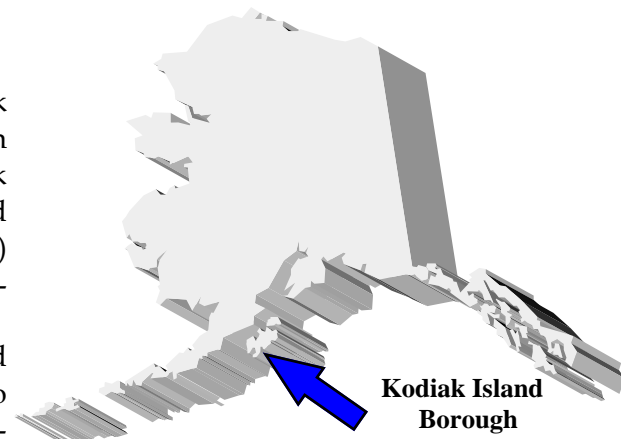
Use of the Bond Bank Loan

The Borough will use the Bond Bank loan to build a 22-bed replacement long-term care center (LTCC) care facility on Kodiak Island. This will be a facility with expanded beds to replace the existing LTCC (19 beds) within the Providence Kodiak Island Medical Center (the “Medical Center”).

The existing LTCC is a 37-year-old facility of institutional design. There are two residents per bedroom separated by a curtain, and four residents share a two-piece bathroom that is not ADA accessible. A single bathing area is shared by 19 residents. The building was never designed for long term care services. Its design does not foster quality delivery of care or promote socialization with other residents, family and community.

The existing LTCC is nearing the end of its usable life. Based upon a technical engineering analysis completed in 2005, it was determined that renovation of the existing facility is not feasible.

The replacement facility’s design provides usable, ADA-compliant space with private bedrooms, private bathrooms and will be designed to allow lifts and wheelchairs to maneuver. Ceiling lifts throughout the bedrooms, bathrooms and the spa bath area will insure that resident transfers are safe for both residents and staff. The new LTCC will offer increased privacy in bedrooms and bathrooms. The bedrooms will open to the central living area and open kitchen. This encourages the residents to participate in social life in the facility. Restorative and therapy services will have a private space in the new LTCC. The Borough anticipates that this model will result in more efficient delivery of the total care program for the residents, increased staff efficiency in delivery of care and increased satisfaction for residents, family and staff members.



Demand for the New Long-Term Care Center

The present LTCC in the Medical Center is the only long term care provider on Kodiak Island. The closest alternative LTCC is on the mainland, which would require an elderly patient to move away from family, friends and community when they require long term care. Because there is such a lack of LTCC bed availability, families requiring long term care are forced to try to meet the elderly patients needs while waiting for a vacancy to open in the existing LTCC. Many times the behavioral issues related to dementia put these patients at greater risk while waiting for a LTCC bed.

Nursing homes are now focused on home-like buildings and resident-centered care as the model to better engage residents and give them more control of their daily lives. Centers for Medicare and Medicaid have endorsed this as a model for the delivery of care. Older, more institutional, nursing homes or hospitals present many physical and social challenges for residents. Long hallways make physical mobility difficult, alone or with a walker, often causing patients to choose wheelchairs in order to get to dining or other activities.

The replacement LTCC is designed using the residential home model. All of the bedrooms will open to the living area. There will be an open kitchen, small solariums and a secure outside porch area. This design essentially has open hall space. The residents can opt between spending private time in their room or spending time in the community living area. The private bedrooms and bathrooms support dignity and privacy in living. Residents will have access areas they can use as desired, including a laundry area, spa bath and a hair styling station.

The proposed Kodiak Island Borough project will serve the needs of older adults in need of intermediate nursing care. Typical residents will have long term care needs that include multiple chronic and debilitating medical conditions. A number of them will suffer from a form of dementia which may include behavioral symptoms. Most will require assistance with activities of daily living. Their needs cannot be met at home or in an assisted living facility. For example, Kodiak Island has a 40-year old apartment building that has converted 12 small units into assisted living apartments. This facility does not meet the clinical needs of the patient population who live in the existing LTCC.

The proposed facility is expected to have a resident population similar to the existing LTCC, in which the majority of residents are from the Kodiak service area (95 percent are from the Kodiak service area and 5 percent from other Alaskan communities). The largest group of residents served is in the 75-84 age group.

There is no comparable service on Kodiak Island. Providence Kodiak Island Medical Center is the only nursing home on the island. Currently, the LTCC located within the Medical Center consists of 19 beds with an average occupancy of 98 percent. Given the aging population on the island, the services and facilities are less than forecast utilization projections. Without a new LTCC there may not be enough capacity to offer care to additional residents on the island; therefore, this would require residents to seek care elsewhere (off island) which would add additional cost to the family and community.

Providence anticipates a steady growth in the future LTCC resident population. The existing LTCC consistently has maintained an occupancy rate averaging 98% over the past 6 years. Due to the nature of long term care, the primary payor is Medicaid. Over the past 6 years, Medicaid has represented approximately 92% of the LTCC's operating revenue, with that percentage rising to more than 94% over the past three years.

From 2007 through 2013, the annual shortage of revenues (including depreciation) at the LTCC has ranged from \$219 thousand to \$782 thousand. With construction of the new LTCC, the estimated shortfall is forecast at \$2.3 million in 2014 and \$1.9 million in 2015. Those shortfalls will be covered by current reserves and are largely a function of the Medicaid reimbursement process. New capital costs will be included in the Medicaid reimbursement starting in 2014 but the operational expense increases will not be paid by Medicaid until 2016. In other words, in 2016 when Medicaid rates are rebased, the amount paid by Medicaid will reflect the amount charged to patients and will result in decreased deductions from revenue as more costs will be covered. Thereafter, the LTCC is forecast to produce excess revenues. Administrative and support services are shared with the Medical Center, which will reduce the overall capital and operational costs for both facilities. Beyond the cash flows from LTCC, the project will be financially supported by the stable and sustainable operations of Providence Kodiak Island Medical Center.

Certificate of Need

The State’s Department of Health and Social Services takes an active role in insuring that the number of long-term care beds in the State are sufficient to meet demand, but does not exceed demand. The Certificate of Need program is a review process that, according to the DHSS is “designed to promote responsive health facility and service development, rational health planning, health care quality, and health care cost containment.” The State’s review of the CON application involves an assessment of both a project’s design and service delivery objectives. Because the State is the primary source of funds for long-term care through Medicaid, it is in the State’s economic interest to insure that patients, and the State, are receiving the most benefit from the State’s investment. On February 25, 2013, the Commissioner of the Department of Health and Social Services approved the Borough’s Certificate of Need application for an 18,708 square foot replacement skilled nursing/long-term care center with a total of 22 licensed beds with an anticipated completion date of January 31, 2015. The CON approval cites a total cost of \$16,086,800 for construction, equipment and furnishings.

It is important to note that Medicare and Medicaid are reimbursed on an incurred costs basis. In other words, reimbursement is not a function of the number of beds that are occupied, but rather a function of the costs, both capital and operating, incurred at the facility. Because of the preponderance of Medicaid patients, the State estimates that it will see increased Medicaid costs of more than \$4 million annually with the completion of the new facility. The fact that the Certificate of Need was approved in spite of these expected costs emphasizes the importance with which the Kodiak Island Borough project is viewed by the State.

Future Capital Plans

Borough voters approved the issuance of \$76.31 million of general obligation bonds for improvements and expansions to the Kodiak High School. To date the Bond Bank has issued \$29.6 million against that authorization. The Borough anticipates issuing the balance of the authorized bonds over the next two years.

State-Aid Intercept

The Bond Bank has the authority to intercept state revenues that would otherwise flow to an underlying borrower in the event that a borrower failed to make timely payment on a Bond Bank loan. The Bond Bank has never had to utilize this credit feature. The state aid intercept is, however, a significant credit strength. The table below presents the Borough’s revenues subject to intercept compared to maximum annual debt service, including the 2013 loan and the Borough’s outstanding general obligation debt held by the Bond Bank.

Shared Taxes and Fees	\$1,222,846
Dept. of Transportation Reimbursement	\$943,676
Reimbursement and Other Education Funding	\$3,677,661
Education Support Funding	\$27,612,782
Matching Grants	\$20,576,130
Community Jails	\$0
Revenue Sharing	\$1,042,431
Total Revenue Subject to Intercept	\$55,075,526
Maximum Annual Debt Service	\$7,108,305
Debt Service Coverage	7.75

Estimated Borrower Savings

Savings to the Borough as a result of borrowing through the Bond Bank are estimated at approximately \$3.3 million or \$2.67 million on a present value basis. Savings are a result of lower interest rates and lower costs of issuance that the Borough will face as a result of issuing through the Bond Bank rather than on its own.

Security and Repayment

As stated previously, the Borough has obtained, a Certificate of Need ("CON") designation from the State's Department of Health and Social Services. Providence has leased the buildings and land at the Medical Center since 1997. The LTCC will be located adjacent to existing Medical Center facilities.

The Borough will pledge the lease payments from Providence to the Bond Bank loan. The payments from Providence will be made in approximately equal monthly amounts and will be sufficient to fund all debt service requirements on the Bond Bank loan, plus amounts necessary to cover the Borough's expenses associated with maintaining insurance for fire and other risks (including earthquakes) on the premises. If Providence defaults on its payment obligations to the Borough, the Borough may, at its option, declare all installments of rent payable under the terms of the lease due immediately. At that point, the Borough may take possession of the LTCC and either operate the facility itself or contract with a new operator.

Statement of No Litigation

A statement of no litigation did not accompany the Borough's loan application.

Summary

Based on our assessment, the security offered by the Borough, as set forth in the Borough's loan application and supplemental materials, provides sufficient security to justify approval of the application. Providence has demonstrated its ability to successfully operate the Medical Center and LTCC for many years, which affirms that the facility fulfills an important role in medical service delivery in the Borough. The Bond Bank will require that a debt service reserve fund, held by the Bond Bank's trustee, be funded at closing. Additionally, the Bond Bank's ability to intercept state-shared revenues that would otherwise flow to the Borough in the event of a failure by the Borough to make timely payments provides the ultimate security for this loan.

For these reasons, we recommend approval of this loan for inclusion in the Bond Bank's next bond financing, subject to receipt of the no litigation letter from the Borough. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 719-6113.

For Western Financial Group, LLC

A handwritten signature in black ink, appearing to read "Chip Pierce", with a horizontal line extending to the right.

Chip Pierce

APPENDIX

Kodiak Island Borough Demographic Information

Kodiak Island is located on the eastern side of the Gulf of Alaska. It is 252 air miles south of Anchorage, a 55 minute flight, and is a 3 hour flight from Seattle.

Kodiak Island has been inhabited since 8,000 B.C. and was settled by Russian fur trappers in 1792. Sea otter pelts were the primary incentive for Russian exploration at that time. Kodiak was the first capital of Russian Alaska, which moved to Sitka when Alaska was purchased by the U.S. in 1867. Since the Aleutian Campaign of World War II, several branches of the military have maintained a presence in Kodiak. The 1960s brought growth in commercial fisheries and fish processing. The Borough was incorporated in 1963.

The Island culture is grounded in commercial and subsistence fishing activities and is primarily non-Native. A Russian Orthodox Church seminary is based in Kodiak, one of the two existing seminaries of this kind in the U.S. The Coast Guard comprises a significant portion of the Borough.

Fishing, fish processing, retail, services and the health care industries are the key employers. The Borough has one of the most diverse fisheries in the world, which helps insulate it from downturns in the production of any one fishery. The Coast Guard, City, Borough, state, and federal agencies also provide employment. Kodiak has consistently ranked as the second or third largest port in the nation in terms of seafood value. The labor force of the Borough is dominated by the fishing industry. Approximately one-third of the Borough's workforce is employed in the fish harvesting industry. An important factor in the prominence of Kodiak as a fishing center is the diversity of its harvest. The five major fisheries (salmon, cod, pollock, halibut and crab) provide economic diversification and stabilize the seasonal nature of the fishing industry. Salmon are landed over the summer and most crab are landed in the winter. Halibut is open from March through November. The groundfish season (cod and pollock) are landed throughout the year.

Kodiak is home to several seafood processors that make products directly from landed catch. These products include fresh frozen fish, canned fish and surimi, a fish paste used in making imitation seafood products.

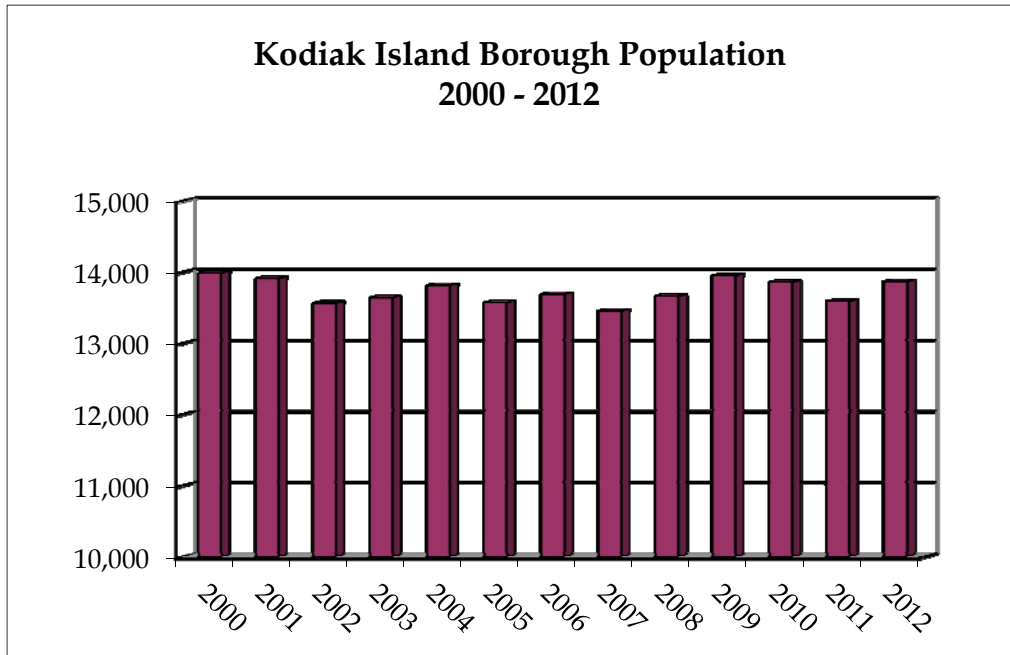
A low-Earth orbit launch complex, Kodiak Launch Complex, is located 30 miles southwest of Kodiak at Cape Narrow. The Complex is used to launch small satellites into polar, high inclination orbits. The \$28-million facility was completed in late 2000.

Communities located within the Borough include: Akhiok, Chiniak, Karluk, Kodiak, Kodiak USCG Station, Larsen Bay, Old Harbor, Ouzinkie, Port Lions, Uganik, and Womens Bay.

Kodiak is accessible by air and sea. Airports and seaplane facilities serve air traffic island-wide. The Alaska Marine Highway System operates a ferry service from Seward and Homer. Two boat harbors serve commercial and transient vessels. Approximately 140 miles of state roads connect island communities on the east side of the island.

The Kodiak Island Borough School District has an enrollment of approximately 2,700 students. The District operates 7 kindergarten through 12th grade schools in outlying areas of the Borough and 4 elementary schools in and around the City of Kodiak. The District also operates the Kodiak Middle School, Kodiak High School and Kodiak Regional Learning Center.

The graph below shows the Borough's population over the past 13 years. As the graph indicates, the Borough's population over that period has remained quite stable, ranging from approximately 13,600 to 14,000.





Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information			
A. Name of Governmental Unit (Applicant):			
Kodiak Island Borough			
B. Type of government (home rule, first class, authority, etc.):			
2nd class borough			
C. Contact Person for the government:			
Name:		Title:	
Karleton Short		Finance Director	
Address:		City: State: Zip:	
710 Mill Bay Road		Kodiak AK 99615	
Phone:		E-mail:	
907-486-9320		kshort@kodiakak.us	
Fax:			
907-486-9399			
D. Applicant's Bond Counsel: Wohlforthk Brecht, Cartledge, Brooking			
Name:		Title:	
Cheryl Brooking			
Address:		City: State: Zip:	
Phone:		E-mail:	
Fax:			
E. Applicant's Financial Advisor or Underwriter (if applicable):			
Name:		Title:	
Address:		City: State: Zip:	
Phone:		E-mail:	
Fax:			

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$20,000,000	Construction	20,000,000
Federal Funds*	\$	Engineering	\$
State Funds*	\$	Contingency	\$
Applicant's Funds	\$	Cost of Issuance	\$
Other (specify)	\$	Other	\$
Total:	\$20,000,000	Total:	20,000,000

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

These bonds will be paid by Medicaid.

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. All information is on file with the Bond Bank

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? No

If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? No

If yes, please attach details. Attached

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? No

If yes, please attach an explanation. Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? No

If yes, please attach an explanation. Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. Attached.

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy.

Attached All of our anticipated debt is listed in the previous question.

Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) This information is available in our budget located on our web site at <http://www.kodiakak.us>

Are any of the community's major employers expected to make changes in work force or operations? No

If yes, provide an explanations. Attached

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

Year	Population	Source
2007	13664	State of Alaska
2008	13954	State of Alaska
2009	13860	State of Alaska
2010	13592	State of Alaska
2011	13870	State of Alaska

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. → Attached In Both CAFR and Budget

M. Provide your audited financial statements from the last two years (provide your unaudited statement if an audit hasn't been performed). These reports are available on our website at

N. Provide your current year's budget. The budget is available on our website. <http://www.kodiakak.us/>

O. Provide your capital improvement plan. Our capital improvement plan is part of our budget.

P. Provide any other financial or economic information that will assist evaluation of your application.

Attached

IV. Legal Information

- A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened
1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
 2. against your government or involving any of the property or assets of or under the control of your government, which , whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.
- B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.
- C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Karleton Short

Name (print)

Finance Department

Title



Signature

14-Jan-13

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven_mitchell@revenue.state.ak.us

Kodiak Island Borough
Anticipated future Debt
As of 1/14/2013

<u>HS R & R Project</u>		<u>LTC Facility</u>	
2013	25,000,000	2013	20,000,000
2014	25,000,000		
2015	18,310,000		
	<u>68,310,000</u>		<u>20,000,000</u>

These number include anticipated funding from this bond issue

Alaska Municipal Bond Bank
Application Credit Review Summary Page

Applicant:	City of Ketchikan
Loan Amount:	\$15,000,000
Project Type:	electric system improvements
Project Description:	Ketchikan will use the Bond Bank loan to harness the the hydroelectric generating potential of the Whitman Dam. The current dam provides water to the Southern Southeast Regional Aquaculture Association salmon Hatchery at Herring Cove near Ketchikan. Phase I of the project replaces existing 1970's era pipes and routes the new pipes to a powerhouse. Phase II will involve building a small diversion dam on Achilles Creek and diverting water to Whitman Lake to make it available for power generation.
Term of Loan:	20 years
Loan Security:	Net Utility System Revenues
Revenues Expected to Repay Loan:	Net Utility System Revenues
Estimated Annual Revenues for Repayment:	Approximately \$8.16 million
Estimated Maximum Annual Debt Service (all parity debt):	\$3.06 million
Total Bond Bank Annual Debt Service:	\$8.12 million
Most Recent FY Debt Service Coverage Ratio:	2.60
Most Recent FY State-Shared Revenues (SSR):	\$44.6 million
Debt Service Coverage of AMBB DS from SSR:	5.49x
Loan Subject to State Debt Service Reimbursement:	no
Estimated Borrower Savings (Gross):	\$1.23 million
Estimated Borrower Savings (Present Value):	\$955 thousand
No Litigation Letter Received:	Yes

Loan Application Evaluation

City of Ketchikan

Introduction

The City of Ketchikan (the “City”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a revenue loan of approximately \$15 million. The City will use the Bond Bank loan to finance improvements that will result in development of hydroelectric generation capacity for Whitman Lake in Ketchikan. The following is our overview of this application and the security provisions associated with the loan.

The Project

Ketchikan will use the Bond Bank loan to harness the the hydroelectric generating potential of the Whitman Dam. The current dam provides water to the Southern Southeast Regional Aquaculture Association salmon Hatchery at Herring Cove near Ketchikan. Phase I of the project replaces existing 1970’s era pipes and routes the new pipes to a powerhouse. Phase II will involve building a small diversion dam on Achilles Creek and diverting water to Whitman Lake to make it available for power generation.

The total project cost is expected to exceed \$26.4 million, with state and Borough funds accounting for approximately 43% of the project’s costs. The project was approved by the voters at a revenue bond election on October 4, 2011 by a 79% to 21% margin.



Electric Enterprise Operations

Ketchikan Public Utility (KPU) provides electric, water and telecommunications service to individuals and businesses in and near Ketchikan. The revenues and expenses of each of these separate functions are combined within one fund and the AMBB loan will be secured by a comprehensive pledge of KPU net system revenues.

KPU’s electric enterprise system currently serves an estimated 7,443 customers. The number of electricity customers has seen a modest 1.89% increase since 2007. Demand for energy, however, has been increasing at a much higher rate than customer counts. Energy sales increased from 2010 to 2012 by 9.7%. The conversion from diesel fuel to electricity for heating is the major driving force behind the increase. The proposed Whitman Lake Hydroelectric Project will install 4.6 megawatts of generation capacity at the existing dam, supporting near term load demand increases in the Ketchikan area and displacing diesel generation.

KPU will also replace the aging water supply system of the Southern Southeast Regional Aquaculture Association Whitman Lake Hatchery, providing increased water quality, reliability and redundancy to a facility that is critical to the region’s commercial fishing, seafood processing and sportfishing industries.

The project will be located approximately four miles from the City. It will generate up to an average of 16 million kilowatt hours, displacing up to 1.1 million gallons of diesel fuel annually. Penstocks will lead to a new powerhouse containing two hydro turbine generators. Unit One will generate 3.9 megawatts from water that would otherwise be spilled and Unit Two will generate 0.7 megawatts from water delivered to the fish hatchery.

Ketchikan's periodic dependence on diesel-generated electricity, combined with the volatility of diesel fuel costs, has led the City to move forward with identifying alternative sources of electricity generation, and the Whitman Lake project offers an affordable option.

KPU's financial operations have been stable in recent years. During fiscal years 2007 through 2011 (the City operates on a calendar year basis) operating revenues have ranged from \$30.8 million in 2007 to \$34.2 million, with operating expenses (net of depreciation) during those years ranging from \$22.9 to \$26.1 million. Unaudited results for 2012 estimate KPU revenues at \$34.0 million and expenses (net of depreciation) of \$27.7 million. The primary reason for the increase in expenses relates to an extra \$1 million paid by KPU in 2012 to the Southeast Alaska Power Agency to meet customer electricity demand.

	2007	2008	2009	2010	2011
Operating Revenues	30,786,551	33,275,983	33,310,537	32,975,154	34,172,941
Interest Earnings	1,121,373	786,589	317,368	102,831	80,209
Gross Revenues	31,907,924	34,062,572	33,627,905	33,077,985	34,253,150
Operating Expenses	29,479,014	31,275,593	32,982,326	30,596,143	31,987,731
Depreciation	6,624,656	5,728,819	6,086,514	5,932,099	5,892,449
Net Expenses	22,854,358	25,546,774	26,895,812	24,664,044	26,095,282
Revenue for Debt Service	9,053,566	8,515,798	6,732,093	8,413,941	8,157,868
Maximum Estimated DS	3,142,118	3,142,118	3,142,118	3,142,118	3,142,118
Estimated DS Coverage	2.88	2.71	2.14	2.68	2.60

Security and Repayment

The City's loan will be secured with net revenues from the Ketchikan Public Utilities. Ketchikan does not have any plans at this time to modify its electric system rates. The reduced dependence on diesel-generated electricity is expected to have a positive impact on KPU's financial position. In addition, the Ketchikan City Council has approved a 5% increase in water rates which is expected to increase revenues by approximately \$145,000 annually. This is relevant because the pledge from KPU is secured by revenues from the electric, water and telecommunications operations of the utility.

The ordinance under which the City will secure its loan from the Bond Bank requires that rates are set so that the system produces net revenues equal to at least 125% of the annual debt service on all parity bonds. In addition, Resolution No. 90-1645 requires that KPU maintain a debt service coverage ratio of net revenues to debt service of no less than 1.50 times.

In addition to the rate covenant, the ordinance requires that in order to issue additional parity bonds the City must demonstrate that it can achieve 125% debt service coverage on additional parity revenue bonds.

Lastly, the City will be required to deposit with the Bond Bank's trustee a debt service reserve fund equal to the maximum allowed under federal tax rules. For the purposes of this loan, the reserve requirement is expected to be approximately \$1.1 million. The City will fund the reserve with proceeds of this Bond Bank loan.

Future Capital Plans

The City is planning to issue \$2.5 million of general obligation bonds in July 2014 to finance harbor improvements. The City Council has adopted the first of a series of rate increases to provide revenues to pay debt service on the bonds. A 7% increase in rates will become effective on September 1, 2013. The Council is also contemplating a \$40 million general obligation bond to finance improvements to the Ketchikan Medical Center. A decision to move forward on that project is on hold pending the securing of grant funding.

Estimated Borrower Savings

Savings to the City as a result of borrowing through the Bond Bank are estimated at approximately \$1.23 million or \$955 thousand on a present value basis. Savings are a result of lower interest rates and lower costs of issuance that the City will face as a result of issuing through the Bond Bank rather than on its own.

Statement of No Litigation

Accompanying the application from the City is a letter from Mitchell A. Seaver, the City Attorney, stating that "to my knowledge, there is no litigation pending or threatened in any court in any way ... affecting the corporate existence of the City... or seeking to restrain or enjoin the issuance, sale or delivery the Bonds, or the right of the City to establish and collect rates and charges of the City of Ketchikan d/b/a Ketchikan Public Utilities pledged or to be pledged to pay principal and interest on the Bonds; ... or... against the City or involving the property or assets of or under the control of the City that, whether individually or in the aggregate, involves the possibility of any judgment or uninsured liability which may result in any material change in the revenues, properties, or assets of the City, or in the condition, financial or otherwise, of the City. "

State Aid Intercept

The Bond Bank has the authority to intercept state revenues that would otherwise flow to an underlying borrower in the event that a borrower failed to make timely payment on a Bond Bank loan. The Bond Bank has never had to utilize this credit feature. The state aid intercept is, however, a significant credit strength. With the sale of this issue, the City will have approximately \$66.7 million of debt outstanding under the Bond Bank's 2005 Resolution and \$3.7 million of debt outstanding under the 1976 Resolution. The City also has \$1.2 million outstanding under a 2002 AMBBA revenue bond resolution.

The table on the following page presents the City's revenues subject to intercept compared to maximum annual debt service, including the 2013 loan and the City's other debt held by the Bond Bank.

Shared Taxes and Fees	\$2,465,255
Dept. of Transportation Reimbursement	\$0
Reimbursement and Other Education Funding	\$0
Education Support Funding	\$0
Matching Grants	\$41,432,990
Community Jails	\$0
Revenue Sharing	\$698,801
Total Revenue Subject to Intercept	\$44,597,046
Maximum Annual Debt Service	\$8,119,739
Debt Service Coverage	5.49

Summary

Based on our assessment, the security offered by the City, as set forth in the City’s loan application and supplemental materials, provides sufficient security to justify approval of the application. This security provided by the City’s pledge of net system revenues of KPU, the debt service reserve fund held by the Bond Bank’s trustee and the security provided by the Bond Bank’s ability to intercept state-shared revenue is substantial.

For these reasons, we recommend approval of this loan application. If you have any questions related to the preceding report, please do not hesitate to call me at (503) 719-6113.

For Western Financial Group, LLC



Chip Pierce

Ketchikan Economic and Demographic Information

The City is the population center of Ketchikan Gateway Borough and is Alaska's southernmost major city and the state's fifth largest. The current population of the City is approximately 8,100. The population of the KPU service area is approximately 13,700.

The City's economy is based on natural resources, primarily timber and fishing. Both industries have played significant roles in the development of the local economy since the turn of the century. During the first part of the 1900's, fishing was the primary industry with numerous canneries and fish processing facilities operating throughout the community. In the 1950's timber moved to the forefront when the US Forest Service offered two 50 year timber contracts to cut timber in the Tongass National Forest. One of the contracts resulted in the construction of a major pulp mill facility and several saw mills in Ketchikan.

In 1997, Ketchikan Pulp Company ("KPC") closed its pulp mill located in Ketchikan. The closure came after two years of unsuccessful negotiations with the US Forest Service to extend the 50 year timber contract by an additional 15 years.

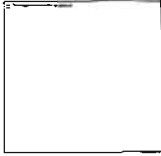
Ketchikan is the first port of call in Alaska for cruise ships and Alaska Marine Highway vessels. Tourism and government are also major contributors to the local economy. Approximately 1 million passengers traveling on 500 ships visit Ketchikan annually.

This growth in the tourism industry has led to the development of commercial property adjacent to the Port of Ketchikan. In the past three years, significant construction has taken place targeting local tourism.

Government accounts for approximately one-quarter of the employment. Local government employs approximately one-half of the government sector and the state government one-third. The City of Ketchikan, with 305 regular full-time employees, is the fourth largest employer in the Borough. The Borough, including the school district, employs 335.

Regularly-scheduled jet services offer air service. The state-owned Ketchikan International Airport has a paved, lighted 7,500 foot long by 150 foot wide asphalt runway. The airport lies on Gravina Island, a 10-minute ferry ride from Ketchikan's waterfront. Ketchikan is a regional transportation hub, with numerous air taxi services to surrounding communities. There are four major float plane landing facilities: Tongass Narrows, Peninsula Point, Ketchikan Harbor, and Murphy's.

Harbor and docking facilities include a breakwater, a deep draft dock, five small boat harbors, a dry dock and ship repair yard, boat launch, and a state ferry terminal. The shipyard is privately owned. The Inter-Island Ferry Authority operates a once-daily, year-round ferry service between Ketchikan and Hollis.



Alaska Municipal Bond Bank Authority

APPLICATION FOR REVENUE BONDS

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional Information may be requested before a final recommendation.

I. GENERAL INFORMATION

A. Name of Governmental Unit (Applicant): City of Ketchikan, Alaska

B. Type of government (home rule, first class, authority, etc): Home rule

C. Contact person for government:

Name: Bob Newell
Title: Finance Director
Address: 334 Front Street
Phone: 907-228-5621
Fax: 907-228-5617
E-Mail: bobn@city.ketchikan.ak.us

D. Applicant's Bond Counsel:

Name: David Thompson
Title: Attorney
Address: 925 Fourth Avenue, Suite 2900; Seattle, WA 98101
Phone: 206-370-8395
Fax: 206-370-6191
E-Mail: david.thompson@kigates.com

E. If applicable Applicant's Financial Advisor or Underwriter:

Name: Alan Dashen
Title: A. Dashen & Associates
Address: 800 Bellevue Way NE, Suite 400; Bellevue, WA 98007
Phone: 425-452-9550
Fax: 425-452-9552
E-Mail: alan@adashen.com

II. ISSUE INFORMATION

A. Total amount of bond purchase request: \$15,000,000 plus refund KPU Series V Bonds

B. If a bond election is required provide a copy of the bond election ordinance.

or

If a bond election has been held, provide the votes for and against the issue(s): 917_Yes 237_No. Percent of the registered voters casting ballots: 17.6%.

C. Describe the security for the bonds: pledge revenues of the City's KPU enterprises fund. KPU is a combined utility offering electric, water and telecommunications services. See attached proposed Ordinance No. 13-1721.

If the bonds will be issued on a parity with prior bonds, provide a copy of the prior bonds' Bond Ordinance. The bonds will be issued on parity with prior bonds. All prior parity bonds issued through the Alaska Municipal Bond Bank except for Series W-Clean Renewable Energy Bonds, which were issued through Banc of America.

If the Bond Ordinance hasn't been adopted, outline the proposed structure (including lien position of bondholders, flow of funds, rate covenants, debt service reserve fund, and any provisions for the issuance of future parity bonds). Ordinance No. 13-1721 is attached. The ordinance will be presented to the City Council for first reading on April 4, 2013. The second reading is scheduled for April 18, 2013. If the ordinance is approved by the City Council in second reading, it will become effective on May 19, 2013.

D. Will you need interim financing? No

If applicable provide interim financing information:

Amount	Maturity	Rate	Lender
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Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. N/A

E. Describe project to be financed, including the information requested in 1 – 6. If this information is available in a project feasibility study you may reference and attach it.

The Whitman Lake Hydroelectric Project was conceived to utilize the existing hydroelectric potential associated with the Whitman Dam located above the Southern Southeast Regional Aquaculture Association (SSRAA) salmon hatchery at Herring Cove near Ketchikan, Alaska. The current infrastructure delivers water from the dam to the hatchery via two steel pipelines and provides no hydroelectric generation.

Phase 1 of this project replaces those 1970's era steel pipes with two buried 42" HDPE pipes routed to a new hydroelectric powerhouse containing two turbine/generator units with a combined capacity of 4.6 MW. A portion of the water exiting the turbines will flow into a large tank and will be available to the hatchery to continue their operations relatively unchanged. Other project features include an access road, two new intakes in Whitman Lake, a valve house at the dam with power and communications, a switchyard and 1000-ft buried transmission line.

To maintain an uninterrupted water supply to the hatchery during powerhouse and pipeline construction, this project also includes installation of a temporary bypass consisting of twin 20" HDPE pipes to provide water to the hatchery until the powerhouse and new permanent pipeline are constructed and commissioned.

Phase 2 of the Whitman Lake Hydroelectric Project is the construction of a small diversion dam on Achilles Creek and installation of a 20" HDPE pipe which will convey water from the creek to Whitman Lake, making it available for power generation.

The project is expected to produce an average annual generation of 16,000 MW-hours.

1. Are engineering and specifications completed? Yes

2. If not, when are they projected for completion? N/A

3. Have construction bids been awarded? Yes

Contract 12-06 - Supply of Turbine and Generator. Notice to proceed issued 7/12/12

Contract 12-29 - General Construction. Notice to proceed issued 1/2/13

Contract 12-56 - Powerhouse Equipment Installation. Notice to proceed issued 2/1/13

4. Are there additional state or local approvals required? All federal, state and local approvals have been obtained.

5. Describe timing/scheduling plan. See attached construction schedule.

6. What is the projected completion date?

Phase I is expected to be completed by May 1, 2014 with powerhouse startup/commissioning.

Phase II (Achilles Creek Diversion) is expected to be completed by September 1, 2014.

F. Provide an attachment detailing the schedule of rates and charges currently in effect to support this project. If a rate increase is planned, provide details on the amount of the increase and when it is expected to occur. Provide rate ordinance(s) currently in effect. If applicable provide any preferential use agreements or other contract with major users. (If this information is available in a feasibility study please so note and attach the study). No rate increase is planned at this time.

G. Sources and uses of funds.

Sources of Funds		Uses of Funds	
Bonds (this application)	\$15,000,000	Construction	\$21,870,232
Federal Funds*	\$0	Engineering	\$1,700,000
State Funds*	\$8,725,000	Contingency	\$1,500,000
Applicant's Funds	\$173,375	Cost of Issuance	\$175,000
Other - Borough	<u>\$2,500,000</u>	Other	<u>\$1,153,143</u>
TOTAL	<u>\$26,398,375</u>	TOTAL	<u>26,398,375</u>

* If federal or state funds are involved provide a complete description of the status and uses of these funds. A copy of the State and Borough grant agreement has been attached to this bond application.

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds. All costs except for contingencies would be paid for with AMBBA bond proceeds.

III. CREDIT INFORMATION

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds.

All KPU bonds on parity with this proposed bond were issued through the AMBBA except Series W - CREBs. Copies of the Series W-CREBs loan agreement with Banc of America and Ordinance No. 08-1602 have been attached to this bond application.

B. Has your government met its debt service coverage requirements on outstanding revenue bonds? Yes No

If no, attach an explanation.

C. Has your government ever defaulted on any of its general obligation bonds, revenue bonds, or special assessment bonds?

Yes No

Has your government ever been unable to meet debt service coverage or other bond covenants?

Yes No

If you answered yes to either of these questions, provide an explanation.

This City was not able to meet the 120 day requirement for issuing its 2003 audited financial statements due to the conversion of its financial reporting as required under GASB Statement No. 34.

D. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan provide a copy.

The City is planning to issue general obligation bonds in the amount of \$2.5 million in July 2014 to finance harbor improvements. The City Council has approved the first of a series of rate increases to provide for the debt service on the bonds. A 7% increase in rates will become effective September 1, 2013. The Council is also contemplating a general obligation bond in the amount of \$40 million to finance improvements planned for the Ketchikan Medical Center. A decision to move forward with this project is on hold until the City is able to secure grant funding.

E. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application). A copies of the letters of transmittal for the

the City's 2013 General Government and KPU Budgets have been attached to this bond application.

F. List the five largest employers in your area:

Name	Type of Business	Number of Employees*
State of Alaska	Government	NA
KGB School District	Government	NA
City of Ketchikan	Government	NA
Ktn Medical Center	Hospital	NA
Federal Government	Government	NA

*State of Alaska, Department of Labor no longer publishes information regarding the the number of employees.

Are any of these employers expected to make changes in work force or operations? _____ Yes No. If yes provide an explanation.

G. Please provide population figures for your community for the last five years. Indicate the source of your figures.

2011	13,686
2010	13,477
2009	12,984
2008	12,993
2007	13,166

Source: State of Alaska, Department of Commerce, Division of Community and Regional Affairs. Population figures are for the Ketchikan Borough. The service area of the City of Ketchikan Public Utilities encompasses almost all of the populated areas of the Borough.

H. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been performed). The City's audited financial financial statements are available at <http://www.city.ketchikan.ak.us/departments/finance/index.html>

I. Provide your current year's budget.

The City's current year's budgets are available at <http://www.city.ketchikan.ak.us/departments/finance/index.html>

J. Provide your capital improvement plan.

The City's capital improvement plans are available at <http://www.city.ketchikan.ak.us/departments/finance/index.html>

K. Provide any other financial or economic information that will assist evaluation of your application.

The letter of transmittal and management's discussion and analysis present in the City's 2011 Comprehensive Annual Financial Report provide additional insight into the finances and operations of the City of Ketchikan. The City's 2011 CAFR is available at <http://www.city.ketchikan.ak.us/departments/finance/index.html>. The letter of transmittal begins on page 3 and management's discussion and analysis begins on page 17.

IV. LEGAL INFORMATION

A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any court in any way:

1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or

2. against your government or involving any of the property or assets of or under the control of your government, which, whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.

8. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.

C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation.

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge.

Robert E Newell Jr

Name (print)

Finance Director

Title

[Signature]

Signature

4/1/13

Date of Application

Submit completed applications to:

Alaska Municipal Bond Bank Authority
P.O. Box 110405
Juneau, AK 99801

Phone: (907) 465-2388
Fax: (907) 465-2902

E-Mail: AMBBA@revenue.state.ak.us

Submit completed applications to:

[Return to Top](#)

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[State of Alaska Home Page](#)

**City of Ketchikan, AK
Whitman Lake Hydroelectric Project
Revenue Bond Application
Schedule of Attachments**

Attachment	Application Reference
Ordinance No. 13-1721, Series X Whitman Lake Construction Schedule	Issue Information - II. C. Issue Information - II. E. 5.
AEA Grant Amendment No. 1	Issue Information - II. G.
AEA Grant	Issue Information - II. G.
Ketchikan Gateway Borough Grant	Issue Information - II. G.
Ordinance No. 08-1602, Series W CREB	Credit Information - III. A.
Series W CREB Loan Agreement Between the City and Banc of America	Credit Information - III. A.
Letter of Transmittal - 2013 General Government Operating and Capital Budget	Credit Information - III.E.
Letter of Transmittal - 2013 KPU Operating and Capital Budget	Credit Information - III.E.
No Litigation Certificate	Legal Information - IV. A.

CITY OF KETCHIKAN, ALASKA
MUNICIPAL UTILITY REVENUE BOND, 2013, SERIES X

\$15,000,000

ORDINANCE NO. 13-1721

AN ORDINANCE of the City of Ketchikan, Alaska, authorizing the issuance of a municipal utility revenue bond of the City in a principal amount not to exceed \$15,000,000 to finance certain costs of constructing and equipping the Whitman Lake Project as authorized by Resolution No. 11-2411 and ratified by the City's voters at an election held therein on October 4, 2011; authorizing the pledge of Ketchikan Public Utilities revenues to pay debt service on the bond; providing for the date, terms and covenants of the bond; and authorizing the sale of the bond to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance.

PASSED: _____, 2013

Prepared by:

K&L GATES LLP
Seattle, Washington

CITY OF KETCHIKAN, ALASKA

ORDINANCE NO. 13-1721

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* Neither this table of contents nor the preceding cover page is a part of this Resolution.

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WHEREAS, the City of Ketchikan, Alaska (the "City"), owns and operates a combined electric, water and telecommunications utility (the "Municipal Utilities"); and

WHEREAS, at an election held in the City on October 4, 2011, the number and proportion of qualified electors of the City as required by law for the adoption thereof voted in favor of a proposition authorizing the issuance of municipal utility revenue bonds of the City in a principal amount not to exceed \$15,000,000 to finance certain costs of constructing and equipping a hydroelectric plant at Whitman Lake (the "Project") as authorized by Resolution No. 11-2411 of the City Council (the "Council") passed on July 7, 2011 (the "Election Resolution"); and

WHEREAS, the City presently has outstanding \$7,885,000 aggregate principal amount of municipal utility revenue bonds, Series T, V and W, having a senior lien on revenues of the Municipal Utilities (the "Outstanding Parity Bonds"), and the ordinances authorizing the issuance of those bonds permit additional revenue bonds to be issued on a parity with those bonds if certain conditions are met; and

WHEREAS, the Council wishes to authorize the issuance of not to exceed \$15,000,000 principal amount of the municipal utility revenue bonds authorized by the Election Resolution and approved by the City's voters; and

WHEREAS, it is in the best interest of the City to sell the bonds to the Alaska Municipal Bond Bank (the "Bond Bank") on the terms and conditions set forth herein and in a loan agreement authorized by this ordinance to be entered into by the City Manager.

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Ketchikan, Alaska, as follows:

Section 1. Definitions. As used in this ordinance, the following words have the following meanings, unless a different meaning clearly appears from the context:

"Bond" means the City of Ketchikan, Alaska, Municipal Utility Revenue Bond, 2013, Series X, in a principal amount not to exceed \$15,000,000, authorized to be issued and sold to the Bond Bank pursuant to this ordinance.

“Bond Bank” means the Alaska Municipal Bond Bank, a public corporation and instrumentality of the State of Alaska, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended.

“Bond Bank Bonds” means bonds to be issued by the Bond Bank to provide funds to be loaned to the City pursuant to the Loan Agreement.

“Bond Fund” means the City of Ketchikan Municipal Utility Revenue Bond Fund created pursuant to Section 5.1 of Ordinance No. 02-1458 and continued by this ordinance to pay and secure the payment of Parity Bonds.

“Bond Premium” means proceeds of the Bond representing an allocation of the original issue premium, if any, on the Bond Bank’s Bond.

“Bond Register” means the registration books for the Bond maintained by the Registrar, for the purpose of complying with the requirements of Section 149 of the Code and listing, inter alia, the names and addresses of the Registered Owner of the Bond.

“City” means the City of Ketchikan, Alaska, a home rule municipal corporation duly organized and existing under the Constitution and laws of the State of Alaska and its City Charter.

“Costs of Maintenance and Operation” means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expense with respect to the Municipal Utilities, but excludes depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the Municipal Utilities, municipal taxes, or payments to the City in lieu of taxes.

“Code” means the federal Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Bond.

“Council” means the City Council of the City, the general legislative authority of the City, as duly constituted from time to time, or any successor body.

“Debt Service” means for any particular year and for the Bond, the Parity Bonds or any Future Parity Bonds, as applicable, an amount equal to the sum of (i) all interest payable during such year on such bonds outstanding plus (ii) the Principal Installment or Installments during such year on such bonds outstanding, calculated on the assumption that bonds outstanding on the day of calculation cease to be outstanding by reason of, but only by reason of, payment upon maturity, or earlier mandatory redemption and application to such purposes of any Sinking Fund Installments, or payments into the Bond Fund, required by the ordinance or resolution authorizing issuance of such bonds.

“Debt Service Account” means the account of that name created within the Bond Fund pursuant to Section 5.1 of Ordinance No. 02-1458.

“Election Resolution” means Resolution No. 11-2411 of the Council, passed on July 7, 2011, and ratified by the City’s voters in an election held in the City on October 4, 2011.

“Finance Director” means the Finance Director of the City or the successor to the duties of that office.

“Fiscal Year” means the Fiscal Year used by the City at any time. At the time of the passage of this ordinance, the Fiscal Year is the twelve-month period beginning on January 1 and ending on December 31 of each year.

“Future Parity Bonds” means any revenue bonds of the City, other than the Bond and the Outstanding Parity Bonds, the principal of and interest on which are payable out of money in the Utilities Revenue Fund on a parity with the payments required to be made from that Fund for the principal of and interest on the Outstanding Parity Bonds and the Bond.

“Government Obligations” means any bonds or other obligations that, as to principal and interest, constitute direct obligations of, or are unconditionally guaranteed by, the United States of America.

“Loan Agreement” means the Loan Agreement by and between the City and the Bond Bank authorized to be entered into pursuant to Section 17 of this ordinance.

“Municipal Utilities” means the existing light and power, water and telephone systems of the City, as the same may be added to, improved and extended for as long as any Parity Bonds are outstanding.

“Net Revenue” means all Revenue less the Costs of Maintenance and Operations.

“Outstanding Parity Bonds” means the following described municipal utility revenue bonds of the City (outstanding principal amounts are as of March 1, 2013):

<u>Series</u>	<u>Dated Date</u>	<u>Ordinance No.</u>	<u>Principal Amount</u>
T	October 1, 1997, amended October 20, 2005	97-1374 and Resolution No. 05-2138	\$5,840,000
V	December 10, 2002	02-1458	1,245,000
W	July 10, 2008	08-1602	800,000

“Parity Bonds” means the Outstanding Parity Bonds and any Future Parity Bonds.

“Principal Installment” means, as of any date of calculation and with respect to any series of Parity Bonds, so long as any bonds thereof are outstanding, (i) the principal amount of bonds of such series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the amount of any Sinking Fund Installment due on a certain future date for Term Bonds, or (iii) if such future dates coincide as to different bonds of such series, the sum of such principal amount of bonds and the amount of such Sinking Fund Installments due on such future date.

“Project” means the construction and equipping of a hydroelectric plant at Whitman Lake, as authorized by the Election Resolution.

“Project Fund” means the “Whitman Lake Project Fund, 2013” created pursuant to Section 16 of this ordinance.

“Qualified Insurance” means any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation is rated, at the time of issuance of such policy or surety bond, in one of the two highest rating categories by Moody’s Investors Service, Standard & Poor’s Ratings Services, and any other rating agency then maintaining a rating on the Bonds, provided, that, as of the time of issuance of such policy or surety bond, such insurance company or companies maintain a policy owner’s surplus in excess of \$500,000,000.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a bank for the account of the City and for the benefit of the owners of Parity Bonds, provided that such bank maintains an office, agency or branch in the United States, and provided further, that, as of the time of issuance of such letter of credit, such bank is then rated in one of the two highest rating categories by Moody’s Investors Service, Standard & Poor’s Ratings Service, and any other rating agency then maintaining a rating on the Bonds.

“Registrar” means the Finance Director, for the purposes of registering and authenticating the Bond, maintaining the Bond Register, and paying principal of and interest on the Bond.

“Registered Owner” means the person in whose name the Bond is registered on the Bond Register, initially the Bond Bank.

“Reserve Account” means the “Common Reserve Account” created within the Bond Fund pursuant to Section 5.2 of Ordinance No. 02-1458 and continued by this ordinance.

“Reserve Requirement” means (i) so long as the Series T Bond remains outstanding, an amount equal to average annual Debt Service on the Parity Bonds, and (ii) from and after such time as the Series T Bond no longer remains outstanding, the least of (i) maximum annual debt service, (ii) 125% of average annual Debt Service on the Parity Bonds, or (iii) 10% of the face amount of the Parity Bonds.

“Revenue” means all gross earnings, revenue and money received from or on account of the operation of the Municipal Utilities, including income from the investment of any funds of the Municipal Utilities (but excluding income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of defeasance or refunding).

“Rule” means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934.

“SEC” means the Securities and Exchange Commission.

“Series T Bond” means the Municipal Utility Revenue Bond, 1997, Series T, originally dated October 1, 1997, as authorized by Ordinance No. 97-1374, and amended as of October 20, 2005, pursuant to Resolution No. 05-2138 of the City Council.

“Series V Bond” means the Municipal Utility Revenue Refunding Bond, 1998, Series V, dated December 10, 2002, as authorized by Ordinance No. 02-1458, and as it may be amended pursuant to Resolution No. 13-2502.

“Series W Bond” means the Municipal Utility Clean Renewal Energy Tax Credit Bond, 2008, Series W, dated July 10, 2008, as authorized by Ordinance No. 08-1602.

“Sinking Fund Installments” means amounts so designated that are required to be paid into a “sinking fund account” to provide for the payment of the principal of any Term Bonds. Such payments shall be payable monthly or annually, as provided in the ordinance or resolution authorizing issuance of the Term Bonds.

“Tax Certificate” means the certificate with respect to federal tax matters relating to the Bond authorized to be executed by the Finance Director pursuant to the provisions of Section 12 of this ordinance.

“Term Bonds” means any Parity Bonds identified as such in the ordinance or resolution authorizing the issuance thereof, the payment of the principal of which is fully provided for by a requirement for payment of mandatory Sinking Fund Installments into a “sinking fund account” in the Bond Fund.

“Utilities Revenue Fund” means the fund of the City created by Section 5 of Ordinance No. 482, into which fund all Revenue of the Municipal Utilities must be paid.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words imparting the singular number shall include the plural numbers and vice versa unless the context shall otherwise indicate. Reference to sections and other subdivisions of this ordinance are to the sections and other subdivisions of this ordinance as originally adopted unless expressly stated to the contrary. The headings or titles of the sections hereof, and the table of contents appended hereto, are for convenience of reference only and shall not define or limit the provisions hereof.

Section 2. Findings; Compliance with Parity Conditions. The Council hereby finds and determines, as required by Section 7.3(b) of Ordinance No. 97-1374, Section 7.3 of Ordinance No. 02-1458, and Section 8 of Ordinance No. 08-1602 (collectively, the “Parity Conditions”), as follows:

First, that the Bond is being issued for the purpose of acquiring, constructing, or installing additions and improvements to and making necessary replacements to the Municipal Utilities.

Second, that at the time of the adoption of this ordinance and at the time of the issuance and delivery of the Bond there is not nor will there be any deficiency in the Bond Fund or any Account therein;

Third, that at the time of the delivery of the Bond the City will have on file in the office of the City Clerk a certificate of an independent professional engineer or certified public accountant dated not earlier than 90 days prior to the date of delivery of the Bond and showing that the Net Revenue (determined and adjusted as provided in the Parity Conditions) for each calendar or Fiscal Year after the issuance of the Bond will equal at least 1.25 times maximum annual Debt Service on all Parity Bonds then outstanding, including the Bond;

Fourth, this ordinance pledges to satisfy the Reserve Requirement, by a deposit of money from the Utilities Revenue Fund upon the issuance of the Bond.

The Parity Conditions having been complied with or assured, the payments required in this ordinance to be made out of the Utilities Revenue Fund into the Bond Fund and the Reserve Account shall constitute a lien and charge upon the money in the Utilities Revenue Fund equal to the lien and charge thereon for the payments required to be made into the Bond Fund to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds.

Section 3. Authorization of the Bond. The City shall now issue and sell not to exceed \$15,000,000 principal amount of the municipal utility revenue bonds authorized by the Election Resolution and approved by the City’s voters at an election held on October 4, 2011, to finance a portion of the cost of the Project and to pay costs of issuance of the bonds, all as authorized by the Election Resolution. The bonds shall be issued and sold to the Bond Bank as a single bond in a principal amount not to exceed \$15,000,000, designated as the “City of Ketchikan, Alaska, Municipal Utility Revenue Bond, 2013, Series X” (the “Bond”). The Bond will be dated as established in accordance with Section 17 hereof, will mature on the date or dates, will be fully registered as to both principal and interest, will be numbered in such manner as the Registrar shall determine, will bear interest at the rate or rates and be payable on the dates and in the principal amounts as established in accordance with Section 17 hereof. Interest on the Bond will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Section 4. Registration, Payment and Transfer. The Finance Director shall act as authenticating agent, transfer agent, paying agent and registrar for the Bond (collectively, the “Registrar”). Both principal of and interest on the Bond shall be payable in lawful money of the United States of America. Interest on the Bond shall be paid by check or draft of the Registrar

mailed (on the date such interest is due) to the Registered Owner or nominee at the addresses appearing on the Bond Register on the fifteenth day of the month preceding each interest payment date. Principal of the Bond shall be payable upon presentation and surrender of the Bond to the Registrar by the Registered Owner or nominee at the office of the Registrar in Ketchikan, Alaska. Notwithstanding the foregoing, if the Bond is sold to the Bond Bank pursuant to the provisions of Section 17 of this ordinance, and for so long as the Bond Bank is the owner of the Bond, payments of principal of and interest on the Bond shall be made to the Bond Bank in accordance with the Loan Agreement.

The Bond may be transferred only on the Bond Register maintained by the Registrar for that purpose upon the surrender thereof by the Registered Owner or nominee or his or her duly authorized agent and only if endorsed in the manner provided thereon, and thereupon a new fully registered Bond of like principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Upon surrender thereof to the Registrar, the Bond is interchangeable for a bond or bonds (in denominations of \$5,000 or any integral multiple thereof) of an equal aggregate principal amount and of the same interest rates and principal payment amounts as the Bond. Such transfer or exchange shall be without cost to the Registered Owner or transferee.

The City may deem the person in whose name the Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on the Bond and for any and all other purposes whatsoever.

Section 5. Prepayment. Provisions for the optional prepayment of some or all principal installments of the Bond may be established pursuant to Section 17 and shall be set forth in the Loan Agreement. Portions of the principal amount of the Bond, in increments of \$5,000 or any integral multiple of \$5,000, may be prepaid.

So long as the Bond Bank is the owner of the Bond, notice of prepayment shall be given according to the terms of the Loan Agreement. If the Bond Bank is not the owner of the Bond, notice of prepayment thereof shall be given not less than 30 nor more than 60 days prior to the date fixed for prepayment by first class mail, postage prepaid, to the Registered Owner of the Bond at the address appearing on the Bond Register. The requirements of this section shall be deemed complied with when notice is mailed as herein provided, regardless of whether it is actually received by the owner of the Bond. Each official notice of prepayment shall be dated and shall state: (i) the prepayment date, (ii) the prepayment price or prepayment premium, if any, payable upon such prepayment; (iii) if less than all of an installment of principal is to be prepaid, the principal amount to be prepaid (which must be an integral multiple of \$5,000); (iv) that the interest on the Bond, or on the principal amount thereof to be prepaid, designated for prepayment in such notice, shall cease to accrue from and after such prepayment date; and (v) that on such date there will become due and payable on the Bond the principal amount thereof to be prepaid and the interest accrued on such principal amount to the prepayment date.

Section 6. Utilities Revenue Fund. There has heretofore been created by Section 5 of Ordinance No. 482 of the City a special fund of the City known as the "Utilities Revenue Fund," which fund is hereby authorized to be continued so long as the Bond remains outstanding, into

which fund is deposited as collected all Revenue of the Municipal Utilities, except the interest earned and income derived from investments of money in bond redemption funds and the accounts therein. The Revenue Fund shall be held separate and apart from all other funds and accounts of the City, and the Revenue deposited in the Utilities Revenue Fund shall be used only for the following purposes and in the following order of priority; provided, however, that any payments in lieu of taxes shall be subordinate to the payments required to be made into the Bond Fund out of the Utilities Revenue Fund:

First, to pay the Costs of Maintenance and Operation;

Second, to make all payments required to be made into the Debt Service Account to pay interest on any Parity Bonds;

Third, to make all payments required to be made into the Debt Service Account to pay the principal of any Parity Bonds;

Fourth, to make all payments required to be made into any sinking fund account hereafter created to provide for the payment of Sinking Fund Installments;

Fifth, to make all payments required to be made pursuant to a reimbursement agreement (or other equivalent document) with any provider of Qualified Insurance or a Qualified Letter of Credit (when permitted to be obtained in accordance with Section 5.2(d) of Ordinance No. 02-1458); provided, however, that if there is not sufficient money to make all payments under reimbursement agreements with more than one such provider, the payments will be made on a pro rata basis;

Sixth, to make all payments required to be made into the Reserve Account;

Seventh, to make all payments required to be made into any revenue bond redemption fund, revenue warrant redemption fund, debt service account, reserve account or sinking fund account created to pay and secure the payment of the principal of and interest on any revenue bonds, or revenue warrants or other revenue obligations of the City having a lien upon the Revenue junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds;

Eighth, to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Municipal Utilities, or for any other lawful City purposes.

Section 7. Bond Fund.

(a) *Bond Fund and Accounts Therein.* A special fund of the City known as the “City of Ketchikan Municipal Utility Revenue Bond Fund” (the “Bond Fund”), has heretofore been created in the office of the Finance Director and is hereby authorized to be continued so long as the Bond remains outstanding. The Bond Fund shall be drawn upon for the sole purpose of

paying the principal of, premium, if any, and interest on Parity Bonds as the same shall become due and payable. Within the Bond Fund have been created the Debt Service Account and the Reserve Account.

(b) *Payments into Debt Service Account.* The City hereby obligates and binds itself irrevocably to set aside and pay into the Debt Service Account out of money in the Utilities Revenue Fund, on or before the date due, the amounts necessary to pay the principal of, premium, if any, and interest on the Bond as the same become due and payable. If there is a deficiency in the Debt Service Account for such purpose, the City shall make up such deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose, and, if necessary, by sale or redemption of any authorized investments in such amount as will provide cash in the Reserve Account sufficient to make up any such deficiency.

Whenever and so long as the assets of the Debt Service Account are sufficient to provide money to pay when due a principal installment on the Bond in full, including such interest as may be due thereon, no payments need be made into the Debt Service Account pursuant to this ordinance during any period in which such excess continues.

Money in the Debt Service Account shall be held for the benefit of the owners of all Parity Bonds then outstanding and payable equally and ratably and without preference or distinction as between different series, installments or maturities.

(c) *Reserve Account.* The City covenants that, subject to the provisions of Section 9(2) hereof, it will at all times maintain an amount in the Reserve Account sufficient to satisfy the Reserve Requirement with respect to the Parity Bonds. Whenever there is a sufficient amount in the Bond Fund, including all accounts therein, to pay the principal of, premium, if any, and interest on all Parity Bonds then outstanding, the money in the Reserve Account may be used to pay the principal of, premium, if any, and interest on the Parity Bonds, after all funds available for such purpose in the Debt Service Account have been so used. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, of the Parity Bonds, so long as the money remaining on deposit in the Reserve Account is at least equal to the Reserve Requirement determined with respect to such Parity Bonds.

If there is a deficiency in the Debt Service Account to pay any maturing installment of interest on or principal of and interest on any Parity Bonds or a deficiency in any sinking fund account to pay any Sinking Fund Installment, such deficiency shall be made up by withdrawal of money from the Reserve Account. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up out of Net Revenue after making necessary provision for the payments required to be made by paragraphs First through Fifth, inclusive, of Section 6 of this ordinance.

(d) *Use of Surety.* From and after such time as the Series T Bond no longer remains outstanding, the City may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be paid into or maintained in the Common Reserve Account. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with

the provisions of this section providing for payment in the event of a deficiency therein, as if the Parity Bonds that remain outstanding had been issued on the date of such notice of cancellation.

(e) *Investment of Reserves.* So long as the Series T Bond remains outstanding, all money in the Reserve Account may be kept in cash or invested in direct obligations of the United States of America having a guaranteed redemption price prior to maturity or maturing not later than 12 years from date of purchase, and in no event maturing later than the last maturity of the Parity Bonds outstanding at the time of such purchase. From and after such time as the Series T Bond no longer remains outstanding, money in the Reserve Account may be kept in cash or invested in any investments permitted for funds of the City. Interest earned on any such investments and/or any profits realized from the sale thereof shall be deposited in and become a part of the Bond Fund.

(f) *Lien of Bond.* The amounts pledged by this ordinance to be paid out of the Utilities Revenue Fund into the Bond Fund and the Debt Service Account and Reserve Account therein are hereby declared to be a prior lien and charge upon all the money in the Utilities Revenue Fund superior to all other charges of any kind or nature except the charges required to pay the Costs of Maintenance and Operation and equal in rank to the charges necessary to pay the principal of, premium, if any, and interest on the Outstanding Parity Bonds and to any charges that may later be made thereon to pay the principal of, premium, if any, and interest on any Future Parity Bonds.

(g) *Due Regard.* The corporate authorities of the City hereby declare, in fixing the amounts to be paid into the Bond Fund, that they have exercised due regard to the Costs of Maintenance and Operation of the Municipal Utilities and the amounts necessary to pay the principal of and interest on the Outstanding Parity Bonds and the Bond, and have not obligated the City to set aside and pay into the Bond Fund a greater amount of the Revenue of the Municipal Utilities than in their judgment will be available over and above the Costs of Maintenance and Operation and the charges necessary to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds.

Section 8. Covenants. The City hereby covenants with the owner of the Bond as follows:

(a) *Rate Covenant.* That it will establish, fix, prescribe and collect rates and charges for the sale or use of electric power and energy, water and telecommunications service or other services of the Municipal Utilities that, together with other income thereof, are reasonably expected to yield Net Revenue equal to 1.25 times the Debt Service for the forthcoming Fiscal Year. Promptly upon any material change in the circumstances that are contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the City shall review the rates and charges for services of the Municipal Utilities and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement, provided that such rates and charges shall in any event produce money sufficient to enable the City to comply with all of its covenants under this ordinance.

(b) *Maintain in Good Order.* That it will at all times maintain and keep the Municipal Utilities and all additions and improvements thereto and extensions thereof in good

repair, working order and condition, and will at all times operate such utilities and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Sale or Disposition.*

(1) That, so long as the Series T Bond remains outstanding, it will not sell or otherwise dispose of all of the properties of such utilities unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal and interest of all the outstanding Parity Bonds in accordance with the terms thereof, nor will it sell or otherwise dispose of any single utility or utilities or any portion thereof unless provision is made for payment into the Bond Fund of an amount that shall be in at least the same proportion to the amount of outstanding Parity Bonds that the revenue available for Debt Service of the Outstanding Parity Bonds for the 12 months preceding such sale or disposal from the utility or utilities or portion thereof sold or disposed of bears to the revenue available for Debt Service of the Outstanding Parity Bonds from all of the utilities for the same period. Any such money so paid into the Bond Fund must be used to retire the outstanding Parity Bonds at the earliest possible date; provided, however, notwithstanding the foregoing provisions to the contrary, the City may sell or otherwise dispose of any of the works, plant, properties and facilities of the Municipal Utilities or any real or personal property comprising a part of the Municipal Utilities with a value less than 2% of the net utility plant of the Municipal Utilities or that has become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Municipal Utilities, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

(2) That, from and after such time as the Series T Bond no longer remains outstanding, it will not sell or otherwise dispose of all of the properties of the Municipal Utilities unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal and interest of all the outstanding Parity Bonds in accordance with the terms thereof, nor will it sell or otherwise dispose of any single utility or utilities or any portion thereof unless provision is made for payment into the Bond Fund of one of the following (as the Council may determine in its sole discretion):

(A) an amount that will be in the same proportion of the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of such bonds then outstanding less the amount of cash and investments in the Bond Fund) that the Revenue attributable to the portion of the Municipal Utilities to be sold or disposed of for any consecutive 36 of the 48 months preceding such sale or disposition bears to total Revenue for such period; or

(B) an amount that will be in the same proportion of the net principal amount of Parity Bonds then outstanding (as defined above) that the Net Revenue attributable to the portion of the Municipal Utilities to be sold or disposed of for any consecutive 36 of the 48 months preceding such sale or disposition bears to total Net Revenue for such period; or

(C) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding (as defined above) that the book value of the portion of the Municipal Utilities sold or disposed of bears to the book value of all of the Municipal Utilities immediately prior to such sale or disposition.

Any such money so paid into the Bond Fund shall be used to retire Parity Bonds at the earliest possible date; provided, however, notwithstanding the foregoing provisions to the contrary, the City may sell or otherwise dispose of any of the works, plant, properties and facilities of the Municipal Utilities or any real or personal property comprising a part of the same with a value less than 5% of the net utility plant of the Municipal Utilities or which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Municipal Utilities, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

(3) That from and after such time as the Series T Bond, the Series V Bond and the Series W Bond no longer remain outstanding, it may sell or otherwise dispose of any single utility or utilities or any portion thereof (i) without making a deposit into the Bond Fund (as otherwise required by Section 8(c)(2) above) if such sale or disposition would not reduce Net Revenue below the amounts required to satisfy the rate covenant described in Section 8(a) of this ordinance or (2) with a deposit into the Bond Fund smaller than that otherwise required by Section 8(c)(2) above if such smaller deposit would reduce Debt Service sufficiently, following such sale or disposition, to permit the City to satisfy the rate covenant described in Section 8(a) of this ordinance.

(d) *Annual Audit.* That it will within a period of 120 days (or 180 days from and after such time as the Series T Bond no longer remains outstanding) following the close of each Fiscal Year cause an audit of the books and accounts of the Municipal Utilities to be made by an independent certified public accountant or firm of certified public accountants, which audit shall show the income and expenditures of the Municipal Utilities, the balance sheet as of the end of such Fiscal Year, comments in regard to the manner in which the City has carried out the requirements of this ordinance, a list and amount of insurance policies in force on any part of the Municipal Utilities, the number of electric, water, and telecommunications customers, and the classification of each.

(e) *Insurance.*

(1) That, so long as the Series T Bond remains outstanding, it will at all times carry fire insurance on such of the buildings and equipment of said utilities as are ordinarily insured to the full insurable value thereof, and will also carry adequate public liability insurance and such other forms of insurance as under good practice is ordinarily carried on such utilities and all their real and personal properties. The City may, if deemed necessary or advisable by the Council, institute and maintain a self-insurance program with respect to any or all of the aforementioned risks. If and when the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain war risk insurance on all or such portion of the properties of said utilities upon which such war risk insurance may be written in an amount or amounts to adequately cover the value thereof.

(2) That, from and after such time as the Series T Bond no longer remains outstanding, it will at all times carry fire and extended coverage, commercial general liability and property damage and such other forms of insurance with responsible insurers and with policies payable to the City on such of the buildings, equipment, works, plants, facilities and properties of the Municipal Utilities as are ordinarily carried by municipal or privately owned

utilities engaged in the operation of like systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or it will self-insure or will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of the City, to protect the Municipal Utilities and the owners of the Parity Bonds against loss.

(f) *No Free Service.* That it will not furnish electric or water or telecommunication service to any customer whatsoever free of charge.

Section 9. Future Parity Bonds. The City hereby covenants and agrees with the owner of the Bond for as long as it remains outstanding that the City will not create any special fund or funds for the payment of any other light and power, water and telephone revenue bonds that will rank on a parity with or have any priority over the payments out of the Utilities Revenue Fund into the Bond Fund and the Reserve Account; except that it hereby reserves the right, for the purpose of refunding any outstanding bonds that are a lien upon the Revenue of the Municipal Utilities and/or the money in such Utilities Revenue Fund, or for the purpose of acquiring, constructing and installing additions and improvements to and extensions of and making necessary replacements or other capital improvements to the Municipal Utilities or any of them, to issue Future Parity Bonds and to pay into the Bond Fund amounts from the Utilities Revenue Fund sufficient to pay the principal of, premium, if any, and interest on such bonds, and to maintain an adequate reserve therefor, which payments may rank equally with the payments out of the Utilities Revenue Fund into the Bond Fund and the Reserve Account, upon compliance with the following conditions:

(1) That at the time of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund or any accounts therein.

(2) The ordinance authorizing the Future Parity Bonds shall provide that funds sufficient to satisfy the Reserve Requirement for the Future Parity Bonds shall be deposited into the Reserve Account out of the proceeds of the Future Parity Bonds and/or from Revenue of the Municipal Utilities or other sources legally available therefor, in no more than 60 substantially equal monthly installments, with the first installment to be made one month after the issuance of the Future Parity Bonds.

(3) So long as the Bond remains outstanding, prior to the delivery of any Future Parity Bonds the City shall have on file in the office of the City Clerk a certificate of an independent professional engineer or certified public accountant dated not earlier than 90 days prior to the date of delivery of such Future Parity Bonds and showing that the Net Revenue, determined and adjusted as hereafter provided for each calendar or Fiscal Year after the issuance of such Future Parity Bonds (the "Adjusted Net Revenue"), will equal at least 1.25 times maximum annual Debt Service on all Parity Bonds then outstanding, including the Future Parity Bonds proposed to be issued.

The Adjusted Net Revenue shall be the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted by such engineer or accountant to take into consideration changes in Net Revenue estimated to occur under one or more of the following conditions for each year

after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

(i) any increase or decrease in Net Revenue which would result if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 12 month period had been in force during the full 12 month period;

(ii) any increase or decrease in Net Revenue estimated by such engineer or accountant to result from any additions, betterments and improvements to and extensions of any facilities of the Municipal Utilities that (a) became fully operational subsequent to the beginning of such twelve-month period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Future Parity Bonds to be issued;

(iii) the additional Net Revenue that would have been received if any customers added to the Municipal Utilities subsequent to the beginning of such twelve-month period were customers for the entire period.

Such engineer or accountant shall base his certification upon, and his certificate shall have attached thereto, financial statements of the Municipal Utilities, certified by the Finance Director, showing income and expenses for the period upon which the same is based.

The certificate or certificates of such engineer or accountant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection (3).

(4) From and after such time as the Series T Bond no longer remains outstanding, instead of the certificate described in subsection (3) above, the City may issue Future Parity Bonds if, at or prior to the delivery of such Future Parity Bonds, the Finance Director shall have certified that the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds equals at least 1.25 times maximum annual Debt Service on all Parity Bonds then outstanding, including the Future Parity Bonds proposed to be issued.

(5) Notwithstanding the foregoing requirements, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of then outstanding Parity Bonds and the issuance of such refunding bonds results in a debt service savings and does not require an increase of more than \$5,000 in any year for Debt Service on such refunded bonds, the certificate or certificates required by subsection (3) or (4) of this section need not be obtained.

Section 10. Junior Lien Bonds. In accordance with subsection (i) of Section 10 of Ordinance No. 482 of the City, as amended by Section 1 of Ordinance No. 483 of the City, nothing contained in this ordinance shall prevent the City from issuing utility revenue bonds or warrants that are a charge upon the Revenue of the Municipal Utilities or the money in the Utilities Revenue Fund junior or inferior to the payments to be made into the Bond Fund, or from issuing such bonds or warrants to refund maturing bonds or warrants for the payment of which money is not otherwise available.

Section 11. Defeasance. If money and/or Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bond or a portion thereof in accordance with its terms, are set aside in a special account to effect such prepayment and retirement, and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the Bond or portion thereof so provided for, and the Bond or portion thereof shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and the Bond or portion thereof shall be deemed not to be outstanding hereunder.

Section 12. Tax Covenants.

(a) *General.* The City covenants not to take any action, or knowingly to omit to take any action within its control, that if taken or omitted would cause the interest on the Bond to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes.

(b) *Tax Certificate.* Upon the issuance of the Bond, the Finance Director is authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to various facts and representations concerning the Bond, based on the facts and estimates known or reasonably expected on the date of their issuance, and make certain covenants with respect to the Bond as may be necessary or desirable to obtain or maintain the benefits conferred under the Code relating to tax-exempt bonds.

The City covenants that it will comply with the Tax Certificate unless it receives advice from nationally recognized bond counsel or the Internal Revenue Service that certain provisions have been amended or no longer apply to the Bond.

(c) *No Special Designation.* The City has not designated the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

Section 13. Lost or Destroyed Bond. If the Bond is lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond of like amount, date, and tenor to the Registered Owner upon such owner's paying the expenses and charges of the City in connection with preparation and authentication of the replacement Bond and upon his or her filing with the Registrar evidence satisfactory to the Registrar that the Bond was actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City with indemnity satisfactory to the Registrar.

Section 14. Form of the Bond. The Bond shall be in substantially the following form:

NO. R-1

\$_____

UNITED STATES OF AMERICA
STATE OF ALASKA

CITY OF KETCHIKAN
MUNICIPAL UTILITY REVENUE BOND, 2013, SERIES X

INTEREST RATE:
SEE BELOW

FINAL MATURITY DATE:

REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Ketchikan, Alaska (the "City"), a municipal corporation organized and existing under and by virtue of its charter and the laws and Constitution of the State of Alaska, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the principal amount specified above, in installments payable as set forth below, together with interest on such installments from the date hereof or the most recent date to which interest has been paid or duly provided for, at the interest rates set forth below, on _____, 20__, and on each _____ 1 and _____ 1 thereafter until payment of the principal sum has been made or duly provided for.

Principal Installment Payment Year (_____ 1)	Principal Installment Amount	Interest Rate
--	---------------------------------	------------------

Principal of, interest, and premium, if any, on this Bond are payable solely out of the special fund of the City known as the "City of Ketchikan Municipal Utility Revenue Bond Fund" (the "Bond Fund") created and established by Ordinance No. 02-1458 of the City. Both principal of and interest on this Bond are payable in lawful money of the United States of America by check or draft of the Finance Director of the City as registrar and paying agent for this Bond (the "Registrar"). Upon final payment of all installments of principal and interest thereon, this Bond shall be submitted to the Registrar for cancellation and surrender. Notwithstanding the foregoing, so long as the Bond Bank is the Registered Owner of this bond, payments of principal of and interest on this bond shall be made to the Bond Bank in accordance with the Loan Agreement.

This bond is issued pursuant to Ordinance No. 13-1721, passed by the City Council on _____, 2013 (the "Bond Ordinance"), to finance certain costs of the Whitman Lake Project. Capitalized terms used in this bond and not otherwise defined herein have the meanings given those terms in the Bond Ordinance. This Bond is not a general obligation of the City.

The City does hereby pledge and bind itself to set aside from the Utilities Revenue Fund of the City created by Ordinance No. 482, and to pay into the Bond Fund and the Accounts therein, the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund and Accounts, all within the times provided by the Bond Ordinance. The City has further pledged and bound itself to pay into the Utilities Revenue Fund as collected, all Revenue of the Municipal Utilities.

The amounts so pledged to be paid out of the Utilities Revenue Fund into the Bond Fund and Accounts are hereby declared to be a prior lien and charge upon the money in the Utilities Revenue Fund superior to all other charges of any kind or nature except the Costs of Maintenance and Operation of the Municipal Utilities and equal in rank to the charges on the money in the Bond Fund to pay and secure the payment of the Outstanding Parity Bonds and any Future Parity Bonds.

Principal installments of this bond are subject to prepayment as provided in the Loan Agreement. The obligations of the City under the Bond Ordinance may be discharged upon the defeasance of this bond on the terms and conditions set forth in the Bond Ordinance.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Alaska and the charter, ordinances, and resolutions of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed, and that this bond does not exceed any Constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of Ketchikan, Alaska, has caused this bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Clerk, and the seal of the City to be imprinted or impressed hereon, as of this ___ day of _____, 2013.

CITY OF KETCHIKAN, ALASKA

By _____ /s/ _____
Mayor

[SEAL]

ATTEST:

/s/
Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This is the City of Ketchikan, Alaska, Municipal Utility Revenue Bond, 2013, Series X, dated _____, 2013, as described in the Bond Ordinance.

Finance Director, City of Ketchikan, Alaska,
as Registrar

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

[Empty rectangular box for Social Security or Taxpayer Identification Number]

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and all rights thereunder and does hereby irrevocably constitute and appoint _____
_____ of _____, or its
successor, as agent to transfer said bond on the books kept by the Registrar for registration
thereof, with full power of substitution in the premises.

DATED: _____, _____.

SIGNATURE GUARANTEED:

NOTE: The signature of this Assignment must correspond with the name of the Registered Owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Section 15. Execution of the Bond. The Bond shall be signed on behalf of the City by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the City Clerk, and the seal of the City shall be impressed or imprinted thereon.

Only a Bond that bears a Certificate of Authentication in the form set forth in Section 14 hereof, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. The executed Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated, registered, and delivered hereunder and is entitled to the benefits of this ordinance.

In case any of the officers of the City who have signed, attested, authenticated, registered or sealed the Bond cease to be such officers before the Bond so signed, attested, authenticated, registered or sealed has been actually issued and delivered, that Bond shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed, attested, authenticated, registered or sealed that Bond had not ceased to be such officers. The Bond may also be signed, attested, authenticated, registered or sealed on behalf of the City by such persons as at the actual date of execution of the Bond shall be the proper officers of the City although at the original date of the Bond any such person was not such officer.

Section 16. Application of Bond Proceeds. A special fund of the City known as the “Whitman Lake Project Fund 2013” (the “Project Fund”) is hereby authorized to be created in the office of the Finance Director. At the time of delivery of the Bond, the proceeds of the sale of the Bond shall be deposited as follows:

(a) The accrued interest, if any, to the date of delivery shall be deposited in the Bond Fund and used to pay a portion of interest on the Bond on the first interest payment date; and

(b) The remaining Bond proceeds shall be deposited in the Project Fund and used to pay costs of the Project and costs of issuance of the Bond, as authorized by the Election Resolution; provided, however, that any Bond Premium exceeding the costs of issuing the Bond shall be deposited in the Bond Fund.

Money remaining in the Project Fund after all such costs have been paid or reimbursed shall be applied to other purposes authorized by the Election Resolution or deposited into the Bond Fund.

Money in the Project Fund may be invested as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Project Fund.

Section 17. Sale of the Bond. The Finance Director and City Manager are authorized to complete the sale of the Bond to the Bond Bank on terms and conditions consistent with this ordinance and a loan agreement in substantially the form set forth on Exhibit A attached to this ordinance (the “Loan Agreement”). Following the sale of the Bond Bank Bonds, the terms and conditions for the Bond, including principal amount, date, principal installment payment schedule, interest rates and prepayment provisions, all as provided for in this ordinance, shall be set forth in the Loan Agreement, subject to the City Manager’s approval, which approval shall be conclusively evidenced by his signing and delivering the Loan Agreement to the Bond Bank.

Section 18. Ongoing Disclosure. The City acknowledges that, under Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the City may now or in the future be an “obligated person” with respect to the Bond Bank Bonds. In accordance with the Rule and as the Bond Bank may require, the City shall undertake to provide certain annual financial information and operating data as set forth in the Loan Agreement.

Section 19. General Authorization; Prior Acts. The Mayor, City Manager, Finance Director, City Attorney, City Clerk, and other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 20. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bond.

Section 21. Effective Date. This ordinance shall be in full force and effect one month after its final passage by the Council and publication.

READ FOR THE FIRST TIME at a regular meeting of the Council held on _____, 2013.

PASSED AND APPROVED by the City Council of the City of Ketchikan, Alaska, at a regular meeting of the Council held on _____, 2013.

CITY OF KETCHIKAN, ALASKA

By _____
Mayor

ATTEST:

Clerk

EXHIBIT A

[Attach here the form of Bond Bank Loan Agreement]

CERTIFICATE

I, the undersigned, duly chosen, qualified and acting City Clerk of the City of Ketchikan, Alaska (the “City”) and keeper of the records of the City Council of the City (the “Council”), DO HEREBY CERTIFY:

1. That the attached is a true and correct copy of Ordinance No. 13-1721 of the Council (the “Ordinance”), as finally adopted at a regular meeting of the Council held on _____, 2013, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a legal quorum of the Council was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 2013.

City Clerk, City of Ketchikan

Alaska Energy Authority Grant Agreement Amendment



Grant Agreement Number 7040044		CFDA# NA	Amount of Funds \$ 8,725,000	AEA use only	
				Managed	Pass-thru <input type="checkbox"/>
Project Code(s) 407046		Proposal No. RE40620	Period of Performance: From: July 1, 2011 To: June 30, 2014		
Project Title Whitman Lake Hydroelectric Project					
GRANTEE			GRANTOR		
Name City of Ketchikan			Alaska Energy Authority		
Street/PO Box 1065 Fair Street			Street/PO Box 813 W. Northern Lights Blvd.		
City/State/Zip Ketchikan, AK 99901			City/State/Zip Anchorage, AK 99503		
Contact Person Karl R. Amylon			Contact Person Douglas Ott, Project Manager		
Phone 907-228-5603	Fax 907-225-5076	Email: karla@city.ketchikan.ak.us	Phone 907-771-3067	Fax 907-771-3044	Email: dott@aidea.org

MENDMENT 1

Extend Period of Performance to June 30, 2014.

Appendix C, Scope of Work, replace the budget and timeline schedule with the schedule provided below.

Continued on the next page,

Grantee		Authority Project Manager		Executive Director or Designee	
Signature	Date	Signature	Date	Signature	Date
	2/8/13		2/12/13		2/12/13
Karl R. Amylon, General Manager		Douglas Ott, Project Manager		Sara Fisher-Goad AEA Executive Director	

Whitman Lake Hydroelectric Project
Grant Agreement #7040044
Amendment 1

Milestones	Reimbursable Tasks	RE Grant Budget	Grantee Matching Funds	Start Date	End Date	Deliverables
1) Renewable Energy Fund Grant is in place				Mar 2012	Mar 2012	
	Provide deliverables from grant 2195441	-	-	Mar 2012	Apr 2012	Copies of final construction cost estimate, schedule, final design documents, FERC PRO approval letter
	Provide all permit, easements and site control are resolved and in place	-	-	Mar 2012	Mar 2012	List of site control documents and permits.
	Provide plan of finance	-	-	Mar 2012	Apr 2012	Project finance plan
	Provide a project management plan	-	-	Mar 2012	Apr 2012	Copy of project management plan
	Bid owner supplied equipment	-	-	Mar 2012	May 2012	Bid results
2) AEA accepts documents provided including equipment procurement bid				May 2012	May 2012	
	Phase 1 – Award equipment procurement contract	\$ 1,104,447	\$ 1,620,553	Apr 2012	Jul 2012	
	Bid construction work			Mar 2012	Jan 2013	
3) AEA accepts construction contract bid				Jan 2013	Jan 2013	
	Phase 2 Award hydro construction contract	7,620,553	15,879,447	Jan 2013	Mar 2014	Monthly progress reports
	Integration and Testing	-	-	Nov 2013	Mar 2014	Reports
	Final acceptance/ punchlist completion/ startup	-	-	Dec 2013	Apr 2014	Report of inspection and closeout
	Annual operations reporting	-	-	Apr 2014	Apr 2014	Annual reports for 5 years of operations.
4) AEA accepts project completion	Total Grant Budget			Apr 2014	Apr 2014	
AEA accepts project completion	Total Grant Budget	\$ 8,725,000	\$ 17,500,000*	Apr 2014	Apr 2014	

* Pursuant to Ch.5, FSSLA 2011, Sec. 4, pg 136 lines 29 & 30. "It is the intent of the legislature that the state's capital investment into energy generation projects not exceed 50% of the total investment required to fully complete those projects."

Appendix C-1, Clarification of Scope of Work, include the following:

Ketchikan Public Utility (KPU) bid the construction of the Whitman Lake Hydroelectric project in July, 2012. Three bids were received, all at much higher prices than anticipated. KPU selected one of the firms to negotiate with and were able to reach terms with the contractor on a negotiated price lower than originally bid. Some of the negotiated changes to the project scope include the following:

- Eliminate Achilles Creek diversion dam, conduit, access road and bridge. This results in less water available for power generation and the average annual energy generated from the Whitman Lake Hydroelectric Project is reduced from the 16,000 MWh to 12,500 MWh. The total capacity, Unit 1 @ 3.9 MW and Unit 2 @ 0.7 MW, remains at 4.6 MW.
- Reduce the penstock sizes from the Whitman Lake dam to the new powerhouse from 48" and 36" diameters to 2 ea @ 36" diameter penstocks, change the penstock material from steel to HDPE and bury the penstocks.

As a result of these circumstances, the overall price of the project construction has risen from \$23,225,000 to \$26,225,000. The amount of State of Alaska grant funds remains unchanged at \$8,725,000 and KPU has obtained additional funding to cover the cost increase through a grant from the Ketchikan Borough.

Attachment 1, Financial Report/ Request for Reimbursement Form, replace with the form provided below.

All other terms and conditions remain unchanged.

Attachment 1 Financial Report/Request for Reimbursement Form

THIS REQUEST IS FOR FINAL PAYMENT

Grantee: City of Ketchikan

Project: Whitman Lake Hydroelectric Project

Period: _____ to _____

Grant Number: 7040044

BUDGET SUMMARY	A	A	B	C	D = B + C	E = A - D
	GRANT BUDGET	MATCH BUDGET	PRIOR EXPENDITURES	EXPENDITURES THIS PERIOD	TOTAL EXPENDITURES	GRANT BALANCE
BY TASK OR MILESTONE						
Provide deliverables from grant 2195441	-					
Provide all permit, easements and site control are resolved and in place	-					
Provide plan of finance	-					
Provide a project management plan	-					
Bid owner supplied equipment						
Phase 1 – Award equipment procurement contract	\$ 1,104,447	\$ 1,620,553				
Bid construction work						
Phase 2 Award hydro construction contract	7,620,553	15,879,447				
Integration and Testing	-					
Final acceptance/ punchlist completion/ startup	-					
Annual operations reporting	-					
TOTAL	\$ 8,725,000	\$ 17,500,000				
BY BUDGET CATEGORIES						
Direct Labor and Benefits						
Equipment	\$ 1,104,447	\$ 1,620,553				
Materials & Supplies	30,398	44,602				
Contractual Services	689,013	1,010,987				
Construction Services	<u>6,901,142</u>	10,126,027				
Other:						
Contingencies	-	2,079,688				
Bond Issuance Costs	-	175,000				
Bond Reserve Account	-	1,153,143				
Hatchery Mitigation		<u>1,290,000</u>				
TOTAL	\$ 8,725,000	\$ 17,500,000				

BY FUND SOURCES						
Grant Funds	\$ 8,725,000	\$ -				
Grantee Match - Cash	-	<u>17,500,000</u>				
TOTAL	\$ <u>8,725,000</u>	\$ <u>17,500,000</u>				

CERTIFICATION

Form requires two original signatures. The person certifying must be different from the person preparing the report. One signature should be the authorized representative of the Grantee organization or highest ranking officer; the other should be the person who prepared the report.

I certify to the best of my knowledge and belief that the information reported on both the Financial Report above and the attached Progress Report are correct. In addition, funds were spent and work performed in accordance with the grant agreement terms and conditions.

Certified By: _____ Prepared By: _____

Printed Name: _____ Printed Name: _____

Title: _____ Date: _____ Title: _____ Date: _____

Alaska Energy Authority
Grant Agreement



Grant Agreement Number 7040044		CFDA Number NA	Amount of Funds: \$ 8,725,000	AEA use only Managed <input type="checkbox"/> Pass-thru <input checked="" type="checkbox"/>	
Project Code(s) 407046	Proposal Number: RE40620 & NP10114		Period of Performance: From: July 1, 2011 To: December 31, 2013		
Project Title: Whitman Lake Hydroelectric Project					
Grantee			Grantor		
Name City of Ketchikan			Alaska Energy Authority		
Street/PO Box 1065 Fair Street			Street/PO Box 813 W. Northern Lights Blvd		
City/State/Zip Ketchikan, AK 99901			City/State/Zip Anchorage, AK 99503		
Contact Person Karl R. Amylon			Contact Person Douglas Ott, Project Manager		
Phone: 907-228-5603	Fax: 907-225-5075	E-mail: karla@city.ketchikan.ak.us	Phone: 907-771-3067	Fax: 907-771-3044	E-mail: dott@aidea.org

AGREEMENT

The Alaska Energy Authority (hereinafter 'Authority') and City of Ketchikan (hereinafter 'Grantee'), agree as set forth herein.

Section I. The Authority shall grant funds to pay for expenses incurred by the Grantee under the terms and conditions of this Agreement, in an amount not to exceed \$ 8,725,000, unless the grant amount is amended as provided herein.

Section II. The Grantee shall apply the grant funds to the Project and perform all of the work and other obligations required by this Agreement.

Section III. Performance under this agreement begins July 1, 2011 and shall be completed no later than December 31, 2013.

Section IV. The agreement consists of this page and the following:

Appendices

- Appendix A: General Provisions
- Appendix B: Standard Provisions
- Appendix C: Grantee Proposal/Scope of Work
- Appendix D: Project Management & Reporting Requirements
- Appendix E: Project Budget & Reimbursement Provisions
- Appendix F: Clarifications to the Agreement

Attachments/Forms (As required)

- Attachment 1: Financial Report/Request for Reimbursement Form
- Attachment 2: Progress Report Form
- Attachment 3: Notice of Grant Closeout
- Attachment 4: Grantee Contributions Report
- Attachment 5: Advance Request Form

AMENDMENTS: Any amendments to this Agreement must be signed by authorized representatives of Grantee and the Authority and should be listed here.

Grantee		Authority Project Manager		Executive Director or Designee	
Signature	Date	Signature	Date	Signature	Date
Printed Name and Title Karl R. Amylon, General Manager		Printed Name and Title Douglas Ott, Project Manager		Sara Fisher-Goad, AEA Executive Director	

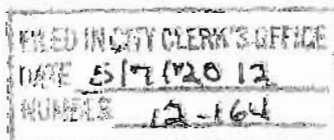


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APPENDIX A GENERAL PROVISIONS

1. *Definitions*

In this Grant Agreement, attachments and amendments:

- a) "Authority" means the Alaska Energy Authority, a public corporation of the State of Alaska.
- b) "Authority Project Manager" means the employee of the Authority responsible for assisting the Grantee with technical aspects of the Project and is one of the Grantor's contacts for the Grantee during all phases of the Project.
- c) "Authorized Representatives" means those individuals or entities authorized by an entity to act on its behalf, with delegated authority sufficient to accomplish the purposes for which action is needed.
- d) "Economic Life" means 50 years from the date of the final disbursement.
- e) "Executive Director" means the Executive Director of the Authority or the Executive Director's authorized representative.
- f) "Grantee Project Manager" means the person designated to fulfill the obligations arising under Appendix B1, item #2.
- g) "Matching Contributions" means the cash, loan proceeds, in-kind labor, equipment, land, other goods, materials, or services a grantee provides to satisfy any match requirements of a grant or to complete the Project.
- h) "Project" means Whitman Lake Hydroelectric Project as defined in Appendix C (Scope of Grant) for which funds have been made available.
- i) "State" means the State of Alaska.

2. *Authority Saved Harmless*

As a condition of this Grant, the Grantee agrees to defend, indemnify, and hold harmless the Authority and the State of Alaska, and their agents, servants, contractors, and employees, from and against any and all claims, demands, causes of action, actions, and liabilities arising out of, or in any way connected with this grant or the project for which the grant is made, howsoever caused, except to the extent that such claims, demands, causes of action, actions or liabilities are the proximate result of the sole negligence or willful misconduct of the Authority or the State of Alaska.

3. *Workers' Compensation Insurance*

The Grantee shall provide and maintain Workers' Compensation Insurance as required by AS 23.30 for all employees engaged in work under this Grant Agreement. The Grantee shall require any contractor to provide and maintain Workers' Compensation Insurance for its employees as required by AS 23.30.

4. Insurance

The Grantee is responsible for obtaining and maintaining any necessary insurance and endorsements as defined in Appendix B Standard Provisions. Proof of insurance coverage that lists the State of Alaska and the Alaska Energy Authority as Additional Insured must be included with the first reimbursement or advance request. Continued proof of insurance coverage must be presented with the first reimbursement or advance request of the grantee's fiscal year for the life of the grant. Reimbursement and advance requests will not be processed if proper documentation of insurance has not been submitted.

5. Equal Employment Opportunity (EEO)

The Grantee may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The Grantee shall post in a conspicuous place, available to employees and applicants for employment, a notice setting out the provisions of this paragraph.

The Grantee shall state in all solicitations or advertisements for employees to work on Authority funded projects, that it is an Equal Opportunity Employer (EEO) and that all qualified applications will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

The Grantee shall include the provisions of this EEO article in every contract relating to this Grant Agreement and shall require the inclusion of these provisions in every agreement entered into by any of its contractors, so that those provisions will be binding upon each contractor and subcontractor.

6. Public Purposes

The Grantee agrees that the Project to which this Grant Agreement relates shall be dedicated to public purposes and any project constructed or equipment or facilities acquired, shall be owned and operated for the benefit of the general public. The Grantee shall spend monies appropriated under this grant only for the purposes specified in the Grant Agreement. The benefits of the Project shall be made available without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

7. Officials Not To Benefit

No member of or delegate to Congress or the Legislature, or officials or employees of the Authority or Federal government may share any part of this agreement or any benefit to arise from it.

8. Governing Law

This Grant Agreement is governed by the laws of the State of Alaska. Any civil action arising from this Agreement shall be brought in the Superior Court for the Third Judicial District of the State of Alaska at Anchorage.

9. Compliance with Applicable Law and Funding Source Requirements

The Grantee shall comply with all applicable local, state and federal statutes, regulations, ordinances and codes, whether or not specifically mentioned herein. Refer to Appendix B Standard Provisions for more specific requirements.

10. Severability

If any section, paragraph, clause or provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall be unaffected and enforced to the fullest extent possible, and the invalid or unenforceable provision shall be deemed replaced with a valid and enforceable provision that is as similar as possible to such invalid or unenforceable provision.

11. Non-waiver

The failure of either party at any time to enforce a provision of this Agreement shall in no way constitute a waiver of the provision, nor in any way affect the validity of this Agreement, or any part hereof, or the right of such party thereafter to enforce each and every provision hereof.

12. Integration

This instrument and all appendices, amendments, attachments, Request for Applications dated July 21, 2010, Application dated September 15, 2010, as it relates to the Renewable Energy Fund round IV monies, hereto embody the entire Agreement of the parties concerning the grant funds granted hereunder. There are no promises, terms, conditions, or obligations regarding said funds other than those contained in the documents described above; and such documents shall supersede all previous communications, representations or agreements, either oral or written, between the parties hereto. To the extent there is any conflict between the provisions of Appendix A and B the Grantee's application or proposal, the provisions of Appendix A and B prevail.

13. Grantee Not Agent of Authority

The Grantee and any agents and employees of the Grantee act in an independent capacity and are not officers or employees or agents of the Authority in the performance of this Grant Agreement.

14. Disputes

Any dispute arising under this Grant Agreement which is not disposed of by mutual agreement must be dealt with in accordance with 3 AAC 108.915.

15. Termination

a) The Grantee shall have no rights to compensation or damages for termination except as provided in this Section.

b) In addition to all other rights available under law, the Authority may terminate this Agreement or stop work on the Project for the convenience of the Authority or for cause upon ten (10) days written notice.

c) "Cause" for termination shall exist when the Grantee has failed to perform under this Agreement, has been stagnant on progression of the project for 2 years, has provided incorrect or misleading information or has failed to provide information which would have influenced the Authority's actions. In order for termination to be for cause, the Grantee's failure to perform or the Grantee's provision of incorrect, misleading, or omitted information must be material.

d) If this Agreement is terminated for cause, the Grantee shall be entitled to no compensation. The Grantee shall reimburse the Authority for all grant funds expended under this Agreement by the Grantee or on the Grantee's behalf including interest accrued from the date of disbursement. The Grantee shall also reimburse the Authority for any costs incurred to collect funds subject to reimbursement, and for any damages incurred by the Authority as a result of the Grantee's failure to perform or provision of incorrect or misleading information. The Authority may require the Grantee to return to the Authority some or all of the Project assets and the fair market value of the returned Project assets will be applied to reduce the amount of reimbursement the Grantee owes the Authority under this subsection d.

e) If this Agreement is terminated at the sole request of the Authority for the sole reason of its convenience, the Grantee is not required to reimburse the Authority for funds expended prior to the date of termination. If the Grantee has incurred costs under this agreement, the Grantee shall only be reimbursed by the Authority for eligible costs the Grantee incurred prior to the date of termination of the Agreement. However, prior to making any claim or demand for such reimbursement, the Grantee shall use its best effort to reduce the amount of such reimbursement through any means legally available to it. The Authority's reimbursement to the Grantee shall be limited to the encumbered, unexpended amount of funds available under this Agreement.

f) If the basis for the termination of the Agreement or stop work under Section 15(b) is capable of being cured, the Authority shall provide the Grantee thirty (30) days from the date the termination or stop work becomes effective for the Grantee to cure the basis for the termination or stop work. If the grantee cannot reasonably cure the basis for the termination or stop work within this thirty (30) day period, but the Grantee promptly undertakes and diligently pursues such cure, the cure period shall be extended to sixty (60) days. The Authority may further extend the cure period if the grantee demonstrates that it is prohibited from curing the basis for termination or stop work by any process, stay or injunction issued by any governmental authority or pursuant to any bankruptcy or insolvency proceedings. If the Grantee cures the basis for the stop work, the stop work will be lifted. Until the Agreement is reinstated or stop work lifted, the Authority may not disburse any amount under this Agreement to the Grantee except as otherwise specifically provided in this section.

16. Termination Due to Lack of Funding

In the event funding from the Authority, federal or other sources is withdrawn, reduced, or limited in any way after the effective date of this agreement and prior to normal completion, the Authority may terminate the agreement, reduce funding, or re-negotiate subject to those new funding conditions.

17. No Assignment or Delegation

The Grantee may not assign or delegate this Grant Agreement, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Executive Director or Designee.

18. No Third Party Beneficiaries

Except as otherwise specified in this agreement, no person is a third party beneficiary of this Agreement and this Agreement creates no third party rights. Specifically, any person who is not a party to this Agreement shall be precluded from bringing any action asserting the liability of a party or asserting any right against a party to this Agreement, through the terms of this Agreement. No person, other than a party to this Agreement, may bring any action based upon this Agreement for personal injuries, property damages, or otherwise.

19. No Additional Work or Material

No claims will be allowed for additional work, materials, or equipment, not specifically authorized in this Grant Agreement, which are performed or furnished by the Grantee.

20. Changes

Any changes which have been agreed to by both parties will be attached and made a part of this Grant Agreement by use of a written Amendment. Any such Amendment must be dated and signed by Authorized Representatives of the Authority and the Grantee.

21. Right to Withhold Funds

The Authority may withhold payments under this Grant Agreement for non-compliance with any of the provisions of this Grant Agreement.

22. Remission of Unexpended Funds

The Grantee shall return all unexpended grant monies to the Authority within 90 days of the Project completion.

23. Tax Compliance Responsibilities of Grantee

The Grantee is responsible for determining applicable federal, state, and local tax requirements, for complying with all applicable tax requirements, and for paying all applicable taxes. The Authority may issue an IRS Form 1099 for Grant payments made. The Grantee shall pay all federal, state and local taxes incurred by the Grantee and shall require the payment of all applicable taxes by any contractor or any other persons in the performance of this Grant Agreement.

24. Lobbying Activities

In accepting these funds, the Grantee agrees and assures that none of the funds will be used for the purpose of lobbying activities before the United States Congress or Alaska Legislature. No portion of these funds may be used for lobbying or propaganda purposes as prohibited in AS 37.05.321, 18 U.S.C. 1913, 31 U.S.C. 1352, or other laws as applicable.

25. Financial Management and Accounting

The Grantee shall establish and maintain a financial management and accounting system that conforms to generally accepted accounting principles. In addition, the accounting system must keep separate all grant funds awarded under this grant agreement.

26. Procurement Standards

Grantees will follow competitive purchasing procedures that: 1) provide reasonable competitive vendor selection for small dollar procurements; 2) provide for competitive bids or requests for proposals for contracts and procurements greater than \$100,000; 3) provide a justification process for non-competitive procurements or contracts; 4) document the source selection methods used for all contracts, equipment, or material transactions greater than \$10,000; 5) and comply with other procurement requirements as defined in Appendix B. Grantees who have questions about their procurement procedures or a specific procurement should contact the Authority's Grant Manager.

27. Reporting Requirements

The Grantee shall submit progress reports to the Authority according to the schedule established in Appendix D of this Grant Agreement.

28. Ownership of Documents and Products

Except as otherwise specifically agreed, all designs, drawings, specifications, notes, artwork, computer programs, reports and other work developed with grant funds in the performance of this agreement are public domain and may be used by the Authority and/or public without notice or compensation to the Grantee. The Grantee agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. Except as otherwise specifically agreed, and without limiting any Intellectual Property requirements of a federal funding agency, the Authority shall have unlimited rights to use and to disseminate any data produced or delivered in the performance of the contract. For purposes of clarity, nothing in this section precludes Grantee from using any document or product with respect to the Project or other Grantee uses.

29. Inspections and Retention of Records

The Grantee shall keep a file for financial, progress and other records relating to the performance of the grant agreement. The file must be retained for a period of four years from the fully executed close out of the grant agreement or until final resolution of any audit findings claim or litigation related to the grant. The Authority may inspect, in the manner and at reasonable times it considers appropriate, records and activities under this Grant Agreement.

30. Audits

This Grant Agreement is subject to 2 AAC 45.010 single audit regulations for State Grants. The Grantee must comply with all provisions of 2 AAC 45.010 and any additional audit requirements outlined in Appendix D.

Commercial (for-profit) entities shall obtain an audit by an independent auditing firm similar to a program audit prepared under OMB A-133. The auditee and auditor shall have basically the same responsibilities for the federal or state program as they would have for an audit of a major program in a single audit. The expenditure threshold is \$500,000 in the commercial entity's fiscal year.

31. Legal Authority

The Grantee certifies that it possesses legal authority to accept grant funds under the State of Alaska and to execute the Project described in this Grant Agreement by signing the Grant Agreement document. The Grantee's relation to the Authority and the State of Alaska shall be at all times as an independent Grantee.

32. Grant Close out

Upon completion of all work and expenditure of all grant funds related to the Project the Authority will provide written notice to the Grantee that the Grant will be closed. The Grantee shall sign the Notice of Project Closeout within 30 days after it is delivered by the Authority. The Grant will be considered closed upon receipt of the signed Notice of Project Closeout.

The Grant will be administratively closed if the Grantee fails to return the Notice of Project Closeout within 30 days after it is delivered by the Authority. If the Grantee has a valid reason for the Grant to remain open, they must contact the Authority in writing within 30 days.

No additional reimbursements will be made to the Grantee after the grant is closed out.

Appendix B Standard Provisions

1. Grant Funding Sources

This Grant is subject to appropriation and availability of funds as listed below:

State of Alaska	\$ 8,025,000	FSSLA HCS CSSB 46, Sec. 4, Pg., 137, Ins., 14-16
State of Alaska	700,000	FSSLA HCS CSSB 46, Sec. 4, Pg., 131, Ins., 13-15
Local Match – Cash	<u>14,500,000*</u>	City of Ketchikan – KPU Revenue Bonds
Total grant funding	\$ <u>23,225,000</u>	

Grantee acknowledges that if additional grant funds are made available they are subject to the terms and conditions of this Agreement and any amendment.

* \$14,500,000 is the match amount noted in the Renewable Energy Fund Round IV application, if other State funds are made available, or if the total project cost estimate is reduced, the required match will be reduced accordingly. Pursuant to Ch.5, FSSLA 2011, Sec. 4, pg 136 lines 29 & 30. "It is the intent of the legislature that the state's capital investment into energy generation projects not exceed 50% of the total investment required to fully complete those projects."

2. Governing Laws

The Grantee shall perform all aspects of this Project in compliance with all applicable state, federal and local laws.

3. Eligible Costs

The Authority, as Grantor, shall have sole discretion to determine which project costs are eligible to be paid from Grant monies under this agreement. Only direct costs of the Project are eligible for payment or reimbursement from grant funds. Indirect costs are not allowed under this grant unless approved by the Authority in Appendix E.

The eligible costs will be determined in accordance with 3 AAC 107.600 – 695 and the Request for Applications dated July 21, 2010; which is incorporated by reference into this grant agreement.

4. *Insurance Requirements*

The following insurance requirements are in effect for this Project. Grant funds will be used to procure Project related insurance and the Authority will work with the Grantee to ensure that these requirements are met. Insurance will be obtained with an insurance carrier or carriers covering injury to persons and property suffered by the State of Alaska, Alaska Energy Authority or by a third party as a result of operations under this grant. The insurance shall provide protection against injuries to all employees of the Project engaged in work under this grant. All insurance policies shall be issued by insurers that (i) are authorized to transact the business of insurance in the State of Alaska under AS 21 and (ii) have a Bests Rating of at least A-VII and be required to notify the Authority, in writing, at least 30 days before cancellation, of any coverage or reduction in any limits of liability.

Where specific limits and coverage are shown, it is understood that they shall be the minimum acceptable and shall not limit the Grantee's indemnity responsibility. However, costs for any coverage in excess of specific limits of this agreement are the responsibility of the Grantee and may not be charged to this grant agreement.

The following policies of insurance shall be maintained with the specified minimum coverage and limits in force at all times during the performance work under this Project:

1. Workers' Compensation: as required by AS 23.30.045, for all employees engaged in work under this Project. The coverage shall include:
 - a. Waiver of subrogation against the State and the Alaska Energy Authority and Employer's Liability Protection at \$500,000 each accident/each employee and \$500,000 policy limit;
2. Commercial General Liability: on an occurrence policy form covering all operations under this Project with combined single limits not less than:
 - a. \$1,000,000 Each Occurrence;
 - b. \$1,000,000 Personal Injury;
 - c. \$1,000,000 General Aggregate; and
 - d. \$1,000,000 Products-completed Operations Aggregate.

The State of Alaska and Alaska Energy Authority shall be named as an Additional insured.

3. Automobile Liability: covering all vehicles used in Project work, with combined single limits no less than \$1,000,000 each occurrence.

All of the above insurance coverage shall be considered to be primary and non-contributory to any other insurance carried by the State of Alaska and Alaska Energy Authority, whether self-insurance or otherwise.

The Authority's acceptance of deficient evidence of insurance does not constitute a waiver of Grant requirements.

Appendix B1 Standard Provisions for General Design & Construction Grant

1. Declaration of Public Benefit

The parties acknowledge and agree that the Project shall be constructed, owned and operated for the benefit of the general public and will not deny any person use and/or benefit of Project facilities due to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

2. Grantee Project Manager

For construction projects, the Grantee will contract or hire competent persons to manage all phases of the Project. Work at a minimum will include; management of Grantee's labor for the project, engineering firms and consultants, procurement, management of construction contractors, selection of equipment, review of plans and specifications, on-site inspections and review and approval of work, and other duties to ensure that the completed work conforms with the requirements of the grant and the construction documents.

If the Grantee fails to provide adequate project management the Authority may assume project management responsibilities with the concurrence of the Grantee. Costs for a Grantee Project Manager must be reasonable to be considered an eligible grant expense.

3. Approval to Proceed With Next Phase

A grant award may be for one or more phases of a project. The grantee must achieve substantial completion of work or of designated grant milestones and receive approval from the Authority prior to proceeding to the next phase of work.

4. Contracts for Engineering Services

In the event the Grantee contracts for engineering services, the Grantee will require that the engineering firm certify that it is authorized to do business in the State of Alaska and provide proof of licensing and required professional liability insurance.

5. Site Control

If the grant Project involves the occupancy and use of real property, the Grantee assures that it has the legal right to occupy and use such real property for the purposes of the grant, and further that there is legal access to such property. The Grantee is responsible for securing the real property interests necessary for the construction and operation of the Project, through ownership, leasehold, easement, or otherwise, and for providing evidence satisfactory to the Authority that it has secured these real property interests.

6. Permits

It is the responsibility of the Grantee to identify and ensure that all permits required for the construction and operation of this Project by the Federal, State, or Local governments have been obtained unless otherwise stated in Appendix C. These permits may include, but are not limited to, Corps of Engineers, Environmental Protection Agency, Alaska Department of Environmental Conservation, State Historic Preservation Office, State Fire Marshal, Alaska Department of Natural Resources, Alaska Department of Fish and Game and Boroughs.

7. Exclusion of Existing Environmental Hazards

Grant funds for investigation, removal, decommissioning, or remediation of existing environmental contamination or hazards, are not allowed unless specifically specified and approved in Appendix C.

8. Environmental Standards

The Grantee will comply with applicable environmental standards, including without limitation applicable laws for the prevention of pollution, management of hazardous waste, and evaluation of environmental impacts.

9. Current Prevailing Rates of Wage and Employment Preference

To the extent required by federal and State law construction projects may require certain grantees to include the requirements for Davis Bacon and Little Davis Bacon when contracting for construction services. This requires contractors to pay minimum rates of pay for specific classes of workers and provide certified payrolls to the State Department of Labor. The current wage rates can be found at the following web sites:

The Federal wage rates at <http://www.wdol.gov/>

The State wage rates at <http://www.labor.state.ak.us/lss/pamp600.htm>

If federal funding sources require federal Davis Bacon compliance, the Grantee must use both the Federal and State wage scale and the contractor is required to pay the higher of the State or Federal wage scale. When only State Funds are used that requires "Little Davis Bacon," the Grantee is only required to follow the State Rate schedule.

For projects that are only State funded, contractors are also required to use local residents where they are available and qualified in accordance with AS 36.10.150-180, and 8 AAC 30.064 - 088.

The Grantee is responsible for identifying any other sources of project funds and for ensuring compliance with applicable wage scales for all sources of project funding. If a Grantee believes they or their contractors may be exempt from these requirements, they should contact the State of Alaska Department of Labor and Workforce Development, Wage and Hour Administration, for a determination and forward a copy of that determination to the Authority's Grant Administrator.

10. Construction Plans and Specifications Review

Prior to public notice of bidding a construction project the Grantee will provide the plans and specifications to the Authority for review. Concurrence that the plans and specifications are consistent with the grant award must be received before grant funds will be released for construction related costs.

11. Construction Insurance and Bonding

When the value of the construction is anticipated to be greater than \$100,000, prior to beginning construction on a project funded by this grant, the Grantee or grantee's contractor(s) must provide the Authority; 1) proof of adequate insurance as defined in Appendix B. #4 of the grant agreement, and 2) either a payment and performance bond, as may be required by AS 36.25.010, a surety in form and substance acceptable to the Authority, or some other guarantee or assurance acceptable to the Authority that the Grantee or the Grantee's contractor has the capacity, qualifications, and financial resources necessary to complete construction of the project as proposed in the grant or construction contract(s) funded by this grant.

12. Post Construction Certification

Upon completion of construction the Grantee will submit a final report that includes:

- Certification that all work is completed in accordance with the grant and all costs claimed are eligible costs and represent work completed on the Project;
- Summary of total project cost including detailed funding sources and any outstanding debt;
- Certification that there is a release of any contractor or subcontractor liens on the project;
- Identification of any outstanding construction issues;
- Demonstration that appropriate insurance is in place and,
- As-built drawings.

13. Ownership of Facilities

The Grantee shall assume all liabilities arising from the ownership and operation of the Project. Grantee will not sell, transfer, encumber, or dispose of any of its interest in the facilities constructed with this grant funding during the economic life of the project without prior written approval of the Authority.

14. Operation and Maintenance of Facilities

The Grantee is required to maintain and operate the facilities defined in Appendix C of this agreement for the economic life of the facility or the specific period of time designated herein.

In the event that the Grantee is no longer operating the facilities for the intended purposes the Authority may require the Grantee to reimburse the Authority an amount based on the total contribution of the Authority, the value of the assets, and the terms and conditions of this agreement. The Authority may require that the assets acquired under this agreement be sold and the proceeds returned to the Authority.

15. Performance/Operation and Maintenance (O&M) Reporting

If the grant is for Project construction, the Grantee must provide the Authority with a Performance/O&M Report annually for five years after Project completion. The Performance/O&M Report must include: (1) a detailed description of Project operations and maintenance activities and issues; and (2) a detailed description of Project performance, including energy output, estimated fuel savings resulting from the operation of the Project, and any other relevant measures of Project performance reasonably requested by the Authority, a description of repairs and modifications to the Project, and recommendations for improvements for similar future projects.

The Authority may take into account the Grantee's failure to provide the required annual Performance/O&M Report in evaluating future applications from the Grantee for grant funds. The Authority encourages grantees to provide annual Performance/O&M reports for the life of the Project, and may consider the Grantee's voluntary submittal of annual Performance/O&M reports beyond the first five years in evaluating future applications from the Grantee for grant funds.

16. *Tariffs & Rates for Use of Grant-Funded Assets*

Rates for power provided as a result of generation or transmission facilities built with grant funds may be subject to review and approval by the Regulatory Commission of Alaska (RCA), or if the rates are not subject to RCA review and approval, they may be subject to review and approval by the Authority to ensure reasonable and appropriate public benefit from the ownership and operation of the Project.

As a condition of the grant, Independent Power Producers will agree to sell energy resources for electricity and heat at a cost-based rate for the economic life of the project. The Authority will hire an independent economist to provide guidance in developing a cost-based rate for electric sales with an appropriate rate of return on equity.

The allowable cost-based rate represents the highest rate that the Independent Power Producer will be allowed to charge. Because the cost-based rates are a grant condition, avoided costs rates or Public Utility Regulations Policies Act (PURPA) rates will not apply for projects which obtain grant funding.

Application for a Certification of Public Convenience and Necessity (CPCN) is also a grant condition. RCA action related to the issuance of the CPCN must be completed prior to the issuance of any construction grant funding.

17. *Grant-funded Assets Not Included with PCE*

The Grantee agrees that it will not include the value of facilities, equipment, services, or other benefits received under this grant as expenses under the Power Cost Equalization Program or as expenses on which wholesale or retail rates or any other energy tariffs are based.

Appendix C Grantee Proposal/Scope of work

The Proposed Whitman Lake Hydroelectric Project will install 4.6 MW of generating capacity at an existing dam, supporting near term load demand increases in the Ketchikan area and displacing diesel generation as the existing Swan-Tyee resources become fully utilized. Ketchikan Public Utility (KPU) will also replace the aging water supply system of the Southern Southeast Regional Aquaculture Association Whitman Lake Hatchery, providing increased water quality, reliability and redundancy to a facility that is critical to the region's commercial fishing, seafood processing and sportfishing industries.

The project will be located approximately four miles from the City of Ketchikan. It will generate up to an average of 16,000,000 kWh displacing up to 1,100,000 gallons of diesel fuel annually. Penstocks will lead to a new powerhouse containing two hydro turbine-generators: Unit 1, at 3.9 MW will generate power that would otherwise be spilled; Unit 2, at 0.7 MW will generate power from the water delivered to the fish hatchery located adjacent to the hydroelectric project.

KPU received a \$1.3 M Renewable Energy Fund grant in Round II for final design and permitting for Whitman Lake. They are finishing up the remaining work required under that grant scope of work at this time. Final approval was granted in August 2011 by the U. S. Forest Service for construction of the project facilities incorporating final road route approval within an inventoried roadless area. Additionally, KPU has received a \$1 million legislative grant from the State for final design work required to be completed prior to construction. FERC issued the project license in February 2009 and has granted an extension for the start of construction to February 2013. The license now requires completion of the project by early 2016.

The achievement of milestones defines when tasks are eligible for reimbursement. Once a task milestone has been reached, the expenses related to the milestone's reimbursable tasks are eligible for reimbursement. The following table outlines the milestones, reimbursable tasks, budget, schedule and deliverables for this grant.

Milestones	Reimbursable Tasks	RE Grant Budget	Grantee Matching Funds	Start Date	End Date	Deliverables
1) Renewable Energy Fund Grant is in place				Mar 2012	Mar 2012	
	Provide deliverables from grant 2195441			Mar 2012	Apr 2012	Copies of final construction cost estimate, schedule, final design documents, FERC PRO approval letter
	Provide all permit, easements and site control are resolved and in place			Mar 2012	Mar 2012	List of site control documents and permits.
	Provide plan of finance			Mar 2012	Apr 2012	Project finance plan
	Provide a project management plan			Mar 2012	Apr 2012	Copy of project management plan
	Bid owner supplied equipment			Mar 2012	May 2012	Bid results
2) AEA accepts documents provided including equipment procurement bid				May 2012	May 2012	
	Phase 1 – Award equipment procurement contract	\$1,863,337	\$ 3,096,663	Apr 2012	Jul 2012	
	Bid construction work			Mar 2012	Jul 2012	
3) AEA accepts construction contract bid				Jul 2012	Jul 2012	
	Phase 2 Award hydro construction contract	6,861,663	11,403,337	Jul 2012	Nov 2013	Monthly progress reports
	Integration and Testing			Nov 2013	Dec 2013	Reports
	Final acceptance/ punchlist completion/ startup			Dec 2013	Dec 2013	Report of inspection and closeout
	Annual operations reporting			Dec 2013	Dec 2013	Annual reports for 5 years of operations.

4) AEA accepts project completion	Total Grant Budget			Dec 2013	Dec 2013	
AEA accepts project completion	Total Grant Budget	\$ <u>8,725,000</u>	\$ <u>14,500,000*</u>	Dec 2013	Dec 2013	

* \$14,500,000 is the match amount noted in the Renewable Energy Fund Round IV application, if other State funds are made available, or if the total project cost estimate is reduced, the required match will be reduced accordingly. Pursuant to Ch.5, FSSLA 2011, Sec. 4. pg 136 lines 29 & 30. "It is the intent of the legislature that the state's capital investment into energy generation projects not exceed 50% of the total investment required to fully complete those projects."

Appendix D Project Management & Reporting Requirements

1. Project Management

The Grantee will notify the Authority immediately of any significant organizational changes during the term of the grant, including changes in key personnel or tax status, any unforeseen problem or project delay that may cause a change to the work plan or budget or that may otherwise affect the Grantee's ability to perform its commitments under this Grant Agreement. Any unreported or unapproved changes to the work plan or budget evident in reports may result in an amendment being required, costs disallowed, suspension or termination of the grant as described in Appendix A.

2. Contact Persons

For the Grantee	For The Authority
<p>Grant Manager</p> <p>Karl R. Amylon 334 Front Street Ketchikan, AK 99901 karla@city.ketchikan.ak.us 907-228-5603</p>	<p>Grant Manager</p> <p>Shawn Calfa, Grants Administrator 813 W. Northern Lights Blvd. Anchorage, Alaska 99503 scalfa@aidea.org 907-771-3031</p>
<p>Project Manager</p> <p>Jennifer Holstrom 2930 Tongass Ave Ketchikan, AK 99901 jenniferh@city.ketchikan.ak.us 907-228-4733</p>	<p>Project Manager</p> <p>Douglas Ott 813 W. Northern Lights Blvd. Anchorage, Alaska 99503 dott@aidea.org 907-771-3067</p>

3. Monthly Progress and Financial Reports

The Grantee will provide monthly status reports by email (or other method allowed by the Authority, if email is not available) to the Authority Project Manager. These reports are due starting the first full month after the execution of this Agreement. This report must update the Authority on the project's progress, regulatory and compliance issues, possible delays, and grant expenditures during the month. These Monthly Progress Reports, which are due within 30 days of the end of the month, must summarize, in one or two pages, the progress made on grant tasks during the month and identify any difficulties in completing tasks or meeting goals or deadlines. The Grantee must also include with the report copies of any work products due to the Authority during this period.

Reports are considered late five (5) days after the due date. No further payments will be made without submission and approval of required reports. Work completed after the twenty-day period when required reports have not been submitted is at the Grantee's risk, and costs incurred may be disallowed. Repeated failure to submit reports in a timely manner could result in suspension or termination of the grant.

All reports and deliverables required in this agreement must have been submitted and approved by the Authority prior to the final payment being released.

4. Documentation and Record Keeping

The Grantee shall maintain the following in their files:

- Grant application,
- Grant agreement and any amendments,
- All written correspondence or copies of emails relating to the Grant,
- Reports, including any consultant work products,
- A separate accounting of grant income and expenditures,
- Supporting documentation for the expenditures charged to the grant (including supporting documentation for all required matching contributions).

The Authority and any authorized federal representative may inspect, in the manner and at any reasonable time either considers appropriate, the Grantee's facilities, records, and activities funded by this Grant Agreement.

Appendix E Project Budget & Reimbursement Provisions

1. Allowable Costs

Allowable costs under this grant include all reasonable and ordinary costs for direct labor & benefits, travel, equipment, supplies, contractual services, construction services, and other direct costs identified and approved in the Project budget that are necessary for and incurred as a direct result of the Project and consistent with the requirements noted in Appendix B 3 Eligible Costs.

A cost is reasonable and ordinary if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

Allowable costs are only those costs that are directly related to activities authorized by the Grant Agreement and necessary for the Project. The categories of costs and additional limits or restrictions are listed below:

a. Direct Labor & Benefits

Include salaries, wages, and employee benefits of the Grantee's employees for that portion of those costs attributable to the time actually devoted by each employee to, and necessary for the Project. Direct labor costs do not include bonuses, stock options, other payments above base compensation and employee benefits, severance payments or other termination allowances paid to the Grantee's employees.

b. Travel, Meals, or Per Diem

Include reasonable travel expenses necessary for the Project. These include necessary transportation and meal expenses or per diem of Grantee employees for which expenses the employees are reimbursed under the Grantee's standard written operating practice for travel and per diem or the current State of Alaska Administrative Manual for employee travel.

c. Equipment

Include costs of acquiring, transporting, leasing, installing, operating, and maintaining equipment necessary for the Project, including sales and use taxes.

Subject to prior approval by the Authority Project Manager, costs or expenses necessary to repair or replace equipment damage or losses incurred in performance of work under the grant may be allowed. However, damage or losses that result from the Grantee's employees, officer's, or contractor's gross negligence, willful misconduct, or criminal conduct will not be allowed.

d. Supplies

Include costs of material, office expenses, communications, computers, and supplies purchased or leased by the Grantee necessary for the Project.

e. Contractual services

Include the Grantee's cost of contract services necessary for the Project. Services may include costs of contract feasibility studies, project management services, engineering and design, environmental studies, field studies, and surveys for the project as well as costs incurred to comply with ecological, environmental, and health and safety laws.

f. Construction Services

For construction projects this includes the Grantee's cost for construction contracts, labor, equipment, materials, insurance, bonding, and transportation necessary for the Project. Work performed by the Grantee's employees during construction may be budgeted under direct labor and benefits. Contracted project management or engineering may be budgeted under contractual services and major equipment purchases made by the Grantee may be budgeted under equipment.

g. Other Direct Costs

In addition to the above the following expenses necessary for the Project may be allowed.

- o Net insurance premiums paid for insurance required for the grant Project;
- o Costs of permits and licenses for the grant Project;
- o Non-litigation legal costs for the Project directly relating to the activities; in this paragraph, "non-litigation legal costs" includes expenses for the Grantee's legal staff and outside legal counsel performing non-litigation legal services;
- o Office lease/rental payments;
- o Other direct costs for the Project directly relating to the activities and identified in the grant documents; and/or
- o Land or other real property or reasonable and ordinary costs related to interests in land including easements, right-of-ways, or other defined interests.

2. Specific Expenditures not allowed

Ineligible expenditures include costs for overhead, lobbying, entertainment, alcohol, litigation, payments for civil or criminal restitution, judgments, interest on judgments, penalties, fines, costs not necessary for and directly related to the grant Project, or any costs incurred before the beginning date of the grant as indicated on the signature page.

Overhead costs described in this section include:

- salaries, wages, applicable employee benefits, and business-related expenses of the Grantee's employees performing functions not directly related to the grant Project;
- office and other expenses not directly related to the grant Project; and
- costs and expenses of administration, accounting, human resources, training, property and income taxes, entertainment, self-insurance, and warehousing.

3. Match

The Grantee is required to provide \$ 14,500,000 in total match for this Project. \$14,500,000 is the match amount noted in the Renewable Energy Fund Round IV application, if other State funds are made available, or if the total project cost estimate is reduced, the required match will be reduced accordingly. Pursuant to Ch.5, FSSLA 2011, Sec. 4, pg 136 lines 29 & 30. "It is the intent of the legislature that the state's capital investment into energy generation projects not exceed 50% of the total investment required to fully complete those projects."

4. Cost Share Match Requirements

Cost sharing or matching is that portion of the Project costs not borne by the Authority. The Authority will accept all contributions, including cash and in-kind, as part of the Grantees' cost sharing or matching when such contributions meet the following criteria:

- Are provided for in the Project budget;
- Are verifiable from the Grantee's records;
- Are not included as contributions for another state or federally assisted project or program; (The same funds cannot be counted as match for more than one program.)
- Are necessary and reasonable for proper and efficient accomplishment of the Project or program objectives;
- Are allowable costs;
- Are not paid by the State or federal government under another award, except for authorized by the State or federal statute to be used for cost sharing or matching;
- Must be incurred within the grant eligible time period.

5. Valuing In-Kind Support as Match

If the Grantee chooses to use in-kind support as part of or its entire match, the values of those contributions must be approved by the Authority at the time the budget is approved. The values will be determined as follows:

- The value of real property will be the current fair market value as determined by an independent third party or a valuation that is mutually agreed to by the Authority and the Grantee and approved in the grant budget.
- The value assessed to Grantee equipment or supplies will not exceed the fair market value of the equipment or supplies at the time the grant is approved or amended.
- Equipment usage will be valued based on approved usage rates that are determined in accordance with the usual accounting policies of the recipient or the rates for equipment that would be charged if procured through a competitive process. Rates paid will not exceed the fair market value of the equipment if purchased.
- Rates for donated personal services will be based on rates paid for similar work and skill level in the recipient's organization. If the required skills are not found in the recipient organization, rates will be based on rates paid for similar work in the labor market. Fringe benefits that are reasonable, allowable, and allocable may be included in the valuation.
- Transportation and lodging provided by the Grantee for non-local labor will not exceed the commercial rates that may be available within the community or region.

6. Grant Disbursements

The Grantee must request disbursement of grant funds in the form and format required by the Authority with appropriate back-up documentation and certifications. (See Attachment 1)

Reimbursements are made for actual costs incurred and must be for approved milestones. The back-up documentation must demonstrate the total costs incurred are allowable, and reflect the amount being billed. Documentation must include:

- A ledger summarizing cost being billed
- A summary of direct labor costs supported by timesheets or other valid time record to document proof of payment
- Travel and per diem reimbursement documentation
- Contractor or vendor pay requests
- Invoices
- Detailed ledger of costs being charged to this grant

Payment of grant funds will be subject to the Grantee complying with its matching contribution requirements of the Grant.

Payment of grant funds will be made by the Authority to the Grantee within 30 days from receipt of a properly completed, supported, and certified Reimbursement Request (See Attachment 1).

7. *Withholding of Grant Funds*

If, upon review of the monthly billings, the Authority discovers errors or omissions in the billings it will notify the Grantee within thirty (30) days of receipt of the billing. Payment for the portion of billings for which there is an error or omission may be withheld pending clarification by Grantee.

Grant funds may be withheld for the following reasons:

- o The Grantee fails to provide adequate back-up documentation.
- o The Authority determines that a specific expense is not allowed under the grant.
- o The Grantee's matching contribution requirements are not met.

Up to 10% of the Authority's contribution of grant funds may be retained by the Authority until the Project is completed and all required final documentation and reports are received and accepted by the Authority.

8. *Advance Disbursements*

In most instances, payments to a Grantee will be made on a cost reimbursable basis. If the Authority determines that cost reimbursement will significantly inhibit the Grantee's ability to perform the Project and determines that an advance is in the public interest, the Authority may recommend an advance to the Grantee of an amount not to exceed a projected thirty (30) day cash need, or twenty percent (20%) of the grant amount, whichever amount is less.

Before the Authority will issue an advance, the Grantee must provide in writing, and the Authority must approve a "Request for Advance Payment" form which includes:

- a. justification of the need for the advance,
- b. documentation of anticipated line item costs associated with the advance.

All advances will be recovered with the Grantee's next Financial/Progress Report form. Should earned payments during the terms of this Grant Agreement be insufficient to recover the full amount of the advance, the Grantee will repay the unrecovered amount to the Authority when requested to do so by the Authority, or at termination of the Grant Agreement.

9. *Unexpended Grant Funds and Interest Earned*

Any grant funds not expended under this agreement and any interest accruing on the grant funds belong to the Authority and shall be returned to the Authority.

10. *Budget Adjustments and Changes*

When a Grantee faces increased unbudgeted costs, the grantee should contact the Authority Project Manager. Budget adjustments cannot increase the grant award amount. Cost overruns that may require reduced scope of work will require Authority approval and an amendment to the grant. If a budget adjustment or other changes indicate to the Authority Project Manager that the project cannot be completed as currently planned and budgeted for, the Authority Project Manager will not approve the release of additional grant funds until the grantee provides sufficient information on how the grantee intends to complete the revised project.

Budget Adjustments

The Grantee shall identify budget changes on its Financial Reports submitted to the Authority.

At least quarterly, the Authority will compare actual costs to budgeted distributions based on the Financial Report/Request for Reimbursement form. Costs charged to grant funds must reflect adjustments made as a result of the activity actually performed. The budget estimates or other distribution percentages must be revised at least quarterly, if necessary, to reflect changed circumstances.

Appendix F Clarifications to the Agreement

Clarifications and Amendments to the Grant Agreement

1. Appendix A, Section 4, Insurance

The Authority, solely for this Agreement, agrees that Grantee may require contractors to obtain insurance in the following amounts which exceed the specific limits of this Agreement ("Approved Excess Insurance"), and further agrees the costs of obtaining this Approved Excess Insurance may be charged to the grant made in this Agreement.

Approved Excess Insurance:

Workers' Compensation: as required by AS 23.30.045, for all employees engaged in work under this Project. The coverage shall include:

- a. Waiver of subrogation against the State and the Alaska Energy Authority and Employer's Liability Protection at \$ 1,000,000 each accident/each employee and \$1,000,000 policy limit;

Commercial General Liability: on an occurrence policy form covering all operations under this Project with combined single limits not less than:

- a. \$2,000,000 Each Occurrence;
- b. \$2,000,000 Personal Injury;
- c. \$2,000,000 General Aggregate; and
- d. \$2,000,000 Products-completed Operations Aggregate.

Excess or umbrella liability: \$4,000,000

The State of Alaska and Alaska Energy Authority shall each be named as an Additional insured on all Approved Excess Insurance.

2. Appendix A, Section 15, Termination

The Authority, solely for this agreement, agrees to replace the entire section with the language below:

i. Termination by Mutual Agreement

This Grant Agreement may be terminated, in whole or in part, prior to the completion of contract project activities when both parties agree that continuation is not feasible or would not produce beneficial results commensurate with the further expenditure of funds. The Authority will determine whether an environmental review of the cancellation is required under State and/or Federal law. The parties must agree on the termination conditions, including effective date and the portion to be terminated. The Grantee shall not incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible. The Authority shall make funds available to the Grantee to pay for allowable expenses incurred before the effective date of termination.

2. Termination for Cause

If the Grantee fails to comply with the terms of this Grant Agreement, or fails to use the grant for only those purposes set forth herein, the Authority may take the following actions:

- a) Suspension – After notice in writing by certified mail to the Grantee, suspend the grant and withhold any further payment or prohibit the Grantee from incurring additional obligations of grant funds, pending corrective action by the Grantee or a decision to terminate. Response must be received within fifteen (15) days of receipt of the written notice.
- b) Termination – Terminate the grant in whole or in part, at any time before the final grant payment is made. The Authority shall promptly notify the Grantee in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Payments made to the Grantee or recoveries by the Authority shall be in accordance with the legal rights and liabilities of the parties.

3. Recovery of Funds

In the event of a default or violation of the terms of the Grant Agreement by the Grantee, the Authority may institute actions to recover all or part of the project funds paid to the Grantee. Repayment by the Grantee of grant funds under this recovery provision shall occur within thirty (30) days of demand.

All remedies conferred on the Authority by this agreement or any other instrument or agreement are cumulative, not exclusive, and may be exercised concurrently or consecutively at the Authority's option.

3. Appendix A, Section 26, Procurement Standards

The Authority, solely for this Agreement, authorizes the Grantee to use their established and published procurement Standards.

4. Appendix B1, Sections 4, Contracts for Engineering Services:

Unless otherwise agreed by the Authority, the insurance required in Appendix B1, Section 4 shall, at a minimum, include professional liability insurance covering all errors, omissions or negligent acts in the performance of professional services under this agreement, with limits required per the following schedule:

<u>Contract Amount</u>	<u>Minimum Required Limits</u>
Under \$ 100,000	\$ 300,000 per Occurrence/Annual Aggregate
\$ 100,000-\$ 499,999	\$ 500,000 per Occurrence/Annual Aggregate
\$ 500,000-\$ 999,999	\$ 1,000,000 per Occurrence/Annual Aggregate
\$ 1,000,000 or over	Refer to Risk Management

5. Appendix B1, Sections 13, Ownership of Facilities and 14, Operations and Maintenance of Facilities:

4. Grantee has informed the Authority that it may desire to transfer the Whitman Lake Hydroelectric Project to the Southeast Alaska Power Authority ("SEAPA"). SEAPA is a joint action agency consisting of three members, the municipal electric utilities from the Cities of Ketchikan, Petersburg, and Wrangell.
5. Grantee has not disclosed any of the terms and conditions which might be used to effect a transfer of the Project to SEAPA. Nonetheless, Grantee desires the Authority stipulate and pre-approve the potential transfer of the Project from Grantee to SEAPA.
6. The Authority, solely for this Agreement, agrees that under Appendix A, Section 17 (No Third Party Assignments), and Appendix B1, Section 13 (Ownership of Facilities) that Grantee can transfer the Project to SEAPA if the Grantee:
 - a. fully discloses to the Authority all of the terms and conditions associated with transfer(s);
 - b. requires SEAPA to assume all obligations to perform under the Grant Agreement, including obligations for operation and maintenance of the Project;
 - c. demonstrates to the Authority's satisfaction that SEAPA will provide all electric generation and other public benefits to be derived from the Project to any combination of one more of the SEAPA member municipal utilities; and
 - d. represents and warrants to the Authority that the transfer(s) do not violate any constitutional, statutory, or other legal restriction.
7. If the Grantee is unable to satisfy these conditions, the Authority would still accept and consider a request for approval of the transfer of the Project to SEAPA under the provisions of Appendix B1, Sections 13 (Ownership of Facilities) and 14 (Operation and Maintenance of Facilities).

6. Appendix B1, Section 16, Tariffs & Rates for Use Grant Funded Assets

Solely for this Agreement, because the Grantee is a municipal public utility which is exempt from economic regulation under AS 42.05.711, Section B1, Section 16, of this Agreement shall not apply excepting the following provisions which shall continue to apply:

Attachment 1 Financial Report/Request for Reimbursement Form

THIS REQUEST IS FOR FINAL PAYMENT

Grantee: City of Ketchikan

Project: Whitman Lake Hydroelectric Project

Period: _____ to _____

Grant Number: 7040044

BUDGET SUMMARY	A	A	B	C	D = B + C	E = A - D
	GRANT BUDGET	WATCH BUDGET	PRIOR EXPENDITURES	EXPENDITURES THIS PERIOD	TOTAL EXPENDITURES	GRANT BALANCE
BY TASK OR MILESTONE						
Provide deliverables from grant 2195441	-					
Provide all permit, easements and site control are resolved and in place	-					
Provide plan of finance	-					
Provide a project management plan	-					
Bid owner supplied equipment						
Phase 1 – Award equipment procurement contract	\$ 1,863,337	\$ 3,096,663				
Bid construction work						
Phase 2 Award hydro construction contract	6,861,663	11,403,337				
Integration and Testing	-					
Final acceptance/ punchlist completion/ startup	-					
Annual operations reporting	-	-				
TOTAL	\$ 8,725,000	\$ 14,500,000				
BY BUDGET CATEGORIES						
Direct Labor and Benefits						
Equipment	\$ 2,317,397	\$ 2,682,603				
Materials & Supplies	11,586	13,414				
Contractual Services	834,263	965,737				
Construction Services	5,561,754	6,438,246				
Other:						
Contingencies	-	1,781,857				
Bond Issuance Costs	-	175,000				
Bond Reserve Account	-	1,153,143				
Hatchery Mitigation	-	1,290,000				
TOTAL	\$ 8,725,000	\$ 14,500,000				
BY FUND SOURCES						
Grant Funds	\$ 8,725,000	\$ -				
Grantee Match – Cash	-	14,500,000				
TOTAL	\$ 8,725,000	\$ 14,500,000				

CERTIFICATION

Form requires two original signatures. The person certifying must be different from the person preparing the report. One signature should be the authorized representative of the Grantee organization or highest ranking officer; the other should be the person who prepared the report.

I certify to the best of my knowledge and belief that the information reported on both the Financial Report above and the attached Progress Report are correct. In addition, funds were spent and work performed in accordance with the grant agreement terms and conditions.

Certified By: _____ Prepared By: _____

Printed Name: _____ Printed Name: _____

Title: _____ Date: _____ Title: _____ Date: _____

Attachment 2 Progress Report Form

Grantee: City of Ketchikan

Project Name: Whitman Lake Hydroelectric Project

Grant # 7040044

Period of Report: _____ to _____

Project Activities Completed:

Existing or Potential Problems:

Activities Targeted for Next Reporting Period:

Prepared By: _____ **Date:** _____

Printed Name: _____

Attachment 3 Notice of Project Closeout

**NOTICE OF PROJECT CLOSEOUT
ALASKA ENERGY AUTHORITY**

Project Name: Whitman Lake Hydroelectric Project

Grantee: City of Ketchikan

Grant Number: 7040044

The Alaska Energy Authority certifies and acknowledges that the Grant referenced above has been completed, and that all tasks have been satisfactorily carried out in accordance with the terms and conditions of Agreement Number: 7040044.

Project Manager
Alaska Energy Authority

Date

City of Ketchikan certifies that the Grant named above is complete in accordance with the terms and conditions of Alaska Energy Authority Agreement Number: 7040044.

City of Ketchikan also certifies that, we have been reimbursed for all eligible expenses pertaining to 7040044, and that as of the date of signature, no further reimbursements will be requested for any activity related to the Grant identified above.

Pursuant to Appendix B1 #15 'Performance/Operation and Maintenance (O&M) Reporting', the grantee is required to provide detailed reports annually, for five years.

Authorized Signature

Title

Printed Name

Date

Attachment 4 Grantee Contributions Report Form

Project Name: Whitman Lake Hydroelectric Project

Grantee: City of Ketchikan

Grant Number: 7040044

Check below the type of contribution being supplied for this grant. Next to each category, list the value of the contribution.

- Land Value _____
- Equipment Value _____
- Fuel Value _____
- Room Rental Value _____
- Cash Value _____
- Other: _____ Value _____

CERTIFICATION

Form requires two original signatures. The person certifying must be different from the person preparing the report. One signature should be the authorized representative of the Grantee organization or highest ranking officer; the other should be the person who prepared the report.

I certify to the best of my knowledge and belief that the information provided in this Report is correct.

Certified By: _____ Prepared By: _____

Printed Name: _____ Printed Name: _____

Title: _____ Date: _____ Title: _____ Date: _____

Attachment 5 Advance Request Form



GRANTS SECTION

REQUEST FOR ADVANCE PAYMENT

Instructions:

- (1) Fill in the Grantee, Grant Number, Project Title, Amount Requested, and Date.
- (2) Read the language in Appendix E of the Grant Agreement (Advance Disbursements provision).
- (3) Check the boxes to confirm that the advance is justified and that you have read and understood the conditions under which the advance will be approved and recovered by AEA.
- (4) Provide a brief narrative explaining the proposed use of the advanced funds.
- (5) Attach documentation of costs associated with the requested advance (i.e., price quotes or cost estimates, invoices, a spreadsheet outlining projected payroll, etc.)

Grantee:	Grant Number:
Project Title:	Date:
Amount Requested:	

- The Grantee confirms that the advance is necessary due to a lack of cash on hand to administer the grant on a cost-reimbursable basis.
- The Grantee understands the conditions under which AEA will recover the advance.

Explain how the advance will be used. Attach additional pages if necessary.

Grantee Certification: I certify that the above information is true and correct, and that expenditures will be made for the purpose of, and in accordance with, applicable grant agreement terms and conditions.

Signature Date

Name and Title 3

GRANT AGREEMENT
BETWEEN THE CITY OF KETCHIKAN AND THE KETCHIKAN GATEWAY BOROUGH
FOR CONSTRUCTION OF THE WHITMAN LAKE HYDROELECTRIC PROJECT
Borough Document # _____

This agreement (hereinafter referred to as "Whitman Grant Agreement") is made and entered into this 3 day of May 2013, by and between the City of Ketchikan, a municipal corporation and home-rule city, 334 Front Street, Ketchikan, Alaska 99901 (hereinafter referred to as "City" or "Grantee"), and the Ketchikan Gateway Borough, a municipal corporation and general-law borough of the second class, 1900 First Avenue, Suite 210, Ketchikan, Alaska 99901 (hereinafter referred to as "Borough" or "Grantor").

RECITALS

- A. **WHEREAS**, the Borough has areawide economic development powers (adopted on November 5, 1990, by Ordinance No. 772-Amended under the authority of AS 29.35.330(c)), under which the Borough may collect and expend funds for economic development purposes; and
- B. **WHEREAS**, the City operates Ketchikan Public Utilities, which provides electricity to most of the inhabited and developed areas within the boundaries of the Borough; and
- C. **WHEREAS**, the City has invested more than twenty years of staff time and several millions of dollars in the proposed Whitman Lake Hydroelectric Project; and
- D. **WHEREAS**, that investment has resulted in a license from the Federal Energy Regulatory Commission to construct the Whitman Lake Hydroelectric Project; and
- E. **WHEREAS**, the Whitman Lake Hydroelectric Power Project has long been considered to be among the best opportunities to add electrical generation capacity to serve the growing needs of the area within the Borough; and
- F. **WHEREAS**, the Whitman Lake Hydroelectric Project will also replace and improve the water supply system to the Southern Southeast Regional Aquaculture Association (SSRAA) Whitman Lake Hatchery, helping SSRAA to continue to fulfill its mission of enhancing salmon fisheries, and
- G. **WHEREAS**, the value to the region of SSRAA's annual production can exceed \$50 million, supporting more than 400 jobs in Southeast Alaska; and

FILED IN CITY CLERK'S OFFICE
DATE <u>1/7/2013</u>
NUMBER <u>13-003</u>

- H. **WHEREAS**, in 2007, the City contracted with Hatch Acres Corporation (whose name was later changed to Hatch) to design the construction of the Whitman Lake Hydroelectric Project; and
- I. **WHEREAS**, in 2011, Hatch estimated the cost of the construction of the Whitman Lake Hydroelectric Project to be \$14,373,614; and
- J. **WHEREAS**, in 2011, the Borough Assembly joined the City Council and the Saxman City Council in ranking the Whitman Lake Hydroelectric Power Project as the community's highest capital project priority in Fiscal Year 2012; and
- K. **WHEREAS**, on June 7, 2012, Ketchikan Public Utilities awarded a contract for Whitman Lake Hydroelectric Project Supply of Turbine and Generator Equipment to Burke Electric in the amount of \$2,803,433.
- L. **WHEREAS**, on July 24, 2012, Dawson Construction Company, Inc., submitted a bid of \$26,453,935 -- the lowest among three bidders -- to construct the Whitman Lake Hydroelectric Project; and
- M. **WHEREAS**, because the bids greatly exceeded the engineer's estimate for the project cost, on August 2, 2012, the City Council authorized staff to engage Dawson and Hatch in collaborative discussions to identify how the project cost could be reduced while maintaining its full licensed capacity; and
- N. **WHEREAS**, Dawson and Hatch value engineered the project to reduce the total cost of General Construction by \$8,583,544 or thirty-three percent (33%), reducing the cost of construction and equipment installation to \$17,159,456, but also reducing the projected average annual generation by 21.875% from 16,000 MW-hr to 12,500 MW-hr; and
- O. **WHEREAS**, City officials recommended to the City Council in an October 24, 2012 memorandum that the City: (1) terminate any further work on the Whitman Lake Hydroelectric Project; (2) surrender the Federal Energy Regulatory Commission license for the project (License No. 11841); (3) cancel the contract to supply turbine and generator equipment for the Whitman Lake Hydroelectric Project, in its entirety and negotiate a settlement of the contract in accordance with the terms and conditions of the agreement; (4) coordinate with the Southeast Alaska Power Agency (SEAPA) to reprogram AEA Grant No. 77040044 in the amount of \$8,725,000 to the agency's proposed project for additional Swan Lake reservoir capacity; and (5) take such actions necessary to close out the project; and
- P. **WHEREAS**, on November 5, 2012, the Ketchikan Gateway Borough Assembly invited the City of Ketchikan to present information to the Assembly concerning the Whitman Lake

Hydroelectric Project and the potential benefits of an economic development grant from the Borough for the Whitman Lake Hydroelectric Project; and

- Q. **WHEREAS**, on November 13, 2012, the Ketchikan City Manager presented to the Borough an eight-page memorandum with five attachments comprising 20 additional pages of supporting materials outlining aspects of the project, including the estimated project costs and revenues as follows:

Costs:	AEA Grant	KPU	Total
Equipment	\$1,083,913	\$1,641,087	\$2,725,000
Materials and Supplies	\$9,944	\$15,056	\$25,000
Contractual Services	\$616,753	\$1,083,247	\$1,700,000
Construction Services	\$6,825,450	\$10,334,006	\$17,159,456
Recreation Trail Improvements	\$39,777	\$60,223	\$100,000
Wetlands Mitigation	\$39,777	\$60,223	\$100,000
Transmission Line	\$29,832	\$45,168	\$75,000
FERC Dam Safety Work	\$39,777	\$60,223	\$100,000
Removal of Temporary Pipe	\$39,777	\$60,223	\$100,000
Other:			
Contingencies		\$1,500,000	\$1,500,000
Bond Issuance Costs		\$175,000	\$175,000
Bond Reserve Account		\$1,153,143	\$1,153,143
Hatchery Mitigation		<u>\$1,290,000</u>	<u>\$1,290,000</u>
	<u>\$8,725,000</u>	<u>\$17,477,599</u>	<u>\$26,202,599</u>
Funding:			
AEA Grant	\$8,725,000		\$8,725,000
2013 Revenue Bonds		\$15,000,000	\$15,000,000
Funding Shortfall		<u>\$2,477,599</u>	<u>\$2,477,599</u>
	<u>\$8,725,000</u>	<u>\$17,477,599</u>	<u>\$26,202,599</u>

- R. **WHEREAS**, on November 19, 2012, the Assembly conducted a work session during which time officials of the City addressed the Whitman Lake Hydroelectric Project and answered questions from the Assembly regarding the project; and
- S. **WHEREAS**, on November 19, 2012, the Assembly adopted Resolution No. 2443, directing the Borough Manager to negotiate a proposed agreement between the Borough and the City, subject to approval by the Assembly no later than December 17, 2012, for an economic development grant in an amount not to exceed \$2.5 million to facilitate the construction of the Whitman Lake Hydroelectric Project; and
- T. **WHEREAS**, the Alaska Energy Authority ("AEA") and the City of Ketchikan ("City") entered into Grant Agreement 7040044 on April 18, 2012, under which the AEA agreed to grant

\$8,725,000 to the City for the Whitman Lake Hydroelectric Project ("AEA/City Grant Agreement" or "Grant Agreement #7040044"); and

- U. **WHEREAS**, the parties acknowledge that under the terms of AEA/City Grant Agreement reasonable measures have been taken by AEA to ensure that the Project is operated for the benefit of the Ketchikan community over a long term. These measures include provision that: The City is restricted in its ability to sell, encumber or dispose of its interest in the Project. The City is obligated to operate and maintain the project, subject to pre-approval of assignment of the project to the Southeast Alaska Power Authority (SEPA); and The City may be required to reimburse the AEA in the event it no longer operates the facility for its intended purpose. The Borough finds that these measures provide adequate assurance that the desired public benefit of this grant will be realized; and

- V. **WHEREAS**, significant efficiencies, economies of resources, and other advantages (e.g., harmonization of terms of the Whitman Lake Grant Agreement with the AEA/City Grant Agreement) will be gained by patterning the this grant agreement after the AEA/City Grant Agreement.

NOW THEREFORE, for and in consideration of the terms, covenants, and provisions contained here, the Borough and the City agree as follows:

Section 1: Agreement in General and Relation to AEA Grant. The Borough and the Grantee enter into this agreement consisting of 4 sections, the provisions in Appendix A-E, Attachments 1-4.

Section 2: Term. This agreement shall begin the date set out above, and shall terminate upon the earlier of: 1) project completion and closeout as designated by the form set out in Attachment 3, or 2) March 16, 2016.

Section 3: Specific Terms of Borough Grant. Notwithstanding provisions of the Grant Agreement between the City of Ketchikan and the Alaska Energy Authority identified as Grant Agreement #7040044, the following specific terms apply to this grant from the Borough for the Whitman Lake Hydroelectric Project:

- (a) **Borough Grant not to Exceed \$2,500,000.** The Borough shall grant funds to pay for expenses incurred by the Grantee under the terms and conditions of this Whitman Grant Agreement in an amount not to exceed \$2,500,000, unless the grant amount is amended as provided herein.
- (b) **Requirement to First Spend AEA Grant Funds and 2013 Revenue Bond Proceeds.** The Grantee shall receive the Borough grant funds for the Whitman Lake Hydroelectric Project to perform the work and other obligations required by this Whitman Grant Agreement only after it has expended the \$8,725,000 AEA

grant, and \$15,000,000 from the 2013 Whitman project revenue bonds less \$1,290,000 designated for SSRAA's Whitman Lake Hatchery Mitigation (the \$1,153,143 in bond proceeds designated for the Bond Reserve Account shall be deemed expended upon written assurance by the Grantee that the funds will be used to pay debt service on the 2013 Whitman project revenue bonds or used for the Whitman Lake Hydroelectric Project itself.). Any amounts remaining from the \$1,290,000 designated for the Whitman Lake Hatchery will be used for the Whitman Lake Hydroelectric Project or used to reduce the amount of the Borough grant.

- (c) **Project Scope.** The project's capacity is 4.6 MW. The original Whitman Lake Project scope included construction of a small diversion dam on Achilles Creek and a conduit conveying Achilles Creek water to Whitman Lake. The Achilles Creek diversion was eliminated to reduce the cost of the project as outlined in the recitals to this Whitman Lake Grant Agreement. Achilles Creek was to have provided about 20% of the total water in the system; without it, there will be less water available for energy production and hatchery use. Also, whereas original plans called for a 48-inch diameter pipe to supply water to the larger turbine and a 30-inch diameter pipe for the smaller turbine, the Ketchikan Public Utilities now plans to install two interconnected 36-inch pipes that will supply both turbines. This change will increase friction losses and slightly reduce energy production. The energy that a hydroelectric project produces is dependent on the capacity of its turbines, head pressure, and the amount of water available to run the turbines. Ketchikan Public Utilities estimates that the changes to the project scope will reduce the project's average annual generation by 21.875%, from 16,000 MW hours to 12,500 MW hours. Stated differently, restoration of the project scope as originally designed – increasing generation from 12,500 MW hours to 16,000 MW hours – will increase the revised project's average annual generation by an estimated 28 percent. At the November 19 meeting of the Assembly, City officials estimated that restoration of the project scope would add about \$1.5 million to the estimated \$26,202,599 project cost. The \$1.5 million represents an increase of 5.725 percent in the estimated cost of the project. Clearly, it makes economic sense to restore the project to its original scope. The Grantee intends to seek additional funding (e.g., SSRAA contribution, additional issuance of revenue bonds, federal grants, state grants, or local grants) to allow construction of the facility as originally designed to take advantage of the significant economies of doing so at this time.
- (d) **Additional funding.** In addition to the efforts to obtain funding to restore the project scope as described in subsection (c), the Grantee shall make reasonable efforts to obtain State grant funding which would displace the funds provided by the Borough under this grant. Should additional grant funds be obtained, they shall be used first to displace funds granted under this agreement, unless either

the grant terms prohibit such use, or the Borough agrees to such funding be treated as additional project funding.

- (e) **Project Completion.** Performance under this agreement shall be completed no later than March 16, 2016.

Section 4: Notice. Any notice, demand, request, consent, approval, or other communication that either party desires or is required to give to the other party or any other person shall be in writing and either served personally at, or sent by prepaid, first-class mail to the address set forth below. Either party may change its address by notifying the other party of its change of address.

Borough: Ketchikan Gateway Borough
Attention: Borough Manager
1900 First Ave. Suite 210
Ketchikan, Alaska 99901

City: City of Ketchikan
Attention: City Manager
334 Front St.
Ketchikan, Alaska 99901

Appendix A GENERAL PROVISIONS

1. *Definitions*

In this Grant Agreement, attachments and amendments:

- a) AEA means the Alaska Energy Authority.
- b) "Borough" means the Ketchikan Gateway Borough, a second-class borough incorporated under the laws of the State of Alaska.
- c) "Borough Project Manager" means the Borough Manager or designee responsible for interaction with the Grantee with respect to the Project and is the Grantor's primary contact for the Grantee during all phases of the Project.
- d) "Authorized Representatives" means those individuals or entities authorized by an entity to act on its behalf, with delegated authority sufficient to accomplish the purposes for which action is needed.
- e) "Grantee" means the City of Ketchikan.
- f) "Grantee Project Manager" means the person designated to fulfill the obligations arising under Appendix B1, item #2.

- g) "Matching Contributions" means the cash, loan proceeds, in-kind labor, equipment, land, other goods, materials, or services a grantee provides to satisfy any match requirements of a grant or to complete the Project.
- h) "Project" means the Whitman Lake Hydroelectric Project as defined in Appendix C (Scope of Work) for which funds have been made available.
- i) "State" means the State of Alaska.

2. *Borough Saved Harmless*

As a condition of this Grant, the Grantee agrees to defend, indemnify, and hold harmless the Borough, and its agents, servants, contractors, and employees, from and against any and all claims, demands, causes of action, actions, and liabilities arising out of, or in any way connected with this grant or the project for which the grant is made, howsoever caused, except to the extent that such claims, demands, causes of action, actions or liabilities are the proximate result of the sole negligence or willful misconduct of the Borough.

3. *Workers' Compensation Insurance*

The Grantee shall provide and maintain Workers' Compensation Insurance as required by AS 23.30 for all employees engaged in work under this Grant Agreement. The Grantee shall require any contractor to provide and maintain Workers' Compensation Insurance for its employees as required by AS 23.30.

4. *Insurance*

The Grantee is responsible for obtaining and maintaining any necessary insurance and endorsements as defined in Appendix B Standard Provisions. Proof of insurance coverage that lists the Borough as Additional Insured must be included with the Grantee's first request for reimbursement or advance request. Continued proof of insurance coverage must be presented with the first reimbursement or advance request of the grantee's fiscal year for the life of the grant. Reimbursement and advance requests will not be processed if proper documentation of insurance has not been submitted.

5. *Equal Employment Opportunity (EEO)*

The Grantee may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy, or parenthood. The Grantee shall post in a conspicuous place, available to employees and applicants for employment, a notice setting out the provisions of this paragraph.

The Grantee shall state in all solicitations or advertisements for employees to work on the Project, that it is an Equal Opportunity Employer (EEO) and that all qualified applications will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

The Grantee shall include the provisions of this EEO article in every contract relating to this Grant Agreement and shall require the inclusion of these provisions in every agreement entered into by any of its contractors, so that those provisions will be binding upon each contractor and subcontractor.

6. *Public Purposes*

The Grantee agrees that the Project to which this Grant Agreement relates shall be dedicated to public purposes and any project constructed or equipment or facilities acquired, shall be owned and operated for the benefit of the general public. The Grantee shall spend monies appropriated under this grant only for the purposes specified in the Grant Agreement. The benefits of the Project shall be made available without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

7. *Governing Law*

This Grant Agreement is governed by the laws of the State of Alaska. Any civil action arising from this Agreement shall be brought in the Superior Court for the First Judicial District of the State of Alaska at Ketchikan. Provided, however, if the dispute is consolidated with a dispute under the Grant Agreement between the City of Ketchikan and the Alaska Energy Authority identified as Grant Agreement # 7040044, the consolidated dispute may be heard in the forum selected by that AEA grant agreement.

8. *Compliance with Applicable Law and Funding Source Requirements*

The Grantee shall comply with all applicable local, state and federal statutes, regulations, ordinances and codes, whether or not specifically mentioned herein. Refer to Appendix B Standard Provisions for more specific requirements.

9. *Severability*

If any section, paragraph, clause or provision of this Agreement is held invalid or unenforceable, the remainder of this Agreement shall be unaffected and enforced to the fullest extent possible, and the invalid or unenforceable provision shall be deemed replaced with a valid and enforceable provision that is as similar as possible to such invalid or unenforceable provision.

10. *Non-waiver*

The failure of either party at any time to enforce a provision of this Agreement shall in no way constitute a waiver of the provision, nor in any way affect the validity of this Agreement, or any part hereof, or the right of such party thereafter to enforce each and every provision hereof.

11. Integration

This instrument and all appendices, amendments, and attachments, attached hereto and incorporated herein by reference, embody the entire Agreement of the parties concerning the granting and use of the grant funds granted hereunder. There are no promises, terms, conditions, or obligations regarding said funds other than those contained in the documents described above; and such documents shall supersede all previous communications, representations or agreements, either oral or written, between the parties hereto.

12. Grantee Not Agent of Borough

The Grantee and any agents and employees of the Grantee act in an independent capacity and are not officers or employees or agents of the Borough in the performance of this Grant Agreement.

13. Termination

a) The Grantee shall have no rights to compensation or damages for termination except as provided in this Section.

b) Termination by Mutual Agreement

This Grant Agreement may be terminated, in whole or in part, prior to the completion of contract project activities when both parties and the AEA agree that continuation is not feasible or would not produce beneficial results commensurate with the further expenditure of funds.

c) Termination for Cause

If the Grantee fails to comply with the terms of this Grant Agreement, or fails to use the grant for only those purposes set forth herein, the Borough may take the following actions:

1. Suspension - After notice in writing by certified mail to the Grantee, suspend the grant and withhold any further payment or prohibit the Grantee from incurring additional obligations of grant funds, pending corrective action by the Grantee or a decision to terminate. Response must be received within fifteen (15) days of receipt of the written notice.
2. Termination - Terminate the grant in whole or in part, at any time before the final grant payment is made. The Borough shall promptly notify the Grantee in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Payments made to the Grantee or recoveries by the Borough shall be in accordance with the legal rights and liabilities of the parties.

d) Recovery of Funds

In the event of a default or violation of terms of the Grant Agreement by the Grantee, the Borough may institute actions to recover all or part of the project funds paid to the Grantee. Repayment by the Grantee of grant funds under this recovery provision shall occur within thirty (30) days of demand.

All remedies conferred on the Borough by this agreement or any other instrument or agreement are cumulative, not exclusive, and may be exercised concurrently or consecutively at the Borough's option.

14. Termination Due to Lack of Funding

In the event funding from the Borough, federal or other sources is withdrawn, reduced, or limited in any way after the effective date of this agreement and prior to normal completion, the Borough may terminate the agreement, reduce funding, or re-negotiate subject to those new funding conditions.

15. No Assignment or Delegation

The Grantee may not assign or delegate this Grant Agreement, or any part of it, or any right to any of the money to be paid under it, except with the written consent of the Borough Manager.

16. No Third Party Beneficiaries

Except as otherwise specified in this agreement, no person is a third party beneficiary of this Agreement and this Agreement creates no third party rights. Specifically, any person who is not a party to this Agreement shall be precluded from bringing any action asserting the liability of a party or asserting any right against a party to this Agreement, through the terms of this Agreement. No person, other than a party to this Agreement, may bring any action based upon this Agreement for personal injuries, property damages, or otherwise. Provided, however, that the AEA is an intended third party beneficiary to the extent that it may use the grant funds under this grant agreement in the same manner and subject to the same restrictions as the City of Ketchikan if it assumes project management responsibility for the project.

17. No Additional Work or Material

No claims will be allowed for additional work, materials, or equipment, not specifically authorized in this Grant Agreement, which are performed or furnished by the Grantee.

18. Changes

Any changes which have been agreed to by both parties will be attached and made a part of this Grant Agreement by use of a written Amendment. Any such Amendment must be dated and signed by Authorized Representatives of the Borough and the Grantee.

19. Right to Withhold Funds

The Borough may withhold payments under this Grant Agreement for non-compliance with any of the provisions of this Grant Agreement.

20. *Remission of Unexpended Funds*

The Grantee shall return all unexpended grant monies to the Borough within 90 days of the Project completion.

21. *Tax Compliance Responsibilities of Grantee*

The Grantee is responsible for determining applicable federal, state, and local tax requirements, for complying with all applicable tax requirements, and for paying all applicable taxes. The Grantee shall require the payment of all applicable taxes by any contractor or any other persons in the performance of this Grant Agreement.

22. *Financial Management and Accounting*

The Grantee shall establish and maintain a financial management and accounting system that conforms to generally accepted accounting principles. In addition, the accounting system must keep separate all grant funds awarded under this grant agreement.

23. *Procurement Standards*

Grantees will follow its established and published procurement standards.

24. *Reporting Requirements*

The Grantee shall submit progress reports to the Borough according to the schedule established in Appendix D of this Grant Agreement.

25. *Ownership of Documents and Products*

Except as otherwise specifically agreed, all designs, drawings, specifications, notes, artwork, computer programs, reports and other work developed with grant funds in the performance of this agreement are public domain and may be used by the Borough and/or public without notice or compensation to the Grantee. The Grantee agrees not to assert any rights and not to establish any claim under the design patent or copyright laws. Except as otherwise specifically agreed, and without limiting any Intellectual Property requirements of a federal funding agency, the Authority shall have unlimited rights to use and to disseminate any data produced or delivered in the performance of the contract. For purposes of clarity, nothing in this section precludes Grantee from using any document or product with respect to the Project or other Grantee uses.

26. *Inspections and Retention of Records*

The Grantee shall keep a file for financial, progress and other records relating to the performance of the grant agreement. The file must be retained for a period of four years from the fully executed close out of the grant agreement or until final resolution of any audit findings claim or litigation related to the grant. The Borough may inspect, in the manner and at reasonable times it considers appropriate, records and activities under this Grant Agreement.

27. Audits

The Grantee shall provide the Borough with a copy of its annual audit which includes this project, when it becomes available, each year until 1 year after project completion

28. Legal Authority

The Grantee certifies that it possesses legal authority to accept grant funds from the Ketchikan Gateway Borough and to execute the Project described in this Grant Agreement by signing the Grant Agreement document. The Grantee's relation to the Borough shall be at all times as an independent Grantee.

29. Grant Close out

Upon completion of all work and expenditure of all grant funds related to the Project the Grantee shall sign the Notice of Project Closeout (Attachment No. 3 included with this agreement) and submit the Notice to the Borough Manager within 30 days after the completion of the project. The Grant will be considered closed upon certification by the Borough Manager as provided in the Notice of Project Closeout.

The Grant will be administratively closed if the Grantee fails to return the Notice of Project Closeout as provided above. If the Grantee has a valid reason for the Grant to remain open, it must contact the Borough in writing within 30 days of completion of the Project.

No additional reimbursements will be made to the Grantee after the grant is closed out.

Appendix B Standard Provisions

1. Grant Funding Sources

This Grant is subject to appropriation by the Borough Assembly and the availability of funds lawfully appropriated.

Grantee acknowledges that it has secured, and will be utilizing for the project, prior to the expenditure of Borough grant funds under this agreement, grant funds from the Alaska Energy Authority in the amount of \$8,725,000; Bond proceeds from the sale of KPU bonds in the amount of \$15,000,000. Further, Grantee intends to request additional grant funds from the State of Alaska, which funds, if obtained, would be utilized for the project prior to use of grant funds from the Borough under this grant agreement.

2. Governing Laws

The Grantee shall perform all aspects of this Project in compliance with all applicable state, federal and local laws.

3. Eligible Costs

The Borough, as Grantor, shall have sole discretion to determine which project costs are eligible to be paid from Grant monies under this agreement. Only direct costs of the Project are eligible for payment or reimbursement from grant funds. Indirect costs are not allowed under this grant unless approved by the Borough in Appendix E.

4. Insurance Requirements

The following insurance requirements are in effect for this Project. Insurance will be obtained with an insurance carrier or carriers covering injury to persons and property suffered by the State of Alaska, the Borough or by a third party as a result of operations under this grant.

Insurance required under this grant shall be of the same type and amounts as required under that certain grant agreement between the City of Ketchikan and the Alaska Energy Authority identified as Grant Agreement Number 7040044. These requirements are set out in Appendix A, section 4; Appendix B, section 4 and Appendix F of that agreement.

Under each such policy the insurer shall be required to notify the Borough, in writing, at least 30 days before cancellation of any coverage or reduction in any limits of liability. All of the required insurance coverage shall be considered to be primary and non-contributory to any other insurance carried by the Borough, whether self-insurance or otherwise.

The above requirements may be met, where appropriate, by an appropriate rider naming the Borough as an additional insured, with a waiver of right of subrogation.

The Borough's acceptance of deficient evidence of insurance does not constitute a waiver of Grant requirements.

Appendix B1 Standard Provisions for General Design & Construction Grant

1. Declaration of Public Benefit

The parties acknowledge and agree that the Project shall be constructed, owned and operated for the benefit of the general public and will not deny any person use and/or benefit of Project facilities due to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

2. Grantee Project Manager

For construction projects, the Grantee will contract or hire competent persons to manage all phases of the Project. Work at a minimum will include; management of Grantee's labor for the project, engineering firms and consultants, procurement, management of construction contractors, selection of equipment, review of plans and specifications, on-site inspections and review and approval of work, and other duties to ensure that the completed work conforms with the requirements of the grant and the construction documents.

If the Grantee fails to provide adequate project management and AEA terminates the AEA Grant or assumes project management responsibilities with the concurrence of the Grantee, AEA may use the grant funds provided herein on the same terms to complete the Project.

3. *Contracts for Engineering Services*

In the event the Grantee contracts for engineering services, the Grantee will require that the engineering firm certify that it is authorized to do business in the State of Alaska and provide proof of licensing and required professional liability insurance.

4. *Site Control*

If the grant Project involves the occupancy and use of real property, the Grantee assures that it has the legal right to occupy and use such real property for the purposes of the grant, and further that there is legal access to such property. The Grantee is responsible for securing the real property interests necessary for the construction and operation of the Project, through ownership, leasehold, easement, or otherwise, and for providing evidence satisfactory to the Borough that it has secured these real property interests.

5. *Permits*

It is the responsibility of the Grantee to identify and ensure that all permits required for the construction and operation of this Project by the Federal, State, or Local governments have been obtained unless otherwise stated in Appendix C. These permits may include, but are not limited to those required by the Corps of Engineers, Environmental Protection Agency, Alaska Department of Environmental Conservation, State Historic Preservation Office, State Fire Marshal, Alaska Department of Natural Resources, Alaska Department of Fish and Game and Borough.

6. *Exclusion of Existing Environmental Hazards*

Grant funds for investigation, removal, decommissioning, or remediation of existing environmental contamination or hazards, are not allowed unless specifically specified and approved in Appendix C.

7. *Environmental Standards*

The Grantee will comply with applicable environmental standards, including without limitation applicable laws for the prevention of pollution, management of hazardous waste, and evaluation of environmental impacts.

8. *Current Prevailing Rates of Wage and Employment Preference*

The Grantee is responsible for identifying any other sources of project funds and for ensuring compliance with applicable wage scales for all sources of project funding. If Grantee believes it or its contractors may be exempt from these requirements as to any portion of the Project work, it should contact the State of Alaska Department of Labor and Workforce Development, Wage and Hour Administration, for a determination and forward a copy of that determination to the

Borough's Grant Administrator prior to expending grant funds for such project work. Grant funds under this agreement shall not be used for SSRAA Hatchery Mitigation work and the provisions of this paragraph shall not apply to such work.

9. Construction Plans and Specifications Review

Except for contracts advertised and for which bids have closed prior to the date of this grant, prior to public notice of bidding a material change to the construction project the Grantee will provide the plans and specifications to AEA for review. Concurrence from AEA that the plans and specifications are consistent with the AEA Grant award must be received before Borough Grant funds will be released for construction related costs.

10. Construction Insurance and Bonding

When the value of the construction is anticipated to be greater than \$100,000, prior to beginning construction on a project funded by this grant, the Grantee or grantee's contractor(s) must provide the Borough a copy of; 1) proof of adequate insurance as defined in Appendix B. #4 of the grant agreement, and 2) proof of either a payment and performance bond, as may be required by AS 36.25.010, a surety in form and substance acceptable to the AEA, or some other guarantee or assurance acceptable to the AEA that the Grantee or the Grantee's contractor has the capacity, qualifications, and financial resources necessary to complete construction of the project as proposed in the grant or construction contract(s) funded by this grant. Grant funds under this agreement shall not be used for SSRAA Hatchery Mitigation work and the provisions of this paragraph shall not apply to such work.

11. Post Construction Certification

Upon completion of construction the Grantee will submit a final report that includes:

- Certification that all work is completed in accordance with the grant and all costs claimed are eligible costs and represent work completed on the Project;
- Summary of total project cost including detailed funding sources and any outstanding debt;
- Certification that there is a release of any contractor or subcontractor liens on the project;
- Identification of any outstanding construction issues; and
- Demonstration that appropriate insurance is in place

12. Ownership of Facilities

The Grantee shall assume all liabilities arising from the ownership and operation of the Project.

13. Performance/Operation and Maintenance (O&M) Reporting

The Grantee must provide the Borough with a copy of the Performance/O&M Report provided to the AEA annually for 4 years after Project completion

Appendix C Grantee Proposal/Scope of work

The proposed Whitman Lake Hydroelectric Project will install 4.6 MW of generating capacity at an existing dam, supporting near term load demand increases in the Ketchikan area and displacing diesel generation as the existing Swan-Tyee resources become fully utilized. Ketchikan Public Utility (KPU) will also replace the aging water supply system of the Southern Southeast Regional Aquaculture Association Whitman Lake Hatchery, providing increased water quality, reliability and redundancy to a facility that is critical to the region's commercial fishing, seafood processing and sport fishing industries.

The project will be located approximately four miles from the City of Ketchikan. It will generate up to an average of 16,000,000 kWh displacing up to 1,100,000 gallons of diesel fuel annually. Penstocks will lead to a new powerhouse containing two hydro turbine-generators: Unit 1, at 3.9 MW will generate power that would otherwise be spilled; Unit 2, at 0.7 MW will generate power from the water delivered to the fish hatchery located adjacent to the hydroelectric project.

KPU received a \$1.3 million Renewable Energy Fund grant in Round II for final design and permitting for Whitman Lake. It is finishing up the remaining work required under that grant scope of work at this time. Final approval was granted in August 2011 by the U.S. Forest Service for construction of the project facilities incorporating final road route approval within an inventoried roadless area. Additionally, KPU has received a \$1 million legislative grant from the State for final design work required to be completed prior to construction. FERC issued the project license in February 2009 and has granted an extension for the start of construction to March 16, 2013. The license now requires completion of the project by early 2016.

Payment requests may be made no more frequently than monthly. Payment requests must indicate project funds remaining from each project funding source, and may be paid as reimbursable or advance payments from this grant only after other project funding sources have been expended.

Appendix D Project Management & Reporting Requirements

1. Project Management

The Grantee will notify the Borough immediately of any significant organizational changes during the term of the grant, including changes in key personnel or tax status, any unforeseen problem or project delay that may cause a change to the work plan or budget or that may otherwise affect the Grantee's ability to perform its commitments under this Grant Agreement. Any unreported or unapproved changes to the work plan or budget evident in reports may result in an amendment being required, costs disallowed, suspension or termination of the grant as described in Appendix A.

2. Contact Persons

For the Grantee	For The Borough
Grant Manager Bob Newell, Finance Director 334 Front Street Ketchikan, Alaska 99901 bobn@city.ketchikan.ak.us 907-228-5603	Grant Manager Dan Bockhorst, Borough Manager 1900 First Ave., Ste 210 Ketchikan, Alaska 99901 danb@kgbak.us 907-228-6625
Project Manager Jennifer Holstrom, Senior Project Engineer 2930 Tongass Avenue Ketchikan, Alaska 99901 jenniferh@city.ketchikan.ak.us [Grantee PM phone]	

3. Monthly Progress and Financial Reports

The Grantee will provide monthly status reports by email (or other method allowed by the Borough, if email is not available) to the Borough Project Manager. These reports are due starting the first full month after the execution of this Agreement. The report must update the Borough on the project's progress, regulatory and compliance issues, possible delays, and grant expenditures during the month. The Monthly Progress Reports, which are due within 30 days of the end of the previous month, must summarize, in one or two pages, the progress made on grant tasks during the month and identify any difficulties in completing tasks or meeting goals or deadlines. The Grantee must also include with the report copies of any work products due to the Borough during this period.

Reports are considered late five (5) days after the due date. No further payments will be made without submission and approval of required reports. Work completed after the twenty-day period when required reports have not been submitted is at the Grantee's risk, and costs incurred may be disallowed. Repeated failure to submit reports in a timely manner could result in suspension or termination of the grant.

All reports and deliverables required in this agreement must have been submitted and approved by the Borough prior to the final payment being released.

Reporting requirements called for under this subsection may be satisfied by providing a copy of the similar report required by the AEA under the Grant 7040044.

4. Documentation and Record Keeping

The Grantee shall maintain the following in its files:

-
- Grant agreement and any amendments,
- All written correspondence or copies of emails relating to the Grant,
- Reports, including any consultant work products,
- A separate accounting of grant income and expenditures, and
- Supporting documentation for the expenditures charged to the grant (including supporting documentation for all required matching contributions).

The Borough and any authorized federal representative may inspect, in the manner and at any reasonable time either considers appropriate, the Grantee's facilities, records, and activities funded by this Grant Agreement.

Appendix E Project Budget & Reimbursement Provisions

1. Allowable Costs

Allowable costs under this grant include all reasonable and ordinary costs for direct labor & benefits, travel, equipment, supplies, contractual services, construction services, and other direct costs identified and approved in the Project budget that are necessary for and incurred as a direct result of the Project and consistent with the requirements noted in Appendix B 3 Eligible Costs.

A cost is reasonable and ordinary if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs.

Allowable costs are only those costs that are directly related to activities authorized by the Grant Agreement and necessary for the Project. The categories of costs and additional limits or restrictions are listed below:

a. Direct Labor & Benefits

Salaries, wages, and employee benefits of the Grantee's employees for that portion of those costs attributable to the time actually devoted by each employee to, and necessary for the Project. Direct labor costs do not include bonuses, stock options, other payments above base compensation and employee benefits, severance payments or other termination allowances paid to the Grantee's employees.

b. Travel, Meals, or Per Diem

Reasonable travel expenses necessary for the Project. These include necessary transportation and meal expenses or per diem of Grantee employees for which expenses the employees are reimbursed under the Grantee's standard written operating practice for travel and per diem or the current State of Alaska Administrative Manual for employee travel.

c. Equipment

Costs of acquiring, transporting, leasing, installing, operating, and maintaining equipment necessary for the Project, including sales and use taxes.

Subject to prior approval by the Borough Project Manager, costs or expenses necessary to repair or replace equipment damage or losses incurred in performance of work under the grant may be allowed. However, damage or losses that result from the Grantee's employees, officer's, or contractor's gross negligence, willful misconduct, or criminal conduct will not be allowed.

d. Supplies

Costs of material, office expenses, communications, computers, and supplies purchased or leased by the Grantee necessary for the Project.

e. Contractual services

Grantee's cost of contract services necessary for the Project. Services may include costs of contract feasibility studies, project management services, engineering and design, environmental studies, field studies, and surveys for the project as well as costs incurred to comply with ecological, environmental, and health and safety laws.

f. Construction Services

For construction projects this includes the Grantee's cost for construction contracts, labor, equipment, materials, insurance, bonding, and transportation necessary for the Project. Work performed by the Grantee's employees during construction may be budgeted under direct labor and benefits. Contracted project management or engineering may be budgeted under contractual services and major equipment purchases made by the Grantee may be budgeted under equipment.

g. Other Direct Costs

In addition to the above the following expenses necessary for the Project may be allowed.

- Net insurance premiums paid for insurance required for the grant Project;
- Costs of permits and licenses for the grant Project;
- Non-litigation legal costs for the Project directly relating to the activities; in this paragraph, "non-litigation legal costs" includes expenses for the Grantee's legal staff and outside legal counsel performing non-litigation legal services;
- Office lease/rental payments;
- Other direct costs for the Project directly relating to the activities and identified in the grant documents; and/or
- Land or other real property or reasonable and ordinary costs related to interests in land including easements, right-of-ways, or other defined interests.

2. Specific Expenditures not allowed

Ineligible expenditures include costs for overhead, , entertainment , alcohol, litigation, payments for civil or criminal restitution, judgments, interest on judgments, penalties, fines, costs not necessary for and directly related to the grant Project, or any costs incurred before the beginning date of the grant as indicated on the signature page.

Overhead costs described in this section include:

- salaries, wages, applicable employee benefits, and business-related expenses of the Grantee's employees performing functions not directly related to the grant Project;
- office and other expenses not directly related to the grant Project; and
- costs and expenses of administration, accounting, human resources, training, property and income taxes, entertainment, self-insurance, and warehousing.

3. Match

The Grantee is required to provide \$15,000,000 in its own bond generated funds, and \$8,725,000 in funds from AEA Grant # 7040044 in match for the funds provided for this Project pursuant to this grant agreement. The detailed budget showing the matching funds is listed in recital Q. above. In recital Q the "shortfall" is, approximately, the contemplated Borough Grant which is the subject of this grant agreement.

4. Cost Share Match Requirements

Cost sharing or matching is that portion of the Project costs not borne by the Borough

5. Grant Disbursements

The Grantee must request disbursement of grant funds in the form and format required by the Borough with appropriate back-up documentation and certifications. (See Attachment 1)

Reimbursements are made for actual costs incurred and must be for approved milestones. The back-up documentation must demonstrate the total costs incurred are allowable, and reflect the amount being billed. Documentation must include:

- A ledger summarizing cost being billed
- A summary of direct labor costs supported by timesheets or other valid time record to document proof of payment
- Travel and per diem reimbursement documentation
- Contractor or vendor pay requests
- Itemized invoices and receipts
- Detailed ledger of costs being charged to this grant

Payment of grant funds will be subject to the Grantee complying with its matching contribution requirements of the Grant.

Payment of grant funds will be made by the Borough to the Grantee within 30 days from receipt of a properly completed, supported, and certified Reimbursement Request (See Attachment 1).

6. Withholding of Grant Funds

If, upon review of the monthly billings, the Borough discovers errors or omissions in the billings it will notify the Grantee within thirty (30) days of receipt of the billing. Payment for the portion

of billings for which there is an error or omission may be withheld pending clarification by Grantee.

Grant funds may be withheld for the following reasons:

- The Grantee fails to provide adequate back-up documentation.
- The Borough determines that a specific expense is not allowed under the grant.
- The Grantee's matching contribution requirements are not met.

Up to 10% of the Borough's contribution of grant funds may be retained by the Borough until the Project is completed and all required final documentation and reports are received and accepted by the Borough.

7. *Advance Disbursements*

In most instances, payments to the Grantee will be made on a cost reimbursable basis. If the Borough determines that cost reimbursement will significantly inhibit the Grantee's ability to perform the Project and determines that an advance is in the public interest, the Borough may approve advance payments to the Grantee of an amount not to exceed a projected thirty (30) day cash need, or twenty percent (20%) of the grant amount, whichever amount is less.

Before the Borough will issue an advance, the Grantee must provide in writing, and the Borough must approve a "Request for Advance Payment" form which includes:

- a. justification of the need for the advance,
- b. documentation of anticipated line item costs associated with the advance.

All advances will be recovered with the Grantee's next Financial/Progress Report form. Should earned payments during the terms of this Grant Agreement be insufficient to recover the full amount of the advance, the Grantee will repay the unrecovered amount to the Borough when requested to do so by the Borough, or at termination of the Grant Agreement.

8. *Budget Adjustments and Changes*

If the Grantee faces increased unbudgeted costs, the Grantee should contact the Borough Project Manager. Budget adjustments cannot increase the grant award amount. Cost overruns that may require reduced scope of work will require Borough approval and an amendment to the grant. If a budget adjustment or other changes indicate to the Borough Project Manager that the project cannot be completed as currently planned and budgeted for, the Borough Project Manager will not approve the release of additional grant funds until the Grantee provides sufficient information on how the Grantee intends to complete the revised project.

Budget Adjustments

The Grantee shall identify budget changes on its Financial Reports submitted to the Borough.

At least quarterly, the Borough will compare actual costs to budgeted distributions based on the Financial Report/Request for Reimbursement form. Costs charged to grant funds must reflect adjustments made as a result of the activity actually performed. The budget estimates or other distribution percentages must be revised at least quarterly, if necessary, to reflect changed circumstances.

Attachment 1 Financial Report/Request for Reimbursement Form

THIS REQUEST IS FOR FINAL PAYMENT

Grantee: [Name]

Project: [Description]

Period: _____ to _____

Grant Number: [Funder's Reference No.]

BUDGET SUMMARY	A	B	C	D = B + C	E = A - D
	TOTAL GRANT BUDGET	PRIOR EXPENDITURES	EXPENDITURES THIS PERIOD	TOTAL EXPENDITURES	GRANT BALANCE
BY: TASK OR MILESTONE					
TOTAL					
BY: BUDGET CATEGORIES					
Direct Labor and Benefits					
Travel					
Equipment					
Materials & Supplies					
Contractual Services					
Construction Services					
Other					
TOTAL					
BY: FUND SOURCES					
Grant Funds					
Grantee Match					
Other Contributions					
(Less) advance payments					
TOTAL					

CERTIFICATION

Form requires two original signatures. The person certifying must be different from the person preparing the report. One signature should be the authorized representative of the Grantee organization or highest ranking officer; the other should be the person who prepared the report.

I certify to the best of my knowledge and belief that the information reported on both the Financial Report above and the attached Progress Report are correct. In addition, funds were spent and work performed in accordance with the grant agreement terms and conditions.

Certified By: _____ Prepared By: _____

Printed Name: _____ Printed Name: _____

Title: _____ Date: _____ Title: _____ Date: _____

Attachment 2 Progress Report Form

Grantee: [Name]

Project Name: [Description]

Grant # [Funder's Reference No.]

Period of Report: _____ to _____

Project Activities Completed:

Existing or Potential Problems:

Activities Targeted for Next Reporting Period:

Prepared By: _____ Date: _____

Printed Name: _____

Attachment 3 Notice of Project Closeout

NOTICE OF PROJECT CLOSEOUT

Project Name: [Description]

Grantee: [Name]

Grant Number: [Funder's Reference No.]

The Borough Manager certifies and acknowledges that the Grant referenced above has been completed, and that all tasks have been satisfactorily carried out in accordance with the terms and conditions of Agreement Number: [Funder's Reference No.].

Project Manager
Ketchikan Gateway Borough

Date

[Name] certifies that the Grant named above is complete in accordance with the terms and conditions of Borough Grant Agreement Number: Borough Document number ____.

[Name] also certifies that, we have been reimbursed for all eligible expenses pertaining to Borough Document No. ____, and that as of the date of signature, no further reimbursements will be requested for any activity related to the Grant identified above.

Authorized Signature

Title

Printed Name

Date

REQUEST FOR ADVANCE PAYMENT

Instructions:

- (1) Fill in the Grantee, Grant Number, Project Title, Amount Requested, and Date.
- (2) Read the language in Appendix E of the Grant Agreement (Advance Disbursements provision).
- (3) Check the boxes to confirm that the advance is justified and that you have read and understood the conditions under which the advance will be approved and recovered by the Borough.
- (4) Provide a brief narrative explaining the proposed use of the advanced funds.
- (5) Attach documentation of costs associated with the requested advance (i.e., price quotes or cost estimates, invoices, a spreadsheet outlining projected payroll, etc.)

Grantee:	Borough Document Number:
Project Title:	Date:
Amount Requested:	

- The Grantee confirms that the advance is necessary due to a lack of cash on hand to administer the grant on a cost-reimbursable basis.
- The Grantee understands the conditions under which the Borough will recover the advance.

Explain how the advance will be used. Attach additional pages if necessary.

Grantee Certification: I certify that the above information is true and correct, and that expenditures will be made for the purpose of, and in accordance with, applicable grant agreement terms and conditions.

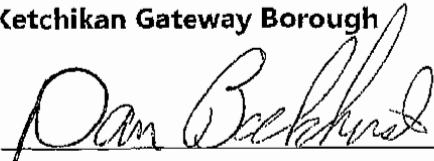
Signature

Date

Name and Title

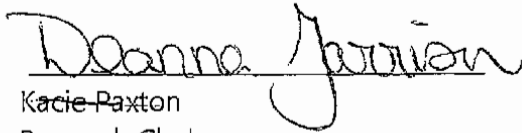
EFFECTIVE this 3rd day of January, 2013.

Ketchikan Gateway Borough



Dan Bockhorst
Borough Manager

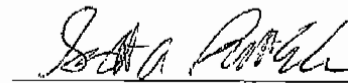
Attest:



Kacie Paxton
Borough Clerk

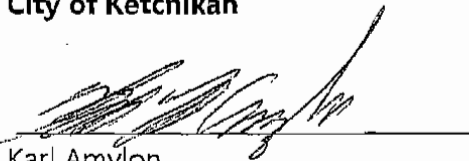
Acting

Approved as to Form:



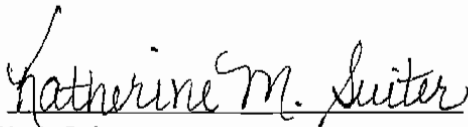
Scott Brandt-Erichsen
Borough Attorney

City of Ketchikan

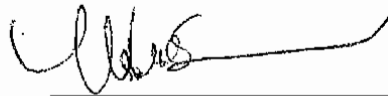


Karl Amylon
City Manager
City of Ketchikan

Attest:



Katy Suiter
City Clerk



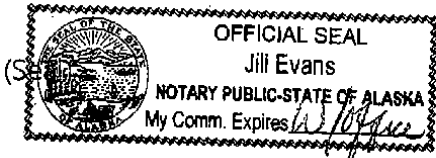
Mitchell A. Seaver
City Attorney

KETCHIKAN GATEWAY BOROUGH ACKNOWLEDGMENTS

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 28 day of December, 2012, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared **Dan Bockhorst** to me known to be the **Borough Manager** of the **Ketchikan Gateway Borough**, a municipal corporation, the corporation which executed the above and foregoing instrument; who on oath stated that he was duly authorized to execute said instrument on behalf of said corporation; who acknowledged to me that he signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.

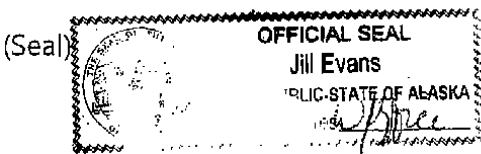


Jill Evans
NOTARY PUBLIC FOR ALASKA
My Commission Expires: 12/10/2022

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 3 day of January, 2012, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared **Kacie Paxton** to me known to be the **Borough Clerk** of the **Ketchikan Gateway Borough**, a municipal corporation, the corporation which executed the above and foregoing instrument; who on oath stated that she was duly authorized to execute said instrument and affix the corporate seal thereto on behalf of said corporation; who acknowledged to me that she signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.



Jill Evans
NOTARY PUBLIC FOR ALASKA
My Commission Expires: 12/10/2022

CITY OF KETCHIKAN, ALASKA
MUNICIPAL UTILITY CLEAN RENEWAL ENERGY TAX CREDIT BOND, 2008
\$1,200,000

ORDINANCE NO. 08-1602

AN ORDINANCE of the City of Ketchikan, Alaska, authorizing the issuance of a "clean renewable energy bond" in the principal amount of not to exceed \$1,200,000, under an allocation received by the City from the United State Treasury Department to finance certain improvements to the Ketchikan Lakes hydroelectric project operated by Ketchikan Public Utilities; authorizing the pledge of KPU revenues to pay debt service on the bond; providing for the date, terms and covenants of the bond; and providing for the sale of the bond.

PASSED: May 15, 2008

Prepared by:
K&L PRESTON GATES ELLIS LLP
Seattle, Washington

CITY OF KETCHIKAN, ALASKA
ORDINANCE NO. 08-1602

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Exhibit A Form of Bond	

* Neither this Table of Contents nor the preceding cover page is a part of this ordinance.

CITY OF KETCHIKAN, ALASKA

ORDINANCE NO. 08-1602

AN ORDINANCE of the City of Ketchikan, Alaska, authorizing the issuance of a "clean renewable energy bond" in the principal amount of not to exceed \$1,200,000, under an allocation received by the City from the United State Treasury Department to finance certain improvements to the Ketchikan Lakes hydroelectric project operated by Ketchikan Public Utilities; authorizing the pledge of KPU revenues to pay debt service on the bond; providing for the date, terms and covenants of the bond; and providing for the sale of the bond.

WHEREAS, the City of Ketchikan, Alaska (the "City"), owns and operates a combined electric, water and telecommunications utility (the "Municipal Utilities"); and

WHEREAS, at an election held on October 5, 2004, the voters of the City approved the issuance of utility revenue bonds in an amount not to exceed \$15,000,000 for the purpose of providing funds to acquire, construct and equip improvements to the Municipal Utilities, including improvements to facilities of the electric utility, as provided in Resolution No. 04-2101 adopted by the City Council (the "Council") on July 15, 2004; and

WHEREAS, at an election held on October 4, 2005, the voters of the City approved certain modifications to the improvements authorized by Resolution No. 04-2101, as provided in Resolution No. 05-2146 adopted by the Council on August 18, 2005, including the rebuilding of City-owned hydroelectric generation facilities to increase efficiency; and

WHEREAS, to finance a portion of the cost of rebuilding the Ketchikan Lakes hydroelectric project to increase efficiency (the "Project"), the City applied for and received an allocation of "clean renewable energy bonds" from the United States Treasury Department in the principal amount of not to exceed \$1,200,000; and

WHEREAS, the City presently has outstanding \$18,605,000 aggregate principal amount of municipal utility revenue bonds, Series T, U and V, having a senior lien on revenues of the Municipal Utilities (the "Outstanding Parity Bonds"), and the ordinances authorizing the issuance of such bonds provide that additional revenue bonds may be issued on a parity with the outstanding bonds if certain conditions are met; and

WHEREAS, the City has received the proposal of Banc of America Leasing & Capital, LLC, to purchase a clean renewable energy bond of the City in the principal amount of \$1,200,000 with a lien on revenues of the Municipal Utilities equal to the lien thereon of the Outstanding Parity Bonds; and

WHEREAS, it is in the best interest of the City and ratepayers of the Municipal Utilities to accept such proposal on the terms set forth therein and in this ordinance;

NOW, THEREFORE, be it ordained by the Council of the City of Ketchikan, Alaska, as follows:

SECTION 1. Definitions. As used in this ordinance, the following words shall have the following meanings, unless a different meaning clearly appears from the context:

“Bond” means the City’s Municipal Utility Clean Renewable Energy Tax Credit Bond, 2008, issued in the principal amount of not to exceed \$1,200,000 pursuant to and for the purposes provided in this ordinance and Resolution No. 05-2146 of the City.

“Bond Fund” means the City of Ketchikan Municipal Utility Revenue Bond Fund created pursuant to Section 5.1 of Ordinance No. 02-1458 to pay and secure the payment of Parity Bonds.

“Bond Register” means the registration books for the Bond maintained by the Registrar.

“City” means the City of Ketchikan, Alaska, a home rule municipal corporation duly organized and existing under the Constitution and laws of the State of Alaska and its City Charter.

“Costs of Maintenance and Operation” means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expense with respect to the Municipal Utilities, but excludes depreciation, payments for debt service or into reserve accounts, costs of capital additions to or replacements of the Municipal Utilities, municipal taxes, or payments to the City in lieu of taxes.

“Council” means the general legislative authority of the City, as duly constituted from time to time.

“CREBs Allocation” means the allocation of clean renewable energy bonds received by the City from the United States Treasury Department, reference number: PRESP-143370-06, dated November 13, 2006.

“Debt Service” means for any particular year and for the Bond, the Parity Bonds or any Future Parity Bonds, as applicable, an amount equal to the sum of (i) all interest payable during such year on such bonds outstanding plus (ii) the Principal Installment or Installments during such year on such bonds outstanding, calculated on the assumption that bonds outstanding on the day of calculation cease to be outstanding by reason of, but only by reason of, payment upon maturity, or earlier mandatory redemption and application to such purposes of any Sinking Fund Installments, or payments into the Bond Fund, required by the ordinance or resolution authorizing issuance of such bonds.

“Debt Service Account” means the account of that name created within the Bond Fund pursuant to Section 5.1 of Ordinance No. 02-1458.

“Finance Director” means the Finance Director of the City or the successor to the duties of such office.

“Fiscal Year” means the Fiscal Year used by the City at any time. At the time of the adoption of this ordinance, the Fiscal Year is the twelve-month period beginning on January 1 and ending on December 31 of each year.

“Future Parity Bonds” means any revenue bonds of the City, other than the Bond and the Outstanding Parity Bonds, the principal of and interest on which shall be payable out of money in the Utilities Revenue Fund on a parity with the payments required to be made from such Fund for the payment of the principal of and interest on the Outstanding Parity Bonds and the Bond.

“Government Obligations” means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States Government.

“Municipal Utilities” means the existing light and power, water and telephone systems of the City, as the same may be added to, improved and extended for as long as any Parity Bonds are outstanding.

“Net Revenue” means all Revenue less the Costs of Maintenance and Operations.

“Outstanding Parity Bonds” means the following described municipal utility revenue bonds of the City (outstanding principal amounts are as of May 1, 2008):

<u>Series</u>	<u>Dated Date</u>	<u>Ordinance No.</u>	<u>Amount</u>
T	October 1, 1997	97-1374	\$10,540,000
U	December 1, 1998	98-1408	4,110,000
V	December 10, 2002	02-1458	3,955,000

“Parity Bonds” means the Outstanding Parity Bonds and any Future Parity Bonds.

“Principal Installment” means, as of any date of calculation and with respect to any series of Parity Bonds, so long as any bonds thereof are outstanding, (i) the principal amount of bonds of such series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the amount of any Sinking Fund Installment due on a certain future date for Term Bonds, or (iii) if such future dates coincide as to different bonds of such series, the sum of such principal amount of bonds and the amount of such Sinking Fund Installments due on such future date.

“Project” means rebuilding the Ketchikan Lakes hydroelectric project to increase efficiency, as described in the CREBs Allocation.

“Purchaser” means Banc of America Leasing & Capital, LLC, or its designee, as provided in its proposal to purchase the Bond approved pursuant to Section 14 of this ordinance.

“Qualified Insurance” means any unconditional municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States or by a service corporation acting on behalf of one or more such insurance companies, which insurance company or service corporation is rated, at the time of issuance of such policy or surety bond, in one of the two highest rating categories by Moody’s Investors Service, Standard & Poor’s Ratings Services, and any other rating agency then maintaining a rating on the Bonds, provided, that, as of the time of issuance of such policy or surety bond, such insurance company or companies maintain a policy owner’s surplus in excess of \$500,000,000.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a bank for the account of the City and for the benefit of the owners of Parity Bonds, provided that such bank maintains an office, agency or branch in the United States, and provided further, that, as of the time of issuance of such letter of credit, such bank is then rated in one of the two highest rating categories by Moody’s Investors Service, Standard & Poor’s Ratings Service, and any other rating agency then maintaining a rating on the Bonds.

“Reserve Account” means the “Common Reserve Account” created within the Bond Fund pursuant to Section 5.2 of Ordinance No. 02-1458.

“Reserve Requirement” means (i) so long as any of the Series T Bonds or Series U Bonds remain outstanding, an amount equal to average annual Debt Service on the Parity Bonds, and (ii) from and after such time as no Series T Bonds or Series U Bonds remain outstanding, the least of (i) maximum annual debt service, (ii) 125% of average annual Debt Service on the Parity Bonds, or (iii) 10% of the face amount of the Parity Bonds.

“Revenue” means all gross earnings, revenue and money received from or on account of the operation of the Municipal Utilities, including income from the investment of any funds of the Municipal Utilities (but excluding income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of defeasance or refunding).

“Registrar” means the Finance Director, for the purposes of registering and authenticating the Bond, maintaining the Bond Register, and paying principal of the Bond.

“Series T Bonds” means the Municipal Utility Revenue Bonds, 1997, Series T, authorized by Ordinance No. 97-1374, issued under date of October 1, 1997, as amended pursuant to Resolution No. 05-2138 of the City Council adopted on June 16, 2005.

“Series U Bonds” means the Municipal Utility Revenue Refunding Bonds, 1998, Series U, authorized by Ordinance No. 98-1408, issued under date of December 1, 1998.

“Series V Bonds” means the Municipal Utility Revenue Refunding Bonds, 1998, Series V, authorized by Ordinance No. 02-1458, issued under date of December 1, 2002.

“Sinking Fund Installments” means amounts so designated that are required to be paid into a “sinking fund account” to provide for the payment of the principal of any Term Bonds. Such payments shall be payable monthly or annually, as provided herein.

“Term Bonds” means any Parity Bonds identified as such in the ordinance or resolution authorizing the issuance thereof, the payment of the principal of which is fully provided for by a requirement for payment of mandatory Sinking Fund Installments into a “sinking fund account” in the Bond Fund.

“Utilities Revenue Fund” means the fund of the City created by Section 5 of Ordinance No. 482, into which fund all Revenue of the Municipal Utilities must be paid.

SECTION 2. Findings; Compliance with Parity Conditions. The Council hereby finds and determines, as required by Section 7.3(b) of Ordinance No. 97-1374, Section 7.3(b) of Ordinance No. 98-1408, and Section 7.3 of Ordinance No. 02-1458 (collectively, the “Parity Conditions”), as follows:

First, that the Bond is being issued for the purpose of acquiring, constructing, or installing additions and improvements to and making necessary replacements to the Municipal Utilities.

Second, that at the time of the adoption of this ordinance and at the time of the issuance and delivery of the Bond there is not nor will there be any deficiency in the Bond Fund or any Account therein;

Third, that at the time of the delivery of the Bond the City will have on file in the office of the City Clerk a certificate of an independent professional engineer or certified public accountant dated not earlier than 90 days prior to the date of delivery of the Bond and showing that the Net Revenue (determined and adjusted as provided in the Parity Conditions) for each calendar or Fiscal Year after the issuance of the Bond will equal at least 1.25 times maximum annual Debt Service on all Parity Bonds then outstanding, including the Bond;

Fourth, this ordinance pledges to satisfy the Reserve Requirement, by deposits of money from the Utilities Revenue Fund upon the issuance of the Bond or over a subsequent period not to exceed 60 months, in accordance with the Parity Conditions.

The Parity Conditions having been complied with or assured, the payments required in this ordinance to be made out of the Utilities Revenue Fund into the Bond Fund and the Reserve Account shall constitute a lien and charge upon the money in the Utilities Revenue Fund equal to the lien and charge thereon for the payments required to be made into the Bond Fund to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds.

SECTION 3. Authorization of Bond. The City hereby authorizes the issuance and sale of not to exceed \$1,200,000 principal amount of the municipal utility revenue bonds authorized by Resolution No. 04-2101 and approved by the voters at an election in the City on October 5, 2004, to pay costs of rebuilding the Ketchikan Lakes hydroelectric facilities to increase

efficiency, as authorized by Resolution No. 05-2146, and to pay costs of issuance of the bonds. Such bonds shall be issued as a single bond, designated as the City's Municipal Utility Clean Renewable Energy Tax Credit Bond, 2008, in the denomination of \$1,200,000 (the "Bond"). The Bond shall be dated as of the date of its delivery to the Purchaser, shall be numbered in such manner as the Registrar shall determine, and shall be fully registered.

Principal of the Bond shall be payable annually in approximately equal installments beginning on a date no later than December 31, 2008 and annually thereafter until final maturity of the Bond no later than the maximum term as may be permitted in the CREBs Rate Table for Issuance established by the U.S. Department of the Treasury. Interest on unpaid principal of the Bond shall be paid at a supplemental federally taxable interest rate in accordance with the proposal of the Purchaser approved pursuant to Section 14 of this ordinance; provided, however, that such interest rate shall not exceed a per annum rate of 1.0%. Interest shall be paid quarterly, commencing on a date no later than six months following the date of issuance of the Bond and quarterly thereafter until final maturity of the Bond.

Principal and interest payment dates and the final supplemental interest rate shall be established as provided in Section 14 of this ordinance, consistent with the Purchaser's proposal approved therein.

In accordance with the proposal of the Purchaser, principal of the Bond shall not be subject to optional prepayment.

SECTION 4. Registration, Payment and Transfer. The Finance Director shall act as authenticating agent, paying agent and registrar for the Bond (collectively, the "Registrar"). Principal of the Bond shall be payable in lawful money of the United States of America. Installments of principal of the Bond shall be paid by check or draft of the Registrar mailed on the date due to the registered owner or nominee at the address appearing on the Bond Register. Upon final payment of all installments of principal thereof, the Bond shall be submitted to the Registrar for cancellation and surrender.

The Bond may be transferred only on the Bond Register maintained by the Registrar for that purpose upon the surrender thereof by the registered owner or nominee or his/her duly authorized agent and only if endorsed in the manner provided thereon, and thereupon a new fully registered Bond of like principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor. Such transfer or exchange shall be without cost to the registered owner or transferee.

The City may deem the person in whose name the Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on the Bond and for any and all other purposes whatsoever.

SECTION 5. Utilities Revenue Fund. There has heretofore been created by Section 5 of Ordinance No. 482 of the City a special fund of the City known as the "Utilities Revenue Fund," into which fund is deposited as collected all Revenue of the Municipal Utilities, except the interest earned and income derived from investments of money in bond redemption funds and the

accounts therein. The Revenue Fund shall be held separate and apart from all other funds and accounts of the City, and the Revenue deposited in the Utilities Revenue Fund shall be used only for the following purposes and in the following order of priority; provided, however, that any payments in lieu of taxes shall be subordinate to the payments required to be made into the Bond Fund out of the Utilities Revenue Fund:

First, to pay the Costs of Maintenance and Operation;

Second, to make all payments required to be made into the Debt Service Account to pay interest on any Parity Bonds;

Third, to make all payments required to be made into the Debt Service Account to pay the principal of any Parity Bonds;

Fourth, to make all payments required to be made into any sinking fund account hereafter created to provide for the payment of Sinking Fund Installments;

Fifth, to make all payments required to be made pursuant to a reimbursement agreement (or other equivalent document) with any provider of Qualified Insurance or a Qualified Letter of Credit (when permitted to be obtained in accordance with Section 5.2(d) of Ordinance No. 02-1458); provided, however, that if there is not sufficient money to make all payments under reimbursement agreements with more than one such provider, the payments will be made on a pro rata basis;

Sixth, to make all payments required to be made into the Reserve Account;

Seventh, to make all payments required to be made into any revenue bond redemption fund, revenue warrant redemption fund, debt service account, reserve account or sinking fund account created to pay and secure the payment of the principal of and interest on any revenue bonds, or revenue warrants or other revenue obligations of the City having a lien upon the Revenue junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds;

Eighth, to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the City, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Municipal Utilities, or for any other lawful City purposes.

SECTION 6. Bond Fund.

(a) Bond Fund and Accounts Therein. A special fund of the City known as the "City of Ketchikan Municipal Utility Revenue Bond Fund" (the "Bond Fund"), has heretofore been created in the office of the Finance Director. The Bond Fund shall be drawn upon for the sole purpose of paying the principal of, premium, if any, and interest on Parity Bonds as the same shall become due and payable. Within the Bond Fund have been created the Debt Service Account and the Reserve Account.

(b) Payments into Debt Service Account. The City hereby obligates and binds itself irrevocably to set aside and pay into the Debt Service Account out of money in the Utilities Revenue Fund, on or before the date due, the amounts necessary to pay the principal of, premium, if any, and interest on the Bond as the same become due and payable. In the event there shall be a deficiency in the Debt Service Account for such purpose, the City shall make up such deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose, and, if necessary, by sale or redemption of any authorized investments in such amount as will provide cash in the Reserve Account sufficient to make up any such deficiency.

Whenever and so long as the assets of the Debt Service Account are sufficient to provide money to pay when due a principal instalment on the Bond in full, including such interest as may be due thereon, no payments need be made into the Debt Service Account pursuant to this ordinance during any period in which such excess continues.

Money in the Debt Service Account shall be held for the benefit of the owners of all Parity Bonds then outstanding and payable equally and ratably and without preference or distinction as between different series, installments or maturities.

(c) Reserve Account. The City covenants that, subject to the provisions of Section 8(2) hereof, it will at all times maintain an amount in the Reserve Account sufficient to satisfy the Reserve Requirement with respect to the Parity Bonds. Whenever there is a sufficient amount in the Bond Fund, including all accounts therein, to pay the principal of, premium, if any, and interest on all Parity Bonds then outstanding, the money in the Reserve Account may be used to pay the principal of, premium, if any, and interest on the Parity Bonds, after all funds available for such purpose in the Debt Service Account have been so used. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, of the Parity Bonds, so long as the money remaining on deposit in the Reserve Account is at least equal to the Reserve Requirement determined with respect to such Parity Bonds.

In the event there shall be a deficiency in the Debt Service Account to pay any maturing installment of interest on or principal of and interest on any Parity Bonds or a deficiency in any sinking fund account to pay any Sinking Fund Installment, such deficiency shall be made up by withdrawal of money from the Reserve Account. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up out of Net Revenue after making necessary provision for the payments required to be made by paragraphs First through Fourth, inclusive, of Section 5 of this ordinance.

(d) Use of Surety. From and after such time as no Series T Bonds or Series U Bonds remain outstanding, the City may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be paid into or maintained in the Common Reserve Account. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with the provisions of this section providing for payment in the event of a deficiency therein, as if the Parity Bonds that remain outstanding had been issued on the date of such notice of cancellation.

(e) Investment of Reserves. So long as any of the Series T Bonds or Series U Bonds remain outstanding, all money in the Reserve Account may be kept in cash or invested in direct obligations of the United States of America having a guaranteed redemption price prior to maturity or maturing not later than 12 years from date of purchase, and in no event maturing later than the last maturity of the Parity Bonds outstanding at the time of such purchase. From and after such time as no Series T Bonds or Series U Bonds remain outstanding, money in the Reserve Account may be kept in cash or invested in any investments permitted for funds of the City. Interest earned on any such investments and/or any profits realized from the sale thereof shall be deposited in and become a part of the Bond Fund.

(f) Lien of Bond. The amounts pledged by this ordinance to be paid out of the Utilities Revenue Fund into the Bond Fund and the Debt Service Account and Reserve Account therein are hereby declared to be a prior lien and charge upon all the money in said Utilities Revenue Fund superior to all other charges of any kind or nature except the charges required to pay the Costs of Maintenance and Operation and equal in rank to the charges necessary to pay the principal of, premium, if any, and interest on the Outstanding Parity Bonds and to any charges that may later be made thereon to pay the principal of, premium, if any, and interest on any Future Parity Bonds.

(g) Due Regard. The corporate authorities of the City hereby declare, in fixing the amounts to be paid into the Bond Fund, that they have exercised due regard to the Costs of Maintenance and Operation of the Municipal Utilities and the amounts necessary to pay the principal of and interest on the Outstanding Parity Bonds and the Bond, and have not obligated the City to set aside and pay into said fund a greater amount of the Revenue of the Municipal Utilities than in their judgment will be available over and above such Costs of Maintenance and Operation and the charges necessary to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds.

SECTION 7. Covenants. The City hereby covenants with the owner of the Bond as follows:

(a) Rate Covenant. That it will establish, fix, prescribe and collect rates and charges for the sale or use of electric power and energy, water and telecommunications service or other services of the Municipal Utilities that, together with other income thereof, are reasonably expected to yield Net Revenue equal to 1.25 times the Debt Service for the forthcoming Fiscal Year. Promptly upon any material change in the circumstances that are contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the City shall review the rates and charges for services of the Municipal Utilities and shall promptly revise such rates and charges as necessary to comply with the foregoing requirement, provided that such rates and charges shall in any event produce money sufficient to enable the City to comply with all of its covenants under this ordinance.

(b) Maintain in Good Order. That it will at all times maintain and keep the Municipal Utilities and all additions and improvements thereto and extensions thereof in good repair, working order and condition, and will at all times operate such utilities and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Sale or Disposition.*

(1) That, so long as any Series T Bonds or Series U Bonds remain outstanding, it will not sell or otherwise dispose of all of the properties of such utilities unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal and interest of all the outstanding Parity Bonds in accordance with the terms thereof, nor will it sell or otherwise dispose of any single utility or utilities or any portion thereof unless provision is made for payment into the Bond Fund of an amount that shall be in at least the same proportion to the amount of outstanding Parity Bonds that the revenue available for Debt Service of said Bonds for the 12 months preceding such sale or disposal from said utility or utilities or portion thereof sold or disposed of bears to the revenue available for Debt Service of said Bonds from all of said utilities for the same period. Any such money so paid into the Bond Fund shall be used to retire the outstanding Parity Bonds at the earliest possible date; provided, however, notwithstanding the foregoing provisions to the contrary, the City may sell or otherwise dispose of any of the works, plant, properties and facilities of the Municipal Utilities or any real or personal property comprising a part of the same with a value less than 2% of the net utility plant of the Municipal Utilities or which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Municipal Utilities, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

(2) That, from and after such time as no Series T Bonds or Series U Bonds remain outstanding, it will not sell or otherwise dispose of all of the properties of the Municipal Utilities unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal and interest of all the outstanding Parity Bonds in accordance with the terms thereof, nor will it sell or otherwise dispose of any single utility or utilities or any portion thereof unless provision is made for payment into the Bond Fund of one of the following (as the Council may determine in its sole discretion):

(A) an amount that will be in the same proportion of the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of such bonds then outstanding less the amount of cash and investments in the Bond Fund) that the Revenue attributable to the portion of the Municipal Utilities to be sold or disposed of for any consecutive 36 of the 48 months preceding such sale or disposition bears to total Revenue for such period; or

(B) an amount that will be in the same proportion of the net principal amount of Parity Bonds then outstanding (as defined above) that the Net Revenue attributable to the portion of the Municipal Utilities to be sold or disposed of for any consecutive 36 of the 48 months preceding such sale or disposition bears to total Net Revenue for such period; or

(C) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding (as defined above) that the book value of the portion of the Municipal Utilities sold or disposed of bears to the book value of all of the Municipal Utilities immediately prior to such sale or disposition.

Any such money so paid into the Bond Fund shall be used to retire Parity Bonds at the earliest possible date; provided, however, notwithstanding the foregoing provisions to the

contrary, the City may sell or otherwise dispose of any of the works, plant, properties and facilities of the Municipal Utilities or any real or personal property comprising a part of the same with a value less than 5% of the net utility plant of the Municipal Utilities or which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Municipal Utilities, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

(d) *Annual Audit.* That it will within a period of 120 days (or 180 days from and after such time as no Series T Bond or Series U Bonds remain outstanding) following the close of each Fiscal Year cause an audit of the books and accounts of the Municipal Utilities to be made by an independent certified public accountant or firm of certified public accountants, which audit shall show the income and expenditures of the Municipal Utilities, the balance sheet as of the end of such Fiscal Year, comments in regard to the manner in which the City has carried out the requirements of this ordinance, a list and amount of insurance policies in force on any part of the Municipal Utilities, the number of electric, water, and telecommunications customers, and the classification of each.

(e) *Insurance.*

(1) That, so long as any Series T Bonds or Series U Bonds remain outstanding, it will at all times carry fire insurance on such of the buildings and equipment of said utilities as are ordinarily insured to the full insurable value thereof, and will also carry adequate public liability insurance and such other forms of insurance as under good practice is ordinarily carried on such utilities and all their real and personal properties. The City may, if deemed necessary or advisable by the Council, institute and maintain a self-insurance program with respect to any or all of the aforementioned risks. If and when the United States of America or some agency thereof shall provide for war risk insurance, the City further agrees to take out and maintain war risk insurance on all or such portion of the properties of said utilities upon which such war risk insurance may be written in an amount or amounts to adequately cover the value thereof.

(2) That, from and after such time as no Series T Bonds or Series U Bonds remain outstanding, it will at all times carry fire and extended coverage, commercial general liability and property damage and such other forms of insurance with responsible insurers and with policies payable to the City on such of the buildings, equipment, works, plants, facilities and properties of the Municipal Utilities as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or it will self-insure or will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of the City, to protect the Municipal Utilities and the owners of the Parity Bonds against loss.

(f) *No Free Service.* That it will not furnish electric or water or telecommunication service to any customer whatsoever free of charge.

(g) *CREBs Covenants.* That it will apply proceeds of sale of the Bond consistently with the CREBs Allocation and will comply will all other requirements applicable to the Bond to obtain and maintain its designation as a "clean renewable energy bond" within the meaning of Section 54 of the Internal Revenue Code of 1986, as amended (the "Code"). In accordance with the foregoing sentence and without limiting the generality thereof, the City hereby represents, warrants and covenants that so long as the Bond remains outstanding:

(i) Not less than 95% of the sale proceeds of the Bond will be used for capital expenditures within the meaning of section 54(d)(1)(B) of the Code, and will be spent on the Project.

(ii) The City is a "qualified issuer" and a "qualified borrower" with respect to the Bond and the Project within the meaning of section 54(j) of the Code.

(iii) If any beneficial owner of a Bond (the "Eligible Owner"), either (i) receives notice, in any form, from the Internal Revenue Service that due to a final determination of the Internal Revenue Service (after the City has exhausted all administrative appeal remedies), or (ii) reasonably determines, based on an opinion of an independent tax counsel selected by the Eligible Owner and approved by the City (which approval shall not be unreasonably withheld), that such Eligible Owner is otherwise eligible to use the tax credit described in Section 54 of the Code, but may not use the Credit because the Bond is not a "clean renewable energy bond" as defined in Section 54 of the Code, then the City shall pay to the Eligible Owner, within 30 days after the Eligible Owner notifies the City of such determination or opinion, the amount that, taking into account all penalties, fines, interest and additions to tax that are imposed on the Eligible Owner as a result of the loss of "clean renewable energy bond" status for the Bond owned by such Eligible Owner, will restore to the Eligible Owner the same after-tax yield on the Bond that the Eligible Owner would have realized from the date of issuance of the Bond to the date of such determination had the loss of "clean renewable energy bond" status or prepayment or deemed prepayment not occurred. In addition, the City agrees that upon the occurrence of such an event, it will pay an additional amount, as determined by the Eligible Owner, on each Credit Allowance Date occurring after the date on which the first additional payment was made by the City pursuant to the preceding sentence, as will maintain such after-tax yield to the Eligible Owner. The amounts described in the immediately preceding two sentences that may be owed by the City are referred to as "Additional Payments." In the event that the City makes any Additional Payment to an Eligible Owner pursuant to this Section and it is subsequently determined, pursuant to a final, conclusive and non-appealable decision of the Internal Revenue Service or a court of competent jurisdiction, that the Bond constitutes a clean renewable energy bond as that term is defined in Section 54 of the Code, the City shall be entitled to reimbursement for all amounts so paid as Additional Payments to such Eligible Owner under this subsection (iii). Any Additional Payments shall be treated as interest payable from Revenue and out of the Debt Service Account in accordance with Section 5 hereof.

(iv) Within five years of the closing date, at least 95 percent of the proceeds of the Bond will be spent on the Project.

(v) The City shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such Section is applicable to the Bond.

(vi) The City shall not take, or permit or suffer to be taken, any action with respect to the proceeds of the Bond which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bond would have caused the Bond to constitute an "arbitrage bond" within the meaning of section 148 of the Code as modified by Section 54 of the Code, including any Treasury Regulations or regulatory guidance with respect thereto.

(vii) The City shall take all actions necessary to assure that the Bond remain eligible for the tax credit under Section 54(a) of the Code.

The City hereby designates the Bond as a "clean renewable energy bond" as required by Section 54 of the Code.

SECTION 8. Future Parity Bonds. The City hereby covenants and agrees with the owner of the Bond for as long as it remains outstanding that the City will not create any special fund or funds for the payment of any other light and power, water and telephone revenue bonds that will rank on a parity with or have any priority over the payments out of the Utilities Revenue Fund into the Bond Fund and the Reserve Account; except that it hereby reserves the right, for the purpose of refunding any outstanding bonds that are a lien upon the Revenue of the Municipal Utilities and/or the money in such Utilities Revenue Fund, or for the purpose of acquiring; constructing and installing additions and improvements to and extensions of and making necessary replacements or other capital improvements to the Municipal Utilities or any of them, to issue Future Parity Bonds and to pay into the Bond Fund amounts from the Utilities Revenue Fund sufficient to pay the principal of, premium, if any, and interest on such bonds, and to maintain an adequate reserve therefor, which payments may rank equally with the payments out of the Utilities Revenue Fund into the Bond Fund and the Reserve Account, upon compliance with the following conditions:

(1) That at the time of the issuance of such Future Parity Bonds there is no deficiency in the Bond Fund or any accounts therein.

(2) The ordinance authorizing such Future Parity Bonds shall provide that funds sufficient to satisfy the Reserve Requirement for such Future Parity Bonds shall be deposited into the Reserve Account out of the proceeds of such Future Parity Bonds and/or from Revenue of the Municipal Utilities or other sources legally available therefor, in no more than 60 substantially equal monthly installments, with the first installment to be made one month after the issuance of such Future Parity Bonds.

(3) So long as the Bond remains outstanding, prior to the delivery of any Future Parity Bonds the City shall have on file in the office of the City Clerk a certificate of an independent professional engineer or certified public accountant dated not earlier than 90 days prior to the date of delivery of such Future Parity Bonds and showing that the Net Revenue,

determined and adjusted as hereafter provided for each calendar or Fiscal Year after the issuance of such Future Parity Bonds (the "Adjusted Net Revenue"), will equal at least 1.25 times maximum annual Debt Service on all Parity Bonds then outstanding, including the Future Parity Bonds proposed to be issued.

The Adjusted Net Revenue shall be the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted by such engineer or accountant to take into consideration changes in Net Revenue estimated to occur under one or more of the following conditions for each year after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

(i) any increase or decrease in Net Revenue which would result if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 12 month period had been in force during the full 12 month period;

(ii) any increase or decrease in Net Revenue estimated by such engineer or accountant to result from any additions, betterments and improvements to and extensions of any facilities of the Municipal Utilities that (a) became fully operational subsequent to the beginning of such twelve-month period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Future Parity Bonds to be issued;

(iii) the additional Net Revenue that would have been received if any customers added to the Municipal Utilities subsequent to the beginning of such twelve-month period were customers for the entire period.

Such engineer or accountant shall base his certification upon, and his certificate shall have attached thereto, financial statements of the Municipal Utilities, certified by the Finance Director, showing income and expenses for the period upon which the same is based.

The certificate or certificates of such engineer or accountant shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection (3).

(4) From and after such time as no Series T Bonds and Series U Bonds remain outstanding, instead of the certificate described in subsection (3) above, the City may issue Future Parity Bonds if, at or prior to the delivery of such Future Parity Bonds, the Finance Director shall have certified that the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds equals at least 1.25 times maximum annual Debt Service on all Parity Bonds then outstanding, including the Future Parity Bonds proposed to be issued.

(5) Notwithstanding the foregoing requirements, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of then outstanding Parity Bonds and the issuance of such refunding bonds results in a debt service savings and does not require an increase of more than \$5,000 in any year for Debt Service on

such refunded bonds, the certificate or certificates required by subsection (3) or (4) of this section need not be obtained.

SECTION 9. Junior Lien Bonds. In accordance with subsection (i) of Section 10 of Ordinance No. 482 of the City, as amended by Section 1 of Ordinance No. 483 of the City, nothing contained in this ordinance shall prevent the City from issuing utility revenue bonds or warrants that are a charge upon the Revenue of the Municipal Utilities or the money in the Utilities Revenue Fund junior or inferior to the payments to be made into the Bond Fund, or from issuing such bonds or warrants to refund maturing bonds or warrants for the payment of which money is not otherwise available.

SECTION 10. Defeasance. In the event that money and/or Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire the Bond in accordance with its terms, are set aside in a special account to effect such redemption or retirement and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on the Bond, and the Bond shall cease to be entitled to any lien, benefit or security of this ordinance, except the right to receive the funds so set aside and pledged, and the Bond shall be deemed not to be outstanding hereunder.

SECTION 11. Form of Bond; Execution of the Bond. The Bond shall be in substantially the form set forth on Exhibit A attached hereto. The Bond shall be signed on behalf of the City by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the City Clerk, and the seal of the City shall be impressed or imprinted thereon.

Only such Bond as shall bear thereon a Certificate of Authentication in the form set forth in Exhibit A hereof, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bond so authenticated have been duly executed, authenticated, registered, and delivered hereunder and are entitled to the benefits of this ordinance.

In case any of the officers of the City who shall have signed, attested, authenticated, registered or sealed the Bond shall cease to be such officers before the Bond so signed, attested, authenticated, registered or sealed has been actually issued and delivered, such Bond shall be valid nevertheless and may be issued by the City with the same effect as though the persons who had signed, attested, authenticated, registered or sealed such Bond had not ceased to be such officers. The Bond may also be signed, attested, authenticated, registered or sealed on behalf of the City by such persons as at the actual date of execution of such Bond shall be the proper officers of the City, although at the original date of such Bond any such person shall not have been such officer.

SECTION 12. Lost or Destroyed Bond. In case the Bond is lost, stolen or destroyed, the Registrar may execute and deliver a new Bond of like amount, date, and tenor to the registered owner thereof upon the owner's paying the expenses and charges of the City in connection therewith and upon his/her filing with the Registrar evidence satisfactory to the Registrar that the

Bond was actually lost, stolen or destroyed and of his/her ownership thereof, and upon furnishing the City with indemnity satisfactory to the Registrar.

SECTION 13. Application of Proceeds of Bond. There is hereby authorized to be created in the office of the Finance Director a special fund of the City to be known as the "2008 Ketchikan Lakes Hydroelectric Rebuilding Fund" (the "Hydro Improvements Fund"). Proceeds of the Bond shall be deposited in the Hydro Improvements Fund and used to pay and reimburse costs of rebuilding the Ketchikan Lakes hydroelectric project, as authorized by Resolution No. 05-2146 and described in the CREBs Allocation, costs incidental thereto, and costs of issuance of the Bond.

Money in the Hydro Improvements Fund may be invested as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Hydro Improvements Fund.

SECTION 14. Sale of Bond. Purchaser's proposal dated April 18, 2008, to purchase the Bond is hereby accepted and approved. As provided in Section 3 of this ordinance, the Finance Director and City Manager are authorized to approve final terms of the Bond, including the supplemental interest rate, principal and interest payment dates, and other necessary and desirable terms consistent with this ordinance. Such approval shall include authority to enter into and execute a bond purchase agreement evidencing such final terms, execution and delivery of which shall be conclusive evidence of their approval in accordance with Section 3 and this Section. The City is authorized to pay Purchaser the loan fee and fees of Purchaser's counsel as provided in Purchaser's proposal. The proper officials of the City and their agents and representatives are hereby authorized and directed to do everything necessary for the prompt execution and delivery of the Bond to the Purchaser in accordance with the provisions of its proposal and this ordinance.

SECTION 15. General Authorization; Prior Acts. The Mayor, City Manager, City Clerk and Finance Director of the City and other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

SECTION 16. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or the Bond.

SECTION 17. Effective Date. This ordinance shall be in full force and effect one month after its final passage and publication.

READ FOR THE FIRST TIME at a regular meeting of the Council held on May 1, 2008.

PASSED AND APPROVED by the City Council of the City of Ketchikan, Alaska, at a regular meeting of the Council held on May 15, 2008.

CITY OF KETCHIKAN, ALASKA

By Bob Weinstein
Mayor

ATTEST:

Katherine M. Suter
City Clerk

EFFECTIVE DATE: 06-20-2008			
ROLL CALL	YEA	NAY	ABSENT
BERGERON	✓		
COOSE	✓		
FREEMAN	✓		
J. HARRIS	✓		
KJ HARRIS	✓		
NORTON	✓		
WEST	✓		
MAYOR			

EXHIBIT A

Form of the Bond

UNITED STATES OF AMERICA

NO. _____

\$1,200,000

STATE OF ALASKA

CITY OF KETCHIKAN

MUNICIPAL UTILITY CLEAN RENEWABLE ENERGY TAX CREDIT BOND, 2008

INTEREST RATE: _____%

FINAL MATURITY DATE:

REGISTERED OWNER:

PRINCIPAL AMOUNT: ONE MILLION TWO HUNDRED THOUSAND AND NO/100 DOLLARS

The City of Ketchikan, Alaska (the "City"), a municipal corporation organized and existing under and by virtue of the laws and Constitution of the State of Alaska and the City's charter, hereby acknowledges itself to owe and for value received promises to pay, but only from the sources and as hereinafter provided, to the Registered Owner identified above, or registered assigns, the Principal Amount set forth above, and to pay interest thereon from the date hereof or the most recent date to which interest has been paid or duly provided for, at the per annum Interest Rate specified above, payable on _____, 2008, and quarterly thereafter on the _____ day of each succeeding _____, _____, _____ and _____, until the payment in full of the Principal Amount on the final maturity date specified above.

Installments of principal shall be paid annually as follows:

Principal Installments (_____)	Principal Installment Amount
2009	\$
2010	
2011	
2012	
2013	
2014	
2015	
2016	

2017
2018
2019
2020
2021
2022
2023

Principal of, interest, and premium, if any, on this Bond are payable solely out of the special fund of the City known as the "City of Ketchikan Municipal Utility Revenue Bond Fund" (the "Bond Fund") created and established by Ordinance No. 02-1458 of the City (the "Bond Ordinance"). Both principal of and interest on this Bond are payable in lawful money of the United States of America by check or draft of the Finance Director of the City as registrar and paying agent for this Bond (the "Registrar"). Upon final payment of all installments of principal and interest thereon, this Bond shall be submitted to the Registrar for cancellation and surrender.

This Bond is a clean renewable energy bond, as that term is defined in Section 54 of the Internal Revenue Code of 1986, as amended (the "Code"), which may entitle the Registered Owner or registered assigns to a credit, against their federal income taxes as provided in Section 54 of the Code (the "Credit"), at the credit rate set forth above. This Bond shall become eligible for the Credit on the 15th day of March, June, September and December of each year from the Dated Date hereof until maturity and on the Maturity Date hereof (each a "Credit Allowance Date").

If any Registered Owner that is a beneficial owner of this Bond (the "Eligible Owner"), either (i) receives notice, in any form, from the Internal Revenue Service that due to a final determination of the Internal Revenue Service (after the City has exhausted all administrative appeal remedies), or (ii) reasonably determines, based on an opinion of an independent tax counsel selected by the Eligible Owner and approved by the City (which approval shall not be unreasonably withheld), that such Eligible Owner is otherwise eligible to use the tax credit described in Section 54 of the Code, but may not use the Credit because this Bond is not a "clean renewable energy bond" as defined in Section 54 of the Code, then the City shall pay to the Eligible Owner, within 30 days after the Eligible Owner notifies the City of such determination or opinion, the amount that, taking into account all penalties, fines, interest and additions to tax that are imposed on the Eligible Owner as a result of the loss of "clean renewable energy bond" status for this Bond owned by such Eligible Owner, will restore to the Eligible Owner the same after-tax yield on this Bond that the Eligible Owner would have realized from the date of issuance of this Bond to the date of such determination had the loss of "clean renewable energy bond" status or prepayment or deemed prepayment not occurred. In addition, the City agrees that upon the occurrence of such an event, it will pay an additional amount, as determined by the Eligible Owner, on each Credit Allowance Date occurring after the date on which the first additional payment was made by the City pursuant to the preceding sentence as will maintain such after-tax yield to the Eligible Owner. The amounts described in the immediately preceding two sentences that may be owed by the City are referred to as "Additional Payments." In the event that the City makes any Additional Payment to an Eligible Owner pursuant to this Section and it is subsequently determined, pursuant to a final, conclusive and non-appealable

decision of the Internal Revenue Service or a court of competent jurisdiction that this Bond constitutes a clean renewable energy bond, as that term is defined in Section 54 of the Code, the City shall be entitled to reimbursement for all amounts so paid as Additional Payments to such Eligible Owner under these provisions. Any Additional Payments shall be treated as interest payable from Revenue and out of the Debt Service Account in accordance the Bond Ordinance.

This Bond is issued pursuant to Ordinance No. 08-1602 of the City, to provide financing for certain improvements to hydroelectric facilities of the City. Capitalized terms used in this Bond and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance. This Bond is not a general obligation of the City.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

The City does hereby pledge and bind itself to set aside from the Utilities Revenue Fund of the City created by Ordinance No. 482, and to pay into the Bond Fund and the Accounts therein, the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund and Accounts, all within the times provided by the Bond Ordinance. The City has further pledged and bound itself to pay into such Utilities Revenue Fund as collected, all Revenue of the Municipal Utilities.

Said amounts so pledged to be paid out of the Utilities Revenue Fund into the Bond Fund and Accounts are hereby declared to be a prior lien and charge upon the money in said Utilities Revenue Fund superior to all other charges of any kind or nature except the Costs of Maintenance and Operation of the Municipal Utilities and equal in rank to the charges on the money in the Bond Fund to pay and secure the payment of the Outstanding Parity Bonds and any Future Parity Bonds.

This Bond is not subject to prepayment prior to its stated maturity date. The obligations of the City under the Bond Ordinance may be discharged upon the defeasance of this Bond on the terms and conditions set forth in the Bond Ordinance.

It is hereby certified and declared that this Bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Alaska and the charter, ordinances, and resolutions of the City, that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have happened, been done and performed, and that this Bond does not exceed any Constitutional or statutory limitations.

IN WITNESS WHEREOF, the City of Ketchikan, Alaska, has caused this Bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the City Clerk, and the seal of the City to be imprinted or impressed hereon, as of _____, 20__.

CITY OF KETCHIKAN, ALASKA

By _____ /s/ _____
Mayor

ATTEST:

_____/s/_____
City Clerk

The Certificate of Authentication for the Bond shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____

This is the City of Ketchikan, Alaska, Municipal Utility Clean Renewable Energy Tax Credit Bond, 2008, dated _____, 20__, as described in the Bond Ordinance.

Finance Director, City of Ketchikan,
as Registrar

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

[Empty rectangular box for Social Security or Taxpayer Identification Number]

(Please print or typewrite name and address, including zip code of Transferee)

the within bond and all rights thereunder and does hereby irrevocably constitute and appoint _____
of _____, or its
successor, as agent to transfer said bond on the books kept by the Registrar for registration
thereof, with full power of substitution in the premises.

DATED: _____, _____.

SIGNATURE GUARANTEED:

NOTE: The signature of this Assignment
must correspond with the name of the
registered owner as it appears upon the face
of the within bond in every particular,
without alteration or enlargement or any
change whatever.

\$1,200,000
CITY OF KETCHIKAN, ALASKA
MUNICIPAL UTILITY CLEAN RENEWABLE ENERGY TAX CREDIT BOND, 2008

BOND PURCHASE AGREEMENT

City of Ketchikan
334 Front Street
Ketchikan, AK 99901
Attention: City Manager and Finance Director

The undersigned, as purchaser (the "Purchaser") offers to enter into this Bond Purchase Agreement (the "Agreement") with the City of Ketchikan, Alaska (the "Issuer"), which, upon Issuer's acceptance of this offer, will be binding upon the Issuer and upon the Purchaser. This offer is made subject to the Issuer's acceptance of this Agreement on or before 8:00 p.m., local time, June 10, 2008.

1. Purchase and Sale of the Bond. Upon the terms and conditions and upon the basis of the representations, warranties and covenants set forth in this Agreement, the Purchaser hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell to the Purchaser the \$1,200,000 aggregate principal amount of City of Ketchikan, Alaska Municipal Utility Clean Renewable Energy Tax Credit Bond, 2008 (the "Bond") at a purchase price of par. The Bond shall bear the credit rates determined by the United States Treasury on June 10, 2008 and shall bear interest and mature as set forth in Exhibit A attached hereto. The Bond shall otherwise be described in Ordinance No. 08-1602 of the Issuer authorizing the issuance and sale of the Bond (the "Bond Proceedings"), and shall be issued pursuant to the Constitution and laws of the State of Alaska (the "State") and the Issuer's Charter. The Purchaser is purchasing the Bond for its own account and not with a view to distribute the Bond, provided that in the course of managing its portfolio of municipal bonds and notes, the Purchaser may resell the Bond, or an interest or participation therein, at any time on a private placement basis to a purchaser who (i) represents that such Purchaser has sufficient knowledge and experience in financial and business matters and it is capable of evaluating the merits and risks of the prospective investment, (ii) understands that the Bond is not registered under the Securities Act of 1933, (iii) is either an "accredited investor" within the meaning of Regulation D under the Securities Act of 1933 or a "qualified institutional buyer" within the meaning of Rule 144A of the Securities Act of 1933, and (iv) intends to acquire the Bond for either investment for its own account or resale in a transaction exempt from registration under the Securities Act of 1933. The Purchaser understands that the extent and nature of the information furnished in this transaction are based upon the foregoing. On or before the date of the Closing, the Purchaser shall furnish to the Issuer upon request a certificate acceptable to K&L Preston Gates Ellis LLP ("Bond Counsel") to the Issuer establishing the issue price of the Bond and stating that the Issuer and Bond Counsel may rely on that certification for purposes of determining compliance with Section 148 of the Internal Revenue Code of 1986, as amended (the "Code").

The Bond shall be issued subject to the following provision which shall appear in the Bond as provided here: "If any beneficial owner of this Bond (the "Eligible Owner"), either (i) receives notice, in any form, from the Internal Revenue Service that due to a final determination

of the Internal Revenue Service (after the City has exhausted all administrative appeal remedies), or (ii) reasonably determines, based on an opinion of an independent tax counsel selected by the Eligible Owner and approved by the City (which approval shall not be unreasonably withheld), that such Eligible Owner is otherwise eligible to use the tax credit described in Section 54 of the Code, but may not use the Credit because this Bond is not a "clean renewable energy bond" as defined in Section 54 of the Code then the City shall pay to the Eligible Owner, within thirty (30) days after the Eligible Owner notifies the City of such determination or opinion, the amount which, taking into account all penalties, fines, interest and additions to tax that are imposed on the Eligible Owner as a result of the loss of "clean renewable energy bond" status for this Bond owned by such Eligible Owner, will restore to the Eligible Owner the same after-tax yield on this Bond that the Eligible Owner would have realized from the date of issuance of this Bond to the date of such determination, had the loss of "clean renewable energy bond" status or prepayment or deemed prepayment not occurred. In addition, the City agrees that upon the occurrence of such an event, it will pay an additional amount, as determined by the Eligible Owner, on each Credit Allowance Date (as such term is defined in Section 54 of the Code) occurring after the date on which the first additional payment was made by the City pursuant to the preceding sentence, as will maintain such after-tax yield to the Eligible Owner. The amounts described in the immediately preceding two sentences that may be owed by the City are referred to as "Additional Payments." In the event that the City makes any Additional Payment to an Eligible Owner pursuant to this Section and it is subsequently determined, pursuant to a final, conclusive and non-appealable decision of the Internal Revenue Service or a court of competent jurisdiction that this Bond constitutes a clean renewable energy bond, as that term is defined in Section 54 of the Code, the City shall be entitled to reimbursement for all amounts so paid as Additional Payments to such Eligible Owner under this Section. Additional payments shall be treated as interest and payable from the Debt Service Account."

2. Delivery of the Bond and Closing. On July 10, 2008, or on such other date as shall have been mutually agreed upon (the "Closing Date"), the Issuer will deliver to the Purchaser the Bond, duly executed, together with the other documents hereinafter mentioned, and the Purchaser will accept such delivery and pay the purchase price of the Bond as set forth in Paragraph 1 hereof in immediately available funds payable to the order of the Issuer. This payment and delivery is called the "Closing" in this Agreement. Delivery of the Bond and delivery of the other documents shall be made at the offices of Bond Counsel or such other place as shall have been mutually agreed upon. The Bond will be made available at the offices of the Purchaser at the address provided in Section 8 hereof before the Closing for inspection.

3. Representations and Warranties of the Issuer. The Issuer represents and warrants to the Purchaser (and it shall be a condition of Purchaser's obligation to purchase and accept delivery of the Bond that the Issuer shall so represent and warrant) that

- (a) the Issuer has complied and will have complied at the date of the Closing in all material respects with the Bond Proceedings and the applicable laws of the State and the Issuer's Charter in connection with the issuance of the Bond and has full legal right, power and authority to enter into this Agreement, and to issue, sell and deliver the Bond to the Purchaser as provided herein;

- (b) the Issuer will take all lawful action necessary to comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bond in order that the Bond be and continue to be eligible for the Credit and that it will refrain from taking any action that would cause the Bond to not continue to be eligible for the Credit; and
- (c) the Bond will be (i) issued on parity with the Issuer's (i) Municipal Utility Revenue Bonds, 1997, Series T, (ii) Municipal Utility Revenue Refunding Bonds, 1998, Series U and (iii) Municipal Utility Revenue Refunding Bonds, 1998, Series V.

4. Conditions of the Obligations of the Issuer and the Purchaser. The Purchaser's obligations hereunder to purchase and pay for the Bond shall be subject to the performance by the Issuer of its obligations to be performed hereunder at or prior to the Closing and the accuracy in all material respects of the Issuer's representations and warranties contained herein and shall be subject to the following:

- (a) that at the time of the Closing, the Bond Proceedings shall be in full force and effect, and shall not have been amended, modified, or supplemented except as may have been agreed to by the Purchaser and the Issuer; and that there shall have been taken in connection with the issuance of the Bond such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate in connection with the issuance of the Bond; and
- (b) that at or prior to the Closing the undersigned shall receive the following documents, properly executed or certified, upon all of which the Purchaser shall be entitled to rely:
 - (i) A certified copy of the Bond Proceedings;
 - (ii) The approving opinion of Bond Counsel, dated the date of the Closing;
 - (iii) Internal Revenue Service Form 8038;
 - (iv) A non-arbitrage and tax law compliance certificate in form and substance satisfactory to Bond Counsel, dated the date of the Closing; and
 - (v) Such additional certificates, legal opinions, instruments or documents as the Purchaser may reasonably request to evidence the truth and accuracy as of the date hereof and as of the date of the Closing, of the representations and warranties of the Issuer contained herein and the due satisfaction of all conditions then to be satisfied in connection with the transactions contemplated hereby.

In addition, the Purchaser may terminate this agreement by notification in writing to the Issuer if at any time subsequent to the date hereof and at or prior to the Closing legislation shall be enacted by the State or the United States of America or favorably reported to either the United States House of Representatives or the United States Senate or a decision by a court of the United States or the United States Tax Court shall be rendered, or a ruling or regulation (final, temporary or proposed) or announcement shall be made by or on behalf of the Treasury Department of the United States or the Internal Revenue Service which would have the effect of changing directly or indirectly the federal or State income tax consequences or the general character of the Bond in the hands of the owners thereof, which in our opinion materially affects the market price of the Bond adversely.

If the Purchaser's obligations to purchase and accept delivery of the Bond shall be terminated for any reason permitted by this Agreement, neither the Purchaser nor the Issuer shall be under further obligation hereunder; except that the obligation for the payment of expenses, as provided in Section 5 hereof, shall continue in full force and effect.

5. Expenses. The Issuer shall pay: (i) the cost of the preparation, registration and signing of the Bond; (ii) the fees and expenses of Bond Counsel; (iii) the fees of Purchaser's counsel in the amount of \$7,500.00, with any other fees for Purchaser's counsel paid by the Purchaser; (iv) the fees of the rating agencies, if any, relating to the Bond; and (v) all other expenses incurred in connection with the issue of the Bond.

6. Qualification Under State Securities Laws. Because the Bond will not be offered for sale under the Blue Sky or other securities laws and regulations, the Issuer is not required to furnish such information, execute such instruments and take such other action in cooperation with the Purchaser to qualify the Bond for offer and sale under the Blue Sky or other securities laws and regulations or provide for the continuance of such qualification. In addition, the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

7. No Personal Liability. Neither the Issuer, nor any officer, agent or employee thereof, shall be charged personally by the Purchaser with any liability, or held liable to the Purchaser, under any term or provision of this Agreement, or because of its execution or attempted execution, or because of any breach, or attempted or alleged breach, of this Agreement.

8. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by mailing or delivering the same in writing to the Finance Director of the Issuer at the Issuer's address set forth above, and any notice or other communication to be given to the Purchaser under this Agreement may be given by mailing or delivering the same in writing to Banc of America Leasing & Capital, LLC, 2059 Northlake Parkway, 4th Floor, Tucker, GA 30084, Attn: Contract Administration, Fax 770-723-2121.

9. Benefit of Parties and Survival of Representations and Warranties. This Agreement is made solely for the benefit of the Issuer and the Purchaser, and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Issuer's representations, warranties and agreements in this Agreement shall remain operative and in full force and effect,

regardless of any investigation made by or on behalf of the Purchaser and delivery of and payment for the Bond hereunder.

10. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.


11. Effective Date. This Agreement shall become effective, valid and enforceable upon the execution and acceptance hereof by the Finance Director and the City Manager of the Issuer.

12. Counterparts. This Agreement may be executed in counterparts, each of which shall be issued as an original, all of which together shall constitute the same instrument. When each party hereto has signed one copy of such counterparts, this Agreement shall be in effect.

[The remainder of this page intentionally left blank; signature page follows]

Very truly yours,

BANC OF AMERICA LEASING &
CAPITAL, LLC

By: 
Name: Laura Pritchett
Title: Assistant Vice President

Accepted this ____ day of _____, 2008

CITY OF KETCHIKAN, ALASKA

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

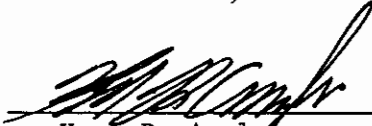
Very truly yours,

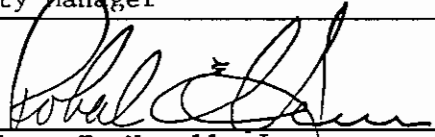
BANC OF AMERICA LEASING &
CAPITAL, LLC

By: _____
Name: _____
Title: _____

Accepted this 10 day of June, 2008

CITY OF KETCHIKAN, ALASKA

By: 
Name: Karl R. Amylon
Title: City Manager

By: 
Name: Robert E. Newell, Jr.
Title: Finance Director

\$1,200,000
CITY OF KETCHIKAN, ALASKA
MUNICIPAL UTILITY CLEAN RENEWABLE ENERGY TAX CREDIT BOND, 2008

1. Date of the Bond - July 10, 2008
2. Date of maturities - December 15, 2008 - 2022
3. Years of maturities, interest portions, principal amounts, credit rates and interest rates:

[See Schedule A-1 Attached hereto]

Schedule A-1

Credit Rates

CREBs Par Amount	\$1,200,000.00	Year	Rate
CREBs Supplemental Interest Rate	0.75%	2008	3.55%
Financing Term (yrs.)	15	2009	3.95%
Funding/Closing Date	July 10, 2008	2010	4.62%
		2011	4.80%
		2012	4.98%
		2013	5.10%
		2014	5.22%
		2015	5.24%
		2016	5.33%
		2017	5.49%
		2018	5.58%
		2019	5.67%
		2020	5.76%
		2021	5.81%
		2022	5.82%

<i>Pmt. No.</i>	<i>Payment Date</i>	<i>Principal Portion</i>	<i>Interest Portion</i>	<i>Payment Amount</i>
1	9/15/08		1,925.00	1,925.00
2	12/15/08	80,000.00	2,250.00	82,250.00
3	3/15/09		2,100.00	2,100.00
4	6/15/09		2,100.00	2,100.00
5	9/15/09		2,100.00	2,100.00
6	12/15/09	80,000.00	2,100.00	82,100.00
7	3/15/10		1,950.00	1,950.00
8	6/15/10		1,950.00	1,950.00
9	9/15/10		1,950.00	1,950.00
10	12/15/10	80,000.00	1,950.00	81,950.00
11	3/15/11		1,800.00	1,800.00
12	6/15/11		1,800.00	1,800.00
13	9/15/11		1,800.00	1,800.00
14	12/15/11	80,000.00	1,800.00	81,800.00
15	3/15/12		1,650.00	1,650.00
16	6/15/12		1,650.00	1,650.00
17	9/15/12		1,650.00	1,650.00
18	12/15/12	80,000.00	1,650.00	81,650.00
19	3/15/13		1,500.00	1,500.00
20	6/15/13		1,500.00	1,500.00
21	9/15/13		1,500.00	1,500.00
22	12/15/13	80,000.00	1,500.00	81,500.00
23	3/15/14		1,350.00	1,350.00
24	6/15/14		1,350.00	1,350.00
25	9/15/14		1,350.00	1,350.00
26	12/15/14	80,000.00	1,350.00	81,350.00
27	3/15/15		1,200.00	1,200.00
28	6/15/15		1,200.00	1,200.00
29	9/15/15		1,200.00	1,200.00
30	12/15/15	80,000.00	1,200.00	81,200.00
31	3/15/16		1,050.00	1,050.00

Schedule A-1

<i>Pmt. No.</i>	<i>Payment Date</i>	<i>Principal Portion</i>	<i>Interest Portion</i>	<i>Payment Amount</i>
32	6/15/16		1,050.00	1,050.00
33	9/15/16		1,050.00	1,050.00
34	12/15/16	80,000.00	1,050.00	81,050.00
35	3/15/17		900.00	900.00
36	6/15/17		900.00	900.00
37	9/15/17		900.00	900.00
38	12/15/17	80,000.00	900.00	80,900.00
39	3/15/18		750.00	750.00
40	6/15/18		750.00	750.00
41	9/15/18		750.00	750.00
42	12/15/18	80,000.00	750.00	80,750.00
43	3/15/19		600.00	600.00
44	6/15/19		600.00	600.00
45	9/15/19		600.00	600.00
46	12/15/19	80,000.00	600.00	80,600.00
47	3/15/20		450.00	450.00
48	6/15/20		450.00	450.00
49	9/15/20		450.00	450.00
50	12/15/20	80,000.00	450.00	80,450.00
51	3/15/21		300.00	300.00
52	6/15/21		300.00	300.00
53	9/15/21		300.00	300.00
54	12/15/21	80,000.00	300.00	80,300.00
55	3/15/22		150.00	150.00
56	6/15/22		150.00	150.00
57	9/15/22		150.00	150.00
58	12/15/22	80,000.00	150.00	80,150.00
		1,200,000.00	67,175.00	1,267,175.00



November 8, 2013

The Honorable Mayor Lew Williams III
and Members of the City Council
City of Ketchikan, Alaska
334 Front Street
Ketchikan, Alaska 99901

Pursuant to Section 5-2 of the Ketchikan City Charter, the proposed 2013 General Government Operating and Capital Budget (the "2013 Budget") is respectfully submitted. In accordance with Section 5-4 of the Charter, the City Council must adopt a final spending plan no later than the third day before the beginning of the next fiscal year, which is December 29, 2012. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION AND EXECUTIVE OVERVIEW

The 2013 Budget represents the City's plan for how it proposes to accumulate and spend the financial resources necessary to support cost-effective programs and services consistent with the City Council's stated goal of preserving and enhancing the quality of life currently enjoyed by the citizens of Ketchikan. The development of a financially sound spending plan for the City began by considering the expectations that the citizens of the community have for its local government, the City's role in the local economy and the state of the economy of the community that the City serves.

The programs and services contained within the proposed spending plan for 2013 were developed by the various departments and were subsequently reviewed and modified as necessary by the Office of the City Manager and the Finance Director. Direction from the City Council, the various City Advisory Boards and the general public were considered prior to finalization of the proposed spending plan. Department goals and programs were predicated on the continuation of basic service delivery and long-range issues that have manifested themselves over the course of the past year and during the development of the capital improvement program.

New Budget Format

In 2012, the City began transitioning to a new financial and accounting system. As part of this effort, the chart of accounts used to track financial transactions was totally redesigned in order to take advantage of the system's powerful management and reporting functions. Since it was

necessary to change the format of the City's budget to incorporate the new chart of accounts, a decision was made to revamp the entire format to modernize the document and to provide better information about how the City funds its operations, programs and capital improvements. Some of the improvements are as follows:

- The presentation of interdepartmental charges was changed to make it easier to identify the nature and the amounts of the interdepartmental charges, which funds are paying for the charges, and which departments are partially funded by interdepartmental charges.
- The budget expenditure detail was changed by adding columns to show the changes from the previous year's adopted budget as percentages and amounts. Subtotals are provided for the major expenditure categories.
- A section was added to discuss the major changes between the prior year's adopted budget and the proposed budget. All changes in excess of 5 percent **and** \$5,000 are explained in this section.
- The line item narratives were shortened and modified to provide more descriptive information.

The budget is organized by department and includes three new sections that transcend departmental boundaries. These three sections are debt service, risk management and transfers. Each department's budget is organized as follows:

- **Departmental Executive Summary** - Provides at the department level a summary of all programs and activities, expenditures by major categories, funding sources, and personnel.
- **Division/Program/Cost Center Section** - Includes mission statement, goals, accomplishments, expenditures by major categories, funding sources, personnel staffing detail, operating budget changes, operating budget expenditure detail, and line item narrative.
- **Capital Budget Section** – Includes a list of capital improvements and identifies funding sources. Detailed information about the capital improvements can be found in the 2013 – 2017 Capital Improvement Program.

The new budget format is considered to be a work-in-progress. Had time permitted, a few other changes would have been made. Comments and suggestions from the City Council would be appreciated and will be incorporated into next year's budget.

Key Budget Assumptions

In order to prepare a comprehensive and complete budget for 2013, it was necessary to make certain assumptions. The key assumptions used by staff in developing the 2013 Budget are as follows:

- No reductions to existing services or the current level of the work force have been proposed.
- No cost of living adjustments were programmed in 2013. All increases in personnel costs were due to step increases.
- A 10 percent increase in health insurance premiums has been programmed, effective July 1, 2013.
- Water and wastewater rates will be increased 5% and 10%, respectively, effective March 1, 2013. The rate increases are in line with the increases that will be recommended in the soon to be released cost of service study.
- An increase in the property tax mill rate from 6.2 to 7.2 has been programmed and is being driven by the need to fund an estimated \$846,491 of annual debt service for the fire station and library general obligation bonds, replace the raw fish tax that has been designated for harbor improvements, and the rising cost of personnel. The increase will raise about \$816,600 in additional property tax revenues and is necessary in order to maintain the reserves of the General Fund.
- Assessed property values were projected to increase 1 percent above the 2013 assessment roll.
- Funds in the amount of \$486,947 will be transferred from the fire station bond construction account to the General Obligation Bond Debt Service Fund. This transfer will fund a portion of the annual debt service on the bonds issued to finance the construction of the City's new fire station.
- Sales tax revenues have been projected to increase 2 percent above 2012's estimated sales tax revenues. If this projection is realized, it will fall short by about \$23,000 of the City's best year on record for sales tax revenues.
- The Port Enterprise Fund will receive \$2.1 million in CPV funds from the State of Alaska. This assumes an estimated 840,000 passengers at \$2.50 per passenger.

Staff recognizes that some of the assumptions may require modification as more information becomes available and further direction is provided by the City Council. In particular, the projections for sales tax revenues may need revision pending the outcome of third quarter sales tax collections. This information will not be available until December 2012.

Issues That May Impact the Proposed 2013 Budget and Beyond

In preparing the proposed 2013 Budget, staff identified issues that may have the potential to impact the long-term finances of the City, its operations and/or the proposed 2013 Budget. Staff believes that the City Council should be aware of these issues and may want to consider them during its budget deliberations.

Harbor Rates. On June 26, 2012, the voters of Ketchikan authorized the issuance of up to \$5 million of general obligation bonds for the capital improvements planned for the City harbors. In addition, \$1,250,000 will be loaned from the Economic Development and Parking Fund in 2013 to finance the proposed drive down float. Although many of these projects will be grant funded, the City will be required to put up matching funds. The sale of the bonds will provide the matching funds. A plan needs to be in place to provide for the debt service on these bonds and the loan from the Economic Development and Parking Fund. Current harbor rates are not sufficient to provide for the repayment of this debt. An earlier analysis prepared by staff suggested that harbor rates will need to be raised by 7 percent for every \$1 million of debt. It has also been suggested that the raw fish tax be dedicated towards the repayment of the loan from the Economic Development and Parking Fund. Assuming that the annual raw fish tax payment from the State continues to be approximately \$425,000, it will take three to four years to repay the loan. The proposed 2013 Budget does not contain a recommendation to increase harbor rates, but the Council may wish to consider a pre-emptive move to phase in rate increases before bonds are issued in order to lessen the impact on harbor users.

Storm Water Management. In 2010, a consultant was hired to inventory and assess the condition of the City storm water collection system and to review the various methods for managing and funding storm drainage systems. In 2011, another consultant was hired to prepare a revenue requirement and cost of service study in the event the City decides moves forward with a comprehensive storm water management program. The purpose of the study was to develop a revenue stream to pay for the program and recommended an initial startup fee of \$10 per month per parcel increasing to \$20.11 at the end of the six-year study period. Included in the Street Division's 2013 – 2017 Capital Improvement Program is \$7.17 million of improvements planned to address significant deficiencies in the City storm water collection system. The amount programmed for 2013 is \$198,000 with funding to come from the Public Works Sales Tax Fund. Although it was possible to fund the first year of the proposed five year program from the Public Works Sales Tax Fund, the fund cannot absorb the entire program without compromising other critical maintenance projects such as asphalt overlays that have been traditionally funded by the Public Works Sales Tax Fund. Whether the City decides to establish a formal storm water utility or develop a new funding mechanism to address the immediate issues, it is essential that some action be taken before the City is forced to address catastrophic failures in the system that could result in significant property damage in the neighborhoods located in the high risk areas identified by the City's consultant.

Wastewater Rates. In 2010, the City began a program to gradually increase wastewater rates in order to finance capital improvements for the City's wastewater utility. In 2010 and 2011, rates were increased by five percent. In 2011, a consultant was hired to prepare a revenue

requirement and cost of service study for the wastewater utility and reaffirmed the City's earlier decision to begin increasing its rates. The consultant's study covered a 6-year period and was based on a capital improvement program prepared by staff and reviewed by the Council. The study recommended rate increases ranging from 6.5 percent to 12 percent beginning with a 12 percent increase in 2013. Staff is recommending a 10 percent increase.

Financial Impact of the Proposed 2013 Budget

Compared to what is occurring in municipalities across the nation, the City's finances continue to weather the economic storm that is impacting the country. Property values remain stable and sales tax collections are near record levels. The community managed to avoid the sub-prime mortgages that wreaked havoc on property values. Sales tax collections have been boosted by high fuel prices and an improving tourism industry. The proposed 2013 Budget was developed with the goal of continuing to keep the City financially solvent in a prudent manner without compromising the level of services it provides to its citizens and without passing on to its citizens "unnecessary" increases in taxes or fees for services.

The General Fund is the City's most important fund. Nearly 70 percent of the City's general government labor force is funded by the General Fund. Many of the City's critical services such as public safety and public works are accounted for in the General Fund. Most financial analysts and bond rating agencies look to the financial health of the General Fund as the prime indicator of the overall financial health of a municipality. For these reasons, it is important that the General Fund remain in a strong financial position.

As was discussed in last year's budget transmittal letter, the City's General Fund was heading in a direction that would soon require some important decisions about the City's future revenue and spending policies. The second draft of the proposed 2013 Budget had the reserves of General Fund down to approximately \$1.5 million, which was way below the minimum required balance of \$3 million. The reasons for this decline can be attributed to the issuance of general obligation bonds for the library and the fire station; changes in revenue policies regarding the raw fish tax, borough library services, business personal property taxes, boat taxes; and cost of living adjustments. Further information can be found in the General Fund Review section on page B-26 of this transmittal letter. To address the deficit, management has made the following recommendations and incorporated them into the proposed 2013 Budget:

- Raise the mill levy from 6.2 to 7.2. This will increase property tax revenues by \$816,600 and the payment in lieu of taxes from the City's enterprise funds by \$177,000.
- Transfer \$486,947 from the Fire Station Bond Construction Fund to fund the debt service on the fire station bonds. The amount that can be transferred is limited under the bond covenants to the amount required for annual debt service. There is approximately \$1,014,000 available in the bond construction for debt service.

If the recommendations are implemented, the reserves of the General Fund would be restored to the minimum required fund balance. It is important to note that once the funds in the Fire Station

Bond Construction Fund have been depleted, the General Fund will be required to provide for the annual debt service of approximately \$486,000 on the fire station bonds. This will occur in 2015.

The City's revenue generating funds, which include harbors, port, solid waste and wastewater operations, are generally well positioned financially except for the Wastewater Enterprise Fund. For the past several years, the cost of operating the wastewater utility has been rising and its operating results have turned negative. In addition, the utility will begin making payments on bonds issued to finance the Tongass Avenue sewer main replacement projects. In order to put the wastewater utility back on a sound financial footing, a 10 percent rate increase has been recommended for 2013. Preliminary findings from an independently prepared rate and cost of service study support this action and suggest that further rate increases will be necessary if the City plans to move forward with the proposed 2013 – 2017 Wastewater Capital Improvement Program.

The City's Hospital Sales Tax Fund continues to improve its financial position as it recovers from the costs it incurred to address the water infiltration issues at the Ketchikan Medical Center and the winding down of the financial support it has been providing to Gateway Center for Human Services. The fund is projected to end 2013 with nearly \$4 million in reserves and will be well positioned if the City Council decides to move forward with the proposed renovations for the Ketchikan Medical Center.

The Public Works Sales Tax Fund will start the year with \$3.9 million in reserves but a proposed \$2.9 million capital spending plan and annual \$2 million transfer to the General Fund will draw the reserves down to \$3.3 million, well above the recommended \$2.5 million minimum amount that the City should hold in reserves for contingencies, but well below what is anticipated will be required for future storm water improvement capital projects. It is important to keep this fund healthy because it is the most significant local source of unrestricted funding for general government capital projects.

The rest of this transmittal letter is devoted to a review of Ketchikan and its local economy and a detailed financial overview of the 2013 Budget. A discussion of the local economy is important because it is essential that the final adopted 2013 Budget be appropriate for the community at this stage of the current economic cycle. The financial review provides for a better understanding of how the numbers portion (financial component) of the budget was developed and provides opportunities to make changes that bring the proposed spending plan more in line with the goals and objectives of the City Council and the community at large.

COMMUNITY AND LOCAL ECONOMY

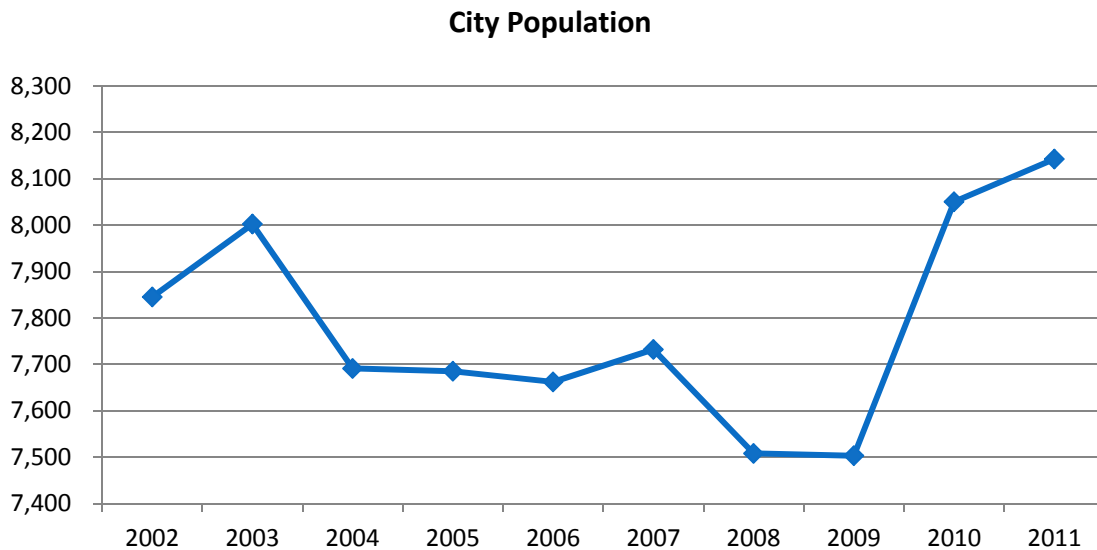
Community Information

The City of Ketchikan, incorporated in 1900, is the fifth largest city in Alaska. Located on Revillagigedo Island in southern Southeast Alaska, and within the boundaries of the Tongass National Forest, Ketchikan is 650 miles north of Seattle, Washington, and 200 miles south of Alaska's capital, Juneau. Ketchikan is the largest city located within the Ketchikan Gateway

Borough and occupies five square miles. Ketchikan is a major port of call for cruise ships traversing the waters of Alaska and a major economic hub serving the communities of Saxman, Metlakatla, and Prince of Wales Island.

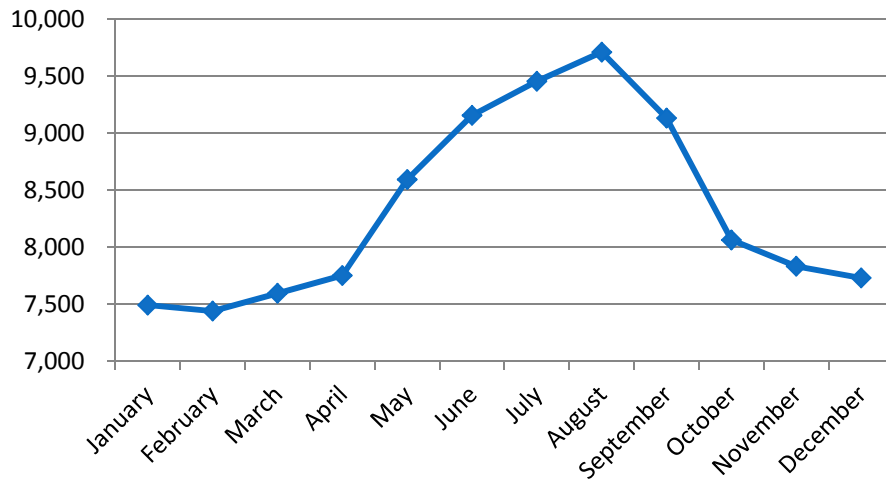
Population Base

The City and Borough wide population peaked in 1996 at 8,667 and 14,654, respectively. The current population of the City and Borough is 8,142 and 13,686, respectfully. The decline was due to the closure of a major wood products manufacturing facility in 1997. The decline in the City's population bottomed out in 2008 at 7,508.



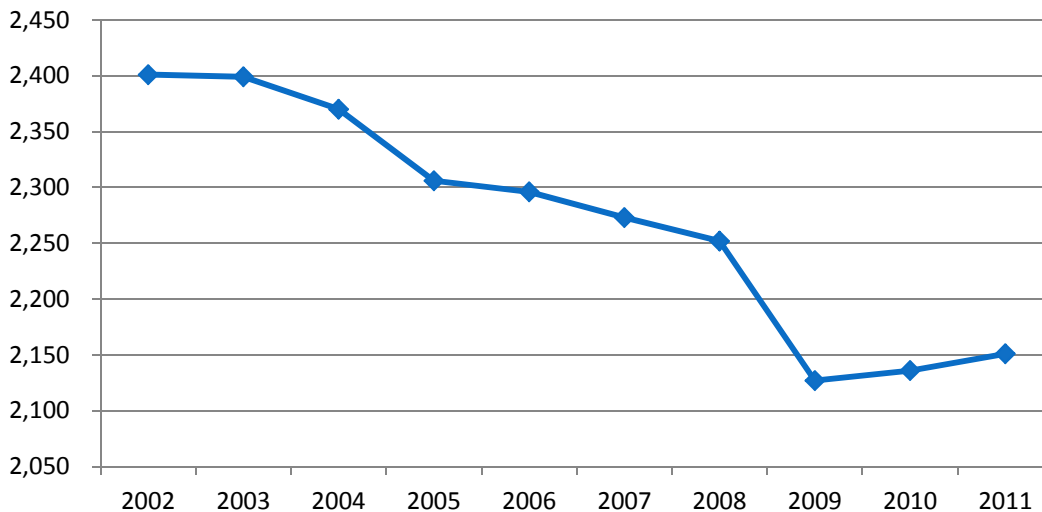
The increase in the City's population from 2009 to 2010 was due to the results of the 2010 U.S. Census. Per capita income in 2010 was \$51,266, a slight increase from 2008 per capita income of \$51,104. The City's population temporarily increases between May and September because of the influx of transient workers employed by the tourism and fishing industries. There are no official statistics measuring the impact of transient workers on the City's population but the graph below provides some insight by showing how the Borough's labor force expands and contracts during the year.

2011 Labor Force for Ketchikan Gateway Borough



School enrollment is an important indicator because it provides some insight into the population demographics of a community. The local school district is also a major employer. School enrollment in Ketchikan peaked at 2,722 in 1997 and was in a steady decline as families migrated from the community and the economy became more reliant on seasonal industries that cannot offer year round employment opportunities.

School Enrollment



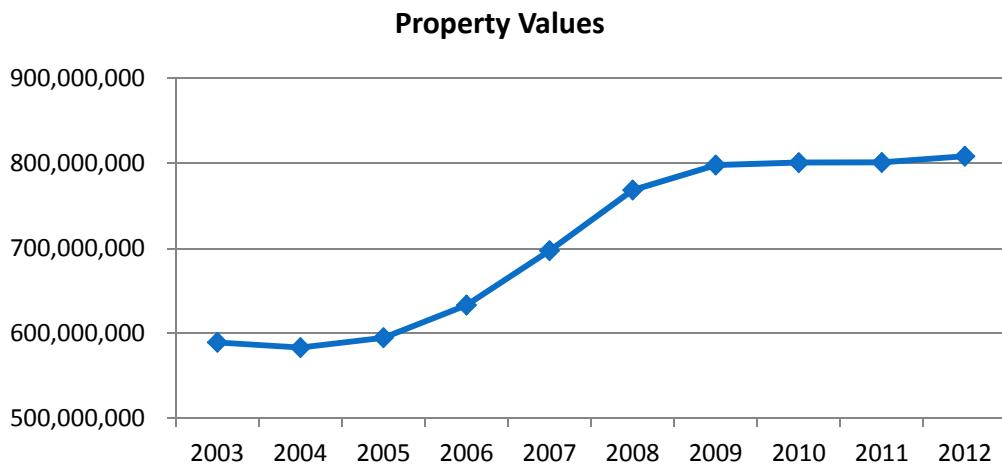
Enrollment in the Ketchikan Gateway Borough School District has been stable since 2008 and in fact is starting to slowly increase. In 2010 enrollment increased to 2,136. The District is forecasting an enrollment of approximately 2,165 students for 2012, making this the third straight year that the District has seen increases in enrollment.

The population and school enrollment trends are consistent with a community facing limited year round employment opportunities. This environment presents many challenges for the City. The

City is faced with determining what services and infrastructure the community needs and how the cost can be shared equitably between permanent and seasonal residents.

Tax Base

Property Taxes - Property values, a traditional measurement of long-term economic stability, increased substantially between 2005 and 2008. The increase was most likely due to circumstances that lead to the subprime mortgage crisis that many parts of the country are facing. The demand for housing during this period pushed up the price of building materials and the cost of construction labor. Remote communities like Ketchikan were also subject to higher transportation costs that were be driven by higher fuel prices. The graph below illustrates the trend in assessed values for the past ten years



Unlike the significant decline in property values experienced in many parts of the country, the City’s property values have essentially remained flat since 2009. This is one of the reasons why the City has been able to avoid the massive cuts in services that many municipalities in the lower 48 have been forced to enact. Trends occurring in the lower 48 generally take longer to reach Ketchikan so it is possible that the City may see some devaluation of its property values in future years, but the current sentiment is that property values will mostly likely revert to the historical trend of modest annual increases between 1 and 4 percent. Subprime mortgages, which have been blamed for much of the national real estate bubble, did not play a role in the local real estate market.

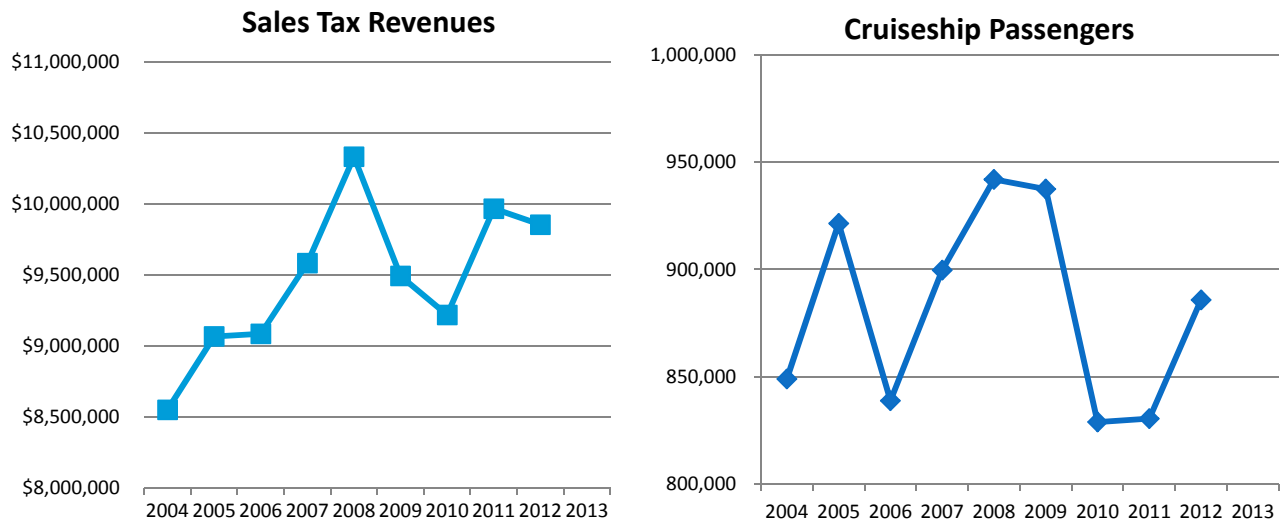
Sales Taxes – Whereas property values are a good indicator of a community’s long-term economic prospects, retail sales are an excellent measurement of a community’s current state of economic affairs. As the table below illustrates, retail sales and sales tax revenues can be volatile. This is especially true of Ketchikan because tourism is a large part of its economy. Visitors to the community arriving via cruise ship and workers temporarily relocating to the community to support the tourism industry have had a significant impact on gross sales and sales tax revenues. While there are no official statistics measuring their impact on the City’s sales tax revenues, it is probable that between 20 and 25 percent of the City’s retail sales are being directly driven by the

tourism industry. The table below identifies the major segments of the City’s gross sales and sales tax revenues for the past five years.

**Gross Sales
2007 - 2011**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Construction	\$ 71,771,340	\$ 73,492,414	\$ 44,400,962	\$ 50,110,740	\$ 95,697,130
Finance, Insur. & Banks	2,802,760	3,173,594	3,525,772	3,519,701	2,942,625
Hotel, Motels & Lodges	16,496,908	16,968,173	15,118,979	15,401,309	14,614,550
Manufacturing	27,604,518	35,183,518	47,045,192	40,265,296	24,912,924
Real Estate	31,777,496	33,294,654	33,656,070	39,764,629	37,637,453
Retail Trade	216,885,807	225,429,414	216,021,701	210,049,511	216,870,617
Retail-Jewelry & Curios	55,847,979	53,424,668	45,576,782	44,331,693	44,792,014
Services	28,016,839	28,870,764	32,655,632	29,853,996	32,704,166
Transport & Utilities	79,168,058	96,250,783	73,575,371	82,031,003	88,101,745
Total	<u>\$ 530,371,705</u>	<u>\$ 566,087,982</u>	<u>\$ 511,576,461</u>	<u>\$ 515,327,878</u>	<u>\$ 558,273,224</u>

City sales tax revenues peaked in 2008. Interestingly enough, 2008 was also a record year for tourism. Almost 931,000 visitors arrived by cruise ship in 2008. High fuel prices were also a major factor in 2008 and continued to be a factor in 2010 and 2011. Fuel sales are included in the transportation and utilities category. Retail sales have essentially remained flat since reaching a record \$279 million in 2008 and then declining to \$262 million in 2009. The two graphs below compare sales tax revenues with cruise ship passenger volume and demonstrate the strong correlation between the trends in sales tax revenues and tourism.



The City estimates that in 2012 it will collect \$10.1 million in sales taxes, an increase of 1.4 percent over 2011. The projection for 2013 is \$10.3 million, an increase of 2 percent.

Economic Profile

Ketchikan's economy is based on natural resources. Since its inception in 1900, the community's economy has been driven by industries involved with the extraction or harvest of natural resources. Industries such as mining and fishing played an important role in the early history of Ketchikan. By the late 1950s, timber had surpassed both of these industries as the cornerstone of the local economy. Timber continued to dominate the local economy until the late 1990s when regulatory and environmental issues overwhelmed the industry and made it economically unfeasible to conduct timber operations in Southeast Alaska.

The loss of the timber industry compelled the community of Ketchikan to seek alternate ways to capitalize on its abundant supply of natural resources to rebuild its economy in order to continue to sustain the quality of life that the community has enjoyed for over 100 years. This was primarily accomplished by shifting from an economy solely based on extracting and harvesting natural resources to an economy that balances extracting and harvesting natural resources with the need to preserve those resources so they can be shared with future generations from around the world. The community of Ketchikan has been very successful in demonstrating that development and conservation are equally important and that both can co-exist in the same environment.

The promotion of Ketchikan's natural resources as an attraction for visitors from outside the community has resulted in tourism becoming a significant component of the local economy. The growth in tourism has driven the reconstruction and expansion of the City's port infrastructure and the rehabilitation of the Downtown Business District. The biggest driver of the tourism industry is the cruise ships that call on Ketchikan annually from May through September. In 2008, a record 931,000 cruise ship passengers visited the community. Beginning in 2009, the numbers of visitors to Ketchikan started to decline because of the weakened state of the national and global economies and the imposition of a state head tax on cruise ship passengers traveling to Alaska by the State of Alaska. By 2010, the number of visitors had declined to 821,000. The prospects for the industry improved in 2011 when the State substantially reduced its head tax and the number of visitors increased to 830,000. The number of visitors increased again in 2012 to 886,000. Based on a preliminary cruise ship calendar for 2013, the number of visitors to Ketchikan is expected to reach a new record of 960,000. The number of ships making a port of call will increase by one ship to 29 and the number of stops will increase from 434 to 475. Depending on the outcome of litigation involving EPA's decision to include much of Alaska in the newly created Emissions Control Area (ECA), this upward trend could be reversed if vessels are again redeployed out of state due to increased fuel costs.

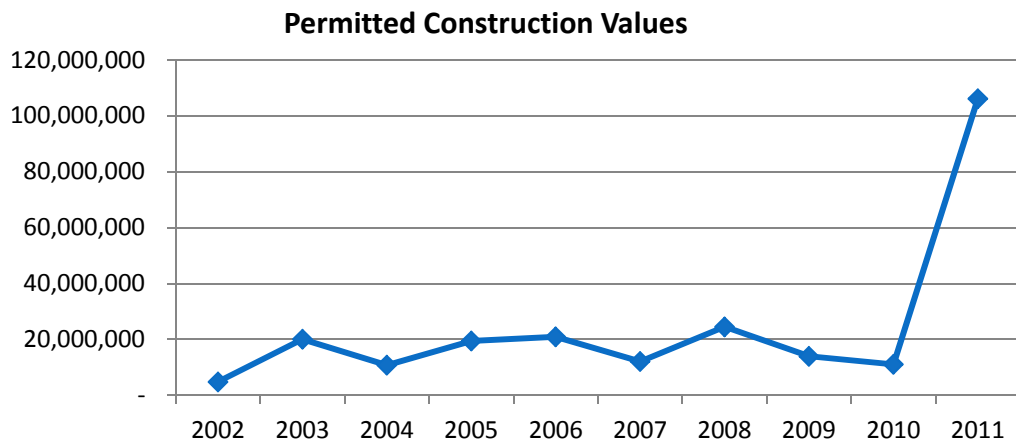
Other important segments of the local economy include fishing, government, healthcare and construction. The fishing industry encompasses the fleet and processing facilities. The fishing industry is primarily seasonal although efforts have been made to extend it by developing winter and dive fisheries. The shore base canneries and cold storage facilities are one of the primary drivers of the increase in the local workforce. The industry's contribution to the local economy is unpredictable because harvest volumes, market prices, and operating costs are volatile. The purse seine fishery is the largest producer. An ex-vessel value of \$64 million is projected to be harvested in 2012. This value is well below the 2011 record ex-vessel value of \$105.7 million, but above the

10-year average of \$44 million. Since market prices were comparable to 2011, the decline is most likely attributable to the number of recorded seine permits. In 2012, there were 238 seine permits participating in the fisheries. In 2011, the number of seine permits participating reached 508.

Government is a major force in the local economy. Government includes the City of Ketchikan, Ketchikan Public Utilities, the Ketchikan Gateway Borough, the Ketchikan International Airport, the Ketchikan Gateway Borough School District, the US Forest Service, the State of Alaska, and the Alaska Marine Highway System. Approximately 28% of the community’s workforce is employed by government. Government is important to the local economy because it provides stable and year round employment opportunities for the citizens of Ketchikan.

Healthcare and social assistance is another important component of Ketchikan’s economy. The single largest private employer in the area is the Ketchikan Medical Center, a licensed 25 bed acute care facility that serves Ketchikan and southern Southeast Alaska. The KMC employs over 350 individuals and also operates a 29 bed long-term care facility. Other healthcare and social assistance providers employ 479 employees bringing the total employed by the healthcare industry in Ketchikan to 829. This accounts for nearly 12% of the community’s workforce. Plans are under way for a \$70 million addition to the Ketchikan Medical Center that will broaden its services and increase its importance in the region. Like government, the healthcare industry is stable source of high paying, year round employment opportunities.

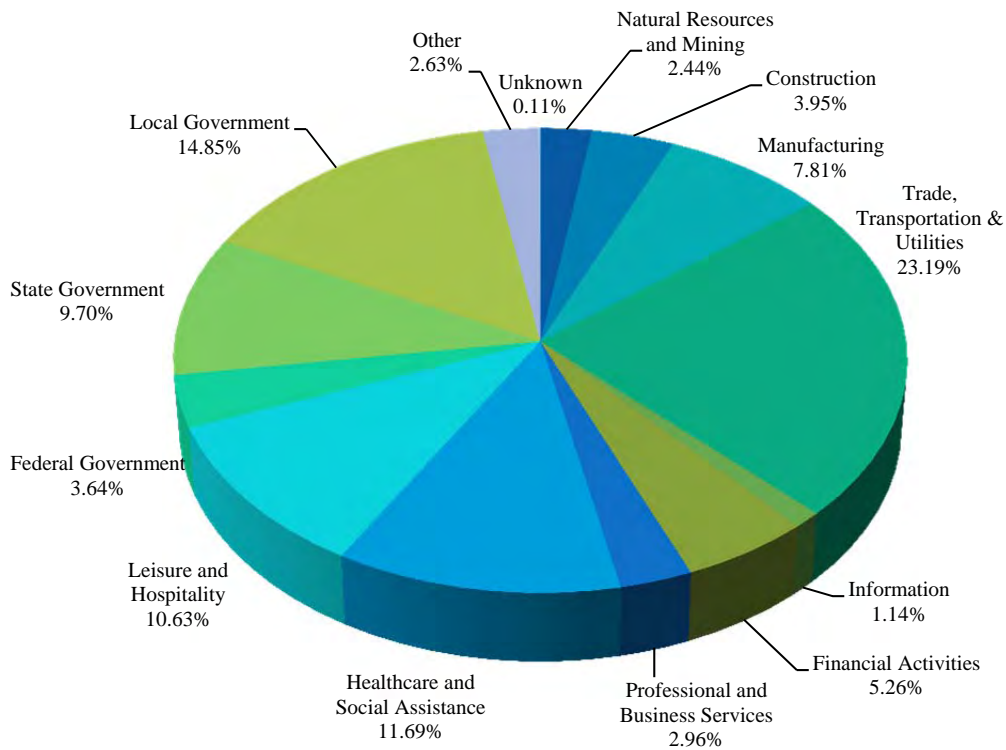
Another important segment of Ketchikan’s economy is construction. The construction industry contribution to Ketchikan’s economy is very cyclical because of the inherent nature of it business. Infrastructure generally has long lives and the financial resources required to build new infrastructure or replace existing infrastructure is contingent on the availability of federal and state grants, the ability of municipalities to issue bonds, and private sectors willingness to make investments and provide financing. The construction industry is also a source of high paying jobs. In 2011, construction activity accounted for 17.1 percent of the City’s gross tax sales. In 2012, the City also issued 142 building permits with a construction value of \$10.7 million. The graph that follows shows the level of permitted construction activity for the past ten years.



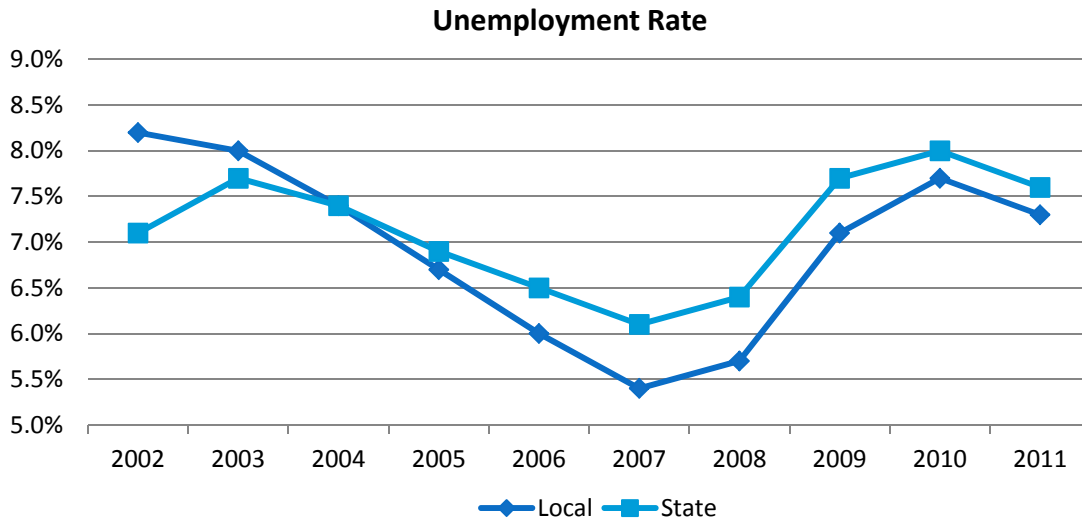
Permitting activity for 2013 is projected to return to more historical levels ranging between \$10 and \$20 million. The record level reached in 2011 was due to the unusually large number of high valued commercial building projects that were undertaken such as a new community pool, fire station, and public library and the construction new facilities at the local shipyard.

Workforce

In 2011, the average workforce of the Ketchikan Gateway Borough totaled 7,299, an increase of 6.7 percent from 2010. The workforce is very diversified and seasonal. Employment levels are low at the beginning of the year, rise in the spring, peak in the summer and then decline in the fall. Over the course of a year, the workforce declines to almost 6,000 and peaks at nearly 9,000 in the months of July and August. This is typical of a seasonal economy. The pie chart that follows identifies the major segments of the community’s workforce.



As it has for much of the past decade, the community continues to enjoy an average unemployment rate that is lower than the average for the State of Alaska. This was not the case at the beginning of the decade when the community was still reeling from the aftermath of the closure of Ketchikan Pulp Company. In recent years, the community’s unemployment rate has also been trending lower than the national unemployment rate.



The current local unemployment rate is currently trending at 5.1%. This is somewhat misleading because it was measured in August 2012, during the community’s peak employment period. The State’s unemployment rate for August 2012 was 6.6%.

The Economy Looking Forward

It appears that the local economy is slowly improving and there is some hope that it will continue to improve and become more diversified. The contraction in the tourism industry has been halted and the number of cruise ships and passengers coming to Alaska is on a major upswing, which could break the record set in 2008. As long as the nation does not suffer another economic meltdown and the global economy doesn’t falter, the growth in tourism should continue to be strong. As we learned in 2009 and 2010, contractions in the tourism industry have the potential to immediately impact the finances of the City and its citizens.

Alaska Ship and Dry Dock (ASD) is still on track to become the prime contractor for the Alaska Class Ferries. The company was purchased in 2012 by Vigor Industries, a large regional shipyard operator located in the Pacific Northwest. Ownership of ASD by Vigor has resulted in an infusion of capital that will provide ASD with the financial resources necessary to take on a project as large and complex as the construction of an Alaska Class ferry. ASD recently completed the construction of a covered vessel assembly building large enough to house an Alaska Class ferry while it is being constructed. If ASD is successful in its effort to become the prime contractor, it would be a major boost to the local economy and create a significant number of direct and indirect employment opportunities in the community, many of which would most likely be paid at above average wages. Since a number of ferries have been proposed for construction by the State of Alaska, this could become a long-term project for ASD that will enable the maritime industry to become well established in Ketchikan and build up a reputation as premier provider of quality maritime services in Alaska.

The mining industry, once an important part of the local economy, continues to gain ground in its efforts to reestablish itself in Ketchikan. The Niblack Mining Company is currently evaluating the

prospects for a mine located on Prince of Wales Island. The evaluation is in the advance stages and the results look promising. The company is looking for a location for an ore processing facility and appears to be leaning toward locating it at the Gravina Island Industrial Complex. The processing facility would create approximately 80 new jobs. The construction of the mine could start as early as 2015 and has an estimated life of 10 to 12 years and could employ up to 130 people. The mine would focus on the extraction of copper, gold, zinc and silver. Progress also continues on Ucore Rare Metals, Inc.'s Bokan Mountain Project, which is also located on Prince of Wales Island. The site is the location of the largest rare metal deposit in the United States. The Bokan Mountain Project is in the early stages of its development. More work is required before the company can determine if the project is economically feasible.

Over the years, Ketchikan has seen what appeared to be opportunities to expand and diversify its economy slip away because a business plan fails the financial scrutiny of potential investors or government regulations makes the plan financially unfeasible. The community is actively working together with various industry officials and their investors, legislators and federal and state agencies to create a positive business environment that encourages businesses to locate and invest in Ketchikan. The investments proposed by ASD, Niblack Mining, and Ucore Rare Metals would strengthen and diversify the local economy and improve the quality of life for all the residents of Ketchikan.

**FINANCIAL OVERVIEW OF THE
2013 GENERAL GOVERNMENT ANNUAL BUDGET**

The 2013 Budget includes all governmental funds and all proprietary funds of the City, except for Ketchikan Public Utilities. A separate budget has been prepared for Ketchikan Public Utilities. The table below summarizes the 2013 Budget and compares it with the 2012 Budget.

	2012 Budget	2012 Estimates	2013 Budget
Estimated Beginning Reserves, Jan 1	\$ 30,628,667	\$ 31,584,910	\$ 30,260,876
Revenues and Transfers:			
Taxes	15,345,800	15,257,305	16,290,535
PILOT	1,160,000	1,107,000	1,284,000
Intergovernmental Revenues	16,423,744	17,420,748	28,703,631
Charges for Services	16,770,500	16,919,280	17,844,800
Other Revenues	496,747	529,403	483,704
Bond Proceeds	8,459,451	4,784,822	2,500,000
Foundation	1,000,000	-	-
Interdepartmental Revenues	4,743,325	4,590,640	4,769,013
Total Revenues	<u>64,399,567</u>	<u>60,609,198</u>	<u>71,875,683</u>
Transfers from Other Funds	6,042,291	5,669,363	5,322,165
Interfund Advances	1,297,000	1,302,148	1,250,000
Total Revenues and Transfers	<u>71,738,858</u>	<u>67,580,709</u>	<u>78,447,848</u>
 Total Funds Available	 <u>102,367,525</u>	 <u>99,165,619</u>	 <u>108,708,724</u>
Expenditures and Transfers:			
Operating Expenditures	36,785,839	36,021,780	37,741,327
Capital Expenditures	33,321,386	25,911,452	35,001,533
Total Expenditures	<u>70,107,225</u>	<u>61,933,232</u>	<u>72,742,860</u>
Transfers to Other Funds	6,042,291	5,669,363	5,322,165
Advances to Other Funds	1,297,000	1,302,148	6,250,000
Total Expenditures and Transfers	<u>77,446,516</u>	<u>68,904,743</u>	<u>84,315,025</u>
 Estimated Ending Reserves, Dec 31	 <u>\$24,921,009</u>	 <u>\$30,260,876</u>	 <u>\$24,393,699</u>

Total funds available for appropriations in 2013, included beginning reserves of \$30.3 million, is \$108.7 million. The amount requested for appropriations in 2013 is \$84.3 million; or \$6.87 million more than 2012. Operating and capital expenditures increased by \$2.64 million, advances to other funds increased by \$4.95 million and transfers to other funds decreased by \$736,686. The 2013 Budget will require a \$5.87 million drawdown of total General Government reserves.

This overview contains a review of the proposed spending plan for 2013 and will include a discussion of the following areas: (1) revenues; (2) transfers to and from other funds; (3) expenditures; (3) General Fund review; (4) Capital Improvement Program; and (5) debt management.

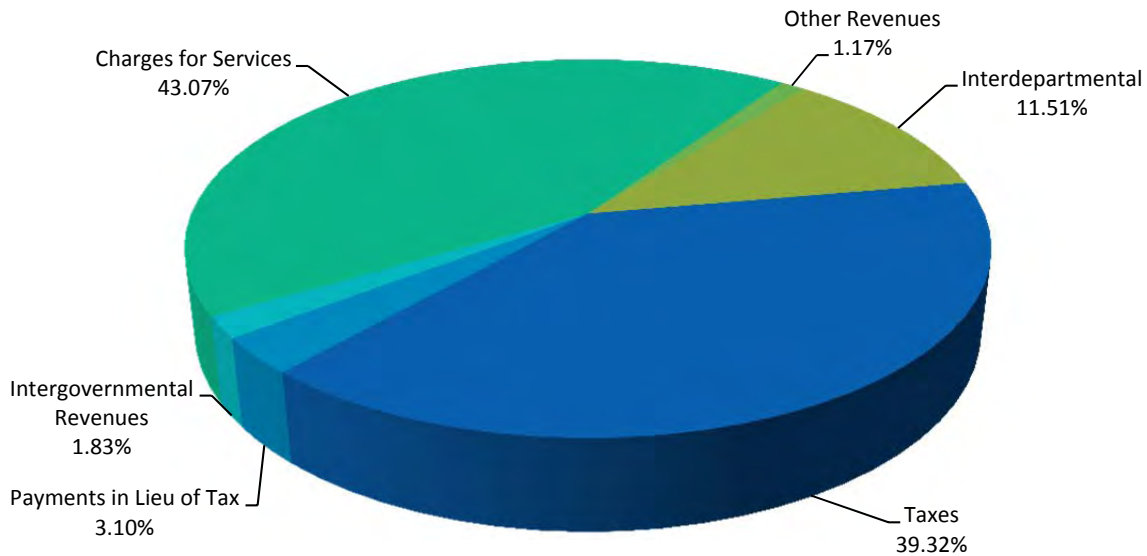
REVENUES

The revenues of the City come from a variety of sources. Most of the revenues are from external sources such as taxes and charges for services. Some of the revenues such as interdepartmental charges are internal to the City. This section includes a discussion of the major revenues realized by the City and information on major factors affecting the revenue sources. The table below summarizes the major revenues of the City.

	2012 Budget	2012 Estimate	2013 Budget
Taxes	\$15,345,800	\$15,257,305	\$16,290,535
Payment in Lieu of Taxes	1,160,000	1,107,000	1,284,000
Licenses and Permits	83,500	75,100	76,000
Revenue from Other Governments - Operating	906,267	1,039,659	758,063
Charges for Services	16,770,500	16,919,280	17,844,800
Fines and Forfeitures	155,500	169,250	169,250
Interdepartmental	4,743,325	4,590,640	4,769,013
Other Revenue - Miscellaneous	257,747	285,053	238,454
Operating Revenues	<u>39,422,639</u>	<u>39,443,287</u>	<u>41,430,115</u>
Revenue from Other Governments - Capital	13,417,477	14,433,841	25,845,568
Revenue from Other Governments - CPV	2,100,000	1,947,248	2,100,000
Other Revenue - Bond Proceeds	8,459,451	4,784,822	2,500,000
Other Revenue - Foundation	1,000,000		
Total Revenues	<u>\$64,399,567</u>	<u>\$60,609,198</u>	<u>\$71,875,683</u>

The City is projecting that its revenues for 2013 will total \$71.88 million and its operating revenues will total \$41.43 million. Total revenues are projected to increase by \$7.48 million and operating revenues are projected to increase by \$2.01 million. The following chart identifies the major revenue sources of the City and their respective percentage of the total revenue stream.

2013 Operating Revenues



Taxes: At 39%, tax revenues are the second highest category of operating revenues collected by the City. Tax revenues are used to finance the programs of the City’s general fund, its two sales tax funds and transient tax fund. The City currently assesses three types of taxes: (1) ad valorem real and personal property taxes; (2) 3.5% consumer sales tax; and (3) 7% transient occupancy tax. The table below summarizes the major tax revenues of the City.

	2012 Budget	2012 Estimate	2013 Budget
Property Taxes	\$4,741,300	\$4,662,805	\$5,489,535
Sales Taxes	10,101,000	10,101,000	10,307,500
Transient Occupancy Taxes	360,000	350,000	350,000
Other Taxes	143,500	143,500	143,500
Total	<u>\$15,345,800</u>	<u>\$15,257,305</u>	<u>\$16,290,535</u>

Other taxes include automobile and liquor taxes shared by the State of Alaska with the City and boat taxes on private and commercial vessels.

Property Taxes. Revenues from property taxes are a function of assessed property values and the mill rate. Assessed property values are determined by the Ketchikan Gateway Borough Assessment Department and certified by the Borough Assembly acting as the Board of Equalization. The Borough reappraises property located within the city on a four-year cycle as follows:

- Cycle 1 – residential zoned property from Schoenbar Bypass to the south City limits.
- Cycle 2 – commercial and industrial zoned property.
- Cycle 3 – no city property appraised in Cycle 3.
- Cycle 4 – residential zoned property from Schoenbar Bypass to the north City limits.

Cycle 2 properties are currently being reappraised and the results will impact the 2013 assessment roll. The reappraisal will include all commercial and industrial zoned properties. Properties not scheduled for reappraisal are generally subject to a market analysis and adjusted accordingly. The real estate market in Ketchikan appears to be entering a period of stability. Since 2010, assessed values have increased less than one percent annually. In discussions with the Ketchikan Gateway Borough Director of Assessment, there is no evidence to suggest that this will change in 2013. Assessed values have been programmed to increase one percent in 2013. The actual assessed property values will not be known until the Ketchikan Gateway Borough Board of Equalization certifies the assessment roll in May of 2013. The City is required to adopt its annual mill levy by June 15.

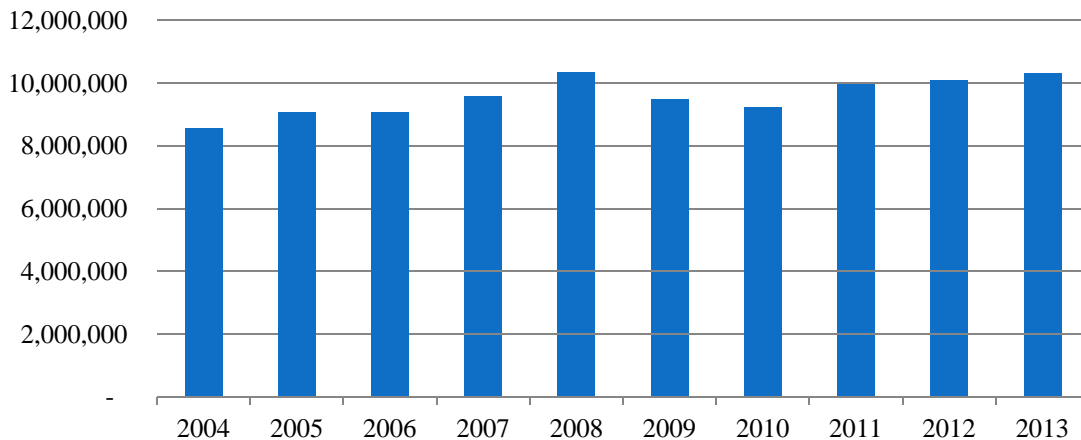
The City currently receives \$6.20 per \$1,000 of assessed valuation from property owners located within the City limits. It is recommended that the City raise the amount it collects to \$7.20 per \$1,000 of assessed valuation. The effect of this action would be a property tax increase of \$200 on a home assessed at \$200,000 and would raise approximately \$817,000. This additional property tax revenue would be dedicated to provide for a portion of the \$846,491 required for the annual debt service on the general obligation bonds issued to finance the construction of the City’s new fire station and library facilities and replace the loss of raw fish tax revenue that was previously accounted for in the General Fund.

Sales Taxes. Sales tax revenues are generated from a 3.5 percent sales tax imposed on retail sales within the City limits. Sales tax revenues are accounted for in three separate funds as follows:

- General Fund – 1%
- Hospital Sales Tax Fund – 1%
- Public Works Sales Tax Fund - 1.5%

For 2013, sales tax revenues have been projected to total \$10.31 million, or about 2 percent more than 2012. Improving prospects for the tourism industry is the primary driver behind the projected increase in sales tax revenues for 2013.

Sales Tax Revenues 2004-2013



A 7 percent transient occupancy tax is assessed against consumers using overnight lodging facilities located within the City limits. This tax has historically been used to provide financial support to the Ketchikan Visitors Bureau (KVB) and the Ted Ferry Civic Center, if funds are available after funding the KVB.

Payment in Lieu of Taxes (PILOT): Governments are exempt from property taxes, however, many municipalities, including the City, have a policy of requiring their enterprise funds to pay an amount in lieu of property taxes. The payments in lieu of taxes are based on the estimated assessed values of enterprise fund properties located within the City limits and the proposed mill rate.

	2012 Budget	2012 Estimate	2013 Budget
Ketchikan Public Utilities	\$763,000	\$728,000	\$845,000
Port of Ketchikan	309,000	295,000	343,000
Wastewater	78,000	74,000	86,000
Tlingit & Haida Regional Housing Authority	10,000	10,000	10,000
Total	<u>\$1,160,000</u>	<u>\$1,107,000</u>	<u>\$1,284,000</u>

Included in the PILOT is an estimate of the payment in lieu of taxes that will be made by the Tlingit & Haida Regional Housing Authority for their affordable housing projects.

Revenues From Other Governments: The City receives a substantial amount of revenues from other governments. The majority of this revenue comes from the State of Alaska and is usually in the form of grants for infrastructure. The following table below summarizes the major sources of revenues from other governments.

	2012 Budget	2012 Estimate	2013 Budget
Operating:			
License Refunds	45,000	45,500	40,000
State Grants - Shared Fisheries Tax	18,000	24,000	24,000
Federal and State Grants - Public Safety	197,450	120,541	45,197
State Revenue Sharing	495,000	698,801	500,000
ERZD Bond Interest Rebate	150,817	150,817	148,866
	<u>906,267</u>	<u>1,039,659</u>	<u>758,063</u>
Capital:			
State Raw Fish Tax	350,000	472,000	425,000
Borough Grants	513,000	16,858	1,746,142
State CPV	2,100,000	1,947,248	2,100,000
State Grants - Capital	11,840,738	10,926,635	22,335,000
Federal Grants - Capital	713,739	3,018,348	1,339,426
	<u>15,517,477</u>	<u>16,381,089</u>	<u>27,945,568</u>
Total	<u>\$16,423,744</u>	<u>\$17,420,748</u>	<u>\$28,703,631</u>

Changes in capital grants occur because they are project specific and subject to the availability of funding. Of the \$27.95 million programmed for capital grants, the City has been awarded \$17.25 million. The raw fish tax is subject to harvest volumes and market prices for fish. State revenue sharing for 2013 is predicated on funding from the \$60 million that the State has already set aside for the FY 2014 State Revenue Sharing Program. In 2011 and 2012, the City received an additional \$200,000 in revenue sharing through special appropriations approved by the State Legislature. It is possible that the State Legislature may consider a special appropriation for the FY 2014 State Revenue Sharing Program, but such action is contingent on the price of oil and the amount of oil taxes collected by the State. The amount contributed to the State's revenue sharing program cannot exceed 20 percent of the oil taxes collected by the State. In order to maintain funding for the program at \$60 million, oil prices must remain above \$90 per barrel. If oil price rise above \$90 per barrel, the Legislature could potentially increase the \$60 million cap and authorize another supplemental appropriation.

Charges For Services: Charges for services is the City's single largest source of operating revenues. It includes user fees for general and utility services provided by the City. Fees for services include building inspection and plan review, parking, ambulance, harbor moorage, port dockage, library services to nonresidents of the City and the University of Alaska, solid waste collection and disposal, wastewater and other fees charged to identifiable users of government services. The following table summarizes the major categories of charges for services.

	2012 Budget	2012 Estimate	2013 Budget
Parking	\$85,000	\$92,000	\$92,000
Ambulance	515,000	525,000	525,000
E-911 Services	390,000	415,000	415,000
Borough Library Services	388,000	397,800	411,100
UAS Library Services	204,234	195,000	206,000
Civic Center	120,000	141,000	141,000
Solid Waste Fees	2,858,800	3,002,000	2,987,000
Wastewater Fees	2,206,000	2,209,300	2,393,300
Harbor Fees	1,138,500	1,166,000	1,169,000
Port Fees	8,520,300	8,464,000	9,202,000
Museum Fees	204,900	168,950	165,700
Other	139,766	143,230	137,700
Total	<u>\$16,770,500</u>	<u>\$16,919,280</u>	<u>\$17,844,800</u>

Charges for services have been projected to remain unchanged for 2013, except for the following:

- Port revenues have been projected to increase by \$681,700 because of an improving climate for cruises to Alaska. Another cruise ship has been added to the Alaska market bringing the total to 29 ships. More passengers are expected to visit Ketchikan. A minimum of 915,000 passengers has been projected by the industry based on lower berth capacity. Historically, the actual passenger counts tend to trend at roughly 106% of the lower berth estimate. The City has assumed that this trend will continue in 2013 and is projecting 960,000 passengers.

- A ten percent rate increase has been proposed for wastewater fees, effective March 2013. The rate increase will bring in an additional \$187,000 in operating revenues.

Interdepartmental Charges: Interdepartmental charges are fees assessed against the revenue generating and enterprise funds that collect fees from users and other funds of the City. The General Fund and the Self-Insurance Fund provides certain services for these funds. The services include City Council, City Clerk, legal, engineering, central garage, finance, information technology, personnel, and risk management. Since KPU maintains a separate garage, it is not charged for this service.

	2012 Budget	2012 Estimate	2013 Budget
KPU	\$2,162,550	\$2,115,550	\$2,242,200
Port Fund	177,000	170,000	183,000
Harbor Fund	169,000	160,000	141,000
Solid Waste Fund	453,000	393,000	407,000
Wastewater Fund	447,000	447,000	450,000
Self Insurance Fund	1,334,775	1,305,090	1,345,813
Total	\$4,743,325	\$4,590,640	\$4,769,013

Interdepartmental charges are determined using a variety of methods. The amount charged for cost of services provided to KPU is based on a model developed by a consultant engaged by the KPU Telecommunications Division. Services charged to other revenue generating operations of the City are based on labor. Insurance charges are based on labor and property distribution. No significant increases have been programmed for 2013.

TRANSFERS IN AND ADVANCES FROM OTHER FUNDS

Transfers in from other funds include operating subsidies, the movement of financial resources from one fund to another in order to share the cost of programs or activities accounted for in another fund and the transfer of financial resources for debt service. For 2013, \$5,322,165 has been programmed for transfers in from other funds.

	2012 Budget	2012 Estimate	2013 Budget
General Fund	\$ 3,271,870	\$ 3,221,717	\$ 2,800,374
Community Grant Fund	243,180	270,680	310,800
Harbor Construction Fund	277,158	277,158	
GO Bond Debt Service Fund	1,728,083	1,377,808	1,688,991
Port Repair & Replacement Fund	522,000	522,000	522,000
Total	\$ 6,042,291	\$ 5,669,363	\$ 5,322,165

For more information about transfers in, please refer to the Transfers section of the 2013 Budget.

Included in the 2013 Budget is a proposed advance of \$1,250,000 to the Harbor Construction Fund. An advance is a short-term loan between funds of a municipality. The proposed advance will come from the Economic Development and Parking Fund and will be used to finance the proposed drive down float for Bar Harbor. The advance will be repaid over an unspecified period with interest beginning in 2014.

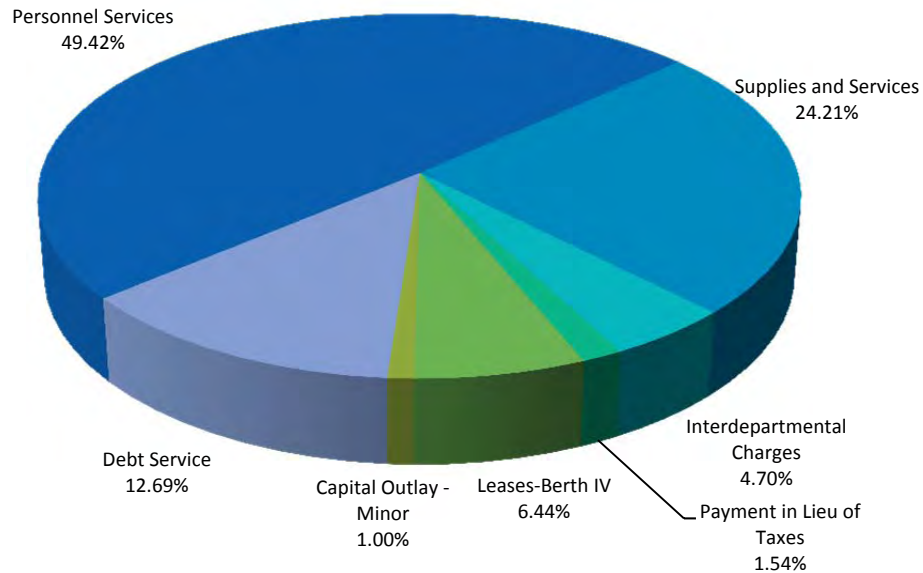
EXPENDITURES

Expenditures in the amounts of \$72,742,860 have been programmed for 2013. The table below summarizes the major expenditures of the City and compares 2013 with 2012.

	2012 Budget	2012 Estimate	2013 Budget
Personnel Services	\$18,377,029	\$18,055,561	\$18,651,871
Supplies and Services	8,786,250	8,739,043	9,136,041
Interdepartmental Charges	1,697,250	1,730,559	1,774,242
Payment In-Lieu of Taxes	540,000	522,000	582,000
Leases - Berth IV	2,095,000	2,115,000	2,431,000
Capital Outlay - Minor	408,918	393,391	376,544
Debt Service	4,881,392	4,466,226	4,789,629
Total Operating Expenditures	<u>36,785,839</u>	<u>36,021,780</u>	<u>37,741,327</u>
Capital Outlay - Major	33,321,386	25,911,452	35,001,533
Total Operating and Capital Expenditures	<u>70,107,225</u>	<u>61,933,232</u>	<u>72,742,860</u>
Interfund Advances	1,297,000	1,302,148	
Total Expenditures	<u><u>\$71,404,225</u></u>	<u><u>\$63,235,380</u></u>	<u><u>\$72,742,860</u></u>

Total operating expenditures for 2013 are projected to increase by \$955,488 from 2012, or 2.6%. Increases in the cost of personnel and the Berth IV lease payment account for \$610,842 of the increase. The following chart summarizes the major categories of operating expenditures for 2013.

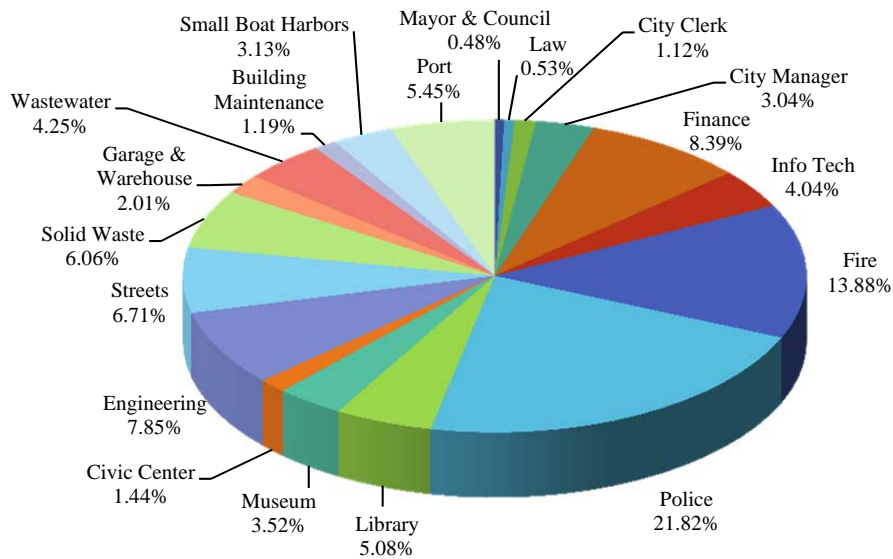
2013 Operating Expenditures



Personnel Services: The cost of personnel is projected to consume 49 percent of the City’s annual operating expenses. This category includes salaries and wages for regular and temporary employees, overtime and employee benefits. Employee benefits include health insurance, life insurance, retirement, workers compensation, social security, unemployment and accrued leave. The cost of personnel services is summarized as follows:

	2012 Budget	2012 Estimate	2013 Budget
Salaries and Wages-Regular Employees	\$10,099,263	\$9,869,876	\$10,222,039
Salaries and Wages-Temporary Employees	1,051,300	1,007,995	1,100,350
Overtime	698,850	863,550	847,350
Payroll Taxes	907,860	900,670	930,734
Pension Benefits	2,144,740	2,109,945	2,189,900
Insurance Benefits	3,098,380	2,953,850	3,007,960
Other Benefits	250,380	251,725	255,895
Allowances	126,256	97,950	97,643
Total	\$18,377,029	\$18,055,561	\$18,651,871
Number of Employees (FTE)	<u>176.81</u>	<u>177.31</u>	<u>176.31</u>

The chart below shows how the 176.81 FTE employees are distributed among the various City departments.



The proposed level of staffing for 2013 is 176.31 FTE, a decrease of .50 FTE over 2012. The table below summarizes by department the proposed changes to personnel.

Department	Position	Action	FTE
Public Works - Bldg Inspec			
Building Inspection	Building Inspector	Decrease	0.50
Total			0.50

A retiring building inspector that remained on staff to assist with the work load and train a replacement was no longer needed.

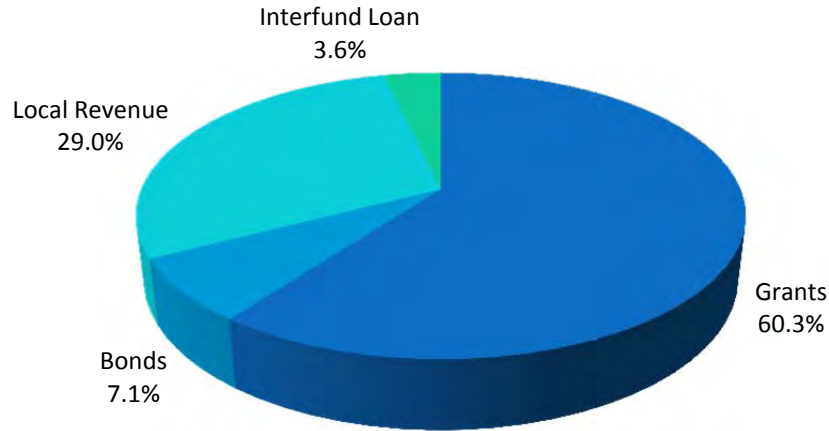
Regular salaries and wages are projected to increase by \$122,776 to \$10,222,039. The increase is being driven by step increases. The estimate for 2012 is 2.3 percent less than the amount budgeted for 2012. This is consistent with the City’s employee vacancy rate, which improved substantially in 2012 when compared to 2011. Benefit costs are projected to remain relatively flat when compared to the amount budgeted for 2012. This is because health insurance premiums decreased by 2 percent in 2012 instead of increasing by 10 percent as originally projected. Several employees have lowered their coverage or opted out of the City’s health insurance plan.

Supplies and Services: Supplies and services is a catchall category that includes all expenditures except personnel services, interdepartmental charges, taxes, leases, advances, capital outlay, and debt service. This category accounts for 24.2 percent of operating expenditures. Supplies and services are projected to increase by \$349,791, or 4 percent, to \$9,136,041. Higher fuel prices were partially responsible for the increase.

Capital Outlay: The amount requested for major capital outlay has been programmed to increase by \$1,680,147 to \$35,001,533. The amount requested for minor capital outlay has decreased by \$32,374 to \$376,544. The chart below identifies the source of funding for the capital projects

proposed for 2013. For more information regarding the City’s capital spending plans for 2013, please see the 2013 – 2017 Capital Improvement Program.

Source of Funding for 2013 Capital Budget



Debt Service: Debt service’s share of operating expenses is 12.7percent. Please see the discussion under debt management for further information about the City's debt obligations.

The General Government Budget Overview Report Section beginning with page C-1 provides additional analyses for expenditures.

TRANSFERS OUT AND ADVANCES TO OTHER FUNDS

Transfers out from other funds include operating subsidies, the movement of financial resources from one fund to another in order to share the cost of programs or activities accounted for in another fund and the transfer of financial resources for debt service. For 2013, \$5,322,165 has been programmed for transfers in from other funds.

	<u>2012 Budget</u>	<u>2012 Estimate</u>	<u>2013 Budget</u>
General Fund	\$958,813	\$636,038	\$448,344
Hospital Sales Tax Fund	1,328,230	1,328,230	1,351,300
Public Works Sales Tax Fund	2,104,220	2,104,220	2,133,200
Transient Tax Fund	364,000	364,000	364,000
Bayview Cemetery O & M Fund	5,000	5,000	5,000
Shoreline Fund	6,374	6,374	6,374
Special Assessment Guarantee Fund	456,496	406,343	
US Marshal Fund	20,000	20,000	5,000
Community Facilities Development Fund			486,947
Harbor Construction Fund	277,158	277,158	
Port Enterprise Fund	522,000	522,000	522,000
Total	<u>\$6,042,291</u>	<u>\$5,669,363</u>	<u>\$5,322,165</u>

The transfer from the Special Assessment Guarantee Fund in 2012 closed out the fund. The US Marshal is almost depleted so the transfer for 2013 was reduced accordingly. The proposed transfer from the General Fund was decreased from \$958,813 to \$448,344 because staff has recommended that the 2013 debt service payment required for the 2010 Fire Station Bond be paid from the excess funds remaining in the bond construction account instead of the General Fund. The bond construction account is accounted for in the Community Facilities Development Fund and a transfer of \$486,947 from this fund to the General Obligation Bond Debt Service Fund will be required in order to implement staff's recommendation. For more information about transfers out, please refer to the Transfers section of the 2013 Budget.

Included in the 2013 Budget are proposed advances totaling \$6,250,000 to the Harbor Construction and the Ketchikan Public Utilities Funds. The Economic Development and Parking Fund will advance or loan to the Harbor Construction Fund \$1,250,000. The Port Enterprise, Community Facilities Development, and the Self Insurance Funds will advance \$2,700,000, \$1,500,000 and \$800,000, respectively, to the Ketchikan Public Utilities Fund. The loans will carry a market rate of interest. The \$5 million advance to the Ketchikan Public Utilities Fund will be repaid in six years. A plan to repay the \$1.25 million advance from the Economic Development and Parking Fund has yet to be determined.

GENERAL FUND REVIEW

The General Fund is the main operating fund of the City and is considered the City's most important fund. It provides the financial resources for the administration of the City and many of its vital services such as fire and police protection, library, museum and civic center facilities, public health, street and cemetery operations and maintenance, and the maintenance of the City's rolling stock and buildings. The General Fund accounts for:

- 147 of the City's 176 general government employees and 80% of its annual general government payroll
- 23% percent of the City's annual revenues
- 52% of the City's annual operating expenses for general government

As noted earlier in the transmittal letter, a financially healthy General Fund is important to the overall finances of the City. Rating agencies and other private and governmental agencies that evaluate the financial position of municipalities generally look to a municipality's General Fund to make their assessment. It was also noted that the City's General Fund is at the crossroad where major decisions will need to be made about the City's revenue and spending policies. The table below illustrates the concerns of staff.

	2011 Actual	2012		2013	2013
		Adopted Budget	Estimate	Draft Budget	Proposed Budget
Beginning Reserves, January 1	\$4,438,995	\$4,322,333	\$4,884,570	\$4,026,123	\$4,026,123
Revenues					
Taxes:					
Property	4,573,923	4,741,300	4,662,805	4,712,935	5,489,535
Sales	2,847,192	2,886,000	2,886,000	2,945,000	2,945,000
Other	130,113	105,000	105,000	105,000	105,000
Payments in Lieu of Taxes	1,107,064	1,160,000	1,107,000	1,107,000	1,284,000
Licenses and Permits	193,890	83,500	75,100	76,000	76,000
Intergovernmental	1,133,544	737,450	864,842	585,197	585,197
Charges for Services	2,042,081	2,020,700	2,043,180	2,073,500	2,073,500
Fines and Forfeitures	156,707	152,000	166,000	166,000	166,000
Investment Earnings	3,132	5,000	1,000	1,000	1,000
Other Revenues	78,885	64,850	73,100	79,000	79,000
Interdepartmental Charges	3,175,838	3,408,550	3,306,294	3,423,200	3,423,200
	<u>15,442,369</u>	<u>15,364,350</u>	<u>15,290,321</u>	<u>15,273,832</u>	<u>16,227,432</u>
Expenditures					
Personnel	13,934,918	14,918,374	14,664,735	15,103,569	15,103,569
Supplies	1,234,963	1,314,175	1,335,062	1,464,426	1,464,426
Contracts & Purchased Services	2,003,783	2,355,278	2,251,089	2,626,067	2,626,067
Minor Capital	170,156	278,868	274,041	243,894	243,894
Major Capital	170,093	105,000	100,000	115,000	115,000
Interdepartmental Charges	89,630	69,400	109,520	120,593	120,593
	<u>17,603,543</u>	<u>19,041,095</u>	<u>18,734,447</u>	<u>19,673,549</u>	<u>19,673,549</u>
Surplus(Deficit) Before Transfer	(2,161,174)	(3,676,745)	(3,444,126)	(4,399,717)	(3,446,117)
Transfers					
Transfers From Other Funds	2,923,054	3,271,870	3,221,717	2,800,374	2,800,374
Transfers to Other Funds		(69,480)	(96,980)	(88,800)	(88,800)
Transfers for Debt Service	(316,305)	(889,333)	(539,058)	(846,491)	(359,544)
	<u>2,606,749</u>	<u>2,313,057</u>	<u>2,585,679</u>	<u>1,865,083</u>	<u>2,352,030</u>
Total Surplus(Deficit)	<u>445,575</u>	<u>(1,363,688)</u>	<u>(858,447)</u>	<u>(2,534,634)</u>	<u>(1,094,087)</u>
Ending Reserves, December 31	<u>\$4,884,570</u>	<u>\$2,958,645</u>	<u>\$4,026,123</u>	<u>\$1,491,489</u>	<u>\$2,932,036</u>

The first three columns are self-explanatory. The fourth column, 2013 Draft Budget, illustrates the difficulties in achieving a balanced budget and why staff is concerned. The fifth column, 2013

Proposed Budget, is the budget for 2013 that is being presented for consideration by the City Council.

The 2013 Draft Budget shown in the above table was the spending plan that was developed after considering and evaluating all of the requests from the City's department heads, some of which were denied or deferred in an effort to produce a balanced budget. The result was a drawdown of reserves in the amount of \$2.53 million and a projected end of the year reserve balance of \$1.49 million. This plan was not acceptable because it put reserves below the minimum balance of \$3 million and it was clearly not sustainable beyond 2013. If the City were to have continued down this path, all of the reserves of the General Fund would have been eliminated by 2014 and the fund would have ended the year with a negative fund balance of \$1 million. This would not be permissible under the City Charter.

It is important to have an understanding of why staff was not able to balance the budget for the General Fund using the current revenue base in order to determine the steps that need to be taken in order to bring revenues and expenses back in line. Some of the key factors affecting the revenue base and expenditures and causing the deficit are discussed below.

The General Fund's revenue base has shrunken as a result of policy changes approved by the City Council. Some of the policies enacted or under consideration are as follows:

- The raw fish tax is no longer accounted for as revenue of the General Fund. The raw fish tax funds have been designated for harbor capital improvements. This policy reduced annual General Fund revenues by approximately \$440,000 (based on a three-year average). The total loss of revenues to the General Fund as result of this policy since its inception is \$1,599,100.
- The formula for the borough payment for library services was changed from being based on assessed property values to one that is based on population. This policy reduced the annual reimbursement from the Borough for non-areawide library services by about \$45,500. The total loss of revenues to the General Fund as result of this policy since its inception is \$228,000.
- In 2011, the Council adopted a policy to exempt the first \$50,000 of business personal property from property taxes. This action reduced annual General Fund revenues by approximately \$32,000. The total loss of revenues to the General Fund as result of this policy since its inception is \$63,800.
- In 2012, the Council passed an ordinance in first reading to abolish the boat tax. If approved, this will reduce annual General Fund revenue by approximately \$30,000.
- Staff recommended building and inspection fees required to cover the added cost of conducting inspections and plan reviews formerly performed by the State Fire Marshal were reduced.

These policies have resulted in a cumulative loss of revenues totaling \$1,921,000. Had these revenues been collected by the General Fund, the reserves for the 2013 Draft Budget would have totaled \$3,412,489 instead of \$1,491,489.

The General Fund's expenditures have also increased. In addition to inflation, which typically drives up the overall cost of doing business, high fuel prices and vacancies have also played a role. Policy decisions have also increased expenditures. Some of key factors are as follows:

- Debt service has increased due to the issuance of bonds to finance the construction of the City's new library and new fire station. This added \$846,491 to the expenditures of the General Fund.
- A 2 percent cost of living adjustment approved in 2012 increased expenditures of the General Fund by \$ 205,200.

Absent any directive to reverse some of the revenue policy decisions noted above or assuming a return to higher vacancy rates, the \$2.5 million deficit appears very real. While it is true that the City never spends all of its appropriation, it is highly unlikely that spending would be reduced enough to substantially eliminate a \$2.5 million deficit. The cost of personnel accounts for nearly 77 percent of General Fund expenditures. This leaves 23 percent for debt service, community grants, and supplies and services necessary for operations. The City is obligated to make payments on its bonds so debt service cannot be reduced. It would be difficult to cut \$816,600 from supplies and services without compromising the City's ability to provide services to its citizens. Assuming that the City Council does not want to reduce the City's work force, staff is recommending the following actions:

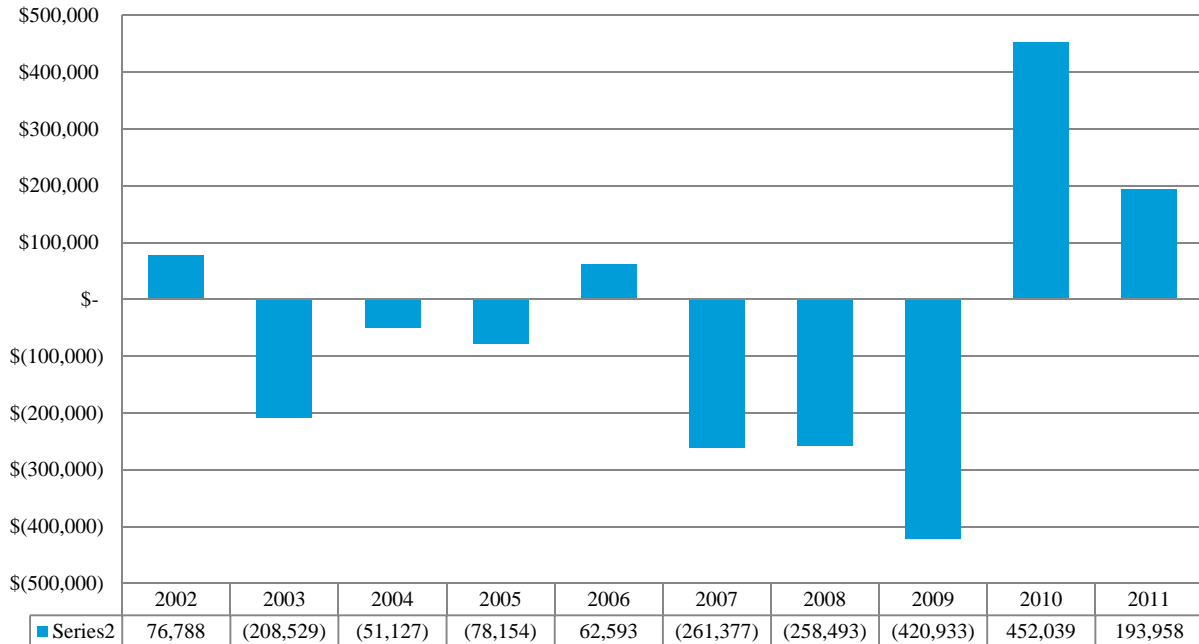
- Raise the mill levy from 6.2 to 7.2. This will increase property tax revenues by \$816,600 and the payment in lieu of taxes from the City's enterprise funds by \$177,000.
- Transfer \$486,947 from the Fire Station Bond Construction Fund to fund the debt service on the fire station bonds. This is the maximum amount that can be transferred under the City's bond covenants. There is approximately \$1,014,000 available in the bond construction for debt service.

These actions will increase the reserves of the General Fund from \$1,491,489 to \$2,932,036. As shown in the table above under the Proposed 2013 Budget column, the deficit will decrease from \$2,529,904 to \$1,089,357. This will put the deficit within a range that is manageable and, depending on how the City spends its 2013 appropriations, the actual deficit could be lower.

There are other measures that could be taken, but they would require reductions in other expenditures that the City Council has traditionally endorsed, or, alternatively, a decrease to the existing level of the General Government work force could be considered. If requested, staff is prepared to offer recommendations for potential spending reductions.

The purpose of this review is to increase the understanding of why expenditures of the General Fund are increasing and drive home the point that with no growth in its revenue base, the City's general fund could exhaust its reserves as early as 2014. Staff expects that the City will continue not spending all its appropriations as it has in the past. As the chart below illustrates, the City has been able to overcome programmed deficits in its General Fund budgets ranging between \$600,000 and \$1,000,000. It is highly unlikely that the City would be successful in overcoming programmed deficits of \$2.5 million.

General Fund Surplus (Deficit)



Based on revenue estimates prepared by Finance and expenditure estimates prepared by City departments, a deficit between \$600,000 and \$850,000 has been projected for the General Fund in 2012.

Staff continues to recommend that the City's General Fund retain at least \$3 million in reserves. This amounts to approximately 15 percent of total expenses of the general fund, including operating transfers out. Ketchikan's economy is seasonal and very cyclical. Because of its heavy reliance on tourism, Ketchikan's economy is also subject to factors that are totally beyond its control. In addition, the general fund relies on sales tax revenues to fund nearly 28 percent of its operations. Economic cycles and downturns in the tourism industry can have a big impact on consumer spending. As you may recall, sales tax revenues declined by 8.1 percent or \$838,919 in 2009, and further declined by another \$273,760 in 2010, for a total of \$1,112,679. The cumulative impact to the General Fund was \$557,600 over the two year period. The 2013 Budget, if adopted by the City Council as presented, would maintain a reserve balance of no less than 14.6%, or \$2,936,766.

CAPITAL IMPROVEMENT PROGRAM

The proposed 2013 - 2017 Capital Improvement Program (CIP) was developed by staff to address the needs of the community and ensure the proper maintenance of the City's infrastructure. The estimated cost of the CIP for the five-year period ending December 31, 2017 is \$104.1 million. The first year of the CIP, also known as the 2013 Capital Budget, has been incorporated into the 2013 Annual General Government Budget. The cost of the 2013 Capital Budget is \$35 million. For detailed information regarding specific projects, please refer to the CIP, which contains cost estimates and narratives for each project.

DEBT MANAGEMENT

On January 1, 2013, the City will have outstanding five general obligation bond issues totaling \$16,309,271 and one revenue bond issue totaling \$34,315,000. The table below summarizes the City's six outstanding bond issues.

Issue	Balance Jan 1, 2013	Final Maturity	Type	Debt Service		
				2012 Budget	2012 Estimate	2013 Budget
1994 Port	\$270,000	2013	GO	\$299,700	\$299,700	\$284,850
2006 Port	34,315,000	2035	Revenue	2,577,550	2,577,550	2,577,675
1997 Hospital	3,650,000	2017	GO	838,750	838,750	842,500
Wastewater 481011	883,866	2032	GO	88,658	60,351	52,447
Wastewater 481071	631,592	2032	GO	36,584		36,800
2010 Fire Station	6,700,000	2030	GO	640,150	640,150	635,813
2012 Library	4,825,000	2031	GO	400,000	49,724	359,544
Total	\$51,275,458			\$4,881,392	\$4,466,225	\$4,789,629

All of the bonds have been issued, or will be issued, through the Alaska Municipal Bond Bank with the exception of the 1994 Port and ADEC Wastewater Bonds. The 1994 Port Bond was issued on the open market and the Wastewater Bonds were issued through the Alaska Department of Environmental Conservation's Clean Water Fund. Bonds issued through the Bond Bank permit the City to take advantage of the Bond Bank's AAA credit rating and lower issuance costs. The ADEC loans are subsidized by the federal government, resulting in an interest rate of 1.5%.

Total annual debt service in the amount of \$4,789,629 has been programmed in the 2013 Budget. On January 1, 2013, the total debt service required to maturity, including interest of \$36,426,924, will be \$87,702,382. Please see page C-17 for schedule of the City's debt obligations.

CONCLUSION

The proposed 2013 Budget allows for the continuation of basic local government services without unnecessarily increasing the tax burden on the citizens who ultimately pay for the services. It is a

fiscally responsible spending plan that will require the use of reserves to balance the operations of the General Fund, but it does so in a manner that does not compromise the City's financial position. The proposed budget also recognizes the importance of the City's role in the local economy by recommending choices that will bring about favorable long-term results for the community.

Over the next few weeks, the City Manager, the Finance Director and the department heads look forward to working with the City Council to develop a spending plan that ensures that the needs of the community stay in the forefront. By working together, staff is convinced that the challenges facing the community of Ketchikan and the City can be met and that Ketchikan will continue to be a community in which its residents desire to work and live, and enjoy a special quality of life.

We would like to take this opportunity to express our appreciation to the department heads and their respective staffs for their assistance during the preparation of the 2013 General Government Annual Budget. Special thanks go to Financial Analyst Camille Nelson, Executive Assistant Diane Walker, Senior General Government Accountant Patty Keeley, Senior Electric and Water Accountant Stan Aegerter, Fixed Assets and Grants Accountant Angie Delaney, and Office Services Technician Gretchen Blanchard. Without their efforts and dedication, it would not have been possible to deliver this document to you in a professional and timely manner.

Respectfully submitted,



Karl R. Amylon
City Manager



Robert E. Newell, Jr., CPA
Finance Director



November 8, 2012

The Honorable Mayor Lew Williams III
and Members of the City Council
City of Ketchikan, Alaska
334 Front Street
Ketchikan, Alaska 99901

Pursuant to Section 5-2 of the Ketchikan City Charter, the 2013 Proposed Operating and Capital Budget (the "2013 Budget") for Ketchikan Public Utilities (KPU) is respectfully submitted. In accordance with Section 5-4 of the Charter, the City Council must adopt a final spending plan no later than the third day before the beginning of the next fiscal year, which is December 29, 2012. At least one public hearing on the proposed budget is required prior to adoption of the final spending plan.

INTRODUCTION

The 2013 Budget attempts to reflect the ongoing efforts of the City Council to maintain and deliver cost effective electric, telecommunications and water utility services to the community of Ketchikan. Staff believes that the proposed spending plan for 2013 effectively balances the available financial resources of KPU against the utility service needs of the community. The programs and services contained within the proposed spending plan were developed by the KPU Division Managers and were subsequently reviewed and modified as necessary by the Office of the General Manager and the Finance Director. The operating goals and programs of the Electric, Telecommunications and Water Divisions were predicated on the continuation of basic service delivery and long-range issues that manifested themselves over the course of the past year and during the development of the Capital Improvement Program.

As was discussed in the transmittal letter for the 2013 General Government Operating and Capital Budget, the budget format has been modified. In addition to the changes noted in that transmittal letter, interdepartmental charges, debt service, insurance and the payment in lieu

of taxes are now budgeted directly to the operating utilities instead of being budgeted separately. This approach is consistent with how these costs are budgeted for in the Port and Wastewater Enterprise Funds and provides a better understanding of the total costs of operating the separate utilities accounted for in the Ketchikan Public Utilities Enterprise Fund.

The economic issues facing the community of Ketchikan were considered during the preparation of the proposed spending plan for KPU. Although KPU is not supported by tax dollars, it does depend on its residential and commercial ratepayers to provide the resources necessary to finance its operations. A discussion of the local economy can be found in the transmittal letter for the 2013 General Government Operating and Capital Budget. The table below lists key operating statistics for KPU for the past five years.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of Electric Customers	7,305	7,346	7,365	7,418	7,443
Energy Sales - mWh	154,803	159,340	158,147	156,985	164,714
Telecommunications Access Lines	9,039	8,122	7,467	6,994	6,572
Water Customers	3,255	3,254	3,246	3,233	3,247

The number of electric and water customers have remained relatively flat for the past five years. The number of telecommunication access lines continues to decline although at a much slower pace. Competition from GCI and wireless phones has made significant inroads into the local market for telecommunication services. After declining slightly in 2009 and 2010, energy sales increased to a record 164,714 mWh. Colder weather and the conversion to electric heat by many residential and commercial customers were contributing factors.

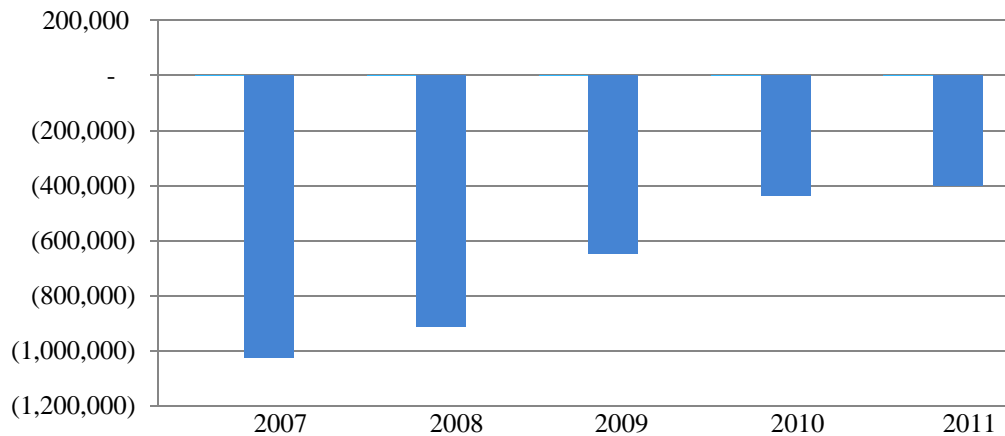
MAJOR BUDGET AND FISCAL ISSUES

During the course of preparing the proposed KPU budget for the next fiscal year, certain issues were identified that may affect the long-term finances of KPU, its operations and the proposed spending plan for 2013. Staff believes that the City Council should be aware of these issues and may want to consider them during its budget deliberations. Each issue is outlined below along with recommendations from staff, if warranted. In most cases, staff has incorporated its recommendations into the proposed spending plan in order to show the effects of the recommendations on the spending plan. Staff recognizes that the final resolution of these issues will be determined by the City Council and that the spending plan may be adjusted accordingly.

Water Utility Rates: Management continues to express concerns about the adequacy of water utility rates to finance the Water Division’s cost of operations, the capital cost of replacing or maintaining its utility systems, and the cost of complying with unfunded mandates being imposed upon the utility by federal and state regulatory bodies. These concerns can be best understood by reviewing the following table, which shows the audited operating results of the Water Division for the past five years.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Operating Revenues	1,949,748	2,065,198	2,322,050	2,575,467	2,985,300
Operating Expenses	2,739,228	2,785,806	2,772,717	2,849,036	3,243,973
Operating Income	<u>(789,480)</u>	<u>(720,608)</u>	<u>(450,667)</u>	<u>(273,569)</u>	<u>(258,673)</u>
Non-Operating Rev (Exp)					
Interest Expense	(303,898)	(272,511)	(241,079)	(158,773)	(151,272)
Other	67,875	78,800	43,245	(4,761)	7,969
	<u>(236,023)</u>	<u>(193,711)</u>	<u>(197,834)</u>	<u>(163,534)</u>	<u>(143,303)</u>
Net Income (Loss)	<u><u>(1,025,503)</u></u>	<u><u>(914,319)</u></u>	<u><u>(648,501)</u></u>	<u><u>(437,103)</u></u>	<u><u>(401,976)</u></u>

Water Division Net Losses 2007-2011



Significant progress has been made in reducing the water utility's operating deficit. In 2005, the water utility reported an annual loss of \$1.32 million. In 2011, the annual loss was reduced to \$401,976. This has been possible because of a series of rate increases adopted by the City Council as part of the effort to return the water utility to financial solvency. The following table provides a history of recent rate increases.

<u>Year</u>	<u>Amount of Rate Increase</u>
2004	2.50%
2006	10.00%
2007	5.00%
2008	1.75%
2009	11.40%
2010	15.00%
2011	15.00%

The rate increases have been timely. Not only are they reducing the water utility's operating losses, they are also helping to prepare the water utility to take on the debt service that will be required for the bonds issued to improve the utility's infrastructure and the expected increase in operating costs that will occur once the new UV treatment plant is placed in service. Unfortunately, the 15% rate increase proposed last year was not approved by the City Council.

Management continues to recommend that the City Council consider gradual rate increases for the water utility in order to address the rising cost of operations and to reduce the need for subsidies from the electric and telecommunications utilities. A 5 percent increase in water utility rates has been incorporated into the proposed 2013 KPU Budget. Such an increase could lower the Water Division's operating deficit to an amount below \$300,000 and bring the utility closer to becoming self-supporting.

Sale of the Telecommunications Division: The proposed 2013 KPU Budget assumes a full year funding for the operations of the Telecommunications Division. If a sale of the Division takes place in 2013, the spending plan will have to be modified accordingly. The modifications will depend on the date the sale closes and any transitional services that the City might provide to the buyer.

4G/LTE Wireless: The Telecommunications Division has the opportunity to enter the wireless communications market. Included in the 2013 Budget from the Telecommunications Division are requests for operating funds in the amount of \$602,000 to begin operating a 4G/LTE wireless service by May 1, 2013. The operating request includes funds for one customer service representative, one engineer, debt service and other anticipated startup costs. Included in the 2013 Budget from the Sales, Marketing, and Customer Service Division is a request for operating funds in the amount of \$114,000 for one customer service representative and marketing expenses. The total annual operating cost of the proposed wireless service for its first year of operations is \$716,000 and customer billings are projected to exceed \$550,000.

Also included in the 2013 Budget is a request for a capital investment of \$3.1 million to construct the 4G mobile network required in order to provide the wireless service. The network will be financed by interfund loans from General Government. The loans will be paid over a period not to exceed six years beginning with an interest only payment in 2013. The actual repayment period is contingent on the success of the venture. A study prepared by an independent consultant estimates that the venture may be able to repay its initial investment and cover its annual operating costs within 5 to 6 years.

SIGNIFICANT BUDGET ASSUMPTIONS

In order to present a complete spending plan for 2013, it was necessary for management to make certain assumptions regarding the operations and finances of KPU. Management recognizes that some of the assumptions will require further direction from the governing board and that the direction provided may result in different assumptions, which may

materially affect the proposed spending plan. The key assumptions used to compile the spending plan for 2013 are as follows:

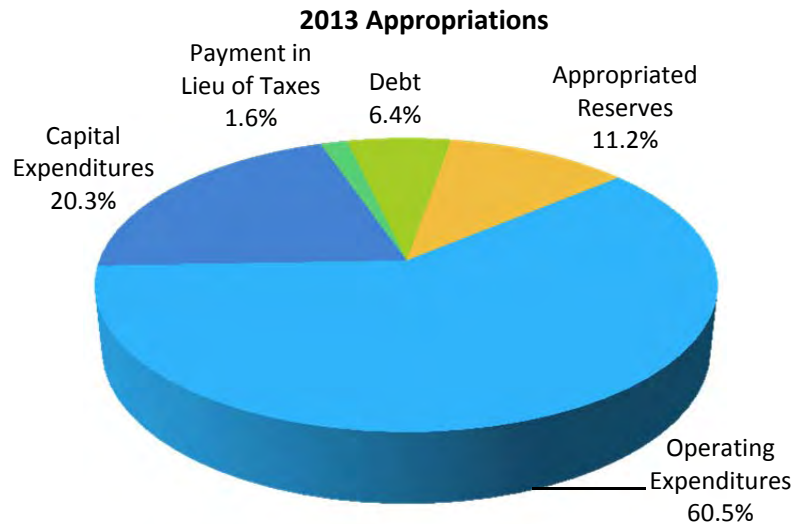
- No reductions to existing services or the current level of the work force have been proposed.
- No cost of living adjustments were programmed in 2013. Most of the increases in personnel costs were due to step increases.
- A 5 percent increase in water utility rates has been programmed, effective March 1, 2013.
- Staffing levels have been increased from 110.50 regular, full-time equivalent (FTE) positions to 113.25 regular, FTE positions in order to support the Telecommunications Division's efforts to enter the wireless communications market.
- Annual debt service will change as a result of issuing \$6.38 million in revenue bonds through the ADEC Drinking Water Loan Program for water utility improvements and \$15 million in revenue bonds through the Alaska Municipal Bond Bank for the Whitman Lake Hydroelectric Project and the final maturity of the Series U revenue bonds.
- A 10 percent increase for health insurance premiums, effective July 1, 2013, has been programmed for the Blue Cross and IBEW health insurance plans.
- The cost of power purchased from the Southeast Alaska Power Agency has been programmed to remain at the current rate of 6.8 cents per kWh.
- A purchased power rebate in the amount of \$400,000 from the Southeast Alaska Power Agency has been programmed.
- KPU will continue to contribute to the community grant program

The 2013 Proposed Budget is a working document intended to initiate discussion by the City Council and the public over next year's spending plan. As the City Council and the public review and evaluate service delivery and long-range issues, alternative concepts and additional concerns may materialize that will warrant consideration. It is staff's desire that the final product which emerges from this process will be a spending plan for 2013 that is acceptable to the community at large and will allow KPU to continue to provide adequate and reliable electric, telecommunications and water services to its customers.

**FINANCIAL OVERVIEW OF THE KETCHIKAN PUBLIC UTILITIES
2013 ANNUAL OPERATING AND CAPITAL BUDGET**

The 2013 Budget includes all operating and support divisions of KPU. The total amount requested for appropriations is \$51,599,268, a decrease of \$20,323,584 from the amount appropriated with the adoption of the 2012 Budget. The key components of total appropriations requested for 2013 and a comparison with 2012 appropriations are as follows:

	2012 Budget	2012 Estimate	2013 Budget
Operating Expenditures	\$30,029,441	\$29,238,101	\$31,238,255
Debt Service	3,960,580	3,085,385	3,279,061
Payment in Lieu of Taxes	763,000	728,000	845,000
Total Cost of Operations	34,753,021	33,051,486	35,362,316
Capital Expenditures	32,997,533	31,806,521	10,467,135
Total Expenditures	67,750,554	64,858,007	45,829,451
Appropriated Reserves	4,172,298	10,029,768	5,769,817
Total Appropriation	<u>\$71,922,852</u>	<u>\$74,887,775</u>	<u>\$51,599,268</u>



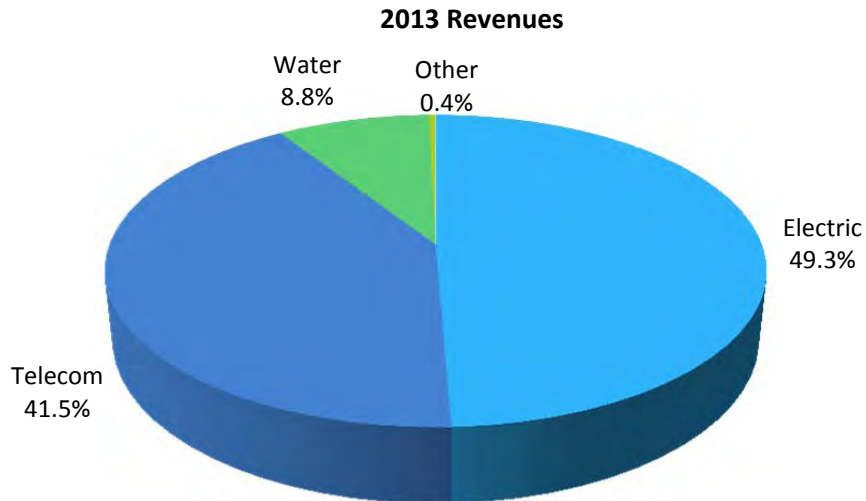
The balance of this overview will include a discussion and analysis of the following areas: (1) revenues; (2) expenditures; (3) personnel; (4) debt management; and (5) compliance with City Council mandated financial objectives.

For additional summary information regarding the proposed spending plan for 2013, please refer to the "C" pages in the budget document.

REVENUES

Operating revenues for utility services in the amount of \$35,279,500 have been programmed for 2013. The table below identifies the major revenue sources by operating utility.

	2011 Actual	2012 Budget	2012 Estimate	2013 Budget
Electric	\$16,691,691	\$16,971,436	\$17,246,477	\$17,416,700
Telecommunications	14,482,457	13,421,000	13,607,700	14,631,000
Water	2,985,446	3,355,600	3,015,500	3,091,800
Other	160,209	180,000	155,000	140,000
Total	<u>\$34,319,803</u>	<u>\$33,928,036</u>	<u>\$34,024,677</u>	<u>\$35,279,500</u>



Electric Revenues: The projection for 2013 electric utility revenues is based on a two-year average of energy sales and the current average electric revenues per kWh, adjusted for new loads and other trends such as conversions from heating fuel to electric heat. There are three variables that can significantly affect the revenue projections. The first is weather. Cold temperatures and high winds increase the demand for electric energy. Another variable is the general state of the economy. A strong economy usually generates a strong demand for energy. A weak economy has the opposite effect. A third variable is the price of heating oil, which has caused some residents to switch from heating their homes with fuel to electricity. The table below summarizes the major operating revenues of the Electric Division.

	2011 Actual	2012 Budget	2012 Estimate	2013 Budget
Residential	\$6,929,817	\$7,025,000	\$7,216,900	\$7,290,000
Harbor	293,654	289,000	321,600	325,000
Business	6,404,792	6,650,000	6,667,300	6,734,000
Industrial	1,767,912	1,770,000	1,759,800	1,778,000
Yard Lights	48,889	48,900	49,000	49,000
Demand	443,170	431,600	466,300	472,000
Street Lights	124,978	123,500	126,500	126,500
Diesel Surcharge	231,477			
Other	447,002	633,436	639,077	642,200
Total	<u>\$16,691,691</u>	<u>\$16,971,436</u>	<u>\$17,246,477</u>	<u>\$17,416,700</u>

Electric revenues are difficult to project because of the many variables that can affect consumption. Energy sales rose in 2009, decreased in 2010 and 2011, and increased again in 2012. The projected load growth for 2013 is a modest 1 percent.

Telecommunications Revenues: The Telecommunications Division derives its revenues from three primary sources: regulated local phone services; regulated network access services; and non-regulated services such as DSL, IPTV, payphones, wireless and sales of PBX systems. The table that follows summarizes the major operating revenues of the Telecommunications Division.

	2010 Actual	2012 Budget	2012 Estimate	2013 Budget
Local Network Services	\$2,238,967	\$2,063,000	\$2,053,000	\$1,912,000
Network Access Services	8,598,622	7,547,000	7,668,000	8,148,300
IP Network - DSL and IPTV	3,158,101	3,260,000	3,365,000	3,531,000
Wireless Network				558,000
Directory Revenue	323,634	357,000	329,000	329,000
Payphones	15,938	26,000	12,700	6,350
Miscellaneous	147,195	168,000	180,000	146,350
Total	<u>\$14,482,457</u>	<u>\$13,421,000</u>	<u>\$13,607,700</u>	<u>\$14,631,000</u>

Revenues from local network services have been projected to decline as a result of continuing competition from GCI and wireless providers for local customers. Network access services, or separations revenues, have been projected to increase by 6.3 percent from the estimate for 2012. The projection was derived from a separations model by a telecommunications cost study consultant using data from the proposed 2013 Telecommunications Division Budget. Revenues from the IP Network have been projected to increase 5 percent over the 2012 estimate because the product offerings by the Telecommunications Division remain very competitive. First year operating revenues from the new wireless service have been projected to reach \$558,000.

Water Revenues: The operating revenues of the Water Division have been projected to increase as a result of the proposed 5 percent rate increase. The proposed effective date for

the increase in rates is March 1, 2013. The rate increase is expected to generate \$117,000 of additional revenues. The table below summarizes the major operating revenues of the Water Division.

	2011	2012	2012	2013
	Actual	Budget	Estimate	Budget
Residential	\$1,277,902	\$1,468,700	\$1,310,500	\$1,365,100
Apartment	250,519	286,600	258,700	269,500
Business	1,003,574	1,144,400	1,014,700	1,045,800
Industrial	86,361	99,500	88,200	91,800
Cannery	156,766	177,000	148,800	155,000
Port	124,230	131,000	146,800	131,000
Miscellaneous	86,094	48,400	47,800	33,600
Total	<u>\$2,985,446</u>	<u>\$3,355,600</u>	<u>\$3,015,500</u>	<u>\$3,091,800</u>

For more information about KPU operating revenues, please see the “E” pages.

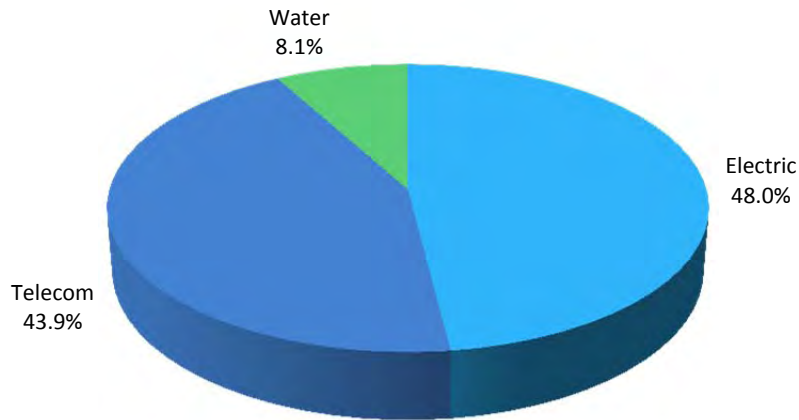
EXPENDITURES

Operating expenditures in the amount of \$35,342,316 have been programmed for 2013, an increase of \$589,295 over the amount originally appropriated with the adoption of the 2012 Budget. The table below identifies the major operating expenses by category and utility.

	2012	2012	2013
	Budget	Estimate	Budget
General Manager	\$351,272	\$339,265	\$355,740
Sales, Mrkting & Customer Service	2,067,187	1,967,470	2,162,065
Electric	16,770,073	15,827,099	17,063,206
Telecommunications	11,540,630	11,388,147	12,466,101
Water	4,023,859	3,529,505	3,295,204
Total	<u>\$34,753,021</u>	<u>\$33,051,486</u>	<u>\$35,342,316</u>

Electric Division operating expenditures increased by \$293,133, or 1.7 percent. Telecommunications Division operating expenditures increased by \$925,471, or 8 percent, due to rising transportation cost for DSL, debt service on the interfund loan and the addition of wireless services to its product line. Water Division operating expenditures decreased by \$728,655, or 18.1 percent, because the final maturity of the Series U Bonds in 2012 resulted in lower debt service cost for 2013.

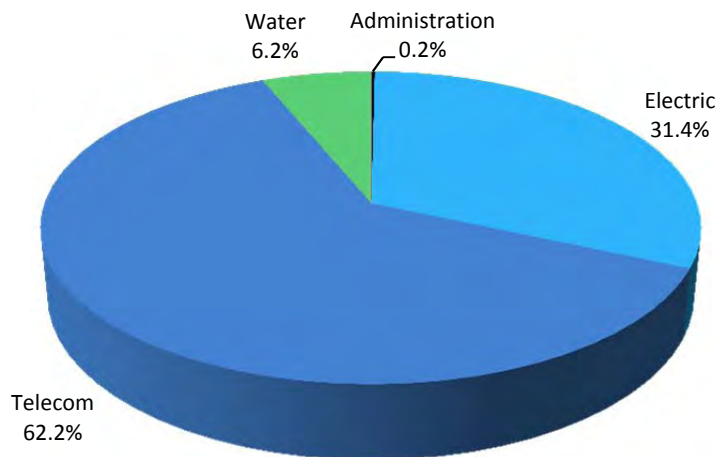
2013 Operating Expenses by Utility



The amount of capital appropriations requested for 2013 is \$10.49 million. The table below identifies the major capital expenses by utility.

	2012 Budget	2012 Estimate	2013 Budget
General Manager	\$45,000	\$25,000	\$20,000
Electric	27,670,821	24,586,177	3,289,685
Telecommunications	1,300,214	1,732,474	6,522,450
Water	3,981,498	5,462,870	655,000
Total	\$32,997,533	\$31,806,521	\$10,487,135

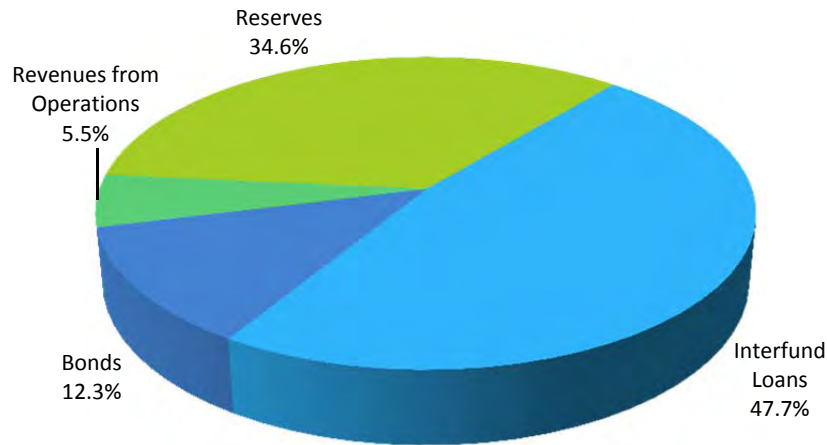
2013 Capital Expenses by Division



Funding for the proposed capital budget is as follows:

	<u>Amount</u>	<u>Percentage</u>
Bonds	\$1,290,000	12.3%
Interfund Loans	5,000,000	47.7%
Revenues from Operations	572,370	5.5%
Reserves	3,624,765	34.6%
	<u>\$10,487,135</u>	<u>100.0%</u>

Sources of Funding for 2013 Capital Budget



The debt required to finance the 2013 Capital Budgets has been approved by the voters of the City. Since the cost of operations is projected to consume nearly all of the revenues generated from operations, it will be necessary to substantially draw down on reserves by \$3.62 million to finance the 2013 Capital Budget. Please see the proposed KPU 2013 - 2017 Capital Improvement Program for information about the projects planned for 2013.

PERSONNEL

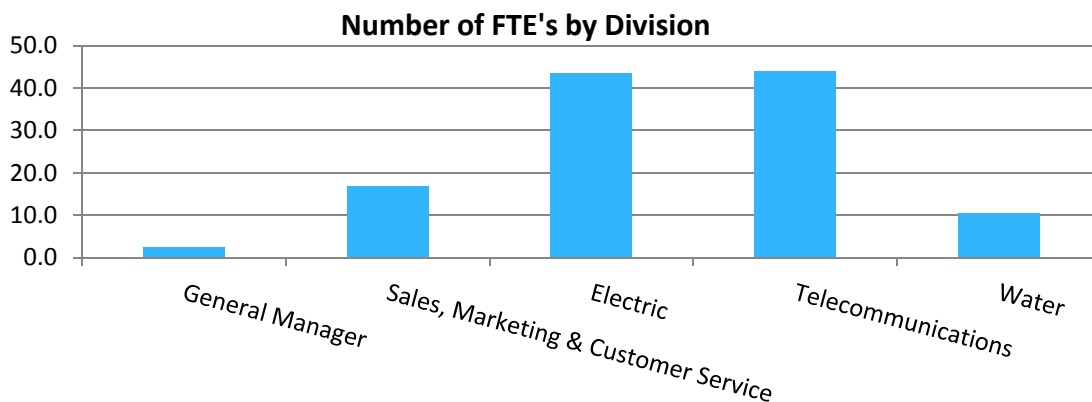
The proposed 2013 KPU Budget requests funding for 113.25 full-time equivalent (FTE) employees, net of Swan Lake personnel (4.0 FTE). This represents a net increase of 2.75 FTE from 2012. Please see page C-3 for a summary of personnel by division. Two factors affected the change in personnel proposed for 2013: (1) the addition of two new customer service representative positions for the Telecommunications Division during 2012 that staff would like to retain for 2013 and (2) the addition of an engineer and a customer service representative to support Telecom’s new wireless network service. The changes to personnel are summarized as follows.

Division	Position	Action	FTE
Telecom	Engineer	Increasing staff	0.92
Telecom	CS Representative	Increasing staff	2.00
Telecom	CO Network Tech	Decreasing staff	(1.00)
Sales &Mktg	CS Representative	Increasing staff	0.83
Total			<u>2.75</u>

Please note that the engineer and customer service representative for Sales & Marketing are full-time positions. The full-time equivalent is less than one because of partial year funding.

The cost of personnel services includes salaries and wages for regular and temporary employees, overtime, and employee benefits. Employee benefits include health insurance, retirement, workers compensation, social security, unemployment and accrued leave. The table below identifies the major components of the cost of personnel services.

	2012 Budget	2012 Estimate	2013 Budget
Salaries and Wages - Regular Employees	\$8,047,393	\$7,431,500	\$8,189,295
Salaries and Wages - Temporary Employees	94,500	82,500	96,500
Overtime	435,000	526,500	460,000
Payroll Taxes	656,100	616,175	670,000
Pension	1,363,300	1,294,400	1,439,900
Insurance Benefits	2,019,100	1,923,425	2,173,300
Other Benefits	433,700	396,400	352,300
Total	<u>\$13,049,093</u>	<u>\$12,270,900</u>	<u>\$13,381,295</u>
Number of Employees (FTE)	<u>110.50</u>	<u>111.50</u>	<u>113.25</u>



The cost of personnel has been programmed to increase in 2013 by \$332,202. The increase is being driven primarily by the addition of staff and increases in health care premiums. Step increases play a minor role because the compensation for many of the employees is tied to the journeyman lineman pay scale. Those employees do not earn step increases.

DEBT MANAGEMENT

In 2013, KPU will have outstanding eight revenue bond issues or loan agreements totaling \$34,265,190. The table below summarizes KPU's bond issues expected to be outstanding in 2013.

Issue	2013 Balance	Final Maturity	Type	Debt Service		
				2012 Budget	2012 Estimate	2013 Budget
Series T	\$5,840,000	2017	Revenue	\$1,297,980	\$1,297,980	\$1,296,380
Series U		2012	Revenue	902,700	902,700	
Series V	1,245,000	2014	Revenue	668,300	668,300	668,438
Series W - CREB	800,000	2022	Revenue	86,600	86,600	86,000
Series W - ADEC		2031	Revenue	505,000		
ADEC 481021	1,765,189	2032	Revenue		129,805	107,117
ADEC 481061	1,215,001	2032	Revenue			88,994
ADEC 481051	3,400,000	2032	Revenue			102,395
Series X -Whitman	15,000,000	2032	Revenue	500,000		729,737
Interfund Loan	5,000,000	2018	Interfund			200,000
Total	\$34,265,190			\$3,960,580	\$3,085,385	\$3,279,061

Series T and V have been issued through the Alaska Municipal Bond Bank. The interest rates for these bonds vary, but they are based on the Bond Bank's AAA credit rating. Series W-CREB has been issued through Banc of America as clean renewable energy bonds and qualified for federally subsidized interest rate of .75 percent. The ADEC Series is a group of loans issued through the Alaska Department of Environmental Conservation's Drinking Water Loan Program. KPU has acquired three loans through this program all with an attractive interest rate of 1.5 percent. KPU anticipates issuing \$15 million in revenue bonds in early 2013 through the Bond Bank to finance the construction of the Whitman Lake Hydroelectric Project. The debt service for these bonds is estimated at \$729,737 and then increasing to \$1,165,000 in 2015 after the maturity of the Series T Bonds. The Series U Bonds matured in 2012.

The \$5 million interfund loan is a loan from the three General Government funds. The Port, Community Facilities Development, and Self-Insurance Funds are scheduled to loan \$2.7 million, \$1.5 million and \$800,000, respectively, to the KPU Fund for the purpose of financing the construction of a wireless network and a microwave radio link. The loans will be repaid over a period not to exceed six-years with interest at an annual rate of four percent. The first payment will begin in 2013 and will be payment for interest. The remaining payments will be in five equal installments of \$1,123,136.

KPU is currently required by its bond covenants to maintain debt service coverage of net revenues equal to 1.25 times annual debt service. Resolution No. 90-1645 requires that KPU maintain a debt service coverage ratio of net revenues equal to no less than 1.5 times annual debt service and no more than 2.0 times annual debt service. The proposed spending plan will not be in compliance with the debt service coverage requirements of the City Council, but will be in compliance with KPU's bond covenants. Please see page C-5 for more information regarding KPU's projected debt service coverage.

Total annual debt service in the amount of \$3,279,061 has been programmed in the 2013 Budget. On January 1, 2013, the total debt service required to maturity, including interest of \$10,203,215, will be \$44,468,405. Please see pages C-6 and C-7 for more information regarding KPU debt.

COMPLIANCE WITH CITY COUNCIL MANDATED FINANCIAL OBJECTIVES

Resolution No. 90-1645, adopted by the City Council in 1990, established certain financial objectives for KPU. KPU is required to establish a reserve requirement of no less than 12% of operating expenses. The schedule on page C-5 documents compliance with this requirement and shows that the proposed spending plan is in compliance. As noted above, KPU is required to maintain a debt service coverage ratio of annual net revenues between 1.5 and 2.0 times annual debt service. The proposed spending plan is **not** in compliance with the debt service coverage requirements. It is the opinion of staff that if KPU spends all of its 2012 appropriation, the proposed spending plan for 2012 will not be in compliance with the debt service coverage by the City Council with the adoption of Resolution No. 90-1645.

CONCLUSION

The 2013 Budget allows for the continuation of basic utility services. Staff believes that this document provides the community and the City Council with the opportunity to begin the process of confronting the challenges that lie ahead for KPU in 2013. Over the next few weeks, the Finance Director and I look forward to working with the City Council to develop a spending plan that moves the community quickly to the forefront and permits KPU to continue to play an important role in shaping the future of the local economy.

We would both like to take this opportunity to express our appreciation to the division managers and their respective staffs for their assistance during the preparation of the KPU 2013 Annual Budget. Special thanks go to Financial Analyst Camille Nelson, Executive Assistant Diane Walker, Senior Electric and Water Accountant Stan Aegerter, Acting Senior Telecommunications Accountant Angie Delaney, Senior General Government Accountant Patty Keeley and Office Services Technician Gretchen Blanchard. Without their efforts and dedication, it would not have been possible to deliver this document to you in a professional and timely manner.

Respectfully submitted



Karl R. Amylon
KPU General Manager



Robert E. Newell, Jr., CPA
Finance Director

NO LITIGATION CERTIFICATE


I, MITCHELL A. SEAVER, the duly appointed, qualified and acting City Attorney of the City of Ketchikan, Alaska (the "City"), in connection with the City's application to the Alaska Municipal Bond Bank relating to the City's issuance of revenue bonds (the "Bonds") to finance a portion of the cost of certain improvements to the City's Electric Utility System, DO HEREBY CERTIFY that as of the date hereof, to my knowledge, there is no litigation pending or threatened in any court in any way:

1. affecting the corporate existence of the City, or the titles of City officers to their offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or the right of City to establish and collect rates and charges of the City of Ketchikan d/b/a Ketchikan Public Utilities pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds or the loan agreement proposed to be entered into between the applicant and the Bond Bank, or contesting the power of the City with respect to the Bonds; or

2. against the City or involving any of the property or assets of or under the control of the City that, whether individually or in the aggregate, involves the possibility of any judgment or uninsured liability that may result in any material change in the revenues, properties, or assets of the City, or in the condition, financial or otherwise, of the City.

DATED this 1st day of April, 2013.

CITY OF KETCHIKAN, ALASKA

By 

Mitchell A. Seaver, City Attorney

Alaska Municipal Bond Bank
Application Credit Review Summary Page

Applicant:	Municipality of Skagway
Loan Amount:	\$1,000,000
Project Type:	small boat harbor capital improvements
Project Description:	The City will use the Bond Bank loan to make major improvements to the City's small boat harbor. The Bond Bank loan proceeds will account for less than 10% of the total project costs. The balance of the project will be funded primarily with state grants.
Term of Loan:	20 years
Revenues Pledged to Loan:	property taxes
Most Recent FY Pledged Revenues:	\$2.04 million
Estimated Annual Debt Service:	\$72 thousand
Total Bond Bank Annual Debt Service:	\$502 thousand
Most Recent FY Debt Service Coverage Ratio:	N/A
Most Recent FY State-Shared Revenues (SSR):	\$19.7 million
Debt Service Coverage of AMBB DS from SSR:	39.24x
Loan Subject to State Debt Service Reimbursement:	no
Estimated Borrower Savings (Gross):	\$201 thousand
Estimated Borrower Savings (Present Value):	\$155 thousand
No Litigation Letter Received:	yes

Loan Application Evaluation Municipality of Skagway

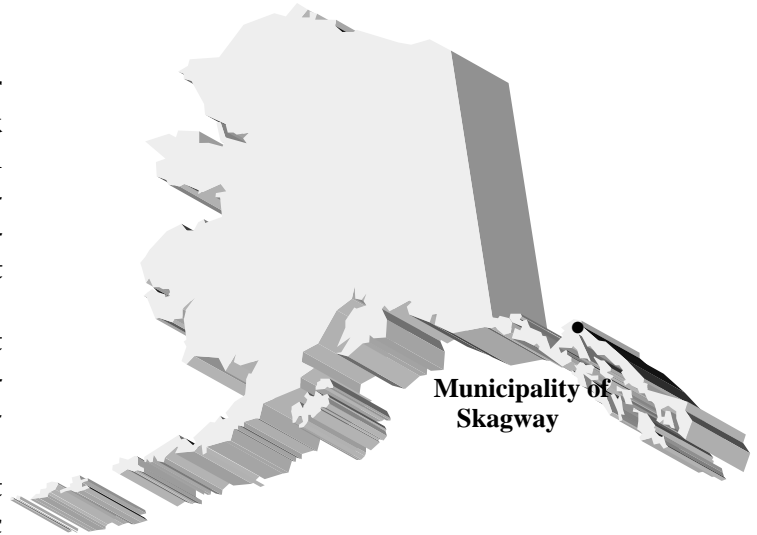
Introduction

The Municipality of Skagway (the “Municipality”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a General Obligation Bond Loan not to exceed \$1,000,000. The Municipality will use of the proceeds of the Bond Bank loan to make capital improvements to the Skagway Small Boat Harbor. The following is our overview of this application and the security provisions of the loan.

The Project

The Municipality’s small boat harbor was expanded in 1979-80. The Bond Bank loan will be used to remove and replace all floats and related utilities and pilings, remove and replace the existing north pedestrian ramp, dredge the harbor and construct a new boat launch.

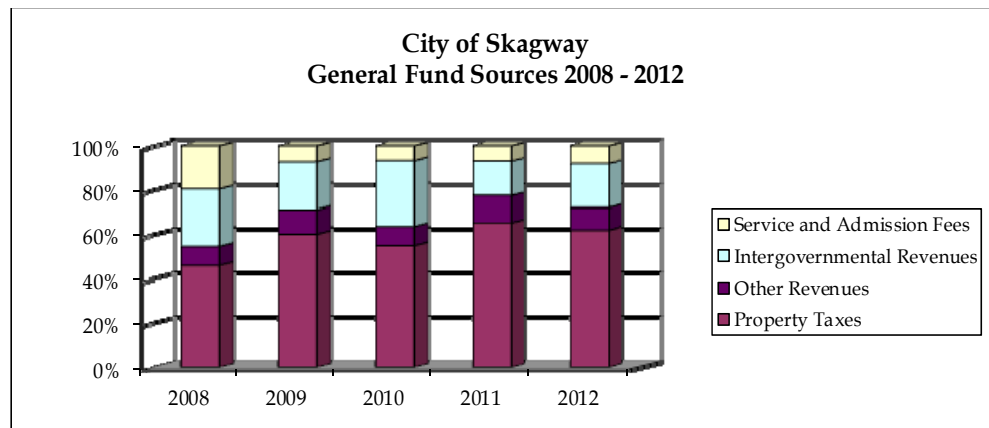
The State of Alaska is funding most of the project with grants. The Alaska Department of Transportation and Public Facilities will contribute up to \$5 million, or 50% of the project cost. The Alaska Department of Commerce, Community and Economic Development will contribute \$4 million toward the project. The project was approved by voters at the May 10, 2011 election by a margin of 55% to 45%.



Municipality Financial Position

The Municipality’s General Fund derives its revenues primarily from property taxes (61.7% in fiscal year 2012) and intergovernmental revenues (20.0% in 2012).

The graph to the right presents the Municipality’s General Fund revenue distribution over the past five fiscal years. The graph shows that property taxes have consistently been the primary source of General Fund revenue,

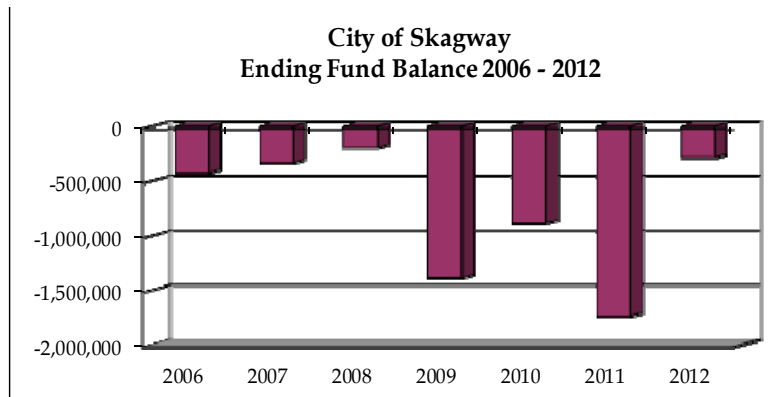
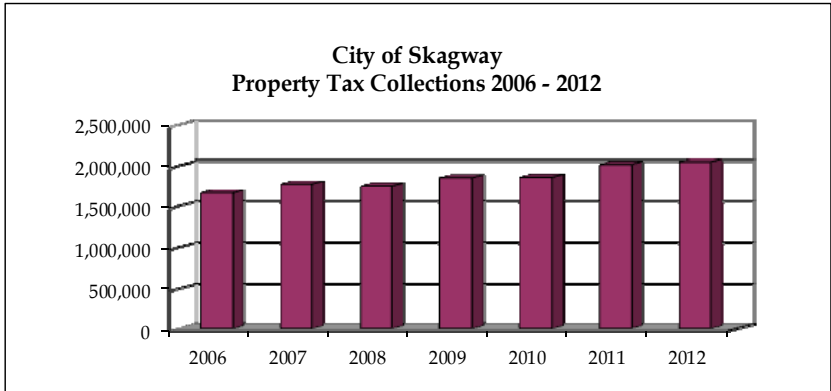


accounting for 56.9% of total General Fund resources over the past five years. Intergovernmental revenues have accounted for 22.9% of General Fund revenues during that time, and Service and Admissions fees, which are comprised of admissions to the Municipality’s museum and other tourist based revenues, as well as various service charges and fines, has comprised 10.2% of revenues over that period.

Property taxes have demonstrated stability over the past five years, growing 14.6% over that period, or averaging 3.46% annual growth.

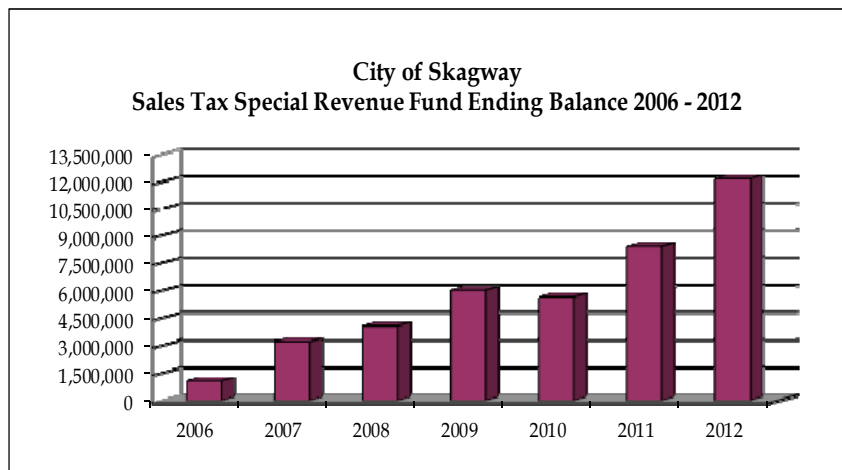
The Municipality's General Fund, as measured by its ending balance, is weaker than most communities that apply to the Bond Bank.

The General Fund has, for the past seven years, operated with a negative ending fund balance, which has ranged from -\$193 thousand in 2008 to -\$1.74 million in 2011. Municipality staff have indicated that the relationship between the General Fund and Sales Tax Fund has remained stable and there are no immediate plans for adjusting the current situation in which General Fund operations are supported by the sales tax. The negative General Fund balance dropped by 83.5% from the end of fiscal year 2011 to the end of fiscal year 2012.



The Municipality's sales taxes do not flow to the General Fund, but are held in a separate Sales Tax Fund. This fund receives receipts from the Municipality's sales tax, which is levied at a 3% rate from October through March and at a 5% rate from April through September. Sales tax revenues are applied to payment of Municipality general obligation bonds, toward funding school operations, for capital improvements and for funding services that respond to visitor impacts, including emergency services, the health clinic and the museum. The Sales Tax Fund year end balance was \$12.18 million at the end of fiscal year 2012.

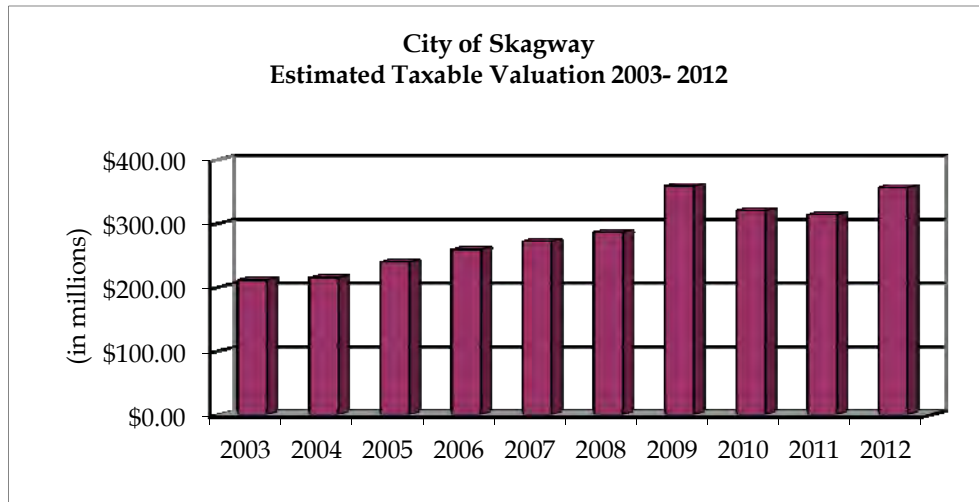
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The Municipality's population has been stable over the past five years, with the number of Municipality residents ranging between 843 in 2007 to and 961 in 2012.

The full faith and credit and taxing ability of the Municipality is pledged to the Bond Bank loan. The taxable value of the Municipality is approximately \$356 million and has grown 24.4% over the past five fiscal years, although there was a 10.7% decline from 2009 to 2010, reflecting the national economic slowdown. The graph on the following page presents the assessed value in the Municipality since 2003.

The full faith and credit and taxing ability of the Municipality is pledged to the Bond Bank loan. The taxable value of the Municipality is approximately \$356 million and has grown 24.4% over the past five fiscal years, although there was a 10.7% decline from 2009 to 2010, reflecting the national economic slowdown. The graph on the following page presents the assessed value in the Municipality since 2003.



Security and Repayment

The Municipality will pledge its general obligation secured by property taxes levied in the Municipality to the Bond Bank for this loan. Municipality voters approved the small boat harbor project in a general obligation bond election on May 10, 2011 that passed at the polls by a margin of 55% to 45%.

While the unlimited property tax pledge applies to the loan, the Municipality anticipates using Small Boat Harbor Fund revenues and sales tax revenues to pay debt service on the Bond Bank loan. The Municipality also maintains a Permanent Trust Fund valued at approximately \$2.74 million which is available for the payment of general obligation bonds in the event other revenues are insufficient.

Future Capital Plans

In the same May 10, 2011 election at which voters approved the small boat harbor project, three other general obligation propositions were approved. These include a \$5.0 million project to expand the Port of Skagway, a \$2.5 million Main Street improvement project and a \$500 thousand library improvement project. The Port and Main Street projects are expected to be financed in 2014. The Library project was financed by the Bond Bank in 2011.

Estimated Borrower Savings

Savings to the Municipality as a result of borrowing through the Bond Bank are estimated at approximately \$201 thousand or \$155 thousand on a present value basis. Savings are a result of lower costs of issuance than the Municipality will face as a result of issuing through the Bond Bank, as well as lower yields associated with Bond Bank bonds.

State-Aid Intercept

In addition to the general obligation pledge by the Municipality, the Bond Bank has the ability to intercept state-shared revenues that would otherwise flow to the Municipality. The table on the following page summarizes the revenues subject to intercept, along with the maximum annual debt service on the Municipality's bonds.

Shared Taxes and Fees	\$3,485,620
Dept. of Transportation Reimbursement	\$0
Reimbursement and Other Education Funding	\$0
Education Support Funding	\$528,514
Matching Grants	\$15,045,144
Community Jails	\$0
Revenue Sharing	\$639,304
Total Revenue Subject to Intercept	\$19,698,582
Maximum Annual Debt Service	\$501,960
Debt Service Coverage	39.24

Statement of No Litigation

Accompanying the application from the Municipality is a letter from Robert P. Blasco, acting as the Municipality Attorney, stating that “there is no litigation pending or threatened in any court in any way ... affecting the corporate existence of the Municipality ... or seeking to restrain or enjoin the issuance, sale, or delivery the bonds, or the right of the applicant to levy or collect taxes pledged or to be pledged to pay principal and interest on the bonds; ... or... against the Municipality involving the property or assets ... which, whether individually or in the aggregate involves the possibility of any judgment or uninsured liability which may result in any material change in ... the condition, financial or otherwise, of the Municipality. ”

Summary

Based on our assessment, the security offered by Municipality, as set forth in the Municipality’s loan application and supplemental materials, provides sufficient security to justify approval of the application. While the recurring General Fund negative balance is of concern, the Municipality does have revenue diversity provided by property taxes and the ongoing transfer of sales tax revenues to the General Fund. In addition, the Municipality’s Permanent Trust Fund would be available in the event that sales tax revenues and/or property taxes were not sufficient to make loan payments. Lastly, the interceptable revenues available to the Bond Bank in the event of payment delinquency offers additional security.

For these reasons, we recommend approval of this loan application. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 636-0265.

For Western Financial Group, LLC



Chip Pierce

APPENDIX

Municipality of Skagway Demographic Information

Skagway was incorporated on June 28, 1900, as the first first-class city in the Territory of Alaska. During the early 1900s Skagway was known as the "Gateway to the Klondike." On June 5, 2007, voters approved dissolution of the City of Skagway and incorporation of the first first-class borough in the State of Alaska. The State of Alaska certified this election and the Municipality of Skagway Borough was incorporated on June 25, 2007

Skagway is located 90 miles northeast of Juneau at the northernmost end of Lynn Canal, at the head of Taiya Inlet. It lies 108 road miles south of Whitehorse, just west of the Canadian border at British Columbia. The area encompasses 452.4 square miles of land and 11.9 square miles of water. Skagway experiences a maritime climate with cool summers and mild winters. Average summer temperatures range from 45 to 67; winter temperatures average 18 to 37. Within the shadow of the mountains, Skagway receives less rain than is typical of Southeast Alaska, averaging 26 inches of precipitation per year, and 39 inches of snow.

A federally-recognized tribe is located in the community -- the Skaqua Traditional Council. The population of the community consists of 5.1% Alaska Native or part Native. Skagway is predominantly a tourist community, with historical Tlingit influences. Downtown buildings have been colorfully restored to reflect the history of the gold rush through the Chilkoot Pass. According to Census 2010, there were 590 housing units in the community and 410 were occupied. Its population was 3.7 percent American Indian or Alaska Native; 91 percent white; 0.5 percent Asian; 0.1 percent Pacific Islander; 4.2 percent of the local residents had multi-racial backgrounds. Additionally, 2.3 percent of the population was of Hispanic decent.

Water is derived from three wells near 15th and Alaska Streets, is stored in a tank and piped throughout Skagway. Piped sewage receives primary treatment with an ocean outfall. Demands of the system nearly double each summer, with the influx of tourism business operators. Almost all homes are fully plumbed. Some houses use individual wells and septic systems. The landfill is closed, however, the City operates a new incinerator, baler, and ash fill facility. The community participates in recycling and annual hazardous waste disposal events. Alaska Power & Telephone Co., based in Skagway, provides power to Southeast and the Interior. It owns and operates diesel and hydro systems in Skagway, and diesel systems in Tok, Hydaburg and Craig. Electricity is provided by Alaska Power Company. There is one school located in the community, attended by 96 students. Local hospitals or health clinics include Dahl Memorial Clinic. The clinic is a qualified Emergency Care Center. Itinerant care is available from Juneau's Bartlett Regional Hospital. Skagway is classified as an isolated town/Sub-Regional Center, it is found in EMS Region 3A in the Southeast Region. Emergency Services have limited highway, marine, air, floatplane and helicopter access.

The tourist industry flourishes in Skagway, as a port of call for cruise ships and a transfer site for rail and interior bus tours. Approximately 1 million cruise ship passengers, RV traffic, and numerous State ferry travelers visit Skagway each year. The Klondike Gold Rush Historical Park and White Pass and Yukon Railroad are major attractions. An Economic Impact Study conducted by the City of Skagway in 1999 found that 51% of the owners of visitor-related businesses are not year-round residents. Trans-shipment of lead/zinc ore, fuel and freight occurs via the Port and Klondike Hwy. to and from Canada.

The Klondike Highway and Alaska Highway provide a connection through British Columbia and the Yukon Territory, Canada, to the lower 48 states or north to Interior Alaska. Skagway is accessed by air, road, water, and rail services. The State owns the 3,550' long by 75' wide paved runway and a seaplane base at the boat harbor, with scheduled air taxis. Skagway receives regular State ferry and barge services. A breakwater, ferry terminal, cruise ship dock, small boat harbor, boat launch, and boat haul-out are available. The White Pass and Yukon Route Company owns two deep draft docks for cargo loading and storage. Freight arrives by barge, ferry and truck.



Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information

A. Name of Governmental Unit (Applicant):
Municipality of Skagway Borough.

B. Type of government (home rule, first class, authority, etc.):
First class borough

C. Contact Person for the government:

Name:		Title:	
Heather Rödig		Borough Treasurer	
Address:		City:	State: Zip:
P.O. Box 415		Skagway	AK 99840
Phone:	Fax:	E-mail:	
(907) 983-2297	(907) 983-2151	h.rodig@skagway.org	

D. Applicant's Bond Counsel:

Name:		Title:	
K & L Gates LLP (Contact: David Thompson)		Municipal Bond Counsel	
Address:		City:	State: Zip:
925 4th Avenue		Seattle	WA 98104
Phone:	Fax:	E-mail:	
(800) 551-4613	(206) 370-6191	david.thompson@klgates.com	

E. Applicant's Financial Advisor or Underwriter (if applicable):

Name:		Title:	
N/A			
Address:		City:	State: Zip:
Phone:	Fax:	E-mail:	

II. Issue Information

A. Total amount of bond purchase request:

\$1,000,000

B. Total term of requested loan: 20 years

C. Preferred principal and interest payment months: Sept principle / interest March only

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition. q A

If a bond election has been held, provide the votes for and against the issue(s):

Yes:	No:	Percent of registered voters casting ballots:
127	104	23%

See attached "Certification of Election Results"

Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide details of No.

E. Will you need interim financing? No

1. If applicable, provide interim financing information:

Amount:	Maturity:	Rate:	Lender:
N/A			

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. Attached

F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.

- 1. Are engineering and specifications completed? Yes No
- 2. If not, when are they projected for completion?
- 3. Have construction bids been awarded? Yes No
- 4. Are there additional state or local approvals required? Yes No

5. Describe timing/scheduling plan: The Skagway Small Boat Harbor Improvement Project Phase I was bid on June 28, 2012, with the bid awarded to Hamilton Construction on August 7, 2012.

6. What is the projected completion date? 1-May-13

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$ 1,000,000	Construction	9,820,000
Federal Funds*	\$ 85,693	Engineering	\$ 647,000
State Funds*	\$ 9,000,000	Contingency	\$ 177,693
Applicant's Funds	\$ 600,000	Cost of Issuance	\$ 0
Other (specify)	\$ 0	Other	\$ 41,000
Total:	\$ 10,685,693	Total:	\$ 10,685,693

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.

** SEE SUPPLEMENTAL INFORMATION*

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:
AMBBA funds would be used to pay construction costs.

REFER TO SUPPLEMENTAL INFORMATION

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. ATTACHED

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? Yes No
If yes, provide amount of financed, purpose and principal amount outstanding. \$

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? Yes No
If yes, please attach details. Attached

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? Yes No
If yes, please attach an explanation. Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? Yes No
If yes, please attach an explanation. Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. Attached.

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy. Attached

H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) Attached

Are any of the community's major employers expected to make changes in work force or operations? Yes No
If yes, provide an explanations. Attached

J. Please provide population figures for your community for the last five years. Indicate the source of your figures.

Year	Population	Source
2012	961	Alaska Dept. of Labor
2011	966	Alaska Dept. of Labor
2010	968	US Census/Alaska Dept. of Labor
2009	865	Alaska Dept. of Labor
2008	846	Alaska Dept. of Labor

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. Attached

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been preformed). Attached

N. Provide your current year's budget. Attached

O. Provide your capital improvement plan. Attached RESOLUTION NO. 12-16R

P. Provide any other financial or economic information that will assist evaluation of your application. Attached

IV. Legal Information

- A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened in any
1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
 2. against your government or involving any of the property or assets of or under the control of your government, which , whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.
- B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.
- C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Heather Rodia

Name (print)

Borough Treasurer

Title

Heather Rodia

Signature

3/22/2013

Date of Application

Please return all applications to:

Deven Mitchell

Alaska Municipal Bond Bank Authority

Department of Revenue

PO Box 110405

Juneau, AK 99811-0405

(907)465-2388 phone

(907)465-2389 fax

deven_mitchell@revenue.state.ak.us

MUNICIPALITY OF SKAGWAY
MUNICIPAL BOND BANK APPLICATION FOR BONDS
SUPPLEMENTAL INFORMATION

Section II – Issue Information

F. Describe project to be financed.

The Skagway Small Boat Harbor was expanded in 1979-1980. That project dredged a larger harbor area, constructed new piling and dock float systems and built a new boat launch. The floats and ramps installed in that project have reached the end of their useful life and will be replaced under the current project.

The 2012-2013 Skagway Small Boat Harbor Improvement Project will:

- remove and replace new all floats and related utilities and piling;
- remove the north pedestrian ramp and replace with a new ramp;
- dredge the harbor to -14 MLW in the boat slip areas and to -18 MLW in the entrance and larger vessel areas;
- construct a new boat launch.

Refer to the attached project plan drawings, which show the demolition plan, dredging limits and the completed improvements.

G. Sources of uses of funds.

There are three State of Alaska grants contributing to this project, with one of these grants involving federal funds:

- \$5 million State of Alaska Department of Transportation and Public Facilities (DOT & PF) Grant No. 10-DC-028 is from the Harbor Facility Grant Program. A copy of the grant agreement is attached. This grant has been executed and is a source of funds for the Skagway Boat Harbor Improvement Project design and construction, with the exception these funds do not include expenses for dredging and sheet pile. The initial grant agreement is for \$3,793,779.10. This is 50% of the estimated project costs at the time the grant was executed (see the grant agreement's Attachment 1 Scope of Work). The grant may be amended up to a maximum of \$5 million based on actual project costs.
- \$85,693 State of Alaska Community Coastal Impact Assistance Program Grant No. 10-CIAP-006. A copy of the grant agreement is attached. The source of these funds is the Federal Coastal Impact Assistance Program. This grant has been executed and is a source of funds for the design phase of the Skagway Boat Harbor Improvement Project.

- \$4 million State of Alaska Department of Commerce, Community and Economic Development (DCCED) Grant No. 11-DC-643 is from the state's Designated Legislative Grant Program. A copy of the grant agreement is attached. This grant has been executed and is a source of funds for the Skagway Boat Harbor Improvement Project design and construction. These funds (plus the \$1 million bond proceeds related to this application to the Municipal Bond Bank) are used to match the Alaska DOT & PF grant mentioned above. Refer to Appendix A, Article 6, Matching Funds, of this DCCED grant agreement to see that the excise taxes on overnight accommodations on commercial passenger vessels can be used to match the DOT & PF grant.

Section III – Credit Information

- Loan agreements or copies of the cover page of official statements for your government's outstanding bonds.** *This information is attached.*
- Has the municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues?** *No, other than those identified in A., above.*
- Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects?** *No.*
- Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds?** *No.*
- Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds?** *No.*
- Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued.** *Other than the bond that is the subject of this application, the Municipality of Skagway has two bonds authorized by the voters on May 10, 2011, but not yet issued: Port of Skagway Capital Improvements (\$5 million), and Main Street Capital Improvements (\$2.5 million).*
- Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy.** *Both the Port of Skagway Capital Improvements \$5 million bond and the Main Street Capital Improvements \$2.5 million bond are planned for issue early in 2014.*
- Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors.** *Skagway's economy is primarily based on the visitor industry and associated tours and retail activities during the summer visitor season. Other employment sectors include local, state and federal government employment and jobs related to the movement of freight into and out of the*

Yukon Territory through the Port of Skagway. Skagway is a major destination port for the cruise industry. In 2012, 754,255 cruise passengers visited Skagway. These numbers will increase in 2013 by 55,000 passengers due to larger vessels and the addition of one vessel making regular visits to Skagway. Municipal sales tax revenues reflect an average over the last five years of approximately \$125 million in annual taxable retail and service activity, with most of this activity occurring in the second and third quarters. There is the potential for ore shipments from the Yukon Territory through Skagway to increase due to new mine development. The Alaska Industrial Development and Export Authority owns the Skagway ore terminal and has authorization to spend \$65 million on expansion of the ore terminal and replacement of the ship loader in response to increased ore shipments. The Municipality plans to construct a new portion of the ore terminal dock in 2015-16 using bond proceeds (\$5 million) and a State of Alaska grant (\$10 million). White Pass, owner of the Railroad Dock, is now building a \$4 million floating dock to accommodate the new, larger Solstice class cruise ships.

- I. **Are any of the community's major employers expected to make changes in work force or operations?** *Not that we are aware of. It is not known what effect, if any, the federal budget "sequester" issue will have on federal employment in Skagway, which includes Customs and Immigration and the National Park Service.*

MUNICIPALITY OF SKAGWAY, ALASKA
CERTIFICATION OF ELECTION RESULTS

We, the Canvass Board of the Municipality of Skagway, Alaska certify that the tally below is a true and accurate record of all votes cast in the May 10, 2011, Special Election held in the Municipality of Skagway.

	Ballots Printed:	500
Absentee Ballot Numbers 001-050 were issued for absentee voting:	50	
Ballot Numbers 051 - 500 were issued to the Election Board:	450	
	Total Ballots:	500
Ballots issued at Polls:	209	
Absentee ballots voted in person:	15	
Absentee Ballots By Mail:	7	
Ballots by Personal Representative:	0	
Questioned Ballots:	0	
	Total:	231
Spoiled Ballots:	1	
Numbers 023 - 050 were destroyed at the close of absentee voting:	28	
Numbers 261 - 500 were destroyed at the close of polls:	240	
	Total Ballots destroyed:	269
	Total Ballots Accounted for:	500
Questioned Ballots not counted:	0	
Unreturned Absentee Ballots by Mail:	1	
	1	
	Total Ballots Used:	230





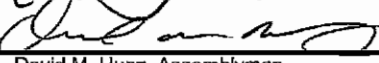
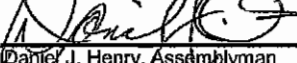
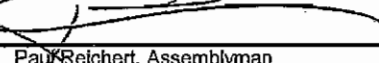
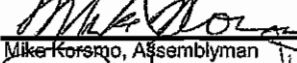
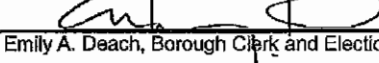
TOTAL REGISTERED VOTERS: 990 23%

	Regular Counted 5/10/11	Absentee/Questioned Counted 5/12/11	Total	
Proposition 1: \$5,000,000 Port of Skagway				
Yes	143	13	156	68%
No	66	8	74	32%

	Regular Counted 5/10/11	Absentee/Questioned Counted 5/12/11	Total	
Proposition 2: \$1,000,000 Small Boat Harbor				
Yes	115	12	127	55%
No	94	9	103	45%

	Regular Counted 5/10/11	Absentee/Questioned Counted 5/12/11	Total	
Proposition 3: \$500,000 Skagway Library				
Yes	119	14	133	58%
No	90	7	97	42%

	Regular Counted 5/10/11	Absentee/Questioned Counted 5/12/11	Total	
Proposition 4: \$2,500,000 Main Street				
Yes	110	9	119	52%
No	98	11	109	47%

 Thomas D. Cochran, Mayor	 Timothy Cochran, Assemblyman	
 Collette Hilsman, Assemblywoman	 David M. Hunz, Assemblyman	
 Daniel J. Henry, Assemblyman	 Paul Reichert, Assemblyman	
 Mike Korsmo, Assemblyman		
 Emily A. Deach, Borough Clerk and Election Board Supervisor		

6/24/2011
Date

Proposed by:	Bond Counsel
First Reading:	01/20/2011
Second Reading:	02/03/2011
Vote: 6 Aye	0 Nay 0 Absent

**MUNICIPALITY OF SKAGWAY, ALASKA
ORDINANCE NO. 11-01**

AN ORDINANCE OF THE MUNICIPALITY OF SKAGWAY BOROUGH, authorizing the issuance of general obligation bonds in an amount of not to exceed \$9,000,000 to finance all or part of the cost of capital improvements to public facilities in the Borough; authorizing submission to the qualified voters of the Borough at a special election to be held on May 10, 2011, of four propositions approving the capital improvements, approving this ordinance, and ratifying the authorization of the bonds; appropriating funds for the projects; and providing for an effective date.

WHEREAS, the Assembly of the Municipality of Skagway Borough (the "Borough") has determined that it is in the best interests of the Borough and its residents to (i) acquire, construct and equip an Open Cell dock facility and related infrastructure at the Port of Skagway; (ii) acquire, construct and equip Phase 1B of improvements to the Skagway Small Boat Harbor; (iii) renovate, improve and enlarge the Borough's public library; and (iv) replace and improve the Main Street right of way, including sidewalk, street and utility-related improvements (as further described in this ordinance, each a "Project" and collectively, the "Projects"); and

WHEREAS, the State of Alaska has appropriated \$10,000,000 in its proposed budget for fiscal year 2012 to pay for a portion of the cost of acquiring, constructing and equipping an Open Cell dock facility and related infrastructure at the Port of Skagway; and

WHEREAS, the State of Alaska has appropriated \$4,000,000 in its budget for fiscal year 2011 to pay for a portion of the cost of acquiring, constructing and equipping Phase 1B of the improvements to the Skagway Small Boat Harbor; and

WHEREAS, the Borough has submitted to the Alaska Department of Transportation ("DOT") a Harbor Grant—Tier 1 Harbor grant proposal in the amount of \$5,000,000 to pay for a portion of the cost of acquiring, constructing and equipping Phase 1B of the improvements to the Skagway Small Boat Harbor; and

WHEREAS, the Borough has applied to the State of Alaska for a Library Construction and Expansion grant in the amount of \$500,000 to pay a portion of the cost to renovate, improve and enlarge the Borough's public library; and

WHEREAS, to provide the matching funds necessary to qualify for the State funding described above and to pay a portion of the costs of the Projects, the Assembly wishes to authorize the issuance of not to exceed \$9,000,000 principal amount of general obligation bonds (the "Bonds"); and

WHEREAS, the constitution and laws of the State of Alaska require the bond authorization to be submitted to the qualified voters of the Borough for their ratification or rejection, and the Assembly wishes to submit this question to the voters at a special election to be held in the Borough on May 10, 2011;

ORDINANCE NO. 11-01

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE MUNICIPALITY OF SKAGWAY BOROUGH, as follows:

Section 1. Classification. This ordinance is not of a permanent and general nature and will not be codified.

Section 2. Findings; Capital Improvements. It is hereby found and declared that the public welfare and benefit require that the Borough make the following capital improvements to public facilities of the Borough, each of which is identified in this ordinance as a "Project," and collectively as the "Projects":

a. Acquire, construct and equip an Open Cell dock facility and related infrastructure to enable increased industrial and tourist capacity at the Port of Skagway (the "Port Project"); and

b. Acquire, construct and equip Phase 1B of improvements to the Skagway Small Boat Harbor, including the construction of new small boat docks and harbor dredging and material handling (the "Small Boat Harbor Project"); and

c. Renovate, improve and enlarge the Borough's public library (the "Library Project"); and

d. Replace and make improvements to the Main Street right of way, including sidewalk, street and related utility improvements (the "Street Project").

The cost of all necessary design, architectural, engineering, legal, and other consulting services, inspection and testing, administrative and relocation expenses, on- and off-site utilities, purchases of furnishings and equipment, and other costs incurred in connection with each Project shall be deemed a part of the cost of the Project. The Borough shall determine the specifications for the Projects.

The Borough will determine the application of available funds to accomplish as nearly as may be all of the Projects approved by the voters. If proceeds of the Bonds, plus other funds of the Borough legally available for such purpose, are insufficient to accomplish all of the improvements comprising the voter-approved Projects, the Borough will use the available funds, including Bond proceeds, to pay the cost of those improvements that the Assembly deems most necessary and in the best interest of the Borough.

If the Assembly determines that it has become impracticable to accomplish all or a portion of any voter-approved Project because of changed conditions, incompatible development or costs substantially in excess of those estimated, the Borough will not be required to undertake that Project or portion of that Project and may apply the Bond proceeds or any portion thereof to other voter-approved Projects or to the payment of principal of or interest on the Bonds.

If proceeds of the Bonds remain unexpended and unencumbered for costs of the voter-approved Projects, those remaining Bond proceeds will be applied for a purpose determined by the Assembly in accordance with SMC 4.06.060.

ORDINANCE NO. 11-01

Section 3. Authorization of Bonds. The Bonds are authorized to be issued in a total principal amount not to exceed \$9,000,000 (the "Bonds") for the following purposes: (i) not to exceed \$5,000,000 principal amount for the Port Project; (ii) not to exceed \$1,000,000 principal amount for the Small Boat Harbor Project; (iii) not to exceed \$500,000 principal amount for the Library Project; and (iv) not to exceed \$2,500,000 principal amount for the Street Project, and in each case also to pay the costs of issuing the Bonds.

The Bonds will be issued in an amount not exceeding the amount approved by the voters of the Borough and not exceeding the amount permitted by the constitution and laws of the State of Alaska. The balance, if any, of the cost of the Projects will be paid out of any other legally available funds, including grants. The Bond proceeds may be used only for capital purposes.

The Bonds will be general obligations of the Borough, and the full faith, credit and resources of the Borough will be pledged to the payment of principal of and interest on the Bonds. Unless paid from other sources, both principal of and interest on the Bonds will be payable out of annual tax levies to be made upon all taxable property within the Borough without limitation as to rate or amount and in excess of any constitutional or statutory tax limitation.

The Bonds will be issued and sold in such amounts and at such time or times as the Assembly finds necessary and advisable and as permitted by law. The Bonds may be issued in one or more series and mature in such amounts and at such times within a maximum term of 20 years from the date of issuance of the Bonds, all as authorized by the Assembly and as provided by law. The date, form, interest rates, terms, redemption provisions, maturities, covenants and manner of sale of the Bonds shall be as hereafter provided by ordinance or resolution of the Assembly. After voter approval of one or more of the Bond propositions and in anticipation of the issuance of the Bonds, the Borough may issue short-term obligations as authorized by the laws of the State of Alaska.

Section 4. Bond Election. At a special election to be held in the Borough on May 10, 2011, there shall be submitted to the qualified voters of the Borough four propositions, each approving this ordinance and one of the four Projects described herein and ratifying the authorization of that portion of the Bonds allocated to such Project. The Borough Clerk is authorized and directed to do all things necessary to conduct the election. The propositions to be submitted shall be in substantially the following forms:

ORDINANCE NO. 11-01

THE MUNICIPALITY OF SKAGWAY BOROUGH

PROPOSITION 1

**\$5,000,000 GENERAL OBLIGATION BONDS
PORT OF SKAGWAY CAPITAL IMPROVEMENTS**

Shall the Municipality of Skagway incur debt and issue general obligation bonds in the principal amount of not to exceed \$5,000,000, maturing within a maximum of 20 years, to finance a portion of the cost of acquiring, constructing and equipping an Open Cell dock facility and related infrastructure to enable increased industrial and tourist capacity at the Port of Skagway, and shall Ordinance No. 11-01 of the Borough authorizing the issuance of bonds for this capital purpose be approved?

BONDS Yes

BONDS No

* * * * *

PROPOSITION 2

**\$1,000,000 GENERAL OBLIGATION BONDS
SKAGWAY SMALL BOAT HARBOR CAPITAL IMPROVEMENTS**

Shall the Municipality of Skagway incur debt and issue general obligation bonds in the principal amount of not to exceed \$1,000,000, maturing within a maximum of 20 years, to finance a portion of the cost to acquire, construct and equip Phase 1B of improvements to the Skagway Small Boat Harbor, including the construction of new small boat docks and harbor dredging and material handling, and shall Ordinance No. 11-01 of the Borough authorizing the issuance of bonds for this capital purpose be approved?

BONDS Yes

BONDS No

* * * * *

ORDINANCE NO. 11-01

PROPOSITION 3

**\$500,000 GENERAL OBLIGATION BONDS
PUBLIC LIBRARY CAPITAL IMPROVEMENTS**

Shall the Municipality of Skagway incur debt and issue general obligation bonds in the principal amount of not to exceed \$500,000, maturing within a maximum of 20 years, to finance a portion of the cost of renovating, improving and enlarging the Municipality of Skagway's public library, and shall Ordinance No. 11-01 of the Borough authorizing the issuance of bonds for this capital purpose be approved?

BONDS Yes

BONDS No

* * * * *

PROPOSITION 4

**\$2,500,000 GENERAL OBLIGATION BONDS
MAIN STREET CAPITAL IMPROVEMENTS**

Shall the Municipality of Skagway incur debt and issue general obligation bonds in the principal amount of not to exceed \$2,500,000, maturing within a maximum of 20 years, to finance all or a portion of the cost to replace and improve the Main Street right of way including sidewalk, street and utility-related improvements, and shall Ordinance No. 11-01 of the Borough authorizing the issuance of bonds for this capital purpose be approved?

BONDS Yes

BONDS No

* * * * *

ORDINANCE NO. 11-01

Section 5. Appropriation and Reimbursement. If the issuance of any of the Bonds is ratified at the election authorized by this ordinance, the Borough anticipates that prior to the issuance of the voter-approved Bonds it may be necessary or desirable to pay certain costs of the voter-approved Projects. Therefore, the Assembly hereby appropriates from the Borough's general fund so much of the total authorization as may be necessary to carry out the provisions of this ordinance, including paying costs of the voter-approved Projects and costs of issuance of the voter-approved Bonds. The amounts expended under the appropriation made in this section will be reimbursed to the general fund from the proceeds of sale of the Bonds or short-term obligations authorized by this ordinance. The Assembly hereby declares that this section constitutes a declaration of the Borough's intent to reimburse such fund from proceeds of tax-exempt bonds within the meaning of Treasury Regulation § 1.150-2, as promulgated under the Internal Revenue Code of 1986, as amended.

Section 6. Notice. The Borough Clerk will provide for notice, publication and posting of this ordinance, the ballot propositions authorized by this ordinance, and the special election at which this ordinance and the ballot propositions will be submitted to the qualified voters of the Borough for their ratification in accordance with the provisions of the Borough Municipal Code and state law, including but not limited to SMC 2.12.010(C) and AS 29.47.190(b).

Section 7. Severability. If any one or more of the provisions of this ordinance is for any reason held to be invalid, such invalidity shall not affect or invalidate any other provision of this ordinance or the Bonds, but this ordinance and the Bonds shall be construed and enforced as if such invalid provision had not been contained herein; provided, however, that any provision that is for any reason held by reason of its extent to be invalid shall be deemed to be in effect to the extent permitted by law.

Section 8. Effective Date. This ordinance will become effective from and after the date of its adoption, as provided in Section 3.01.080(B)(1) of the Borough Municipal Code. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified.

ADOPTED AT A REGULAR MEETING OF THE ASSEMBLY OF THE MUNICIPALITY OF SKAGWAY BOROUGH ON FEBRUARY 3, 2011.

MUNICIPALITY OF SKAGWAY
BOROUGH



By: Thomas D. Cochran
Thomas D. Cochran, Mayor

ATTEST:

Emily A. Deach
Emily A. Deach, Borough Clerk

ORDINANCE NO. 11-01

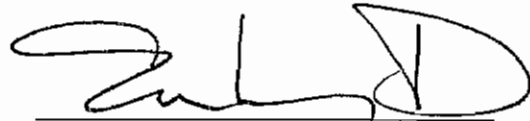
CLERK'S CERTIFICATE

I, the undersigned, Borough Clerk of the Municipality of Skagway Borough (the "Borough"), and keeper of the records of the Borough Assembly (the "Assembly"), DO HEREBY CERTIFY:

1. That the attached Ordinance (the "Ordinance") is a true and correct copy of Ordinance No. 11-01 of the Borough, as finally adopted at a meeting of the Assembly held on February 3, 2011, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the adoption of the Ordinance; that all other requirements and proceedings incident to the proper adoption of the Ordinance have been fully fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this February 4, 2011.



Emily A. Deach, Borough Clerk
Municipality of Skagway Borough





DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Harbor Facility Grant Program
Grant Agreement

Grant Agreement Number 13-HG-002	Amount of State Grant \$5,000,000	Type of Harbor Facility Grant Tier I	
Project Title Skagway Harbor Improvements	Amount of Matching Municipal Funds \$5,000,000		
Grantee Contact		Department Program Manager	
Municipality Municipality of Skagway	Name Michael Lukshin, P.E.		
Grantee Contact Person Stan Selmer, Mayor	Title/Grant Officer State Port and Harbor Engineer		
Street/PO Box P.O. Box 415	Street/PO Box P. O. Box 112500		
City/State/Zip Skagway, AK 99840	City/State/Zip Juneau, AK 99811-2500		
Phone 983-2297	Fax 983-2151	Phone 465-3979	Fax 465-2460

AGREEMENT

The Department of Transportation and Public Facilities ("Department") and Municipality of Skagway ("Grantee") agree as follows:

Section I. The Department will distribute Harbor Facility (ref: AS 29.60.800 *et seq*) grant monies to Grantee for performance of approved project work under this Agreement. The amount and timing of grant distribution is conditioned upon Grantee's payment of 50% matching funds and documented proof of authorized expenses incurred. In no event shall the distribution exceed **\$5,000,000**.

Section II. The Grantee shall comply with all terms and perform all work as outlined in this Agreement.

Section III. Grantee's work under this Agreement is scheduled to begin in fall of 2012 and shall be completed no later than March 31, 2014.

Section IV. This Agreement consists of this page, grantee's original application package, and the following:

APPENDICES

- Appendix A: Standard Provisions
- Appendix B: Definitions
- Appendix C: Other State Laws and Regulations
- Appendix D: Insurance
- Appendix E: Audit Compliance
- Appendix F: Site Control
- Appendix G: State Fire Marshall Review

ATTACHMENTS

- Attachment 1: Scope of Work
 - 1. Project Name and Description
 - 2. Project Budget
 - 3. Project Narrative
 - 4. Project Management & Reporting
- Attachment 2: Payment Method
- Attachment 3: Forms Packet
 - a. Financial & Progress Report
 - b. Sample Amendment
 - c. Authorized Signatures Form

AMENDMENTS: Any fully executed and mutually agreed upon amendments to this Agreement

Grantee	Department
Signature <i>Stan Selmer</i>	Signature <i>Michael Lukshin</i>
Printed Name and Title Stan Selmer, Mayor	Printed Name and Title Michael Lukshin, P.E., State Ports and Harbors Engineer
Date <i>11-15-12</i>	Date <i>12/13/12</i>

Appendix A Standard Provisions

Article 1. General

The laws and statutes of the State of Alaska shall govern this grant agreement.

Article 2. Legal Authority

The Department enters into this grant agreement in accordance with AS 19.05.040 (12). The Grantee certifies it possesses legal authority to accept grant funds from the State of Alaska and to execute the project described in this Grant Agreement by signing the Grant Agreement document. The Grantee's relation to the Department and the State of Alaska shall be at all times as an independent Grantee.

Article 3. Program Objectives

Authorized under Alaska Statute 29.60.800 *et seq.*, these grants are subject to legislative appropriation and, subject to Grantee's provision of matching funds, available for purposes of municipal or regional housing authority harbor facilities construction, expansion, major repair, or major maintenance.

Article 4. Program Procedures

Following a grant application and review process, the Department executes a grant agreement with the successful grant applicant and specifies the terms under which a funded project may be implemented.

Article 5. Assurance

The Grantee shall spend monies awarded under this grant only for the purposes specified in this Grant Agreement, in accordance with AS 29.60.800 *et seq.*

Article 6. Matching Funds

Grantee shall provide at least 50 percent of the total project cost as matching funds for the state grant. Money received by the municipality from the state will not be used for the matching funds except money received under

- a) AS 29.60.850-29.60.879 (community revenue sharing program);
- b) AS 29.60.450, AS 43.75.130, and 43.75.137 (shared fisheries business taxes);
- c) AS 43.52.200-43.52.295 (excise tax on overnight accommodations on commercial passenger vessels); and
- d) a transfer agreement between the state and a municipality pursuant to a sale under AS 35.10.1210.

Article 7. Financial Management and Accounting

Grantee shall establish and maintain a financial management and accounting system that conforms to generally accepted accounting principles.

Article 8. Recordkeeping

Grantee shall keep records concerning monies received, monies spent, and work performed in connection with this Grant Agreement. Such records will include documents concerning grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays and income, project performance and efforts to comply with the provisions of the Grant Agreement.

Article 9. Reports, Inspections and Audits

The Grantee shall comply with all provisions of the grant agreement. It is responsible for managing the day-to-day operations of grant activities. However, as program steward, the Department monitors grants and

grant-supported activities. It does so through review of retained records, reports and correspondence from grantee, audit reports, site visits, and other means available to the Department.

Article 10. Access to Records and Project

The Department and State officials shall have full access and the right to examine, excerpt, and copy any documents of Grantee, and of persons or organizations with which the Grantee may contract, generated in connection with this Grant Agreement and any associated work. Additionally, the Department shall have unhindered access to the project site and all work performed in connection with this Agreement.

Article 11. Retention of Records

Grantee shall retain financial and program records, supporting documents, electronic data, and other records relating to the performance of this Grant Agreement for a period of six (6) years from the date when the Department completes a grant closure letter for the Grantee, or until final resolution of any audit findings, claims, or litigation related to the grant, whichever is later.

Article 12. Reports

Grantee, at such times and in such forms as the Department may require, shall furnish the Department with such periodic reports as it may request regarding the Grant Agreement and any associated work, including the final close-out report, costs and obligations incurred, and any other matters covered by this Agreement. Failure to submit complete, accurate, and timely reports may result in termination of the Grant Agreement or other enforcement action by the Department.

Article 13. Assignability

Grantee shall not assign or transfer any interest in this Grant Agreement.

Article 14. Amendments and Modifications

Grantee or the Department may request an amendment or modification of this Grant Agreement. However, with the exception of State measures imposed in connection with an enforcement action, such amendment or modification shall not take effect until they are properly ratified, approved in writing by the Department, and fully executed by mutual agreement.

Article 15. Coordination of Appendices and Attachments

In the event that any of the following listed contract documents conflict with another listed contract document, the order of precedence is:

1. Appendix A: Standard Provisions
2. Appendix B: Definitions
3. Appendix C: Other State Laws and Regulations
4. Appendix D: Insurance
5. Appendix E: Audit Compliance
6. Appendix F: Site Control
7. Appendix G: State Fire Marshall Review
8. Attachment 1: Scope of Work
9. Attachment 2: Payment Method
10. Attachment 3: Forms Packet

Article 16. Waivers

No conditions or provisions of this Grant Agreement can be waived unless approved by the Department in writing. The Department's failure to insist upon strict performance of any provision of the Grant Agreement, or to exercise any right based upon a breach thereof, or the acceptance of any performance during such a breach, shall not constitute a waiver of any right under this Grant Agreement.

Article 17. Obligations Regarding Contracts and Third-Party Relationships

Grantee shall be responsible for preparing and administering all contracts and work undertaken in connection with a grant award. Grantee shall ensure all such contracts and work comply with applicable federal, state, and local statutes, regulations, ordinances, and laws.

Grantee shall remain fully obligated under the provisions of this Agreement notwithstanding its designation of any third party or parties of the undertaking of all or any part of the project described herein. Any subcontractor that is not the Grantee shall be required to comply with all the provisions of this Agreement. Grantee shall bind all contractors to each and every applicable Grant Agreement provision. Each contract for work to be performed with funds granted under this Grant Agreement shall specifically include a provision that the Department and the State of Alaska are not liable for damages or claims from damages arising from any contractor's performance or activities in connection with work authorized by this Grant Agreement.

No contracting by Grantee shall create any contract or other relationship between the Department or the State of Alaska and the contractor. This Grant Agreement is solely for the benefit of the parties to the Grant Agreement and gives no right to any other party. No joint venture or partnership is formed as a result of the Grant Agreement.

Article 18. State Procurement Code

The State Procurement Code does not apply to grants [ref: AS 36.30.850 (b) (1)].

Article 19. Indemnification

Grantee, its successors and assigns, will defend, indemnify, and hold harmless the Department and the State of Alaska and their authorized agents and employees, from all claims, actions, costs, damages, or expenses of any nature whatsoever by reason of the acts or omissions of the Grantee, its contractors, subcontractors, assigns, agents, licenses, invitees, employees, or any person whomever arising out of or in connection with performance of this Grant Agreement or any related contract. This obligation shall not include such claims, costs, damages, or expenses which may be caused by the sole negligence of the Department and the State of Alaska or their authorized agents or employees, provided, that if the claims or damages are caused by or result from the concurrent negligence of (a) the Department and the State of Alaska and their agents or employees, and (b) the Grantee, its agents or employees, this indemnity provision shall be valid and enforceable only to the extent of the negligence of the Grantee, or Grantee's agents or employees.

Article 20. Notices

The Grantee shall comply with all public notices or notices to individuals required by applicable state and federal laws and shall maintain a record of this compliance.

Article 21. Political Activity

No portion of the funds provided shall be used for any partisan political activity or to further the election or defeat of any candidate for public office or influence the approval or defeat of any ballot issue.

Article 22. Conflict of Interest

No officer or employee of the Department; no member, officer, or employee of Grantee or its designees or agents; no member of the governing body of the jurisdiction in which the project is undertaken or located; and no other official of such locality or localities who exercises any functions or responsibilities with respect to the project during his or her tenure, shall have any personal or pecuniary gain or interest, direct or indirect, in any contract, subcontract, or the proceeds thereof, for work to be performed in connection with the project assisted under this Grant Agreement.

Grantee shall incorporate, or cause to incorporate, in all such contracts or subcontracts, a provision prohibiting such interest pursuant to the purpose of this provision.

Article 23. Prohibition Against Payment of Bonus or Commission

The assistance provided under this Grant Agreement shall not be used in payment of any bonus or commission for the purpose of obtaining approval or concurrence under this agreement.

Article 24. Grant Agreement Termination Date

The Department will automatically terminate this Grant Agreement after either (1) the project is complete and 100% of the grant funds have been dispersed or (2) eighteen (18) months have lapsed since the date the grant agreement was signed, whichever one comes first.

Article 25. Termination by Mutual Agreement

This Grant Agreement may be terminated, in whole or in part, prior to the completion of contract project activities when both parties agree continuation is not feasible or would not produce beneficial results commensurate with the further expenditure of funds. The Department will determine whether an environmental review of the cancellation is required under State and/or Federal law. The parties must agree on the termination conditions, including effective date and the portion to be terminated. Grantee shall not incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible. The Department shall make funds available to Grantee to pay for allowable expenses incurred before the effective date of termination.

Article 26. Termination for Cause

If Grantee fails to comply with the terms of this Grant Agreement, or fails to use the grant for only those purposes set forth herein, the Department may take the following actions:

- A. Suspension – After mailing written notice to grantee via certified mail, suspend the grant and withhold any further payment or prohibit grantee from incurring additional obligations of grant funds, pending corrective action by grantee or a decision to terminate. Grantee must deliver its protest to the grant officer, if any, within 15 days of the Department’s certified mailing. Otherwise, grantee will waive any right of protest.
- B. Termination – Terminate the grant in whole or in part, at any time before the final grant payment is made. The Department shall promptly notify grantee in writing of its determination to terminate, the reason for such termination, and the effective date of the termination. Payments made to grantee or recoveries by the Department shall be in accordance with the legal rights and liabilities of the parties.
- C. The Department may take any other enforcement action as may be appropriate.

Article 27. Withdrawal of Funds

In the event funding from the state legislature is withdrawn, reduced, or limited in any way after the effective date of this Grant Agreement and prior to normal completion, the Department may, without liability to Grantee or others, terminate the agreement, reduce funding, or re-negotiate subject to those new funding limitations and conditions. The Department will notify grantee of any such action through certified mail.

Article 28. Recovery of Funds

In the event of a default or violation of the terms of the Grant Agreement including misspent funds, unallowable costs incurred, or unobligated balances, the Department is entitled to recover all or part of the project funds paid to Grantee. If Grantee does not promptly remit the funds in response to a demand, the grant officer or the Department may collect the debt by:

- Making an administrative offset against payments that would be due under other grant awards or appropriations,
- Withholding advance payments that would otherwise be due,
- Instituting civil action, or
- Taking any other action permitted by law.

All remedies conferred on the Department by this Agreement or any other instrument or agreement are cumulative, not exclusive, and may be exercised concurrently or consecutively at the Department’s option.

Article 29. Enforcement

The grant officer may take one or more actions in the event grantee fails to comply with the terms of the award. Upon written notification via certified mail explaining the basis of the action, the grant officer may suspend the grant pending corrective action or terminate the grant for cause. The grant officer may impose conditions requiring correction of noncompliance or deficiency, e.g., temporarily withholding grant payment or conversion from an advance payment method to a reimbursement method. If conditions are imposed, the grant officer will inform grantee in writing as to the nature of the conditions, the reason for imposition, the nature of the corrective action needed, the time allowed for completing corrective actions, and the method for protesting/requesting reconsideration of this action.

Grantee may contest enforcement action implemented by the grant officer through the protest procedure.

Article 30. Protest Procedure

A grant recipient contesting an enforcement action may file a protest with the grant officer within 15 days of receipt of written notice of the action. If Grantee files its protest after 15 days, the grant officer will deny it as untimely. The protest must include the name, address, and telephone number of the protester, the signature of the protester or the protester's representative, a detailed statement of the legal and factual grounds of the protest, including copies of relevant documents, and the form of relief requested.

Within 15 days of receipt of the protest, the grant officer will issue a decision. The grant officer may extend this deadline for up to 30 days, in which case he/she shall notify the protester in writing of date of the extended deadline.

If the officer sustains a recipient's objection to an enforcement action, he/she may rescind or modify the enforcement measure, or implement another appropriate remedy. In no case, however, is an applicant entitled to recover more than its reasonable protest preparation costs.

In determining an appropriate remedy, the officer shall consider the circumstances surrounding the enforcement measures including the seriousness of the deficiencies, the degree of prejudice to other interested parties or to the integrity of the grant program, the good faith of the parties, the extent to which the terms of the grant agreement have been accomplished, costs to or impacts on the program or department regarding a proposed remedy.

Article 31. Appeal

Within 15 days of receipt of the grant officer's decision, the protester may file an appeal with the commissioner and file a duplicate copy with the grant officer. The commissioner shall dismiss an appeal if it is untimely. The appeal must include the information required under Article 25, a copy of the decision from which appeal is taken, and identification of the factual or legal errors in the decision forming the basis for the appeal.

The grant officer shall file a complete report on the protest and decision with the commissioner within 15 days of receipt of the protest appeal. The grant officer shall furnish a copy of the report to the protester.

The protester may file comments on the protest report with the commissioner within 7 days of receipt of the report. The protester shall provide copies of the comments to the grant officer.

The grant officer and the protester may make written request to the commissioner for an extension of time to submit their respective filings. The commissioner shall respond any such request in writing. If an extension is granted, the commissioner shall notify both parties of the new filing deadline.

The commissioner may issue a decision on an appeal without a hearing if the appeal involves no genuine issues of material fact. If a hearing on a protest appeal is required, it shall be conducted in accordance with AS 36.30.670.

If a hearing on a protest appeal is required, it shall be conducted in accordance with AS 36.30.670.

Article 32. Ownership of Project/Capital Facilities

The Department makes no claim to any capital facilities or real property improved or constructed with funds under this Grant Agreement and, by this grant of funds, does not and will not acquire any ownership interest

or title to such property of Grantee. Grantee shall assume all liabilities arising in connection with the ownership and operation of the project and agrees to hold the Department and the State of Alaska harmless from any and all causes of action arising in connection with the ownership or operation of the project.

Article 33. Site Control

If the grant project involves the occupancy and use of real property, Grantee assures it has legal right to occupy and use the real property for the purposes of the grant and that there is legal access to such property.

Article 34. Insurance

Grantee is responsible for securing and maintaining any necessary insurance, e.g., liability, property loss, etc., or an adequate program of insurance. In addition, Grantee shall provide and maintain Workers' Compensation Insurance as required by AS 23.30 for all employees engaged in work under this Grant Agreement. Grantee shall require any contractor to provide and maintain Workers' Compensation Insurance for its employees as required by AS 23.30.

Article 35. Governing law

This Grant Agreement is governed by the laws of the State of Alaska. Grantee shall perform all aspects of this project in compliance with the appropriate laws, regulations, and codes. Grantee is responsible for ensuring all permits required for the construction and operation of this project by the Federal, State, or Local governments are obtained.

Article 36. Equal Employment Opportunity

Grantee may not discriminate against any employee or applicant for employment because of race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood. Grantee shall post in a conspicuous place, available to employees and applicants for employment, a notice setting out the provisions of this paragraph.

Grantee shall state, in all solicitations or advertisements for employees to work on state funded projects, it is an equal opportunity employer (EEO) and all qualified applicants will receive consideration for employment without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

Grantee shall include the provisions of this EEO article in every contract relating to this Grant Agreement and shall require the inclusion of these provisions in every agreement entered into by any of its contractors, so that those provisions will be binding upon each contractor or subcontractor.

Article 37. Public Purposes

Grantee agrees the project to which this Grant Agreement relates shall be dedicated to public purposes for its useful life. The benefits of the project shall be made available without regard to race, religion, color, national origin, age, physical handicap, sex, marital status, changes in marital status, pregnancy or parenthood.

Article 38. Operation and Maintenance

Throughout the life of the project, Grantee shall be responsible for the operation and maintenance of any harbor facility to which it has applied grant monies under this Agreement.

Article 39. Current Prevailing Rates of Wage

Certain grant projects are constrained by the provisions of AS 36. PUBLIC CONTRACTS. To the extent that such provisions apply to this project, Grantee shall pay the current prevailing rates of wage to employees as required by AS 36.05.010. Grantee also shall require any contractor to pay the current prevailing rates of wage as required by AS 36.05.010.

Article 40. Severability

If any provision of this Grant Agreement or its application to any person or circumstance is held invalid by any court of proper jurisdiction, this invalidity does not affect other provisions of this Agreement.

Article 41. Performance

The Department's failure to insist upon strict performance of any provision of this Agreement or to exercise any right based upon breach thereof shall not constitute a waiver of any rights under this Grant Agreement.

Article 42. Sovereign Immunity

If Grantee is an entity which possesses sovereign immunity, Grantee shall irrevocably waive its sovereign immunity with respect to state enforcement of this Grant Agreement. The waiver of sovereign immunity, affected by resolution of the entity's governing body, is herein incorporated into this Grant Agreement.

Article 43. Audit Requirements

Grantee shall comply with the audit requirements contained in 02 AAC 45.010.

Article 44. Close-Out

The Department will advise Grantee to initiate close-out procedures when the Department determines, in consultation with Grantee, there are no impediments to close-out and that all the following criteria have been met or soon will be met:

- A. All costs to be paid with grant funds have been incurred with the exception of close-out costs and any unsettled third-party claims against Grantee. Costs are incurred when goods and services are received or contract work is performed.
- B. A document from the Grantee that states the contractor has completed all work and obligations under the Grantee's contract and there is a formal closure of the Grantee's construction contract. An example of an acceptable document would be the "Letter of Final Acceptance" as found in the Department's *Alaska Construction Manual*.
- C. The last required report has been submitted. Grantee's failure to submit a final report will not preclude the Department from effecting close-out if it is deemed in the State's interest.
- D. Other responsibilities of Grantee under this Grant Agreement and any close-out agreement and applicable laws and regulations appear to have been carried out satisfactorily or there is no further State interest in keeping the grant open for the purpose of securing performance.

Article 45. Americans with Disabilities Act

The Americans with Disabilities Act (ADA) prohibits discrimination against persons with disabilities. Title I of the ADA prohibits discrimination against persons with disabilities in employment and provides that a reasonable accommodation be provided for applicants and employees. Title II of the Act prohibits public agencies from discriminating against individuals with disabilities in the provision of services, programs, or activities. Reasonable accommodation must be made to ensure or allow access to all services, programs, or activities. This section of the Act includes physical access to public facilities and requires that public entities must, if necessary, make modifications to their facilities to remove physical barriers to ensure access by persons with disabilities. All new construction must also be accessible to persons with disabilities. A public entity's subgrantees or contractors must also comply with the ADA provisions. Grantee is responsible for assuring their compliance with the ADA.

Article 46. Future eligibility for additional Harbor Facility Grant Funds

Prior to award of this harbor facility grant agreement, the grantee's Skagway Small Boat Harbor constituted a Tier I application under AS 29.60.800 *et seq.* **Upon execution this grant agreement, the harbor facility called the Skagway Small Boat Harbor will lose its Tier I status in accordance with the Harbor Facility Grant program and AS 29.60.800 *et seq.* The Skagway Small Boat Harbor is still eligible for the Harbor Facility Grant program but all future applications for this harbor facility will have a Tier II status.** The change in status of the Skagway Small Boat Harbor from Tier I to Tier II does not affect the Tier I status, for the purposes of this grant program, of any other harbor facilities owned by the grantee.

Attachment 1 Scope of Work

1. Project Name and Description

The scope of work of this grant is to provide one-half, or 50 percent, of the grantee's eligible costs with state matching funds to the Grantee for use towards the **Skagway Harbor Improvements Project** ("the project"). The description of the scope of work is contained in the Grantee's Municipal Harbor Facility Grant proposal dated **August 1, 2011** and is limited to the Grantee's bid tab results dated **August 1, 2012**. The bid tab results were as follows:

a) Base Bid + Additive Alternative 1 by Hamilton Construction

Bid Item	Description	Quantity	Units	Unit Cost	Item Cost
1	Mobilization / Demobilization	All Req'd	Lump Sum	\$850,000	\$ 850,000.00
2	Demolition Removal and Salvage	All Req'd	Lump Sum	\$85,000	\$ 85,000.00
3	Erosion and Pollution Control Plan SWPPP	All Req'd	Lump Sum	\$25,000	\$ 25,000.00
4	Construction Surveying	All Req'd	Lump Sum	\$48,000	\$ 48,000.00
5	Base Course, Grading D-1	325	CY	\$35.00	\$ 11,375.00
6	Uplands Excavation	3000	CY	\$10.00	\$ 30,000.00
8	Riprap Armor Rock	6000	CY	\$58.33	\$ 349,980.00
10	Furnish New 16" x 1/2" Galvanized Steel Pile	400	LF	\$91.50	\$ 36,600.00
11	Drive 16" Steel Pile	9	EA	\$4,000	\$ 36,000.00
12	Furnish New 18" x 5/8" Galvanized Steel Pile	7508	LF	\$120.00	\$ 900,960.00
13	Drive 18" Steel Pile	117	EA	\$2,500	\$ 292,500.00
14	Drive 18" Steel Trestle Pile	6	EA	\$5,000	\$ 30,000.00
15	Furnish and Install On-Float Water System	All Req'd	Lump Sum	\$150,000	\$ 150,000.00
16	Salvage and Reinstall On-Float Sewer Pumpout and Piping	All Req'd	Lump Sum	\$18,000	\$ 18,000.00
17	Furnish and Install Fire Standpipe System	All Req'd	Lump Sum	\$125,000	\$ 125,000.00
18	Cast-in-Place Concrete	All Req'd	Lump Sum	\$30,000	\$ 30,000.00
19	Precast Concrete Planks	6678	SF	\$40.00	\$ 267,120.00
20	Furnish and Install Timber Main Floats	26520	SF	\$76.83	\$ 2,037,531.60
21	Furnish and Install Finger Floats	6518	SF	\$85.83	\$ 559,439.94
22	Furnish and Install Launch Ramp Boarding Float	1920	SF	\$82.83	\$ 159,033.60
23	Salvage and Reinstall Gangway Float	All Req'd	Lump Sum	\$5,000	\$ 5,000.00
24	Salvage and Reinstall Fuel Float	All Req'd	Lump Sum	\$25,000	\$ 25,000.00
25	Furnish Leveling Floatation Billets	40	EA	\$400.00	\$ 16,000.00
26	Furnish Fire Extinguishers	4	EA	\$300.00	\$ 1,200.00
27	Furnish Fire Extinguisher Cabinets & Brackets and Install Extinguishers	14	EA	\$1,000	\$ 14,000.00
28	Furnish Life Rings	11	EA	\$300.00	\$ 3,300.00
29	Furnish Life Ring Cabinets and Install with Life Rings	14	EA	\$500.00	\$ 7,000.00
30	Safety Ladders	54	EA	\$500.00	\$ 27,000.00
31	Furnish and Install Piling Anodes	284	EA	\$535.00	\$ 151,940.00
32	Modify Existing Trestles	All Req'd	Lump Sum	\$55,000	\$ 55,000.00

33	Furnish and Install Covered Gangways	2	EA	\$97,500	\$ 195,000.00
34	Furnish 4#2/0 with Grd, Dock/Marine cable	9000	LF	\$26.88	\$ 241,920.00
35	Furnish 4#1/0 with Grd, Dock/Marine cable	3000	LF	\$33.85	\$ 101,550.00
36	Furnish 4#2 with Grd, Dock/Marine cable	2000	LF	\$13.72	\$ 27,440.00
37	Furnish 4#6 with Grd, Dock/Marine cable	200	LF	\$9.89	\$ 1,978.00
38	Furnish 4#10 with Grd, Dock/Marine cable	700	LF	\$3.42	\$ 2,394.00
39	Furnish 3#8 with Grd, Dock/Marine cable	2600	LF	\$5.17	\$ 13,442.00
40	Furnish Alternative #1, 3#8 with Grd, Dock/Marine cable	300	LF	\$8.99	\$ 2,697.00
41	Demolish and Salvage Existing Float Electrical System	All Req'd	Lump Sum	\$39,438.70	\$ 39,438.70
42	Furnish and Install New Electrical & Reinstalled Salvaged Electrical Power System	All Req'd	Lump Sum	\$163,445.55	\$ 163,445.55
43	Furnish and Install New Electrical & Reinstalled Salvaged Electrical Lighting System	All Req'd	Lump Sum	\$106,543.20	\$ 106,543.20
44	Furnish and Install Video Surveillance System	All Req'd	Lump Sum	\$88,640.00	\$ 88,640.00
45	Install Alternate Launch Ramp Lighting	All Req'd	Lump Sum	\$32,857.00	\$ 32,857.00

Total \$ 7,364,325.59

b) Estimated construction admin. & inspection expenses by URS engineers:

Description	Quantity	Units	Unit Cost	Item Cost
Construction Project Admin/Inspection	All Req'd	Lump Sum	N/A	\$ 146,325.00

c) Estimated construction admin. & inspection expenses by Yukon 40804, Inc. (aka Chad Gubala):

Description	Quantity	Units	Unit Cost	Item Cost
Small Boat Harbor Oversight/Inspection	All Req'd	Lump Sum	N/A	\$ 76,907.60

d) Total of all construction related activities for the project:

Contractor	Description	Quantity	Units	Unit Cost	Subtotal Cost
Hamilton Construction	Base Bid + Additive Alternative	All Req'd	Lump Sum	N/A	\$ 7,364,325.59
URS engineers	Construction Administration and Inspection	All Req'd	Lump Sum	N/A	\$ 146,325.00
Yukon 40804, Inc.	Construction Administration and Inspection	All Req'd	Lump Sum	N/A	\$ 76,907.60

Total \$ 7,587,558.19

2. Project Budget

Grantee Funds (from a variety of sources)	Department Matching Funds (per AS 29.60.800 et seq)	Total Grantee and Department Funds
\$3,793,779.10	\$3,793,779.10	\$7,587,558.19

3. Budget Narrative

The Department's grant funds and grantee's matching funds identified above will be used to complete the project described above under the project description. Any project cost increase over the \$7,587,558.19 original bid amount shall be borne by and be the responsibility of the grantee, including all change orders, extra work orders, and construction claims by the grantee's contractor. **The Department's \$3,793,779.10 in grant funds represents the Department's maximum financial contribution toward the project.** The Department and the State of Alaska do not have a contractual role in the project and the Grantee shall fully and completely indemnify and protect the State of Alaska, the Department, and its employees of any and all issues connected with construction of the project.

4. Project Management and Reporting

This project will be managed by the Grantee.

Grantee's highest elected or municipal official possessing signatory authority for execution of the Grant Agreement and subsequent amendments may delegate his/her signatory authority to others within the municipal government via the Signatory Authority Form. The highest elected or municipal official may also designate grantee employees or council members financial and progress reporting authority via the **Authorized Signatures Form**. Such delegation is limited to officials and employees within the municipal government, unless otherwise approved by the Department.

The Grantee must establish and maintain separate accounting for the use of this Grant. The use of Grant funds in any manner contrary to the terms and conditions of this Grant Agreement may result in revocation of the grant and any balance of funds under the grant, a demand by the Department for repayment of grant monies previously distributed to Grantee, or other enforcement action.

The Grantee shall submit a **Grant Financial/Progress Report Form** each month or quarterly with the concurrence of the Department, during the life of the Grant Agreement. Grant Financial/Progress Report Forms are **due fifteen (15) days** after the end of the month or quarter being reported. Typically, the report period is the first of the month through the last day of the month. If quarterly reporting is used, the report period is the first day of the first month through the last day of the third month of the quarter. The final Financial/Progress Reports must be submitted within thirty (30) days following completion of the project. Under no circumstances will the Department release funds to the Grantee unless all required reporting is current.

Attachment 2 Payment Method

1. Payment Schedule

Upon full execution of this Grant Agreement, State treasury warrants will be released according to the payment schedule described below. Additional State treasury warrants will be released on a reimbursement basis upon receiving and approving Grantee's financial/progress reports. The Department will reimburse the Grantee for eligible costs incurred during the reporting period, in accordance with this Grant Agreement. **The Department will not reimburse the Grantee without a complete and signed *Financial/Progress Report and Request for Reimbursement* form, prepared and submitted by Grantee's highest elected or municipal official. See Attachment 3 for a copy of the form.**

Upon full execution of this Grant Agreement, the payment schedule for the grant agreement number 13-HG-002 shall be:

Payment No.	Completion of work item	Payment Percentage of the Total Grant Amount	Payment Amount
1	Award of contract to Grantee's contractor	10%	\$379,377
2	Grantee's contractor mobilizes on-site in Skagway	40%	\$1,517,511
3	Grantee's contractor completes 50% of the total project cost	15%	\$569,067
4	Grantee's contractor completes 75% of the total project cost	15%	\$569,067
5	Grantee's contractor completes 100% of the total project cost	10%	\$379,377
6	Department receives all required final documentation from the Grantee	10%	\$379,380
		Total	\$3,793,779

Before each payment, the grantee is responsible for providing suitable backup documentation in addition to submission of the *Financial/Progress Report and Request for Reimbursement* form. Before approving the financial/progress report for payment, the Department may require the Grantee to submit documentation of the costs reported, e.g., contractor billings, invoices, and copies of signed Grantee treasury warrants made to the Grantee's contractor. The minimum required documentation will be:

- For Payment No. 1, the grantee shall provide a copy of a "Letter of Award" (aka a "Notice to Proceed") to its contractor, or its equivalent. The term "*Letter of Award*" refers to a process used by the Department to officially notify the successful low bidder on a project that he has been selected to be the contractor for that respective project and the Department accepts his bid. The Grantee must produce an equivalent document showing that the work described in the grant agreement will be performed by a contractor.
- For Payment No. 2, the grantee shall provide a copy of a payment or invoice, or its equivalent, showing that at least 50% of the "Mobilization and Demobilization" bid item has been paid to the grantee's contractor, or its equivalent.
- For Payment No. 3, the grantee shall provide a copy of a payment or invoice, or its equivalent, for the described project showing that at least 50% of the total project cost has been paid to the grantee's contractor.
- For Payment No. 4, the grantee shall provide a copy of a payment or invoice, or its equivalent, for the described project showing that at least 75% of the total project cost has been paid to the grantee's contractor.
- For Payment No. 5, the grantee shall provide a copy of a Substantial Completion Letter to the Grantee's contractor, or its equivalent, that the project is complete. Alternatively, the grantee could provide a copy of a payment or invoice, or its equivalent, for the described project showing that 100% of the total project cost has been paid to the grantee's contractor.
- For final payment, Payment No. 6, the Department will withhold ten percent (10%) of the grantee agreement amount until all final documents and required grant reports have been submitted to the Department.

2. Indirect and Direct Costs

The Grantor shall pay Grantee the grant funds less any State direct and indirect costs. For this project, there are no planned direct costs by the Department. Indirect charges are formally called Indirect Cost Allocation Plan (ICAP) rates. Per Departmental policy and procedures, all capital project expenditures, including grants, are subject to ICAP charges. The Department's current ICAP rate for harbor CIP projects, including harbor facility grants, is 2%.

The Department's ICAP rates vary by type of project. ICAP rates are subject to adjustment due to major changes in the budget for salaries and benefits, or other unforeseen Departmental costs. The Department reviews its ICAP rates annually and, depending on past cost recovery charges, may modify them. Changes to ICAP rates normally take effect at the beginning of the state fiscal year or July 1st. The Grantor reserves the right to modify the Department's ICAP rate as necessary.

3. Withholding the Final Payment

The Department will withhold the final payment (see Appendix A, Article 44), Payment No. 6, until the Department determines that the Grantee has satisfactorily completed the terms of this grant agreement, including all required reporting and submission of photographs of the in-progress and completed project. In addition, the Department may withhold all, or a percentage of, the final payment until it performs a final on-site inspection of the completed project.



**Community Coastal Impact Assistance Program
 Grant Agreement**

Grant Agreement Number: 10-CIAP-006		Federal Award Number M11AF00150		Amount of Federal Funds: \$85,692.85	
CFDA: 15.426	Encumbrance / 31702	AR /	Lapse Date 1/31/2013	Project Title: Skagway Small Boat Harbor Improvement – Phase B	
Grantee			Department Contact Person		
Name: Municipality of Skagway			Name: Sally Russell Cox		
Street/PO Box: PO Box 415			Title: Planner III		
City/State/Zip: Skagway, AK 99840-0415			Street/PO Box: 550 W 7th Avenue, Suite 1770		
Contact Person: Tom Smith, Borough Manager			City/State/Zip: Anchorage, AK 99501-3569		
Phone: 983-2297	Fax: 983-2151		Phone: 269-4588	Fax: 269-4539	
Email: t.smith@skagway.org			Email: sally.cox@alaska.gov		

AGREEMENT

The Alaska Department of Commerce, Community, and Economic Development, Division of Community and Regional Affairs (hereinafter 'Department') and **Municipality of Skagway** (hereinafter 'Grantee') agree as set forth herein.

Section I. The Department shall pay the Grantee for the performance of the project work under the terms outlined in this agreement. The amount of the payment is based upon project expenses incurred, which are authorized under this Agreement. In no event shall the payment exceed **\$85,692.85**.

Section II. The Grantee shall perform all of the work required by this Agreement.

Section III. The work to be performed under this agreement begins **7/31/2011** and shall be completed no later than **1/31/2013**.

Section IV. The agreement consists of this page and the following:

ATTACHMENTS

- Attachment A: Scope of Work
- Objective
 - Statement of Work
 - Budget
 - Schedule
 - Copies of Products
 - Reporting
 - Specific Federal Provisions
- Attachment B: Payment Method
 Attachment C: Standard Provisions

APPENDICES

- Appendix A: Audit Compliance
 Appendix B: Insurance
 Appendix C: State Laws and Regulations
 Appendix D: Special Requirements and Assurances for Federally Funded Projects

AMENDMENTS

Any fully executed amendments to this Agreement

GRANTEE COPY

Grantee		Department	
Signature 		Signature 	
Printed Name and Title Tom Smith, Borough Manager		Printed Name and Title Scott Ruby, Division Director	
Date 11-30-11		Date 12/22/2011	

ATTACHMENT A Scope of Work

AWARD AUTHORITY

The Community Coastal Impact Assistance Program is part of the Alaska Coastal Impact Assistance Program, which is funded by the Federal Coastal Impact Assistance Program. Section 384 of the Energy Policy Act of 2005 (Act), which has created the Coastal Impact Assistance Program by amending Section 31 of the Outer Continental Shelf Lands Act (43 U.S.C. § 1356a Appendix A). Under the provisions of the Act, the authority and responsibility for the management of CIAP is vested in the Secretary of the Department of the Interior. The Secretary delegated this authority and responsibility to the Minerals Management Service, which was renamed the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE) on June 18, 2010. The Federal Award Number is **M11AF00150**. The Catalog of Federal Domestic Assistance (CFDA) number is **15.426**.

PROJECT MANAGEMENT PLAN

In the length of this project, the Municipality of Skagway, hereafter the Grantee shall complete the following project: Skagway Small Boat Harbor Improvement – Phase B.

OBJECTIVE:

The objective of this project is to develop a package of schematic plans, quantities and cost estimates to replace decaying Skagway Harbor floats and docks to the 65% complete stage for improvements to the harbor.

STATEMENT OF WORK:

The Grantee has been awarded **\$85,692.85** for the purpose of supporting the replacement of the Skagway harbor floats and docks.

The Grantee agrees to perform the following work:

Task 1: Conceptual Preliminary Design up to 65% of complete design.

URS (engineering consultant) was selected via a competitive bid process to conduct the work in January 2011. The URS Consultant team will develop two or three alternative options and associated costs for designing the proposed harbor improvements, and will then begin permitting work after review by the Municipality of Skagway (Municipality).

Step 1: URS will bring the project from the conceptual phase to 35% design completion. URS is gathering information that will be used as the basis for developing two or three alternate concepts for the proposed improvements. They will develop schematic plans for the alternatives and prepare Quantity take-offs and planning-level cost estimates for each alternative.

Step 2: Once the 35% design is accepted by the Municipality, URS will complete and submit a US Army Corps of Engineers (USACE) Permit application for the project.

Step 3: URS will proceed to 65% design completion. During the 65% stage of development, all aspects of the design should be addressed to some level of detail. URS will work with the Harbormaster and other stakeholders to finalize the dredging limits (depth and stent) and will coordinate the dredging plans with other projects that may re-use the dredge spoils from the harbors fill as much as possible.

Project Deliverables: The Grantee will be responsible for completing the following deliverables. These deliverables are to be included in the progress report following the quarter in which the task was accomplished.

Task 1: Conceptual Preliminary Design up to 65% of complete design

- Electronic copies of the design plans for the removal progress and replacement of Skagway Harbor floats and docks for review (35% level of design detail). (See page 4).
- Copy of USACE Permit.

ATTACHMENT A Scope of Work

- Copies of State permits as necessary.
- Electronic copies of the design development drawings to 65% completion. (See page 4).

Copies of all project deliverables are to be submitted to the Department (Please refer to Copies of Products, page 3.)

BUDGET

Budget Categories	Budget
Personnel	0.00
Fringe Benefits	0.00
Travel	0.00
Equipment	0.00
Supplies	0.00
Contractual ¹	85,692.85
Construction	0.00
Other	0.00
Indirect Charges	0.00
TOTAL	\$85,692.85

¹ Covers the cost for the contractor (engineering firm - URS)

NOTE: Costs not-to-exceed \$42,846.50 were incurred by the Grantee from January 2011 through the date of award. These pre-agreement costs are allowable to the extent they would be allowable if incurred after the date of award. Pre-agreement costs were incurred at the risk of the Grantee.

SCHEDULE

This award supports a Budget Period of 7/31/2011 through 1/31/2013. The Project Period is not to exceed 18 months.

Due Date ¹	Performance Measures/Deliverables
<i>Grant Reporting</i>	
7/31/2011	Grant start date
01/15/2012	Quarterly progress and financial reports due for reporting period: August – December 31, 2011
04/15/2012	Quarterly progress and financial reports due for reporting period: January 1 – March 31, 2012
07/15/2012	Quarterly progress and financial reports due for reporting period: April 1 – June 30, 2012
10/15/2012	Quarterly progress and financial reports due for reporting period: July 1 – September 30, 2012
01/15/2013	Quarterly progress and financial reports due for reporting period: October 1 – December 31, 2012
03/01/2013	Grant close out and final report as well as report for period: January 1 – January 31, 2013
<i>Task I: Conceptual Preliminary Design up to 65% of complete design</i>	

ATTACHMENT A Scope of Work

03/31/2012	URS team will take preferred alternative to remove and replace decaying Skagway Harbor floats and docks to 35% level of design detail
03/31/2012	Develop and submit permit to USACE and apply for other permits and reviews as necessary
09/30/2012	Receive USACE and other permits (if needed)
01/01/2013	65% Design completion

¹The due date is the last day for submission of quarterly progress and financial reports.

Due dates for project tasks are provided as guidelines only, according to the anticipated project timeline.

COPIES OF PRODUCTS

Send twelve (12) electronic copies on CD and four (4) hardcopies of the following products:

- Electronic copies of the design plans for the removal progress and replacement of Skagway Harbor floats and docks for review (35% level of design detail).
- Electronic copies of the design development drawings to 65% completion.

To:

Sally Russell Cox, Planner III
 Division of Community and Regional Affairs
 Department of Commerce, Community, and Economic Development
 550 West 7th Avenue, Suite 1770
 Anchorage, AK 99501-3569

REPORTING

The Grantee shall submit a CCIAP Progress (performance) Report and CCIAP Financial Report on the forms provided quarterly during the life of the Grant Agreement as required by 43 CFR 12.80 and 12.81. Grant Financial and Progress Reports are due fifteen (15) days after the end of the quarter being reported. The final Financial and Progress Reports must be submitted within thirty (30) days following completion of the project. Under no circumstances will the Department release funds to the Grantee unless all required reporting is current.

The Department may impose additional requirements as needed (i.e. projects of a more complex nature), provided that the Grantee is notified in writing as to: the nature of the additional requirements, the reason why the additional requirements are being imposed, the nature of the corrective action needed, the time allowed for completing the corrective actions, the method for requesting reconsideration of the additional requirements imposed.

STAFFING

Program Manager: This project will be managed by the Grantee.

This project will be managed by Municipality of Skagway, with signatory authority for execution of the grant agreement and subsequent amendments granted to the Borough Manager. The Borough Manager may delegate signatory authority for executing the grant agreement and amendments to others within the Municipality of Skagway via the Signatory Authority Form. The Borough Manager may also designate financial and progress reporting, via the Signatory Authority Form. Such delegation is limited to others within Municipality of Skagway unless otherwise approved.

ATTACHMENT A Scope of Work

The Grantee must establish and maintain separate accounting for the use of this Grant. The use of Grant funds in any manner contrary to the terms and conditions of this Grant Agreement may result in the subsequent revocation of the grant and any balance of funds under the grant. It may also result in the Grantee being required to return such amounts to the State.

Subcontractor: A subcontractor may assist the Grantee with the Work Program as outlined above. The Department shall review and approve a subcontract prior to its finalization to ensure that the subcontract meets the requirements of the grant agreement. Grantees and subcontractors are required to follow their own procurement standards for subcontracts. If they do not have their own written policies, or if their standards are more lenient than those of the State, they must follow the State Procurement Code (AS 36.30), provided that the procurements conform to applicable Federal law and the standards identified in 43 CFR 12.76. The Grantee shall ensure that:

- a. The subcontractor meets all legal requirements to work in the State of Alaska and has the appropriate expertise, qualifications and track record to carry out the project.
- b. The subcontractor is not listed on the 'Excluded Parties List Report', either State or Federal, which identifies those parties excluded throughout the U.S. Government (unless otherwise noted) from receiving Federal contracts or certain subcontracts and from certain types of Federal financial and non financial assistance and benefits. Grantee ensures that documentation will be on file confirming that a search of the <https://www.epls.gov/> was completed.
- c. Each subcontract for work to be performed with funds granted under this Grant Agreement shall specifically include a provision that the Department and the State of Alaska are not liable for damages or claims from damages arising from any subcontractor's performance or activities under the terms of the subcontracts.
- d. The Grantee is required by 43 CFR Part 12.76(i) to communicate all relevant federal statutory and regulatory requirements and terms of the grant agreement to each contractor.
- e. Although a contractual relationship does not exist between BOEMRE and any third party, BOEMRE reserves the right to initiate communications with any contractor, and may request access to any books, documents, papers and records which are directly pertinent to a specific grant in question. Such communications may be required to conduct audits and examinations and gather additional information. In these circumstances, it may be necessary for the contractor to directly communicate with BOEMRE on matters not pertaining to a specific grant of authority from the Department.

Subgrantee: If the Grantee enters into a subaward then the subgrantee has the responsibility for adherence to applicable federal program compliance requirements, and other applicable federal and state requirements, including administrative, cost principles, audit, and public policy. In other words all regulations and requirements passed down to the Grantee.

SPECIFIC FEDERAL PROVISIONS

Photography Requirements

If appropriate, the recipient is required to submit photo documentation before activities begin, with each Performance Report, and upon completion of the project. The recipient should consult with the Project Officer (see Page I, Block #10) to determine if photo documentation is appropriate for the proposed project.

The photographs will be used for monitoring purposes to track project progress before, during, and at completion. Photo documentation should consist of the grant site area prior to the commencement of work as well as provide relevant progress photos during the course of the work. The photographs should clearly document the entire footprint of the project and should be taken at various stages of the project (before, during, and at completion) from the same angle to, and distance from, the project.

ATTACHMENT A Scope of Work

Photographs should be provided in electronic format. Electronic copies (digital, jpeg images, sized large, with a 300 dpi resolution, and in color) should be provided on compact disk. Photos should be accompanied with a descriptive sheet which list by number each of the photos along with text identifying the project name and location; month, day, and year of the photo; and a brief description of the photo's content. The BOEMRE reserves the right to reproduce additional copies of all digital photo images submitted.

See Appendix D for more information on the requirement below:

All information submitted for publication or other public releases of information regarding this project shall also carry the following disclaimer:

"The views and conclusions contained in this document are those of the authors and should not be interpreted as representing the opinions or policies of the U.S. Government. Mention of trade names or commercial products does not constitute their endorsement by the U.S. Government."



DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT
DIVISION OF COMMUNITY AND REGIONAL AFFAIRS

Designated Legislative Grant Program
Grant Agreement

Grant Agreement Number 11-DC-643		Amount of State Funds \$4,000,000.00	
Collocation Code(s)	Encumbrance Number/AR/Lapse Date / 8468 / 06/30/2015	Project Title Commercial Passenger Vessel Lightering and Harbor Improvements	
Grantee		Department Contact Person	
Name Municipality of Skagway		Name June Kugelmann	
Street/PO Box P.O. Box 415		Title Grants Administrator	
City/State/Zip Skagway, AK 99840		Street/PO Box P.O. Box 110809	
Contact Person Cindy O'Daniel, Borough Treasurer		City/State/Zip Juneau, AK 99811-0809	
Phone (907) 983-2297	Fax (907) 983-2151	Phone (907) 465-2023	Fax (907) 465-5867

AGREEMENT

The Alaska Department of Commerce, Community, and Economic Development, Division of Community and Regional Affairs (hereinafter 'Department') and **Municipality of Skagway** (hereinafter 'Grantee') agree as set forth herein.

Section I. The Department shall pay the Grantee for the performance of the project work under the terms outlined in this agreement. The amount of the payment is based upon project expenses incurred, which are authorized under this Agreement. In no event shall the payment exceed **\$4,000,000.00**.

Section II. The Grantee shall perform all of the work required by this Agreement.

Section III. The work to be performed under this agreement begins **7/1/10** and shall be completed no later than **06/30/2015**.

Section IV. The agreement consists of this page and the following:

ATTACHMENTS

- Attachment A: Scope of Work
1. Project Description
 2. Project Budget
 3. Project Narrative
 4. Project Management/Reporting
 5. Forms Packet
- Attachment B: Payment Method
Attachment C: Standard Provisions

APPENDICES

- Appendix A: Audit Regulations
Appendix B: Audit Compliance Supplement
Appendix B2: Insurance
Appendix C: State Laws and Regulations
Appendix D: Special Requirements and Assurances for Federally Funded Projects (if applicable)
Appendix E: Site Control
Appendix F: State Fire Marshal Review

AMENDMENTS: Any fully executed amendments to this Agreement

Grantee		Department	
Signature <i>Thomas D. Cochran</i>		Signature <i>Jolene Julian</i>	
Printed Name and Title Thomas D. Cochran, Mayor		Printed Name and Title Jolene Julian, Grants Administrator III	
Date		Date November 4/2010	

GRANTEE COPY

Reviewed by: _____



Attachment A Scope of Work

1. Project Description

The purpose of this FY 2011 Designated Legislative Grant in the amount of \$4,000,000.00 [pursuant to the provisions of AS 37.05.315, SLA 2010, Chapter 43, Section 16, Page 151, Lines 8-11] is to provide funding to the Municipality of Skagway for use towards *Commercial Passenger Vessel Lightering and Harbor Improvements*. The objective of this grant is to improve access to the Skagway cruise ship lightering dock and the Port Gateway Project Expansion (Phase 1B) of the uplands on the Westside dock to accommodate from one to two cruise ships and ore loading (which takes place once a month).

This project may include, but is not limited to:

- 1) Consists of dredging the Small Boat Harbor Basin to enable shoreward expansion
- 2) Place dredge materials in the area of the Westside Dock; part of the Port Gateway Project (ore dock)
- 3) Any costs associated to the completion of this project

No more than five percent (5%) of the total grant award may be reimbursed for Administrative expenses for projects involving equipment purchase or repairs and no more than ten percent (10%) of the total grant award may be reimbursed for Administrative expenses for all other projects. To be reimbursed for eligible administrative costs, expenses must be reported on the Designated Legislative Grant Financial/Progress Report form.

2. Project Budget

Cost Category	Grant Funds	Total Project Cost
Program Funds	\$4,000,000.00	\$4,000,000.00

3. Budget Narrative

The Grant Funds identified above will be used to complete the project described in the above Project Description.

4. Project Management/Reporting

This project will be managed by the Grantee.

If the Grantee is a City, signatory authority for execution of the Grant Agreement and subsequent amendments is granted to the Mayor. The Mayor may delegate signatory authority for executing the Grant Agreement and amendments to others within the City government via the Signatory Authority Form. The Mayor may also designate financial and progress reporting authority via the Signatory Authority Form. Such delegation is limited to others within the City government, unless otherwise approved by the Department.

If the Grantee is not a City, signatory authority for execution of the Grant Agreement and subsequent amendments is granted to the Chief Executive Officer (CEO). The CEO may delegate authority for executing the Grant Agreement and amendments to others within the Grantee's organization via the Signatory Authority Form. The CEO may also designate financial and performance progress reporting authority via the Signatory Authority Form. Such delegation is limited to others within the Grantee's organization unless otherwise approved by the Department.

The Grantee must establish and maintain separate accounting for the use of this Grant. The use of Grant funds in any manner contrary to the terms and conditions of this Grant Agreement may result in the subsequent revocation of the grant and any balance of funds under the grant. It may also result in the Grantee being required to return such amounts to the State.

The Grantee shall submit a Designated Legislative Grant Financial/Progress Report Form (see attached) each month, or quarterly, with the concurrence of the Department, during the life of the Grant Agreement. Grant Financial/Progress Report Forms are due fifteen (15) days after the end of the month or quarter being reported. The report period is the first of the month through the last day of the month. If quarterly reporting is approved, the report period is the first day of the first month through the last day of the third month of the quarter. The final Financial/Progress Reports must be submitted within thirty (30) days following completion of the project. Under no circumstances will the Department release funds to the Grantee unless all required reporting is current.

5. Grant Forms Packet

The following page, which includes the Designated Legislative Grant Financial/Progress Report Form, is to be used by the Grantee for monthly/quarterly reporting. Additional copies of this form are available from the Department, electronically or in hard copy.



DEPARTMENT OF
COMMERCE
COMMUNITY AND
ECONOMIC DEVELOPMENT

Division of Community and Regional Affairs
Grants Section

Sean Parnell, Governor
Susan K. Bell, Commissioner
Tara Jollie, Director

November 4, 2010

Grantee: Municipality of Skagway

ATTN: Cindy O'Daniel, Borough Treasurer

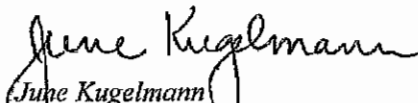
Grant No. & Project Title: 11-DC-643 – Commercial Passenger Vessel Lightering and Harbor Improvements

Enclosed for your file is a fully executed Grant Agreement for the above referenced project. Eligible project expenditures incurred on or after the grant term start date can now be reimbursed. If you have not done so already, please review the grant agreement carefully and make certain that you understand the requirements for administration and reporting of the project (Attachment A, #4).

Also enclosed is a blank Financial/Progress Report. Please email me if you would like an electronic version of the Financial/Progress Report in Word and/or Excel. The first report should be for the period July 1, 2010 through September 30, 2010. Future reports should start on the first day of each month and run through the last day of the month.

All reports are due by the 15th day of the month following the month reported. Quarterly reports are due on the 15th day following the last day of the quarter ending. Please be sure to include a written narrative of your progress for each grant project in the space provide. An authorized representative listed on the signatory form must sign Grant reports. Please be aware that the Department cannot accept faxed or e-mail copies of the Financial/Progress Report.

Please contact me if you have any questions at 907-465-2023.


June Kugelmann
Grants Administrator II

Enclosures

MUNICIPALITY OF SKAGWAY
 Outstanding Bond Schedule
 as of December 31, 2012

Account #	Description	Institution	Maturity Date	Payment Due Date	Interest ONLY Pmt	Original Principal	Beginning Principal Balance	Principal Payments	Interest Payments	TOTAL PAYMENT	Ending Principal Balance
01-060720-1	Water & Sewer 1975	Berkadia Commercial Mortgage	Jan-13	1-Jan-13	N/A	400,000	15,000	(15,000)	(750)	(15,750)	-
01-060740-3	Water & Sewer 1979	Berkadia Commercial Mortgage	Apr-18	4-Apr-13	N/A	500,000	149,000	(22,000)	(7,450)	(29,450)	127,000
ACWF#785011	Incinerator	State of Alaska DEC	Jan-19	1-Jan-13	N/A	2,000,000	797,947	(108,965)	(11,969)	(120,934)	688,982
2008-Two #437575	Clinic	BNY Mellon Trust Company	Jun-28	1-Jun-13	1-Dec-12	4,990,000	4,330,000	(190,000)	(203,735)	(393,735)	4,140,000
2011-Three #443256	Library	BNY Mellon Trust Company	Sep-31	1-Sep-12	1-Mar-13	460,000	460,000	(15,000)	(21,225)	(36,225)	445,000
						8,350,000	5,751,947	(350,965)	(245,129)	(596,094)	5,400,982

CERTIFICATE OF PAYMENT AND DELIVERY

I, the undersigned Treasurer of the City of Skagway, Alaska, DO HEREBY CERTIFY that I have received from Farmers Home Administration, United States Department of Agriculture, the full purchase price of \$500,000 of the General Obligation Bond (the "Bond") of the City of Skagway, Alaska.

Said Bond is dated as of the date of delivery thereof, is numbered R-1, bears interest at the rate of 5% per annum payable April 4, 1980 and annually thereafter on April 4th of each year, and matures in installments payable on April 4 of each of the years 1980 through 2018.

The purchase price of the Bond was:

Principal of Bond	\$500,000.00
Total Amount Due	\$500,000.00
Amount received this <u>4th</u> day of <u>April</u> , 1979	\$500,000.00

Laurene S. Gordon
City Treasurer
Skagway, Alaska

FARMERS HOME ADMINISTRATION, UNITED STATES DEPARTMENT OF AGRICULTURE, hereby acknowledges receipt from the City of Skagway, Alaska, of the Bond, this 4th day of April, 1979.

FARMERS HOME ADMINISTRATION
UNITED STATES DEPARTMENT OF AGRICULTURE

By

Edward L. Marshall

Area Loan Specialist
(Title)

NO. R-1

\$500,000

STATE OF ALASKA
CITY OF SKAGWAY
GENERAL OBLIGATION BOND, 1979

The City of Skagway, Alaska (hereinafter called the "City"), acknowledges itself indebted and for value received promises to pay to the Farmers Home Administration, United States Department of Agriculture, or its successor (herein sometimes called the "Payee"), or its registered assigns (herein sometimes called the "Alternate Payee"), the principal sum of

FIVE HUNDRED THOUSAND DOLLARS

in the following installments due on April 4 of each of the following years:

<u>Year</u>	<u>Amount</u>
1980	\$ 4,000
1981	5,000
1982	5,000
1983	5,000
1984	5,000
1985	6,000
1986	6,000
1987	6,000
1988	6,000
1989	7,000
1990	7,000
1991	7,000
1992	8,000
1993	8,000
1994	9,000
1995	9,000
1996	10,000
1997	10,000
1998	11,000
1999	11,000
2000	12,000
2001	12,000
2002	13,000
2003	13,000
2004	14,000
2005	15,000
2006	16,000
2007	16,000
2008	17,000
2009	18,000
2010	19,000
2011	20,000
2012	21,000
2013	22,000
2014	23,000
2015	24,000
2016	25,000
2017	27,000
2018	28,000

2
5
6
7
8
9
0

1303
1304

UNITED STATES OF AMERICA

NO. R-1

\$500,000

in any coin or currency which is legally acceptable on the respective dates of payments for debts due the United States of America and to pay interest on the balance of said principal from time to time remaining unpaid in like coin or currency at the rate of 5% per annum payable annually on April 4 of each year from date hereof, commencing on the first such day following delivery hereof until all of such principal installments have been paid or such payment has been duly provided for.

So long as the Payee is the registered owner of this bond, payments of principal and interest shall be made by the City Treasurer directly to the Payee at the office of the Farmers Home Administration serving the Skagway, Alaska area. So long as an Alternate Payee is the registered owner hereof, said payments shall be made at the office of the City Treasurer, Skagway, Alaska or by mail to the address shown on the registration certificate.

Upon final payment of the principal and interest, this bond shall be submitted to the City for cancellation and surrender.

Both principal of and interest on this bond are payable solely out of the special fund of the City known as the "1978 Farmers Home Administration General Obligation Water and Sewer Bond Redemption Fund," (herein called the "Bond Fund") created by Ordinance No. 9 of the City (the "Bond Ordinance").

In addition to the installments of principal required to be paid by the City as hereinabove set forth, the City, at its option, shall have the right to prepay any or all unpaid installments on any principal payment date occurring in the year 1989 or thereafter, in the inverse numerical order of such installments, at the principal amount thereof plus accrued interest to the date of prepayment. So long as this bond is held by the Payee such installments may be prepaid on any principal payment date after the date of delivery.

Notice of any such optional prepayment shall be given at least thirty days prior to the prepayment date by mailing to the registered owner of this bond a notice fixing such prepayment date, and the amount of the principal to be prepaid; provided that so long as this bond is held by the Payee such advance notice shall not be required.

As provided in the Bond Ordinance this bond is exchangeable, at the sole expense of the owner, at any time upon ninety days' notice at the request of the registered owner hereof, and upon surrender of this bond to the City, for definitive bonds payable to bearer, of the denomination of \$1,000 each, bearing interest at the same rate as this bond, with the same rights of redemption as the respective principal installments of this bond in an aggregate principal amount equal to the unpaid principal amount of this bond.

NO. R-1

\$500,000

The bond is a general obligation of the City and has been duly issued pursuant to a vote of the qualified electors thereof for the purpose of providing part of the funds necessary to acquire and construct additions and improvements to the combined water and sewer system of the City.

The City has irrevocably covenanted by the Bond Ordinance that it will levy taxes annually upon all the taxable property within the City without limitation as to rate or amount in amounts which, together with all other funds of the City on hand and available, will be sufficient to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City are hereby irrevocably pledged for the prompt payment of such principal and interest. This bond is additionally secured by a lien on and pledge of the revenues of the water and sewer system of the City equal to the lien of the outstanding General Obligation Water and Sewer Bonds of the City dated July 24, 1974, and to the lien of any parity bonds hereafter issued, and superior to all other charges of any kind or nature except for normal expenses of maintenance and operation of the water and sewer system.

The bond may be assigned, and upon such assignment the assignor shall promptly notify the City Treasurer by registered mail.

It is hereby certified that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed, and that the total indebtedness of the City including this bond does not exceed any constitutional, statutory or charter limitation.

IN WITNESS WHEREOF, the City of Skagway, Alaska, has caused this bond to be signed on behalf of the City by its Mayor, to be attested by the City Clerk, and the seal of the City to be impressed hereon, as of the 4th day of April, 1979.

CITY OF SKAGWAY, ALASKA

By /s/ Mayor

ATTEST:

/s/
City Clerk

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION



ALASKA CLEAN WATER FUND AGREEMENT

ADEC LOAN NUMBER 785011
SKAGWAY SOLID WASTE TREATMENT SITE

THIS AGREEMENT is entered into as of September 29, 1997 by the Alaska Department of Environmental Conservation (the Department) and the City of Skagway (the City), acting pursuant to Resolution 97-21R approved by the City of Skagway.

SECTION I - DEFINITIONS

Section 1.1. Except where the context clearly indicates otherwise, terms used in this Agreement will have the meaning ascribed to them in this section.

- (a) "Approved Application" means the application submitted to the Department on August 1, 1997, together with all attachments and supporting documentation, as approved by the Department and the City.
- (b) "Contract interest rate" means 3.77 percent per annum.
- (c) "Contract period" means the time period commencing on the date this agreement is signed by the City and terminating on the date the City repays the loan in full.
- (d) "Default" means the City has failed to make a loan repayment within 90 days of the due date, as determined by the repayment schedule prepared by the Department immediately following initiation of operation of the facility.
- (e) "Eligible Project Costs" include the following costs disbursed from the Alaska Clean Water Fund, estimated to not exceed \$2,000,000; demolition, construction, and engineering for the Project Facility; machinery, furnishings, and equipment; surveys, plans, estimates, and specifications; necessary insurance; financial and environmental investigations; laboratory testing, resident engineering and inspection fees; force account; legal expenses; and any other necessary miscellaneous expenditures, minus the amount of any grant applicable to foregoing costs.
- (f) "Participation Payment" means the amount per year necessary to amortize the loan.

(g) "Project Facility" means the facility to be constructed pursuant to this Agreement as described generally in the Approved Application dated September 8, 1997 and described in detail in the project's facility plan. This project will construct a municipal solid waste management facility that will reduce the volume of material to be landfilled.

SECTION II - RIGHTS OF ACCESS

Section 2.1. The Department has the right at all reasonable times to enter the project site, for the purpose of inspecting the facility.

SECTION III - ACQUISITION OF PROJECT SITE, CONSTRUCTION OF PROJECT FACILITY, LOAN DISBURSEMENT, AND PAYMENT OF COSTS

Section 3.1. ~~With the exception of land easements, all real estate and personal property~~ constituting the Project Facility and the project must belong to the City.

Section 3.2. In connection with the construction of the project, the City agrees that:

- (a) The City will not begin construction of the Project Facility until the Department has reviewed and approved the plans and specifications for the project.
- (b) The construction contract will require the contractor to comply with the Davis-Bacon Act and will require appropriate provisions to be inserted in all subcontracts.
- (c) All construction contracts and contractors' estimate forms will be prepared so that materials and equipment may be readily itemized as to eligible and noneligible costs.
- (d) Any material change in a construction contract that will alter the contract specifications, time, price or will substantially modify the proposed treatment process must be submitted to the Department for approval if the City wishes to have the modifications considered loan eligible.
- (e) The construction of the Project Facility will conform to applicable federal, state, and local laws, ordinances, and regulations.
- (f) The City will use its best efforts to complete the Project Facility in accordance with the Approved Application, project schedule, surveys, plans, profiles, cross-sections, specifications, amendments, and any mitigative measures required by the Department.

Section 3.3. The City agrees to administer this loan in a non-discriminatory manner. No person shall be discriminated against based on race, religion, color, national origin, gender or disability.

Section 3.4. When applicable, the City will comply with Title I-Employment of the Americans with Disabilities Act of 1990 (P.L. 101-336) and in accordance with Title I of that Act, shall not discriminate against a qualified individual with a disability because of the disability of such individual in regard to job application procedures, the hiring, advancement, or discharge of employees, employee compensation, job training, and other terms, conditions, and privileges of employment.

Section 3.5 When applicable, the City will comply with Title II-Public Services of the Americans with Disabilities Act of 1990 (P.L. 101-336) and in accordance with Title II of the Act, no qualified individual with a disability shall, by reason of such disability, be excluded from participation in or be denied the benefits of the services, programs, or activities of a public entity, or be subjected to discrimination by any such entity.

Section. 3.6 When applicable, the City will comply with Title II, Part 35, Section 35.151 of the Act "New Construction and Alterations," (a) Design and construction: Each facility or part of a facility constructed by, on behalf of, or for the use of a public entity shall be designed and constructed in such manner that the facility or part of the facility is readily accessible to and usable by individuals with disabilities, if the construction was commenced after January 26, 1992. (b) Alteration: Each facility or part of a facility altered by, on behalf, of or for the use of a public entity in a manner that affects or could affect the usability of the facility or part of the facility shall, to the maximum extent feasible, be altered in such manner that the altered portion of the facility is readily accessible to and usable by individuals with disabilities, if the alteration was commenced after January 26, 1992. (c) Accessibility standards: Design, construction or alteration of facilities in conformance with the Uniform Federal Accessibility Standards (UFAS) (Appendix A to 41 CFR part 101-19.6) or with the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities (ADAAG) (Appendix A to 28 CFR Part 36) shall be deemed to comply with the requirements of this section with respect to those facilities, except that the elevator exemption contained at section 4.1.3(5) and section 4.1.5(1)(j) of ADAAG shall not apply.

Section 3.7 When applicable, the City will comply with Title III, Part 36, Section 46.401 of the Act "New Construction." Except as provided in paragraph (b) and (c) of the Act, discrimination for purposes of this part includes a failure to design and construct facilities for first occupancy after January 26, 1993, that are readily accessible to and usable by individuals with disabilities.

Section 3.8 When applicable, the City will comply with Title III, Part 36, Section 36.402 of the Act "Alterations" (a) General: Any alteration to a place of public accommodation or a commercial facility, after January 26, 1992, shall be made so as to ensure that, to the maximum extent feasible, the altered portions of the facility are readily accessible to and usable by individuals with disabilities, including individuals who use wheelchairs. (b) Alteration: An alteration is a change to a place of public accommodation or a commercial facility that affects or could affect the usability of the building or facility or any part thereof.

Section 3.9. The City will comply with the minority and women owned business requirements of the State Revolving Loan Fund program and will require, in its contracts, that contractors also meet these requirements.

Section 3.10. The City will require each construction contractor to furnish a performance and payment bond in an amount at least equal to 100 percent of the contract price.

Section 3.11. The City will require its contractors and subcontractors to maintain workers compensation, public liability, property damage, and vehicle liability insurance. Until the Project Facility is completed by the City, the City (or at the option of the City, the contractor) will maintain insurance for the loss of the facility for the benefit of the Department, the City, the prime contractor, and all subcontractors, as their interests in the Project Facility may appear.

Section 3.12. Subject to the terms and conditions of this Agreement, the eligible project costs less other funding sources will be disbursed by the Department upon submittal and departmental approval of invoices.

Section 3.13. If this project finishes under the estimated cost of construction, it will be funded only as necessary to complete the project.

Section 3.14. Upon completion of the Project Facility, the City shall provide a statement to the Department of the project final costs by category of expenditure, including but not limited to costs for: administration, design, construction engineering, construction and equipment.

SECTION IV - PARTICIPATION PAYMENTS BY THE CITY

Section 4.1. This loan is made to the City from the Alaska Clean Water Fund for the maximum amount of \$2,000,000.

Section 4.2. The City agrees to repay the principal amount and interest on all cash draws made to the City according to the repayment schedule, which will be prepared by the Department and confirmed by the City following initiation of operation of the facility. The repayment schedule for the actual amount of loan payments made to the City will provide that:

(a) the City will pay interest at the contract interest rate on each disbursement. Accrual of interest will begin one year after the date of the first disbursement to the City.

(b) the loan amount will be paid back within 20 years following initiation of operation of the facility. Repayment of the loan will be made with either equal annual principle payments plus interest or equal annual total payments including interest. Other repayment methods may be negotiated with the Department.

(c) the first loan repayment will be due one year following substantial completion and initiation of operation of the facility.

(d) if the assistance amount is repaid within one year after the first disbursement, the Department will charge interest rate equal to one percent of the amount of financial assistance.

Section 4.3. The City assures the Department that the City has not pledged revenues for the repayment of its loan that have been previously pledged or encumbered, unless specifically set forth in the City's approved application. The pledged revenues for repayment of the loan and each separate source of revenue are specifically identified and described in the City's submitted application.

Section 4.4. In the event that any of the revenues pledged by the City for the repayment of its loan are encumbered by a lien of any prior outstanding debt, the City will furnish the Department with legal assurance that the excess of such prior encumbered revenues are legally available for pledging to the Alaska Clean Water Fund.

Section 4.5. The City agrees that if pledged revenues are insufficient to meet any loan payment to the Department when due, the City will pay the deficiency in its loan payment from any legally available funds accruing to or in the possession of the City. Repayment of the loan which is the subject of this loan agreement shall not be a direct and general obligation of the City.

Section 4.6. If a payment is received by the Department more than 30 days after it is due, the City agrees to pay a late charge of five percent of the payment. Interest on the unpaid balance will continue to accrue at the contract interest rate and must be paid in addition to the late charge. Payments in arrears over 90 days, will be referred to the Attorney Generals Office for collection.

Section 4.7. The City agrees that it will separately account for all monies received from the Alaska Clean Water Fund and will maintain project accounts in accordance with generally accepted governmental accounting principles.

Section 4.8. If, prior to completion of the contract period, the Project Facility is damaged or destroyed, the City is liable to the Department for all amounts due under this Agreement.

Section 4.9. The provisions of AS 37.15.575 relating to state aid interception apply to the loan made under this agreement.

SECTION V - MAINTENANCE, OPERATION, INSURANCE and AUDIT

Section 5.1. The City agrees to prepare a manual for operation and maintenance of the facility which is approved by the Department prior to initiation of operation of the facility. The City may have the manual prepared by a contractor.

Section 5.2. The City must ensure that a Department approved solid waste use ordinance and a user charge system is adopted prior to initiation of operation of the facility.

Section 5.3. The City shall initiate operation of the Project Facility immediately upon completion of construction and may not discontinue operation of the Project Facility without Departmental approval. One year after the initiation of operation, the City must certify to the Department that the facility is performing up to design standards. The City must ensure that sufficient qualified operating personnel certified by the State of Alaska will be retained to operate the Project Facility. Nothing contained in this Agreement shall be construed as an obligation or pledge of the City to appropriate or expend general funds and general revenues of the City to operate or maintain the Project Facility.

Section 5.4. The City agrees to insure the Project Facility against loss or damage in an amount at least equal to the eligible project cost specified in Section 1.1(e) for the length of the loan.

Section 5.5. An insurance policy issued pursuant to Section 5.4 must be written or endorsed to make losses payable to the Department and the City as their interests may appear. The interests of the Department are limited to the unpaid principal balance of the loan and any interest accrued as of the date such loan may be paid in full as a result of any insurance payoff, following destruction or damage to the facility.

Section 5.6. In the event the City fails to maintain the full insurance coverage required by this Agreement, the Department may take out the required policies of insurance and pay the premiums. All amounts so advanced by the Department will become an additional obligation of the City to the Department.

Section 5.7. The City agrees to submit a financial report for the Project Facility for Departmental approval within one year after initiation of operation of the facility. A project audit, performed by the Department, will cover the entire multi-year project.

Section 5.8. Financial assistance received under this loan agreement is not subject to State Single Audit.

SECTION VI - MISCELLANEOUS PROVISIONS

Section 6.1. Any disbursement or repayment made under this Agreement by either party to the other, shall be delivered by registered or certified mail, postage prepaid, return receipt requested, or delivered personally, and,

(a) if addressed to the Department, will be sent or delivered personally to:

Alaska Department of Environmental Conservation
Division of Facility Construction and Operation
Alaska Clean Water Fund
410 Willoughby Avenue, Suite 102
Juneau, Alaska 99801

(b) if addressed to the City, will be sent to or delivered personally to:

City of Skagway
P.O. Box 415
Skagway, AK 99840

Section 6.2. Departmental approvals, required by this Agreement will not be unreasonably withheld.

Section 6.3. This Agreement is made subject to and conditional upon the availability of funds.

Section 6.4. This Agreement is effective as of the date set forth above and continues in full force and effect until the final day of the Contract Period.

Section 6.5. This Agreement is binding upon the parties specified below, and to any person, office, or board succeeding either of the parties. This Agreement may not be assigned by the City without written consent of the Department.

Section 6.6. The Department may cancel all or any part of this agreement if:

(a) Any representation made by the City to the Department in connection with its application for a loan from the Alaska Clean Water Fund is knowingly incorrect or incomplete in any material respect;

(b) The City has violated commitments made by it in its Approved Application and supporting documents, has not adhered to the regulations of the Alaska Clean Water Fund (18 AAC 76), has violated any of the terms of this Loan Agreement; or

(c) The financial position of the City has, in the opinion of the Department, suffered a materially adverse change.

Section 6.7. No portion of this loan amount may be used for lobbying or propaganda purposes as prohibited by 18 U.S.C. Section 1913 or Section 607(a) of Public Law 96-74.

ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION

By: *Keith Kelton*
Keith Kelton, Director
Division of Facility Construction & Operation

**ACKNOWLEDGEMENT
STATE OF ALASKA
First Judicial District**

The foregoing instrument was acknowledged before me this 29th day of
September, 1997

Heleen M. Osterum
Notary Public, State of Alaska
My commission expires: 9/15/2001

City of Skagway

By: *Siow Plummer*

**ACKNOWLEDGEMENT
STATE OF ALASKA
First Judicial District**

The foregoing instrument was acknowledged before me this 1st day of
October, 1997

Sheila Mason
Notary Public, State of Alaska

**SHELLA MASON
Notary for the State of Alaska
Commission Expires
January 5, 2000**

SKAGWAY
Solid Waste Treatment Site
Loan Disbursement History

Project	Date	Amount	Finance Charge Rate	Elapsed Time(days)	Finance Charge Owed 1/1/2012
785011	3/11/2011	\$905,301	0.015	296	\$11,012.43
TOTALS		\$905,301			\$11,012.43

Project	Principal Bal. 1/1/2012	Finance Charge 1/1/2012
785011	\$905,301	\$11,012.43

Annual Repayment Schedule

Beginning Balance **\$905,301**

Payment	Date of payment	Finance Charge	Principal Amt	Total Payt	Loan Bal
1	1/1/2012	\$11,012.43	\$107,354.24	\$118,366.66	\$797,947
2	1/1/2013	\$11,969.20	\$108,964.55	\$120,933.75	\$688,982
3	1/1/2014	\$10,334.73	\$110,599.02	\$120,933.75	\$578,383
4	1/1/2015	\$8,675.75	\$112,258.00	\$120,933.75	\$466,125
5	1/1/2016	\$6,991.88	\$113,941.87	\$120,933.75	\$352,183
6	1/1/2017	\$5,282.75	\$115,651.00	\$120,933.75	\$236,532
7	1/1/2018	\$3,547.98	\$117,385.77	\$120,933.75	\$119,147
8	1/1/2019	\$1,787.20	\$119,146.55	\$120,933.75	\$0
TOTAL REPAYMENT		\$59,601.92	\$905,301.00	\$964,902.92	

1120-5720- B0

UNITED STATES OF AMERICA

NO. R-1

\$4,990,000

STATE OF ALASKA
MUNICIPALITY OF SKAGWAY
GENERAL OBLIGATION BOND, 2008

FINAL MATURITY DATE: JUNE 1, 2028
INTEREST RATE: SEE BELOW
REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK
PRINCIPAL AMOUNT: FOUR MILLION NINE HUNDRED NINETY THOUSAND AND NO/100 DOLLARS

The Municipality of Skagway, Alaska, a municipal corporation organized and existing under and by virtue of the laws and Constitution of the State of Alaska (the "Municipality"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount indicated above in accordance with the installment payment schedule set forth below (unless prepaid prior thereto as provided herein), together with interest on such installments from the date hereof or the most recent date to which interest has been paid or duly provided for, at the interest rates set forth below, on December 1, 2008, and on each June 1 and December 1 thereafter.

Principal Installment Payment Year (June 1)	Principal Installment Amount	Interest Rate
2009	\$150,000	6.00%
2010	160,000	6.00
2011	170,000	6.00
2012	180,000	6.00
2013	190,000	5.00
2014	200,000	4.00
2015	205,000	4.00
2016	215,000	4.00
2017	225,000	4.10
2018	235,000	6.00
2019	245,000	4.40
2020	260,000	4.50
2021	270,000	4.60
2022	285,000	4.70
2023	295,000	4.75
2024	310,000	4.80
2025	325,000	4.85
2026	340,000	4.90
2027	355,000	5.00
2028	375,000	5.00

Both principal of and interest on this bond are payable in lawful money of the United States of America. Installments of principal of and interest on this bond are payable by check or draft of the Treasurer of the Municipality (the "Registrar") mailed (on the date such interest is due) to the Registered Owner hereof at the address appearing on the records maintained by the Registrar as of the fifteenth day of the month preceding the interest payment date. The final installment of principal of and interest on this bond shall be paid to the Registered Owner hereof upon presentation and surrender of this bond at the office of the Registrar. Notwithstanding the foregoing, so long as the Bond Bank is the Registered Owner of this bond, payments of principal of and interest on this bond shall be made to the Bond Bank in accordance with the Loan Agreement.

This bond is a general obligation bond of the Municipality, as authorized by the voters of the Municipality and issued pursuant to Ordinance No. 08-11 passed by the Assembly on April 3, 2008 (the "Bond Ordinance"), to finance the construction and equipping of a new facility to house a community health center in the Municipality. Capitalized terms used in this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Ordinance.

This bond is subject to prepayment as provided in the Bond Ordinance and Loan Agreement.

By the Bond Ordinance, the Municipality has irrevocably covenanted that, unless the principal of and interest on this bond are paid from other sources, it will include in its annual budget and levy property taxes annually, without limitation as to rate or amount, on all property subject to taxation, amounts sufficient, together with other legally available revenues, to pay such principal and interest as the same shall become due. The full faith, credit and resources of the Municipality are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The pledge of tax levies for payment of principal of and interest on this bond may be discharged prior to maturity of the bond by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

Upon surrender to the Registrar, this bond is interchangeable for a bond or bonds (in denominations of \$5,000 or any integral multiple thereof) of an equal aggregate principal amount and of the same interest rates and principal payment amounts as the Bond. Such exchange or transfer shall be without cost to the Registered Owner or transferee. The Municipality may deem the person in whose name this bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this bond and for any and all other purposes whatsoever.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Alaska and ordinances and resolutions of the Municipality, that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed, and that this bond does not exceed any Constitutional or statutory limitations.

IN WITNESS WHEREOF, the Municipality of Skagway, Alaska, has caused this bond to be signed on behalf of the Municipality with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Borough Clerk, and the seal of the Municipality to be imprinted or impressed hereon, as of this July 30, 2008.



MUNICIPALITY OF SKAGWAY, ALASKA

By Thomas D. Cochran
Thomas D. Cochran, Mayor

ATTEST:

Marjorie D. Harris
Marjorie D. Harris, Borough Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: July 30, 2008

This is the Municipality of Skagway, Alaska; General Obligation Bond, 2008, dated July 30, 2008, as described in the Bond Ordinance.

By Cindy O'Daniel
Cindy O'Daniel, Treasurer,
Municipality of Skagway, Alaska, as Registrar

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

[Empty rectangular box for Social Security or Taxpayer Identification Number]

(Please print or typewrite name and address, including zip code of Transferee) the within bond and does hereby irrevocably constitute and appoint _____ of _____, or its successor, as Registrar to transfer said bond on the books kept for registration thereof with full power of substitution in the premises.

DATED: _____, ____.

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

SIGNATURE GUARANTEED:

UNITED STATES OF AMERICA

R-1

\$460,000

STATE OF ALASKA

MUNICIPALITY OF SKAGWAY
GENERAL OBLIGATION BOND, 2011-A

MATURITY DATE: SEPTEMBER 1, 2031
INTEREST RATE: See Below
REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK
PRINCIPAL AMOUNT: FOUR HUNDRED SIXTY THOUSAND AND NO/100 DOLLARS

The Municipality of Skagway, Alaska, a municipal corporation organized and existing under and by virtue of the laws and Constitution of the State of Alaska (the "Municipality"), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount indicated above in accordance with the installment payment schedule set forth below (unless prepaid prior thereto as provided herein), together with interest on such installments from the date hereof or the most recent date to which interest has been paid or duly provided for, at the interest rates set forth below, on March 1, 2012, and on each March 1 and September 1 thereafter:

Principal Installment Payment Year (September 1)	Principal Installment Amount	Interest Rate
2012	\$ 15,000	3.00%
2013	15,000	4.00
2014	15,000	5.00
2015	15,000	4.00
2016	15,000	5.00
2017	20,000	5.00
2018	20,000	5.00
2019	20,000	4.00
2020	20,000	5.00
2021	20,000	5.00
2022	25,000	5.00
2023	25,000	5.00
2024	25,000	4.00
2025	25,000	4.00
2026	25,000	4.00
2027	30,000	5.00
2028	30,000	5.00
2029	30,000	5.00
2030	35,000	5.00
2031	35,000	5.00

Both principal of and interest on this bond are payable in lawful money of the United States of America. Installments of principal of and interest on this bond are payable by check or draft of the Treasurer of the Municipality (the "Registrar") mailed (on the date such interest is due) to the Registered Owner hereof at the address appearing on the records maintained by the Registrar as of the fifteenth day of the month preceding the interest payment date. The final installment of principal of and interest on this bond shall be paid to the Registered Owner hereof upon presentation and surrender of this bond at the office of the Registrar. Notwithstanding the foregoing, so long as the Bond Bank is the Registered Owner of this bond, payments of principal of and interest on this bond shall be made to the Bond Bank in accordance with the Loan Agreement.

This bond is a general obligation bond of the Municipality, as authorized by Ordinance No. 11-01 and the voters of the Municipality and issued pursuant to Resolution No. 11-14R passed by the Assembly on July 21, 2011 (together with Ordinance No. 11-01, the "Bond Legislation"), to finance capital improvements to the Municipality's library. Capitalized terms used in this bond and not otherwise defined herein shall have the meanings given such terms in the Bond Legislation.

This bond is subject to prepayment as provided in the Bond Legislation and Loan Agreement.

By the Bond Legislation, the Municipality has irrevocably covenanted that, unless the principal of and interest on this bond are paid from other sources, it will include in its annual budget and levy property taxes annually, without limitation as to rate or amount, on all property subject to taxation, amounts sufficient, together with other legally available revenues, to pay such principal and interest as the same shall become due. The full faith, credit and resources of the Municipality are irrevocably pledged for the annual levy and collection of such taxes and the prompt payment of such principal and interest.

The pledge of tax levies for payment of principal of and interest on this bond may be discharged prior to maturity of the bond by making provision for the payment thereof on the terms and conditions set forth in the Bond Legislation.

Upon surrender to the Registrar, this bond is interchangeable for a bond or bonds (in denominations of \$5,000 or any integral multiple thereof) of an equal aggregate principal amount and of the same interest rates and principal payment amounts as the Bond. Such exchange or transfer shall be without cost to the Registered Owner or transferee. The Municipality may deem the person in whose name this bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this bond and for any and all other purposes whatsoever.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Legislation until the Certificate of Authentication hereon shall have been manually signed by the Registrar.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Alaska and ordinances and resolutions of the Municipality, that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed, and that this bond does not exceed any Constitutional or statutory limitations.

IN WITNESS WHEREOF, the Municipality of Skagway, Alaska, has caused this bond to be signed on behalf of the Municipality with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the Borough Clerk, and the seal of the Municipality to be imprinted or impressed hereon, as of September 15, 2011.



MUNICIPALITY OF SKAGWAY, ALASKA

By Thomas D. Cochran
Thomas D. Cochran, Mayor

ATTEST:

Emily Deach
Emily Deach, Borough Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: September 15, 2011

This is the Municipality of Skagway, Alaska, General Obligation Bond, 2011-A, dated September 15, 2011, as described in the Bond Legislation.

By Randy Wiley
Randy Wiley, Treasurer, Municipality of
Skagway, Alaska, as Registrar

MUNICIPALITY OF SRAGWAY

Certified Property Tax Roll

Year	Land	Improvements	Total Assessed Value	Taxes Collected
2012	135,251,600	220,612,340	355,863,940	1,742,194
2011	111,304,702	201,990,620	313,295,322	1,945,408
2010	119,070,273	200,597,977	319,668,250	2,015,662
2009	146,184,331	212,000,484	358,184,815	1,891,822
2008	112,496,500	173,562,690	286,059,190	1,839,838

MUNICIPALITY OF SKAGWAY

DEPT GL FUND

**FY13 AMENDED
BUDGET**

**GENERAL FUND
REVENUE**

1000	4010	GE	ADMINISTRATIVE	7,567
1000	4030	GE	AMBULANCE	31,062
1000	4050	GE	NPS 911 DISPATCH	5,225
1000	4080	GE	FED FOREST RECEIPTS	445,394
1000	4090	GE	FINES	7,444
1000	4120	GE	LEASES, OTHER	87,175
1000	4150	GE	LIBRARY	4,942
1000	4160	GE	MISC	2,500
1000	4170	GE	MUSEUM - ADMISSIONS	55,991
1000	4200	GE	PARKS	11,280
1000	4210	GE	PENALTY & INTEREST	22,258
1000	4220	GE	LICENSES	18,991
1000	4230	GE	COMMERCIAL USER FEES	6,499
1000	4240	GE	POLICE	28,239
1000	4250	GE	PROPERTY TAXES	1,741,308
1000	4260	GE	REC CENTER REVENUE	105,000
1000	4270	GE	UPPER LAKE CABIN RENTAL - REC CENTER	1,500
1000	4280	GE	RIFLE RANGE USER FEES	976
1000	4290	GE	REVENUE SHARE	610,190
1000	4300	GE	STATE COURT SYSTEM RENT	5,285
1000	4320	GE	STATE - PILT	8,180
1000	4325	GE	FEDERAL REVENUE - PILT	64,932
1000	4350	GE	TOUR VENDOR REVENUE	10,579
1000	4360	GE	TRANSFER FROM SALES TAX	896,046
1000	4390	GE	Trsf - STATE-CRUISE SHIP HEAD TAX	1,538,712
1000	4540	GE	INVESTMENT INTEREST	40,000
TOTAL GENERAL FUND REVENUES				5,757,275
TOTAL GENERAL FUND EXPENSES				(5,757,275)

EXCESS/(DEFICIT)

-

ADMINISTRATION

CONTRACTUAL

1000	5020	GE	ADVERTISING - ANNOUNCEMENTS & ADMIN	5,000
1000	5130	GE	ADMINISTRATION	49,000
1000	5030	GE	AUDITOR	60,000
1000	5040	GE	COMPUTER TECH SUPPORT	57,500
1000	5050	GE	ENGINEERING	15,000
1000	5160	GE	REPAIRS MAINTENANCE	36,000
1000	5230	GE	ORDINANCES RECODIFICATION	4,000
1000	5060	GE	GOVERNMENT RELATIONS	48,500
1000	5070	GE	INVESTMENT ADVISOR	2,500
1000	5080	GE	LEGAL	50,000
1000	5180	GE	TRAVEL	30,000
1000	5090	GE	ASSESSOR	19,000
1000	5150	GE	EQUIPMENT	700
1000	5140	GE	EMPLOYEE PR EXPENSE	101,313
1000	5145	GE	HEALTH COST	110,021
1000	5170	GE	SALARIES	326,528

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
1000	5110	GE	ELECTIONS	5,400
1000	5190	GE	UTILITIES	47,380
1000	5105	GE	STATE REVENUE SHARE LOCAL NATIVE SHARE	28,000
1000	5200	GE	JANITORIAL	10,203
1000	5910	GE	SCHOOL FUNDING	445,394
1000	5120	GE	GENERAL LIABILITY INSURANCE	150,000
SUB-TOTAL				1,601,439
TRANSFER TO CAPITAL PROJECTS				-
TOTAL EXPENSES ADMINISTRATION				1,601,439
BOROUGH MANAGER				
1020	5140	GE	EMPLOYEE PAYROLL EXP	27,476
1020	5145	GE	HEALTH INSURANCE	18,437
1020	5170	GE	SALARIES	94,944
1020	5130	GE	ADMINISTRATION	-
1020	5180	GE	TRAVEL	8,000
1020	5190	GE	UTILITIES	2,000
TOTAL EXPENSES CITY MANAGER				150,857
ASSEMBLY				
1040	5130	GE	ADMIN	5,000
1040	5360	GE	SDC	92,000
1040	5350	GE	SCHOLARSHIP	700
1040	5290	GE	ARTS COUNCIL	10,000
1040	5370	GE	SENIOR SERVICES - UNITED WAY - CATHOLIC SERVICES	12,500
1040	5370	GE	MEDICAID SERVICES (RIDES)	5,000
1040	5330	GE	LITTLE LEAGUE	1,500
1040	5338	GE	PRE-SCHOOL PROGRAM	1,500
1040	5340	GE	MENTAL HEALTH	97,000
1040	5320	GE	CHAMBER OF COMMERCE fire works	13,000
1040	5320	GE	CHAMBER OF COMMERCE	22,500
1040	5380	GE	SUMMER YOUTH CAMP	4,000
1040	5335	GE	KHNS RADIO	10,000
1040	5280	GE	SUSTAINABLE SKAGWAY	-
1040	5860	GE	LITTLE CHERUBS	5,000
1040	5880	GE	LITTLE DIPPERS	5,000
1040	5337	GE	PAWS & CLAWS	6,000
1040	5385	GE	FOOD STORAGE	5,000
1040	5140	GE	EMPLOYEE BENEFITS EXPENSE	2,297
1040	5170	GE	SALARIES	19,071
1040	5180	GE	TRAVEL	30,000
1040	5895	GE	WESTMARK PARKING LEASE	25,000
1040	5310	GE	GARDEN FUND	5,000
1040	5270	GE	DISCRETIONARY FUND	20,000
1040	5387	GE	TREE REPLANTING	10,000
1040	5190	GE	UTILITIES	2,000
1040	5285	GE	FERRY SYSTEM STUDY	10,000
1040	5265	GE	COASTAL ZONE MANAGEMENT INITIATIVE FUNDING	2,000
TOTAL EXPENSES ASSEMBLY				421,068
FIRE DEPT.				
1050	5130	GE	ADMIN	42,700
1050	5540	GE	COMM & ALARM	5,000

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
1050	5140	GE	EMP PAYROLL EXPENSE	62,469
1050	5145	GE	HEALTH INSURANCE	56,897
1050	5170	GE	SALARIES	239,959
1050	5550	GE	SAR	10,972
1050	5560	GE	EMS EQUIP/SUPPLY	11,500
1050	5150	GE	EQUIPMENT	17,136
1050	5160	GE	REPAIRS/MAINT	23,950
1050	5565	GE	FIRE DEPT - OSHA	30,000
1050	5160	GE	ROOF & TOWER LEAK REPAIR	1,200
1050	5190	GE	UTILITIES	28,629
1050	5180	GE	TRAVEL/TRAINING	67,500
1050	5200	GE	JANITORIAL	10,950
TOTAL EXPENSES FIRE				608,862
POLICE DEPT				
1090	5130	GE	ADMIN	23,000
1090	5140	GE	EMP PAYROLL EXPENSE	174,422
1090	5145	GE	HEALTH INSURANCE	185,086
1090	5170	GE	SALARIES	445,205
1090	5640	GE	911 DISPATCHER SALARY/BEN	188,918
1090	5630	GE	UNIFORM	3,600
1090	5620	GE	PRISONER	1,500
1090	5590	GE	CANINE CONTROL	1,500
1090	5160	GE	REPAIRS/MAINT	21,250
1090	5180	GE	TRAVEL/TRAINING	17,770
1090	5190	GE	UTILITIES	25,000
1090	5200	GE	JANITORIAL	2,000
1090	5150	GE	EQUIPMENT	-
TOTAL EXPENSES POLICE				1,089,251
RECREATIONAL CENTER				
1030	5130	GE	ADMIN	5,000
1030	5010	GE	CONTRACTUAL	6,000
1030	5140	GE	EMP PAYROLL EXPENSE	54,708
1030	5145	GE	HEALTH INSURANCE	39,085
1030	5170	GE	SALARIES	210,908
1030	5160	GE	REPAIRS/MAINT	16,508
1030	5162	GE	SUPPLIES	8,000
1030	5180	GE	TRAVEL/TRAINING	7,000
1030	5190	GE	UTILITIES	55,240
1030	5200	GE	JANITORIAL	-
TOTAL EXPENSES RECREATIONAL CENTER				402,449
PUBLIC WORKS				
1100	5140	GE	EMPLOYEE PR EXPENSE	30,528
1100	5145	GE	HEALTH INSURANCE	29,894
1100	5170	GE	SALARIES	205,439
1100	5160	GE	REPAIRS/MAINTENANCE	50,000
1100	5150	GE	P.W. EQUIPMENT	2,400
1100	5855	GE	STREET MAINTENANCE	200,000
1100	5165	GE	SAFETY	40,000
1100	5190	GE	UTILITIES	55,000
1100	5180	GE	TRAVEL/TRAINING	4,000

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
1100	5130	GE	ADMINISTRATION	-
SUB-TOTAL				617,260
PUBLIC WORKS PARKS & REC				
1103	5140	GE	EMPLOYEE PR EXPENSE	35,117
1103	5145	GE	HEALTH INSURANCE	29,894
1103	5170	GE	SALARIES	130,061
1103	5160	GE	REPAIRS/MAINTENANCE	45,000
1103	5190	GE	UTILITIES	10,488
1103	5856	GE	TRAIL MAINTENANCE	5,000
1103	5660	GE	CEMETARY MAINTENANCE	2,500
1103	6090	GE	DYEA MAINTENANCE	7,000
<i>Sub-Total Public Works Parks & Rec</i>				265,060
TOTAL PUBLIC WORKS				882,320
MUSEUM				
1080	5010	GE	CONTRACTUAL	1,500
1080	5130	GE	ADMIN	5,600
1080	5140	GE	EMP PAYROLL EXPENSE	20,554
1080	5145	GE	HEALTH INSURANCE	9,451
1080	5170	GE	SALARIES	108,302
1080	5150	GE	EQUIPMENT	500
1080	5160	GE	REPAIRS/MAINT	6,000
1080	5180	GE	TRAVEL/TRAINING	1,500
1080	5190	GE	UTILITIES	17,000
1080	5200	GE	JANITORIAL	6,000
1080	5580	GE	EDUCATION EXPNESE	25,000
TOTAL EXPENSES MUSEUM				201,407
LIBRARY				
1070	5130	GE	ADMIN	3,850
1070	5140	GE	EMP PAYROLL EXPENSE	25,802
1070	5145	GE	HEALTH INSURANCE	17,796
1070	5170	GE	SALARIES	114,403
1070	5150	GE	EQUIPMENT	495
1070	5160	GE	REPAIRS/MAINT/MATERIALS	8,525
1070	5180	GE	TRAVEL/TRAINING	1,200
1070	5190	GE	UTILITIES	9,825
1070	5200	GE	JANITORIAL	5,500
1070	5570	GE	BOOKS	3,200
TOTAL EXPENSES LIBRARY				190,596
EQUIPMENT				
ADMINISTRATION				
4006	5150	GE	Computer Server Replacement-security gate	1,000
TOTAL ADMINISTRATION				1,000
FIRE DEPT				
4032	5150	GE	Hand held radios (2)	5,000
4056	5150	GE	110 Radio Interface	2,000
TOTAL FIRE DEPARTMENT				7,000
PUBLIC WORKS				
4057	5150	GE	A.R.C.S EQUIPMENT	5,000
4058	5160	GE	McCABE ELECTRICAL STREET LIGHTS/ELECTRICAL	15,000

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
4062	5150	GE	PICKUP TRUCK	35,400
4059	5150	GE	CRUISE LINE SAFETY/SECURITY	80,000
4060	5150	GE	DUMP TRUCK BODY	20,000
TOTAL PUBLIC WORKS				155,400
RECREATION CENTER				
4005	5160	GE	Container upgrade	-
4404	5150	GE	TREADMILLS (4), ELLIPTICAL (2), RECUMBANT (2), AB BENCH (1)	40,000
4061	5150	GE	SOUND SYSTEM	5,625
TOTAL RECREATION CENTER				45,625
TOTAL EXPENSES EQUIPMENT				209,025
GENERAL FUND TOTAL EXPENSES				5,757,275
SOLID WASTE				
REVENUE:				
1110	4520	GB	DUMPSTER LEASES	33,511
1110	4530	GB	RECYCLING REVENUE	6,934
1110	4515	GB	GARBAGE SERVICE	400,000
SUB-TOTAL				440,445
1110	4360	GB	TRANSFER FROM SALES TAX	50,000
1110	4390	GB	TRANSFER FROM EXCISE TAX	293,493
TOTAL REVENUE SOLID WASTE				783,938
EXPENSES:				
1110	5130	GB	ADMIN	9,000
1110	5730	GB	CAPITAL OUTLAY	14,000
1110	5010	GB	CONTRACTUAL	45,000
1110	5140	GB	EMPLOYEE PR EXPENSE	75,149
1110	5145	GB	EMPLOYEE HEALTH INSURANCE	86,478
1110	5170	GB	SOLID WASTE SALARIES	157,586
1110	5150	GB	EQUIPMENT	10,000
1110	5740	GB	HAZARDOUS WASTE	20,000
1110	5750	GB	INCINERATOR -R&M	20,000
1110	5120	GB	INSURANCE -LIABILITY	12,425
1110	5780	GB	RECYCLE EXPENSE	110,000
1110	5160	GB	REPAIRS/MAINTENANCE	19,000
1110	5180	GB	TRAVEL TRAINING	4,000
1110	5190	GB	UTILITIES-INCINERATOR	201,300
SUB-TOTAL				783,938
1110	5760	GB	LANDFILL CLOSURE	-
TOTAL				783,938
				EXCESS/(DEFICIT)
				-
WATER/SEWER FUND				
REVENUE:				
1180	4750	WS	WATER/SEWER CONNECTIONS	26,700
1180	4450	WS	WATER/SEWER SERVICES	370,000
SUBTOTAL				396,700
1180	4390	WS	TRANSFER FROM EXCISE TAX	268,992
TOTAL REVENUE WATER/SEWER FUND				665,692
EXPENSES:				
1180	5130	WS	ADMIN	19,000
1180	5730	WS	CAPITAL OUTLAY	34,866
1180	6050	WS	PLANT UPGRADES	-

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
1180	5010	WS	CONTRACTUAL	33,106
1180	5050	WS	ENGINEERING	-
1180	5140	WS	EMPLOYEE PR EXPENSE	34,637
1180	5145	WS	HEALTH INSURANCE	35,592
1180	5170	WS	SALARIES	160,693
1180	5150	WS	EQUIPMENT	20,000
1180	5120	WS	INSURANCE	21,000
1180	5160	WS	REPAIRS/MAINTENANCE	101,102
1180	5180	WS	TRAVEL TRAINING	4,500
1180	5190	WS	UTILITIES	180,951
1180	5770	WS	PILT	4,160
1180	5150	WS	EQUIPMENT RESERVE	16,085
TOTAL EXPENSES WATER/SEWER FUND				665,692
				EXCESS/(DEFICIT)
				-
SMALL BOAT HARBOR				
REVENUE:				
1195	4870	HB	KAYAK RACK	250
1195	4510	HB	INTEREST	6,000
1195	4650	HB	TRANSIENT MOORAGE	37,000
1195	4570	HB	BOAT WASH	1,000
1195	4580	HB	CRANE	250
1195	4560	HB	ANNUAL MOORAGE	42,912
1195	4600	HB	HAUL OUT	10,000
1195	4610	HB	LAUNCH RAMP FEES	2,500
1195	4590	HB	SECURITY TARIFF	500
1195	4630	HB	SHOWERS	1,000
1195	4640	HB	STORAGE	60,000
1195	4820	HB	WHARF FEES	1,000
1195	4660	HB	USER FEES	70,323
1195	4810	HB	WAIT LIST	1,000
1195	4620	HB	LEASE/RENTAL	3,835
SUBTOTAL				237,570
1195	4380	HB	TRANSFER FROM SALES TAX	-
TOTAL REVENUE SMALL BOAT HARBOR				237,570
EXPENSES:				
1195	5120	HB	INSURANCE	17,700
1195	5130	HB	ADMIN	6,830
1195	5140	HB	EMPLOYEE PR EXPENSE	23,587
1195	5145	HB	HEALTH INSURANCE	9,451
1195	5170	HB	SALARIES	118,000
1195	5150	HB	EQUIPMENT	5,000
1195	5160	HB	REPAIRS/MAINTENANCE	19,000
1195	5180	HB	TRAVEL TRAINING	3,000
1195	5190	HB	UTILITIES	26,276
1195	5770	HB	PILT	1,996
1195	5850	HB	WEATHER RADIO	4,500
1195	5990	HB	TRANSFER TO S.B.H. CAPITAL PROJECT REVENUE	2,230
TOTAL EXPENSES SMALL BOAT HARBOR				237,570
				EXCESS/(DEFICIT)
				-

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
PORT				
<i>REVENUE:</i>				
1185	4130	PO	REVENUE	127,200
TOTAL REVENUE PORT				127,200
<i>EXPENSES:</i>				
1185	5180	PO	TRAVEL/TRAINING	17,500
1185	5140	PO	EMPLOYEE PR EXPENSE	-
1185	5170	PO	SALARIES	-
1185	6000	PO	MARKETING	20,000
1185	5130	PO	ADMINISTRATION	27,500
1185	5000	PO	LEGAL	25,000
1185	5050	PO	ENGINEERING	10,000
<i>Sub-total</i>				100,000
1185	6040	PO	OTHER- PROJECTS	27,200
TOTAL EXPENSES PORT				127,200
EXCESS/(DEFICIT)				
TOURISM				
<i>REVENUE:</i>				
1170	4710	TO	HOTEL TAXES	140,000
1170	4720	TO	AB HALL RENTAL	1,750
1170	4730	TO	NPS WALKING TOUR CONT.	1,000
SUB-TOTAL				142,750
1170	4380	TO	TRANSFER FROM SALES TAX	329,274
TOTAL REVENUE TOURISM				472,024
<i>EXPENSES:</i>				
1170	5015	TO	AMBASSADOR PROGRAM	12,000
1170	5120	TO	GENERAL LIABILITY INSURANCE	7,370
1170	5140	TO	EMPLOYEE PR EXPENSE	41,145
1170	5145	TO	HEALTH INSURANCE	39,345
1170	5170	TO	SALARIES	164,084
1170	5160	TO	REPAIRS/MAINTENANCE	5,200
1170	5190	TO	UTILITIES	16,000
1170	6000	TO	MARKETING	121,680
1170	6010	TO	OFFICE SUPPLIES	7,000
1170	6020	TO	DUES	6,000
1170	6030	TO	ENTERTAINMENT	3,000
1170	6040	TO	WRITERS CONFERENCE	25,000
1170	5180	TO	TRAVEL	24,200
TOTAL EXPENSES TOURISM				472,024
EXCESS/(DEFICIT)				-
BOND DEBT SERVICE				
<i>REVENUE:</i>				
1120	4380	BO	TRSR from SALES TAX fund	
			-Water/Sewer	45,200
			-Incinerator	120,934
			-Library	15,000
			-Clinic	387,368
			-DEC Loan WWTP	8,317
			Harbor	70,000
TOTAL REVENUE BOND				646,819

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
EXPENSES:				
1120	5720	BO	-Water/Sewer	45,200
1120	5720	BO	-Incinerator	120,934
1120	5720	BO	-Library	15,000
1120	5720	BO	-Clinic	387,368
1120	6070	BO	-DEC Loan WWTP	8,317
1120	5720	BO	Harbor	70,000
TOTAL EXPENSES BOND				646,819
				EXCESS/(DEFICIT)
J. FREY LAND				-
REVENUE:				
1130	4110	LA	PRINCIPAL PYMTS	51,117
1130	4510	LA	INTEREST PYMTS	22,000
1130	4540	LA	INVESTMENT INTEREST	140,000
1130	4380	LA	TRSF from SALES TAX	65,685
TOTAL REVENUE J. FREY LAND				278,802
EXPENSES:				
1130	5800	LA	MUNICIPALITY LAND & TITLE SURVEY - carry forward	189,802
1130	5790	LA	LAND USE PLANNING TRANSFER	30,000
1130	5012	LA	WEST CREEK PLANNING	59,000
TOTAL EXPENSES J. FREY LAND				278,802
				EXCESS/(DEFICIT)
HEALTH CENTER				-
REVENUE:				
1060	4521	HC	CLINIC REVENUE	658,388
1060	4460	HC	330 GRANT REVENUE	477,557
SUB-TOTAL				1,135,945
1060	4380	HC	TRANSFER FROM SALES TAX	687,334
TOTAL CLINIC REVENUE				1,823,279
CLINIC EXPENSE				
1060	5130	HC	ADMIN	151,029
1060	5133	HC	BILLING	135,649
1060	5140	HC	EMPLOYEE PR EXPENSE	250,237
1060	5145	HC	HEALTH INSURANCE	173,894
1060	5170	HC	SALARIES	670,039
1060	5150	HC	EQUIPMENT	46,330
1060	5180	HC	REPAIRS/MAINT	30,641
1080	5180	HC	TRAVEL TRAINING	42,900
1060	5190	HC	UTILITIES	53,052
1060	5670	HC	BARTLETT PACS STORAGE	6,948
1060	5690	HC	MEDICAL SUPPLIES	97,240
1060	5695	HC	MEDICAL ADVISOR	6,600
1060	5700	HC	PHARMACEUTICAL SUPPLIES	58,000
1060	5670	HC	OCCUPATIONAL THERAPY	15,900
1060	5871	HC	DENTAL	5,000
1060	5872	HC	PHYSICAL THERAPY	13,560
1060	5873	HC	CONSULTANTS	16,000
1080	5200	HC	JANITORIAL SERVICES	44,500
1060	5874	HC	ULTRASOUND	5,760
TOTAL CLINIC EXPENSES				1,823,279

MUNICIPALITY OF SKAGWAY

DEPT GL FUND

**FY13 AMENDED
BUDGET**

EXCESS/(DEFICIT)

-

SALES TAX:

REVENUE:

1160	4700	ST	TAXES	6,000,000
1160	4420	ST	TRANSFER FROM SALES TAX PRIOR YEAR	734,314
1160	4210	ST	PENALTY/INT	20,000
1160	4540	ST	INVESTMENT INTEREST	60,000
1160	4080	ST	TIMBER RECEIPTS (school funding)	25,000
1160	4400	ST	DEFERRED REVENUE- FOREST RECEIPTS PY's	0
TOTAL REVENUE SALES TAX				6,839,314

EXPENSES CONTRACTUAL

OPERATIONAL TRANSFERS:

1160	7050	ST	TRANSFER TO HEALTH CENTER	687,334
1160	5910	ST	SCHOOL - STATE FORMULA FUNDING	1,131,136
1160	5910	ST	SCHOOL - OUTSIDE STATE FORMULA	376,377
1160	5880	ST	SENIOR - TEEN CENTER	16,000
1160	7060	ST	TRANSFER TO GENERAL FUND	896,046
1160	5920	ST	TRANSFER TO BOND (sewer/water)	45,200
1160	5930	ST	TRANSFER TO BOND (Incinerator)	120,934
1160	5925	ST	TRANSFER TO BOND (Library)	15,000
1160	5950	ST	TRANSFER TO BOND (Clinic)	387,368
1160	6070	ST	TRANSFER TO BOND (DEC WWTP)	8,317
1160	5955	ST	TRANSFER TO BOND (SMALL BOAT HARBOR)	70,000
1180	7020	ST	TRANSFER TO J. FREY LAND	65,685
1160	7010	ST	TRANSFER TO SOLID WASTE	50,000
1160	7040	ST	TRANSFER TO TOURISM	329,274
1160	5990	ST	TRANSFER TO CAPITAL PROJECTS REVENUE:	1,360,244
TRANSFER TO CAPITAL PROJECTS REVENUE:				-
1160	5990	ST	McCABE BUILDING UPKEEP AND ENTRANCE	100,000
1160	5990	ST	PLANNING & CLEARANCE TRAIN DISPLAY	15,000
1160	5990	ST	AB HALL FURNACE & FUEL TANK	14,000
1160	5990	ST	DYEA WATER BUILDING	-
1160	5990	ST	SMALL BOAT HARBOR - ENGINEERING NEXT PHASE	801,399
1160	5990	ST	ARTS PAVILLION	350,000
TOTAL EXPENSES SALES TAX				6,839,314

EXCESS/(DEFICIT)

-

STATE EXCISE TAX FUND (head tax)

REVENUE:

1165	4800	ET	STATE EXCISE TAX REVENUE	3,950,000
TOTAL REVENUE EXCISE TAX				3,950,000

EXPENSE:

TRANSFERS TO DEPARTMENT OPERATIONS:

1165	7080	ET	TRANSFER TO GENERAL OPERATIONS	1,538,712
1165	5990	ET	TRANSFER TO CAPITAL PROJECTS	1,832,779
1165	7010	ET	TRANSFER TO GARBAGE FUND	293,493
1165	7000	ET	TRANSFER TO WATER SEWER	268,992
TOTAL EXPENSE EXCISE TAX				3,933,976

EXCESS/(DEFICIT)

16,024

MUNICIPALITY OF SKAGWAY

DEPT	GL	FUND		FY13 AMENDED BUDGET
CAPITAL PROJECTS FUND				
GRANT REVENUE:				
8157	4770	CP	S.B.H. STATE OF ALASKA - GRANT AWARDED	4,000,000
8035	4770	CP	S.B.H. DEPT OF TRANSPORTATION - PENDING	5,000,000
8702	4790	CP	S.B.H. GENERAL OBLIGATION BOND	1,000,000
8702	4425	CP	TRANSFER FROM SMALL BOAT HARBOR	2,230
8183	4780	CP	S.B.H. DENALI GRANT	650,000
SMALL BOAT HARBOR - GRANTS & AWARDS				10,652,230
8034	4430	CP	LIBRARY GENERAL OBLIGATION BOND	500,000
8160	4770	CP	LIBRARY STATE MATCH	667,000
8165	4780	CP	LIBRARY RASMUSSEN GRANT	100,000
LIBRARY - GRANTS & AWARDS				1,267,000
8137	4770	CP	RECYCLING AND SOLID WASTE STATE OF ALASKA GRANT	100,000
8162	4770	CP	GATEWAY STATE OF ALASKA GRANT	150,000
TOTAL GRANT FUNDING subtotal				12,169,230
TRANSFERS:				
4358	CP		TRANSFERS FROM J. FREY LAND FUND for PLANNING	30,000
TRANSFERS FROM OTHER FUNDS				30,000
4390	CP		TRANSFER OF EXCISE TAX (detail below):	
			S.B.H. ENGINEERING NEXT PHASE	130,779
			MUSEUM	112,000
			RECREATIONAL CENTER EXTERIOR & WINDOWS UPGRADE	238,000
			FIRE	535,000
			PUBLIC WORKS	787,000
			SMALL BOAT HARBOR STORAGE BUILDING ENGINEERING	30,000
TRANSFER FROM EXCISE TAX				1,832,779
4380	CP		TRANSFER FROM SALES TAX FUND:	
			McCABE BUILDING UPKEEP	100,000
			S.B.H. NEXT PHASE	801,399
8044			INCINERATOR REPAIRS	220,000
8701			WASTE WATER TREATMENT PLANT	655,000
8009			REC CENTER SIDING	48,000
8027			MOLLY WALSH & SCHOOL PLAYGROUND IMPROVEMENTS	16,900
			AB HALL FURNACE - FUEL TANK	14,000
			PLANNING & CLEARANCE TRAIN DISPLAY	15,000
			ADMINISTRATION	415,344
			HDC COLOR PALETTE	5,000
			ART PAVILLION	350,000
TOTAL OTHER FUNDING subtotal				2,640,643
TOTAL REVENUE Funding				16,672,652
CAPITAL PROJECT EXPENSES				
ARTS COUNCIL				
8008	CP		OUTDOOR PAVILION	350,000
TOTAL ARTS COUNCIL				350,000
FIRE DEPARTMENT				
8037	CP		DYEA WATER BUILDING - DYEA ROAD	15,000
8098	CP		SPRINKLER GRANT PROGRAM	150,000
8088	CP		PUBLIC SAFETY FACILITY ENGINEERING	370,000
TOTAL FIRE DEPARTMENT				535,000

MUNICIPALITY OF SKAGWAY

DEPT GL FUND

**FY13 AMENDED
BUDGET**

			FY13 AMENDED BUDGET
RECREATIONAL CENTER			
8009	CP	FLOORS FOR LOCKER ROOMS	11,000
8009	CP	LIGHTING UPGRADE - MAIN GYM, FITNESS ROOM, MPR, ROCK WALL	32,000
8009	CP	LANDSCAPING PROJECT ENGINEERED - PLANS FOR OUTDOOR FIELD	45,000
8009	CP	RESKIN BUILDING W/INSULATED PANELS, NEW WINDOWS & DOORS	198,000
TOTAL RECREATIONAL CENTER			286,000
LAND			
8012	CP	WEST CREEK LAND USE PLANNING	30,000
TOTAL LAND			30,000
PUBLIC WORKS			
8014	CP	AB HALL FURNACE - FUEL TANK	14,000
8015	CP	AGGREGATE AND LABOR FOR CASTING LAWN CRYPTS	20,000
8011	CP	BEARPROOF GARBAGE LIDS	10,000
8015	CP	CEMETARY IMPROVEMENTS	7,000
8098	CP	COMMISARY SPRINKLER - RAPUZZI HOUSE	55,000
8023	CP	DYEA FLATS	30,000
8024	CP	ENGINEERING 7 PASTURES DIKE	70,000
8131	CP	FINISH UPPER LAKE TRAIL IMPROVEMENTS PHASE 2	25,000
8026	CP	IT 28 LOADER	200,000
8027	CP	MOLLY WALSH & SCHOOL PLAYGROUND IMPROVEMENTS	216,900
8028	CP	NEW WATER WELL EXPLORATION DRILLING	130,000
8029	CP	PLANNING & CLEARANCE TRAIN DISPLAY	15,000
8031	CP	STREET LIGHT CONVERSION TO LED	5,000
8110	CP	TRAIL MAINTENANCE	15,000
8140	CP	YAKUTANIA POINT IMPROVEMENTS/SMUGGLERS	5,000
8044	CP	INCINERATOR REPAIRS	220,000
8032	CP	BICYCLE RACKS	15,000
TOTAL PUBLIC WORKS			1,052,900
SEWER & WATER			
8033	CP	REDWOOD WATER TANK DELIVERY & ENGINEERING	100,000
8701	CP	WASTE WATER TREATMENT PLANT	655,000
TOTAL SEWER & WATER			755,000
MUSEUM			
8091	CP	RAPUZZI COLLECTION - matching funds per grant agreement	87,000
8080	CP	MUSEUM - maintenance of collection & electrical upgrade of gallery archives	25,000
TOTAL MUSEUM			112,000
LIBRARY			
8034	CP	LIBRARY ADDITION	1,547,344
TOTAL LIBRARY			1,547,344
SMALL BOAT HARBOR			
8113	CP	FERRY TERMINAL DREDGING & PERMIT EST.	164,408
8035	CP	SMALL BOAT HARBOR UPGRADE	10,850,000
8036	CP	STORAGE BUILDING	200,000
8050	CP	HARBOR ENGINEERING NEXT PHASE	400,000
TOTAL SMALL BOAT HARBOR			11,614,408
PORT			
8162	CP	GATEWAY PORT PROJECT	150,000
TOTAL LIBRARY			150,000

MUNICIPALITY OF SKAGWAY

DEPT GL FUND

ADMINISTRATION

8075	CP	McCABE BUILDING UPKEEP
8049	CP	TAIYA WATER COUNCIL US FISH GRANT MATCH
8137	CP	RECYCLING AND SOLID WASTE PLAN
8052	CP	HDC FONTS & COLOR PALETTE

TOTAL ADMINISTRATION
TOTAL CAPITAL PROJECT EXPENSES

FY13 AMENDED BUDGET	
	100,000
	30,000
	100,000
	10,000
	240,000
	16,672,652

EXCESS/(DEFICIT)

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Proposed by:	Administration
Vote:	5 Aye 0 Nay 1 Absent

**MUNICIPALITY OF SKAGWAY, ALASKA
RESOLUTION NO. 12-16R**

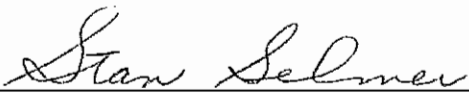
A RESOLUTION OF THE MUNICIPALITY OF SKAGWAY, ALASKA SETTING THE PRIORITY LIST FOR CAPITAL IMPROVEMENT PROJECTS.

WHEREAS, the Municipality of Skagway would like to maintain its capital improvement projects priority list;

NOW THEREFORE BE IT RESOLVED, that the Municipality of Skagway establishes the following projects as the Capital Improvement Projects Priority List:


1. Renovation of Small Boat Harbor
2. Port Gateway Project
3. Public Safety Building
4. Liarsville Bike Path
5. Main Street Sidewalk Replacement
6. Main Street Repaving
7. Boat Harbor Storage and Repair

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly of the Municipality of Skagway this 20th day of September, 2012.



Stan Selmer, Mayor

ATTEST:



Emily A. Deach, Borough Clerk

(SEAL)



HOFFMAN & BLASCO, LLC

JUNEAU

9360 GLACIER HIGHWAY
SUITE 202
JUNEAU, ALASKA 99801
PHONE: (907) 586-3340
FACSIMILE: (907) 586-6818

ANCHORAGE & CRAIG

PO BOX 809
CRAIG, ALASKA 99921
PHONE: (907) 826-2453

ATTORNEYS AT LAW

ATTORNEYS

PAUL M. HOFFMAN
ROBERT P. BLASCO
BARBARA J. RITCHIE*

PROFESSIONAL STAFF

DOLORES A. OWEN**
ALISON R. FOREMAN+

* OF COUNSEL
** BUSINESS MANAGER
+LEGAL ASSISTANT

NO LITIGATION CERTIFICATE

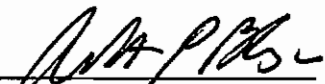
Robert Blasco, of Hoffman & Blasco, LLC, the duly retained and acting Borough Attorney for the Municipality of Skagway, Alaska (the "Municipality"), do certify as follows:

That as of this date, to my knowledge, there is no litigation pending or threatened in any court in any way:

(i) affecting the corporate existence of the Municipality, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of the Municipality with respect to the bonds;

(ii) against the Municipality or involving any of the property or assets of or under the control of the Municipality, which, whether individually or in the aggregate involves the possibility of any judgment or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of the Municipality.

DATED as of March 19, 2013


Robert P. Blasco, Borough Attorney
Hoffman & Blasco, LLC.

Alaska Municipal Bond Bank
Application Credit Review Summary Page

Applicant:	City of Homer
Loan Amount:	Approximately \$4,200,000
Project Type:	Improvements to the City of Homer Harbor
Project Description:	The City will use the Bond Bank loan for improvements to the City's Harbor. The project includes replacement of one of the harbor gangways, improvement of harbor water and power infrastructure, and replacement of some of the harbor floats. The City has received a grant from the State totaling \$4,200,000 and an additional \$440,000 in funding from the Denali Commission. Consequently, the Bond Bank loan will account for approximately 50% of the total project.
Term of Loan:	20 years
Security for the Loan:	Port Enterprise Fund
Revenues Pledged to Loan:	Port Enterprise Fund
Most Recent FY Pledged Revenues:	\$456 thousand (Port Enterprise Fund revenue)
Estimated Annual Debt Service:	\$288 thousand
Total Bond Bank Annual Debt Service:	\$288 thousand
Most Recent FY Debt Service Coverage Ratio:	1.59x
Most Recent FY State-Shared Revenues (SSR):	\$15.3 million
Debt Service Coverage of AMBB DS from SSR:	53.1x
Loan Subject to State Debt Service Reimbursement:	no
Estimated Borrower Savings (Gross):	\$1.01 million
Estimated Borrower Savings (Present Value):	\$781 thousand
No Litigation Letter Received:	yes

Loan Application Evaluation

Homer

Introduction

The City of Homer (the “City”) has submitted an application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a revenue loan totaling approximately \$4,200,000. The City will use the Bond Bank loan to make improvements to the City’s harbor.

The total project cost is estimated at approximately \$9.3 million, with 50% from a State of Alaska Municipal Harbor Facility Grant and 50% from the Bond Bank loan.

The Project

The City’s harbor is in need of significant capital improvements. The City has identified three primary projects to be funded with the Bond Bank loan and State grant. The following is a summary of those projects: 1) the Ramp 3 gangway dates to the mid-1960’s. It is the steepest ramp in the harbor and is difficult to use during low tides. The new ramp will be constructed to produce a shallower grade and will be ADA compliant; 2) in order to encourage more large vessels to home-port in Homer, the City will upgrade the power and water supply system for its System 5 large vessel float system with additional power pedestals and a year-round fresh water supply; and 3) a total of 1,706 linear feet of harbor floats will be replaced. This will address the oldest and most badly damaged floats in the harbor.

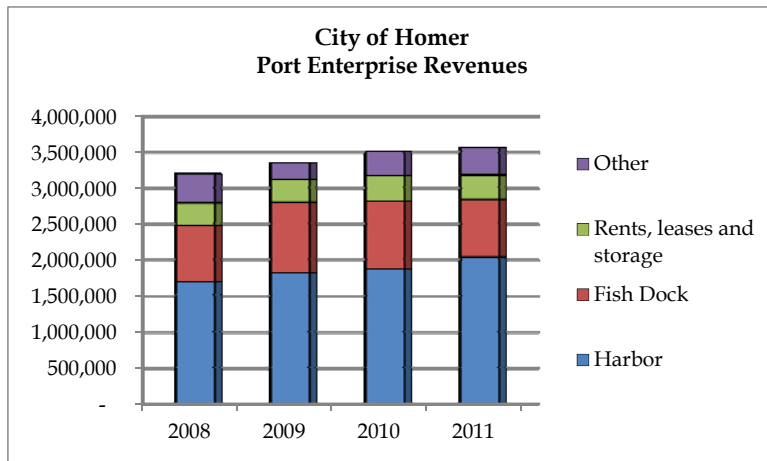


Port Enterprise Fund

Revenues to the City’s Port Enterprise Fund are derived from various harbor-related activities, such as moorage charges, wharfage fees, storage fees and other rental charges. The graph to the right presents the distribution of operating revenues during the period from fiscal year 2008 through 2011.

Operating expenses are primarily made up of salaries and benefits. During the period from

fiscal year 2008 through 2011, net revenues available for debt service (operating revenues less operating expenses plus depreciation) have ranged from a low of approximately \$16,500 in fiscal year 2009 to a high of 456,500 in fiscal year 2011. The graph on the following page presents net revenues available for debt service over that period.

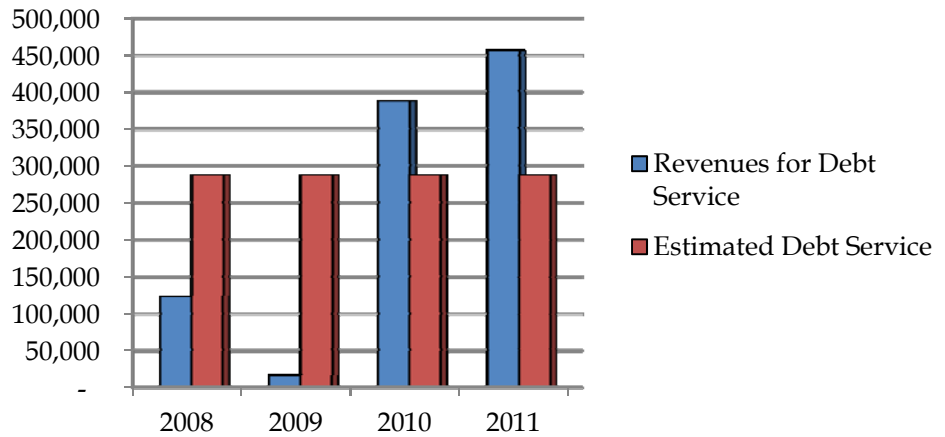


The graph demonstrates that the City's Port Enterprise Fund's capacity for paying the estimated debt service on the Bond Bank loan has improved significantly over the past three years. Debt service coverage on the Bond Bank loan is estimated at 1.59 times based on fiscal year 2011 financial results.

In addition, the City recently implemented a series of rate increases

that will improve the financial condition of the Port Fund. The fuel tax at the port will be nearly doubled from \$.0103 to \$.02 per gallon. The increase is expected to produce additional annual revenues totaling approximately \$133 thousand by 2013. Moorage rates will be increased 15%, which will increase revenues by approximately \$238 thousand by fiscal year 2013. Other fees and charges will also be increased. Total Port Fund revenues are estimated to increase by nearly \$500 thousand from fiscal year 2011 to 2013.

**City of Homer
Port Enterprise Fund**



Security and Repayment

The City will pledge net revenues of the Port Enterprise Fund. The additional bonds test in the City's revenue bond ordinance requires that, before additional parity bonds may be issued, the City must demonstrate that net revenues pledged to bonds issued on parity with the Bond Bank bonds are sufficient to cover existing and projected debt service by 1.20 times based on audited net revenue collections.

Alternatively, the City may issue additional parity bonds based on a certificate of an expert consultant that takes into account: 1) the historic net revenue of the harbor for any 12 of the preceding 30 months; 2) estimated revenues of current harbor customers that have not been customers for a 12 month period; and 3) new revenues associated with extensions of the facilities that will be financed with the proceeds of additional bonds.

The 2013 bonds will be the first issued under the revenue bond ordinance. The bond resolution also includes a rate covenant that requires the City to establish, maintain and collect port system revenues sufficient to cover debt service by 1.20 times. If the City fails to maintain revenues sufficient to meet the rate covenant, the bond resolution requires the City to retain an expert consultant to make recommendations on improvements to operations in order to meet the rate covenant.

State-Aid Intercept

In addition to the Port Enterprise Fund pledge by the City, the Bond Bank has the ability to intercept state-shared revenues that will otherwise flow to the City. This is a significant source of security for this loan. The table on the following page summarizes the revenues subject to intercept, along with the maximum annual debt service on the City's loan.

Shared Taxes and Fees	\$197,140
Dept. of Transportation Reimbursement	\$0
Reimbursement and Other Education Funding	\$0
Education Support Funding	\$0
Matching Grants	\$14,612,494
Community Jails	\$0
Revenue Sharing	\$485,141
Total Revenue Subject to Intercept	\$15,294,775
Maximum Annual Debt Service	\$288,000
Debt Service Coverage	53.11

Estimated Borrower Savings

Savings to the City as a result of borrowing through the Bond Bank are estimated at approximately \$1.01 million or \$781 thousand on a present value basis. Savings are a result of lower costs of issuance than the City will face as a result of issuing through the Bond Bank, as well as lower yields associated with Bond Bank bonds.

Outstanding Debt and Future Capital Plans

The City has no debt outstanding secured by revenues of the Port Enterprise Fund. With the sale of this issue, the City will have approximately \$4,200,000 of debt outstanding under the Bond Bank's 2005 Resolution. The City has no plans at this time for issuance of additional bonds.

Statement of No Litigation

A no litigation letter has been received from Thomas Klinkner with the firm Birch, Horton, Bittner and Cherot, the General Counsel to the City of Homer. The letter states, in part, that "no litigation is pending (or to our knowledge, threatened) against the City in any court: 1) affecting the corporate existence of the City... 2) seeking to restrain or enjoin the issuance, sale or delivery of the Bond, or the right of the City collect revenues and other moneys pledged or to be pledged to pay the principal of and interest on the Bond... or in any way contesting or affecting the validity or enforceability of the Bond or any possible loan agreement between the City and the Bond Bank... or 3) involving any of the property or assets of or under the control of City, which, whether individually or in the aggregate involves the possibility of any judgment or uninsured liability which may result in any material change in the revenues, properties or assets, or in the condition, financial or otherwise, of the City."

Summary

Based on our assessment, the security offered by the City, as set forth in the City's loan application and supplemental materials, provides sufficient security to justify approval of the application. This security, which is primarily provided by revenues of the Port Enterprise Fund, is augmented by a cash-funded debt service reserve fund. The City has already set aside \$828 thousand in cash in anticipation of the port project. In addition, state interceptable revenues provide additional loan security.

For these reasons, we recommend approval of this loan application. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 719-6113.

For Western Financial Group, LLC

A handwritten signature in black ink, appearing to read "Chip Pierce". The signature is stylized, with the first name "Chip" written in a cursive-like font and the last name "Pierce" written in a more blocky, slightly cursive font. There is a horizontal line extending from the end of the signature.

Chip Pierce

City of Homer Economic and Demographic Information

The City of Homer is located in the southcentral region of the State at the southern tip of the Kenai Peninsula. Anchorage is 227 highway miles north via the Sterling and Seward Highways. Two commercial airlines provide service to Anchorage, which by air is a 40 minute trip. The population of Homer has been quite stable over the past decade. Over the past five years, the City's population has grown from 4,978 in 2008 to 5,153. An estimated 11,000 people live in unincorporated areas adjacent to the City. Located in the City are four public schools and a branch of the statewide community college system. South Kenai Peninsula Hospital, located in the City, provides medical services for the region.

Homer is a first class city organized under a council-manager form of government. Homer was incorporated on March 31, 1964. Powers exercised by the City include police, water and sewer utilities, roads, port and harbor, zoning, parks and recreation, library and a volunteer fire department. Homer is included as a unit of government within the Kenai Peninsula Borough, an organized second class borough. The Borough has four area-wide powers; assessment and taxes; education; planning and zoning; and solid waste collection.

Tourism is an increasingly important component of the City's economy, driven by sports fishing and the City's majestic setting. Each year the City of Homer hosts the Kachemak Bay Shorebird Festival as a celebration and an awareness of the annual migration of birds through Homer. During the first two weeks in May each year, approximately 100,000 shorebirds pass through Mud Bay. This is one of the largest migration points on the road system. In addition Bald eagles can be seen year around with a winter concentration of sometimes more than 100 at a time on the Spit.

Homer has become a center for halibut fishing, with that season beginning in May of each year. There is also year around fishing for king salmon. Memorial Day weekend marks the opening of the king salmon fishing. The sports fishing industry continues to grow each year and to bring more tourists and commercial fisherman to Homer. Salmon makes up a large portion of the fish sold in the commercial fishing industry in Homer.

The City has a deep water dock and ferry dock. The main dock is shared by the Alaska Marine Highway System and the U.S. Coast Guard. The Coast Guard is replacing the existing ship that it keeps in Homer with a new ship that requires a bigger/deeper dock. In addition, cruise ships historically had difficulty docking at the deep water dock. Consequently, the City recently completed the replacement of the existing dock with a multi-purpose ocean dock.



Application for Bonds

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase a revenue or general obligation bond issue of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information				
A. Name of Governmental Unit (Applicant):				
CITY OF HOMER				
B. Type of government (home rule, first class, authority, etc.):				
FIRST CLASS MUNICIPALITY				
C. Contact Person for the government:				
Name:		Title:		
WALT WREDE		CITY MANAGER		
Address:		City:	State:	Zip:
491 E. PIONEER AVE.		HOMER	AK.	99603
Phone:	Fax:	E-mail:		
907.235.8121	907.235.3148	LWREDE@CI-HOMER.AK.US		
D. Applicant's Bond Counsel:				
Name:		Title:		
THOMAS KLINKNER				
Address:		City:	State:	Zip:
1127 W. 7 th AVE		ANCHORAGE	AK.	99501
Phone:	Fax:	E-mail:		
907.276.1550	907.276.3680	TKLINKNER@BHB.COM		
E. Applicant's Financial Advisor or Underwriter (if applicable):				
Name:		Title:		
		NOT APPLICABLE		
Address:		City:	State:	Zip:
Phone:	Fax:	E-mail:		

II. Issue Information

A. Total amount of bond purchase request:
 \$ 4,200,000

B. Total term of requested loan: 20 years

C. Preferred principal and interest payment months: JULY /interest DEC. /interest only

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposal.

If a bond election has been held, provide the votes for and against the issue(s):

Yes:	No:	Percent of registered voters casting ballots
		%

Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide a description:
PLEASE SEE ATTACHMENT A

E. Will you need interim financing? NO

1. If applicable, provide interim financing information:
 Amount: _____ Maturity: _____ Rate: _____ Lender: _____

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. Attached

F. Describe project to be financed, including the information requesting in 1-6. If this information is available in a project feasibility study, you may reference and attach it.

1. Are engineering and specifications completed? Yes No SEE ATTACHMENT B FOR PROJECT DESCRIPTION

2. If not, when are they projected for completion? 95% / COMPLETION MAY 1

3. Have construction bids been awarded? Yes No

4. Are there additional state or local approvals required? Yes No

5. Describe timing/scheduling plan: BOND PROCEEDS & STATE FUNDS AVAILABLE JULY - AUGUST 2013. BID SOLICITATION AUGUST 2013. CONSTRUCTION BEGINS IN SEPT./OCTOBER 2013

6. What is the projected completion date? DECEMBER 2014

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$ <u>4,200,000</u>	Construction	\$ <u>7,842,000</u>
Federal Funds*	\$ <u>440,000</u>	Engineering	\$ <u>707,000</u>
State Funds*	\$ <u>4,200,000</u>	Contingency	\$ <u>543,000</u>
Applicant's Funds	\$ <u>267,000</u>	Cost of Issuance	\$ <u>15,000</u>
Other (specify)	\$ _____	Other	\$ _____
Total:	\$ <u>9,107,000</u>	Total:	\$ <u>9,107,000</u>

*If federal or state funds are involved, provide a complete description of the status and uses of these funds.
PLEASE SEE ATTACHMENT C

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:

CONSTRUCTION COSTS, CONTINGENCY, COSTS OF ISSUANCE.

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. Attached NO OUTSTANDING BONDS

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? Yes No SEE ATTACHMENT D
 If yes, provide amount of financed, purpose and principal amount outstanding. \$1,368,812

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? Yes No OTHER
 If yes, please attach details. Attached SEE ATTACHMENT D / WATER & SEWER LOANS

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? Yes No
 If yes, please attach an explanation. Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? Yes No
 If yes, please attach an explanation. Attached

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. Attached. NONE

G. Attach your government's forecast on amount, timing, and purpose of future general obligation or revenue bond financing. If this information is available in your long-term plan, provide a copy.
 Attached SEE ATTACHMENT D GAS DISTRIBUTION SYSTEM FINANCING

H. Give a brief summary of your local economy. Include major industries and their projections. Describe any positive or negative trends or factors. (If this information is available in an annual report, provide a copy with your application.) Attached

Are any of the community's major employers expected to make changes in work force or operations? Yes No
 If yes, provide an explanations. Attached

I. Please provide population figures for your community for the last five years. Indicate the source of your figures.

Year	Population	Source
<u>2012</u>	<u>5,153</u>	<u>ALASKA DEPT. OF</u>
<u>2011</u>	<u>5,104</u>	<u>LABOR & WORKFORCE</u>
<u>2010</u>	<u>5,003</u>	<u>DEVELOPMENT.</u>
<u>2009</u>	<u>5,051</u>	
<u>2008</u>	<u>4,978</u>	

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. Attached

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been performed). Attached 2012 AUDIT AVAILABLE IN MAY.

N. Provide your current year's budget. Attached

O. Provide your capital improvement plan. Attached

P. Provide any other financial or economic information that will assist evaluation of your application.

Attached ATTACHMENT E. FEES RAISED TO MAKE BOND PAYMENTS.

ATTACHED.

IV. Legal Information

- A. Provide a certificate of your legal counsel that establishes there is no litigation pending or threatened
1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
 2. against your government or involving any of the property or assets of or under the control of your government, which, whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.
- B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.
- C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

WALT WREDE
Name (print)

CITY MANAGER
Title

Walt Wrede
Signature

3/29/13
Date of Application

Please return all applications to:
Deven Mitchell
Alaska Municipal Bond Bank Authority
Department of Revenue
PO Box 110405
Juneau, AK 99811-0405
(907)465-2388 phone
(907)465-2389 fax
deven_mitchell@revenue.state.ak.us

ATTACHMENT A

II. ISSUE INFORMATION

D. The City proposes to sell revenue bonds, not general obligation bonds. A bond ordinance authorizing the bond sale is scheduled for introduction on April 22, 2013 and a public hearing and second reading is scheduled for May 13, 2013. The City Manager has been authorized to submit a bond application to the Bond Bank through adoption of Resolution 12-043. The Homer Port and Harbor is operated and maintained as an enterprise fund. Fees generated through the approved Port and Harbor Tariff will be used to repay the bonds. The Homer City Council has already raised the fees in an amount sufficient to cover the cost of bond repayment and the required reserve funds. Fees were raised via Resolutions 12-037 (S) and 12-038 (S) and the increases became fully effective January 1, 2013. An increase in revenues in the amount of \$496,590 is anticipated in 2013.

ATTACHMENT B

City of Homer Capital Improvement Plan • 2013 – 2018



1. Harbor Improvement Revenue Bond Projects

Project Description & Benefit: This project will accomplish three significant harbor improvement projects (in order of importance):

- **Ramp 3 Gangway and Approach:** will replace the existing Ramp 3 which dates back to the mid-1960s. This ramp is the steepest ramp in the harbor and difficult to use during very low tides. At 100 feet long, the new ramp will be less steep and therefore ADA compliant. It will be constructed of aluminum and covered by an awning to keep it snow and ice-free for year-round access. The existing Ramp 3 approach, a long narrow wooden structure in poor condition, will also be replaced. Cost: \$795,000.
- **Upgrade System 5 - Vessel Shore Power and Water:** will provide System 5, the large vessel float system in the Homer Harbor, with additional power pedestals and a year-round fresh water supply to meet the needs of the large vessel fleet and attract new vessels to be home-ported in Homer. Cost: \$971,000.
- **Harbor Float Replacement:** will replace some of the oldest and most badly damaged floats in the harbor. These floats are plagued by worn and irregular walking surfaces, bull rails in need of replacement, ice damage to pilings, and broken sidewalls with exposed flotation. A total of 1,706 linear feet will be replaced: A Float, connecting E-J; J Float, R Float, and S Float. Cost: \$6,783,000.

Plans & Progress: The City's application to the State of Alaska Harbor Facility Grant Program for FY2014 is ranked number one. Funding for the first two Harbor Facility Grant projects (Homer and Ketchikan) is in the FY2014 Capital Budget. Municipalities have to come up with 50% of the construction funds and 100% of the design funds for Harbor Facility Grant projects. A \$440,000 grant from the Denali Commission combined with \$277,000 in City funds is paying for the design and engineering of the three projects. Design and engineering contracts have been issued and this phase will be complete in April of 2013 to be ready for the 2013 construction season. Half of the construction funds will be secured through a Revenue Bond. Harbor rates were increased in 2012 to make future bond payments.

Total Project Cost: \$9,129,000

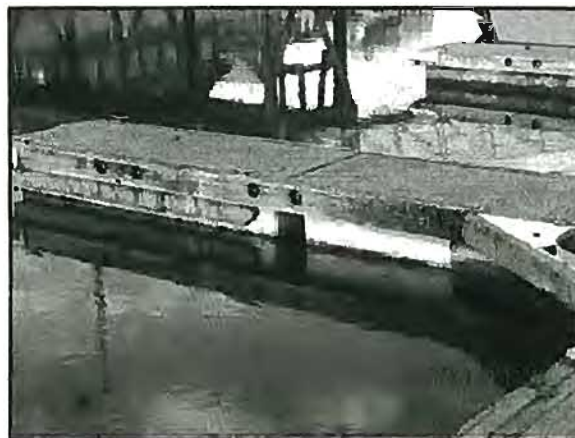
2012 (Design): \$717,000 (Denali Commission and City of Homer)

2013 - 2014 (Construction): \$8,412,000 (50% Harbor Facility Grant and 50% City of Homer Revenue Bonds)

State FY2014 State Request: \$4,206,000 through the State of Alaska Harbor Facility Grant Program
(54% Local Match: \$4,923,000)



Hole in damaged piling that needs replacing

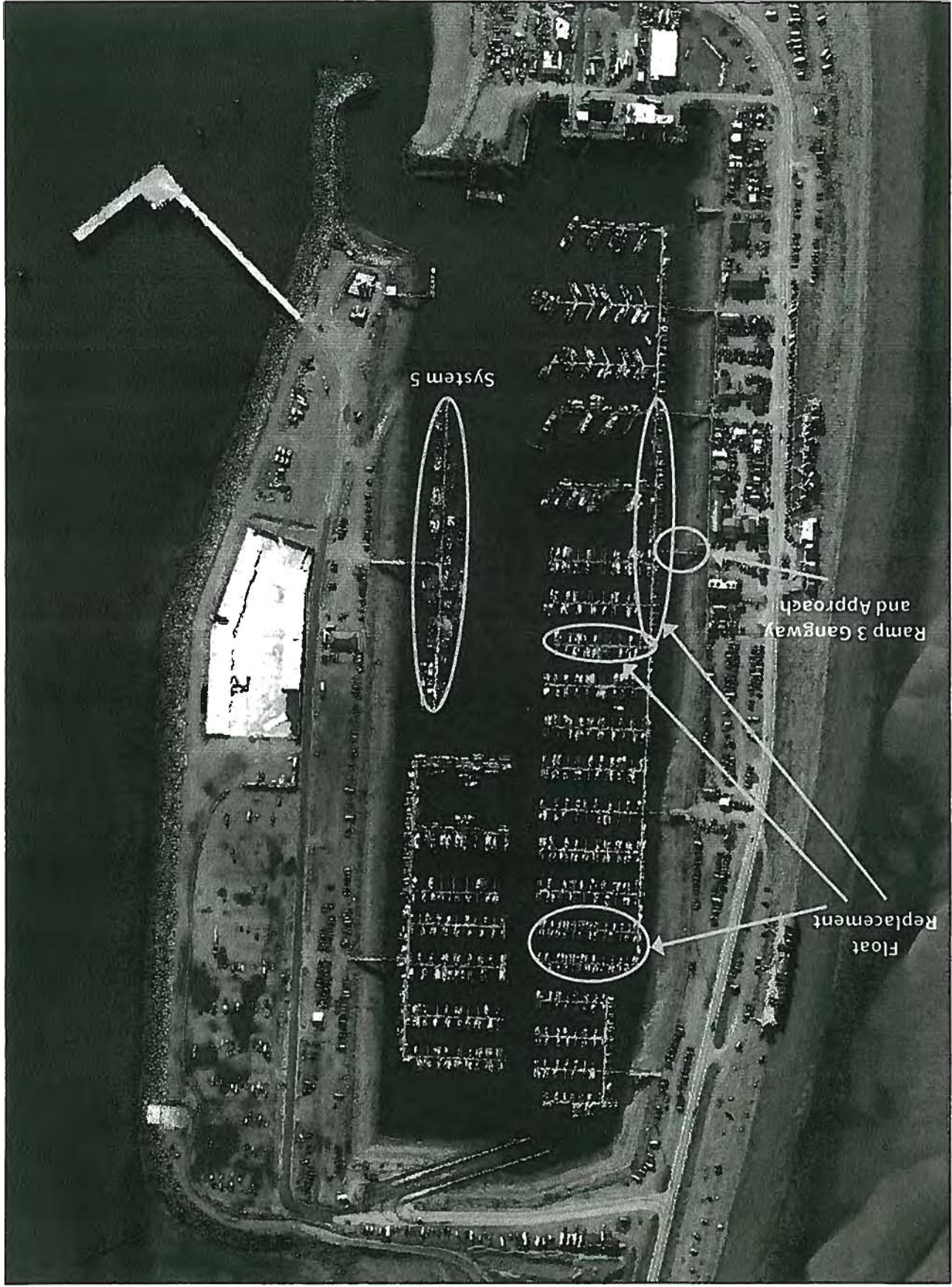


Exposed flotation on a damaged float.

See following page for project map

Contact Mayor Beth Wythe or City Manager Walt Wrede at 235-8121

8
2



ATTACHMENT C

II. ISSUE FORMATION

G. Federal Funds: A total of \$440,000 was received from the Denali Commission for engineering and design of the harbor improvements to be constructed with bond proceeds. This was matched by City funds in the amount of \$267,000. The grant has been received and most of the funds expended. The City anticipates that the grant will be closed out within 30 to 60 days.

State Funds: The City anticipates receiving \$4,200,000 from the State through the Municipal Harbors Grant Program. This request has been approved by ADOT/PF and inserted in the 2014 State Capital Budget by the Governor. The Capital Budget is currently being considered by the Legislature. The City anticipates this funding to be available in July of this year. This program requires a 50/50 match with local funds. The local match will be raised with bond sale proceeds.

ATTACHMENT D

IIII. CREDIT INFORMATION

B. The General Fund is responsible for a small library construction loan. The amount of debt remaining is \$1,368,812 and the expiration date is 2033. The loan was financed by USDA.

C. The City has numerous water and sewer loans for construction of water and sewer infrastructure. The money is provided by DEC through the drinking water and wastewater loan programs. Loan status and the information on indebtedness is contained in the attached spreadsheets. This debt is not a direct obligation of the General Fund. It is repaid through a combination of property assessments and revenues from a dedicated sales tax for water and sewer improvements through the Homer Accelerated Water and Sewer program.

G. The City recently sold a Revenue Bond to the Kenai Peninsula Borough and entered into a loan agreement for \$12.7 Million dollars. The funds will be used to finance construction of a natural gas distribution system within the City limits. The loan agreement is attached. Repayment of this loan is not a direct obligation of the General Fund. The loan will be repaid through property tax assessments.

2013 Loans
City of Homer

Loan	Loan Number	2012 Ending Balance	Last Pymt due
General Fund			
\$1.7 Mil Library loan	97-4	\$ 1,368,812	2033

Special Revenue Loans

These loans are paid by sales tax and/or a combination of sales tax revenue and assessments

Homer Sewer Ext	409031	\$ 1,585,643	2025
Water Service Ext	409041	\$ 1,860,007	2025
Sewer Master Plan	409051	\$ 61,983	2016
Water Treatment Plant	409131	\$ 6,141,851	2029

(Wait, these last 2 loans are being finalized shortly...the first payments are tentatively due 8/1/13.)

Kachemak Dr Sewer Impr	409261	\$ 1,950,000	2032
Kachemak Dr Water Imp	409271	\$ 2,150,000	2032
		<u>\$ 13,749,484</u>	Total Water Sewer Loans



Homer Economic Analysis

Homer is a coastal community at the end of the road of the Kenai Peninsula. The town draws on seasonal industries such as tourism and commercial fishing. Government and health care contribute to the community's year round economic base. The largest employers in the Homer area are in health care: South Peninsula Hospital and The Center, an organization that provides mental and behavior health services. Following closely behind is the Kenai Peninsula Borough (including the School District), City of Homer and Homer Electric Association. However, many Homer residents are self-employed with just under 17% of workers running their own unincorporated business (Source: Kenai Peninsula Borough County Business Patterns). According to the U.S. Census Bureau's 2006-2010 American Community Survey 5-Year Estimates, the average per capita income is \$31,471.

The top industries in Homer by number of employees are: trade, transportation and utilities (24%); local government (18%); leisure and hospitality (16%); educational and health services (12%); and construction (5%) (Source: 2011 Alaska Department of Labor and Workforce Development Research and Analysis).

Homer has a vibrant and active retiree community with over 18% of the population over age 62. In addition to year round senior residents, many people have second and vacation homes in Homer which helps contribute to a stable real estate market supporting 14 real estate, rental and leasing businesses in Homer business (Source: Kenai Peninsula Borough County Business Patterns).

Though Homer, like much of Alaska, has been insulated from some of the effects of the Great Recession, the community is rebounding from a decline in visitors while lower 48 travel budgets were tight and a plateau in the housing market. Challenges to the fishing industry, such as declining halibut catch, are affecting both commercial and sport fishing industries.

Homer has much to look forward to in the coming years. In 2013 natural gas will be available city wide translating into a 60% decrease in home heating costs for families and businesses. This will increase the disposable income families can spend in the community, the amount businesses can reinvest into their enterprise, and attract new investment by leveling the playing field with the rest of the Peninsula. Growth is also expected in the marine trades. Kachemak Bay is ideally situated as a port of first refuge for vessels traveling out West and through Cook Inlet. Homer has already begun to see an uptick in oil industry support jobs with the renewed exploration in Cook Inlet, a field traditionally staffed by our northern neighbors.

**ALASKA MUNICIPAL BOND BANK
RESOLUTION NO. 2013-03**

**A SERIES RESOLUTION AUTHORIZING THE ISSUANCE OF
GENERAL OBLIGATION AND REFUNDING BONDS, 2013 SERIES TWO, OF
THE ALASKA MUNICIPAL BOND BANK**

WHEREAS, the Board of Directors of the Alaska Municipal Bond Bank (the "Bank") by Resolution entitled "A Resolution Creating And Establishing An Issue Of Bonds Of The Alaska Municipal Bond Bank; Providing For The Issuance From Time To Time Of Said Bonds; Providing For The Payment Of Principal Of And Interest On Said Bonds; And Providing For The Rights Of The Holders Thereof," adopted July 13, 2005, as amended August 19, 2009 (the "Resolution"), has created and established an issue of Bonds of the Bank; and

WHEREAS, the Resolution authorizes the issuance of said Bonds in one or more series pursuant to a Series Resolution authorizing each such series; and

WHEREAS, the Board of Directors of the Bank has determined that it is necessary and required that the Bank issue at this time a Series of Bonds to be designated "Alaska Municipal Bond Bank General Obligation and Refunding Bonds, 2013 Series Two" (the "2013 Series Two Bonds") to provide moneys to carry out the purposes of the Bank;

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALASKA MUNICIPAL BOND BANK AS FOLLOWS:

**ARTICLE I
AUTHORITY AND DEFINITIONS**

Section 101 - Series Resolution.

This Series Resolution (the "2013 Series Two Resolution") is adopted in accordance with the provisions of the Resolution and pursuant to the authority contained in the Act.

Section 102 - Definitions.

In this 2013 Series Two Resolution and with respect to the 2013 Series Two Bonds:

(1) Unless otherwise defined in Article I herein, all capitalized terms herein shall have the same meanings, respectively, as such terms are given in Article I of the Resolution.

(2) "Amendatory Loan Agreement" shall mean the agreement by and between the Bank and the City of Ketchikan, Alaska, amending certain terms of the loan agreement entered into by the parties and dated December 1, 2002.

(3) "Bank" shall mean the Alaska Municipal Bond Bank.

(4) "Beneficial Owner" shall mean the person in whose name a 2013 Series Two Bond is recorded as the beneficial owner of such 2013 Series Two Bond by the respective systems of Depository Trust Company and the Depository Trust Company Participants or the registered owner of the 2013 Series Two Bond if the 2013 Series Two Bond is not then held in book-entry form under Section 206.

(5) "Bond Purchase Contract" shall mean the agreement by and between the Bank and Underwriters, providing for the purchase and sale of the 2013 Series Two Bonds.

(6) "Bond Year" shall mean each one-year period that ends on an anniversary of the date of issue of the 2013 Series Two Bonds.

(7) "Chairman" shall mean the chairman of the Board of Directors of the Alaska Municipal Bond Bank Authority (also known as the Alaska Municipal Bond Bank).

(8) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, together with all regulations applicable thereto.

(9) "Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate executed by the Bank and dated the date of issuance and delivery of the 2013 Series Two Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

(10) "Depository Trust Company" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

(11) "Depository Trust Company Participant" shall mean a trust company, bank, broker, dealer, clearing corporation and any other organization that is a participant of Depository Trust Company.

(12) "Excess Investment Earnings" shall mean the amount of investment earnings on gross proceeds of the 2013 Series Two Bonds determined by the Bank to be required to be rebated to the United States of America under the Code.

(13) "Financial Advisor" shall mean Western Financial Group, LLC.

(14) "Letter of Representations" shall mean the Blanket Issuer Letter of Representations dated May 2, 1995 from the Bank to Depository Trust Company, a copy of which is attached hereto as Exhibit A, and the operational arrangements referred to therein.

(15) "Loan Agreement" shall mean, collectively, the agreements (a) by and between the Bank and the Kodiak Island Borough, Alaska, (b) by and between the Bank and the City of Ketchikan, Alaska, (c) by and between the Bank and the City of Homer, Alaska, and (d) by and between the Bank and the Municipality of Skagway, Alaska, each pertaining to the repayment of a Loan to the Governmental Unit as provided for herein.

(16) "Record Date" shall mean fifteen days preceding each interest payment date with respect to the 2013 Series Two Bonds.

(17) "Refunded Bonds" means the maturities, or portion thereof, of the 2002 Series A Bonds which the Executive Director designates to be refunded pursuant to Section 304 of this 2013 Series Two Resolution.

(18) "Underwriters" shall mean J.P. Morgan Securities LLC together with any other financial institution authorized by the Bank.

(19) "2002 Series A Bonds" means the \$1,245,000 outstanding principal amount of the Alaska Municipal Bond Bank Authority Revenue Bonds, 2002 Series A, maturing in the years 2013 and 2014.

(20) "2013 Series Two Bonds" shall mean the Bonds, issued in one or more sub-series, authorized by Article II hereof.

ARTICLE II AUTHORIZATION OF 2013 SERIES TWO BONDS

Section 201 - Principal Amount, Designation and Series.

Pursuant to the provisions of the Resolution, a series of Bonds designated as "Alaska Municipal Bond Bank General Obligation and Refunding Bonds, 2013 Series Two" is hereby authorized to be issued in the aggregate principal (par) amount of not to exceed \$42,000,000. The Executive Director is hereby authorized to change the designation to remove the reference to refunding bonds, to allow for sub-series of the 2013 Series Two Bonds, and to allow for the sale of the 2013 Series Two Bonds to be

combined and sold with other Bonds authorized by a Series Resolution and approved by the Board of Directors of the Bank.

At the written direction of the Chairman or Executive Director, the Trustee shall designate a particular principal amount of the 2013 Series Two Bonds as a separate sub-series. A sub-series of 2013 Series Two Bonds shall be identified by the year of issue, the sequential letters, the word two and such further designation as deemed appropriate by the Executive Director (e.g., General Obligation Bonds, 2013A Series Two).

Section 202 - Purposes.

The purposes for which the 2013 Series Two Bonds are being issued are (i) making Loans to the Governmental Units to the extent and in the manner provided in Article III, (ii) refunding the 2002 Series A Bonds, or portion thereof designated by the Executive Director pursuant to Section 304, and (iii) making a deposit, if any, in the Reserve Fund as provided in Article III of this 2013 Series Two Resolution.

Section 203 - Date, Maturities and Interest Rates.

The 2013 Series Two Bonds (and in the case of sub-series, each sub-series) shall be dated the date the 2013 Series Two Bonds are delivered to the Underwriters. Subject to adjustment as provided for in this Section 203, the 2013 Series Two Bonds shall mature, or have Sinking Fund Installments due, on the 1st day of December and the 1st day of June, in the respective principal amounts, as set forth below:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Principal Amount</u>
December 1, 2013	\$710,000	June 1, 2023	\$1,915,000
June 1, 2014	690,000	June 1, 2024	1,990,000
December 1, 2014	740,000	June 1, 2025	2,095,000
June 1, 2015	1,400,000	June 1, 2026	2,195,000
June 1, 2016	1,455,000	June 1, 2027	2,305,000
June 1, 2017	1,515,000	June 1, 2028	2,410,000
June 1, 2018	1,580,000	June 1, 2029	2,550,000
June 1, 2019	1,640,000	June 1, 2030	2,665,000
June 1, 2020	1,695,000	June 1, 2031	2,800,000
June 1, 2021	1,775,000	June 1, 2032	2,945,000
June 1, 2022	1,845,000	June 1, 2033	3,085,000

Notwithstanding the foregoing, the exact principal amount of each maturity, or the exact amount of each Sinking Fund Installment, the maturity dates, and the interest rates of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series)

shall be fixed and determined by the Chairman or the Executive Director at the time the 2013 Series Two Bonds are sold pursuant to Section 210 hereof but subject to the limitations set forth in Section 201 hereof.

Section 204 - Interest Payments.

The 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) shall bear interest from their dated date. The first interest payment date shall be December 1, 2013 (or such other date as may be fixed and determined by the Chairman or the Executive Director); thereafter, interest on the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) shall be payable on the 1st days of June and/or December (or such other months as may be fixed and determined by the Chairman or the Executive Director), computed on the basis of a 360-day year composed of twelve thirty-day months.

Section 205 - Denominations, Numbers and Other Designation.

The 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) shall be issued in registered form in the denomination of \$5,000 or any integral multiple thereof, not exceeding the aggregate principal amount of the 2013 Series Two Bonds authorized herein. The 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) shall be numbered serially with any additional designation that the Bank deems appropriate.

Section 206 - Securities Depository.

(1) The 2013 Series Two Bonds shall be registered initially in the name of "Cede & Co.," as nominee of Depository Trust Company ("DTC"), and shall be issued initially in the form of a single bond for each maturity in the amount of such maturity. Registered ownership of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository or such substitute depository's successor; or (iii) to any person as provided in paragraph (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Bank that it is no longer in the best interest of Beneficial Owners to continue the system of book-entry transfers through DTC or its successors (or any substitute depository or its successor), the Bank may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (i) or (ii) of paragraph (1) above, the Trustee shall, upon receipt of all Outstanding 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), together with a written request of an Authorized Officer and a supply of new 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), authenticate a single new 2013 Series Two Bond (or in the case of sub-series, a single new 2013 Series Two Bond of each such sub-series) for each maturity of 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) then Outstanding, registered in the name of such successor or such substitute depository, or its nominee, as the case may be, all as specified in such written request.

(4) In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the Bank determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates, the ownership of 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) may then be transferred to any person or entity as provided in the Resolution and such 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) shall no longer be held in book-entry form. An Authorized Officer shall deliver a written request to the Trustee to issue 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) as provided in the Resolution in any authorized denomination, together with a supply of definitive Bonds. Upon receipt of all then Outstanding 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) by the Trustee, together with a written request of an Authorized Officer to the Trustee, new 2013 Series Two Bonds (and in the case of sub-series, new 2013 Series Two Bonds of each sub-series) shall be issued and authenticated in such denominations and registered in the names of such persons as are requested in such written request.

(5) For so long as the 2013 Series Two Bonds are held in book-entry form under this Section, the Bank and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) registered in its name for the purposes of payment of principal or Redemption Price of and interest on such 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), selecting such 2013 Series Two Bonds, or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Resolution (except as otherwise provided pursuant to Section 508 or this 2013 Series Two Resolution), registering the transfer of such 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) and obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Bank nor the Trustee shall be affected by any notice to the contrary. Neither the Bank nor the Trustee shall have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) under or through

DTC or any DTC Participant, or any other person not shown on the registration books of the Trustee as being a registered owner, with respect to the accuracy of any records maintained by DTC or any DTC Participant; the payment by DTC or any Depository Trust Company Participant of any amount in respect of the principal or Redemption Price of or interest on the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), any notice which is permitted or required to be given to Bondholders under the Resolution, the selection by DTC or any Depository Trust Company Participant of any person to receive payment in the event of a partial redemption of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), or any consent given or other action taken by DTC as Bondholder. The Trustee shall pay from money available under the Resolution all principal and Redemption Price of and interest on 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Bank's obligations with respect to the principal or Redemption Price of and interest on the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) to the extent of the sum or sums so paid.

Section 207 - Places and Manner of Payment.

For so long as all Outstanding 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) are registered in the name of Cede & Co. or its registered assigns, payment of principal and interest thereon shall be made as provided in the Letter of Representations and the operational arrangements referred to therein as amended from time to time. (Details regarding the current DTC Book-Entry-Only Issuance practices are included in Exhibit A attached hereto.) In the event that the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) are no longer registered in the name of Cede & Co. or its registered assigns, (i) payment of interest on the 2013 Series Two Bonds will be made by check or draft mailed by first class mail to the registered owner, at the address appearing on the bond register on the Record Date of the Bank kept at the corporate trust office of the Trustee, or, upon the written request of a registered owner of at least \$1,000,000 in principal amount of 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) received at least 15 days prior to an interest payment date, by wire transfer in immediately available funds to an account in the United States of America designated by such registered owner; and (ii) principal of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) will be payable at the corporate trust office of the Trustee upon surrender of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) representing such principal. Both principal of and interest on the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

Section 208 - Optional Redemption.

The Chairman or the Executive Director are, and each of them is, hereby authorized to determine the optional and extraordinary optional redemption provisions, if any, for the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) and shall cause any such provisions to be included in the form of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series).

Section 209 - Mandatory Redemption.

The Chairman or the Executive Director are, and each of them is, hereby authorized to determine the mandatory redemption provisions, if any, for the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) and shall cause any such provisions to be included in the Bond Purchase Contract and the form of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series).

Section 210 - Sale of 2013 Series Two Bonds.

The 2013 Series Two Bonds shall be sold at negotiated sale to the Underwriters pursuant to the terms of the Bond Purchase Contract. The Executive Director or the Chairman are, and each of them is, hereby authorized to execute the Bond Purchase Contract with the Underwriters regarding the sale of the 2013 Series Two Bonds upon his approval of the sale details of the 2013 Series Two Bonds, including, but not limited to, whether the 2013 Series Two Bonds shall be issued and sold in one or more sub-series, the dated date and the delivery date of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), the aggregate principal (par) amount and the principal amount of each maturity of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), the purchase price of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), the maturity and the interest payment dates of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series), the redemption provisions and interest rate of each maturity of the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series). Provided, however, the aggregate principal amount of the 2013 Series Two Bonds shall not exceed Forty-Two Million and No/100 Dollars (\$42,000,000), the true interest cost on the 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) shall not exceed five percent (5%), and the Underwriters' discount shall not exceed three-quarters of one percent (.75%) of the par value of the 2013 Series Two Bonds. Additionally, prior to execution of the Bond Purchase Contract, the Executive Director or the Chairman, with the assistance of the Bank's Financial Advisor, shall take into account those factors which, in their judgment, will result in the lowest true interest cost on the 2013 Series Two Bonds.

The authority granted to the Executive Director and the Chairman under this Section 210 shall expire 120 days from the date of approval of this 2013 Series Two Resolution.

Section 211 - Official Statement.

The Chairman or the Executive Director are, and each of them is, hereby authorized to approve the final form of, and the distribution to prospective purchasers and other interested persons of, the preliminary Official Statement of the Bank for the 2013 Series Two Bonds in the form submitted to and part of the records of the meeting, with such changes as the Chairman or the Executive Director shall deem advisable. The Chairman and the Executive Director are hereby further authorized to approve the final form of the Official Statement. The distribution of the preliminary Official Statement and the Official Statement, as approved by the Chairman or the Executive Director, in connection with the offering of the 2013 Series Two Bonds is hereby ratified, confirmed and approved.

There is hereby delegated to the Chairman or the Executive Director the power to deem the preliminary Official Statement final on behalf of the Bank for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1).

ARTICLE III DISPOSITION OF BOND PROCEEDS

Section 301 - Disposition of Proceeds For Loan and Refunding Purposes.

(1) Upon the delivery of the 2013 Series Two Bonds the Bank shall, in accordance with Article V of the Resolution, apply a portion of the proceeds derived from the sale of the 2013 Series Two Bonds to the making of a (i) Loan to the Kodiak Island Borough, Alaska, in the principal amount not to exceed \$20,000,000, to be used to finance the acquisition and construction of a long-term care center; (ii) Loan to the City of Ketchikan, Alaska, in the principal amount not to exceed \$15,000,000, to be used to finance hydroelectric plant capital improvements; (iii) Loan to the City of Homer, Alaska, in the principal amount not to exceed \$4,200,000, to be used to finance harbor capital improvements; and (iv) Loan to the Municipality of Skagway, Alaska, in the principal amount not to exceed \$1,000,000 to be used to finance harbor capital improvements.

(2) Certain of the proceeds of the 2013 Series Two Bonds shall be used to purchase direct, non-callable (prior to the date of scheduled application) obligations of the United States of America, the principal of and the interest on which when due will provide moneys which, together with cash, if any, shall be sufficient and available to pay when due the redemption price of the Refunded Bonds, and the interest to become due

on such bonds prior to and on the first optional redemption date; provided, however, that such amounts shall be applied only with respect to maturities that the Executive Director designates to be Refunded Bonds pursuant to Section 304.

Section 302 - Reserve Fund Deposit.

On the date of sale, but subject to Section 201 hereof, the Chairman or the Executive Director shall determine whether it is in the best interest of the Bank to use cash or proceeds from the 2013 Series Two Bonds for purposes of making a deposit into the Reserve Fund, which amount, together with other available funds, if any, will be the amount necessary to make the total amount in the Reserve Fund equal to the Required Debt Service Reserve upon delivery of the 2013 Series Two Bonds.

Section 303 - Disposition of Remainder of Bond Proceeds.

The balance of the proceeds of the sale of the 2013 Series Two Bonds representing any premium received over the principal amount of the 2013 Series Two Bonds after deducting the amounts to be paid for costs of issuing the 2013 Series Two Bonds, amounts necessary to ensure the deposit to the Reserve Fund equals the Required Debt Service Reserve, and after deducting the amount allocable to the Reserve Obligations, if any, which amount shall be deposited in the Reserve Fund, shall be deposited with the Governmental Units and applied towards costs of issuance and debt service payments due and owing on their respective Municipal Bonds (as such term is defined in the Loan Agreement or Amending Loan Agreement) or such other permitted purpose.

Section 304 - Designation of Refunded Bonds.

The Executive Director is hereby authorized to designate which, if any, 2002 Series A Bonds shall be refunded, eliminating from the category of Refunded Bonds municipal bonds whose terms have not been amended by the Governmental Unit to conform to the terms of the refunding authorized by this 2013 Series Two Resolution as of the date of delivery of the 2013 Series Two Bonds. Provided, however, the Refunded Bonds so designated by the Executive Director must realize an aggregate debt service savings of at least three percent (3%) of their principal amount, net of all issuance costs and underwriting discount, on a present value basis.

Section 306 - Election for Redemption of Refunded Bonds.

The Executive Director is hereby authorized to direct the trustee of the Refunded Bonds to redeem such bonds on the first available redemption date in accordance with the terms of the bond authorizing resolution for the Refunded Bonds.

ARTICLE IV
EXECUTION AND FORM OF 2013 SERIES TWO BONDS

Section 401 - Execution and Form of 2013 Series Two Bonds.

The 2013 Series Two Bonds shall be executed in the manner set forth in Section 303 of the Resolution. Subject to the provisions of the Resolution, the 2013 Series Two Bonds, and the Trustee's certificate of authentication, shall be of substantially the following form and tenor:

**ALASKA MUNICIPAL BOND BANK
GENERAL OBLIGATION AND REFUNDING BONDS, 2013[A][B] SERIES TWO**

INTEREST RATE: _____% **MATURITY DATE:** _____, 20__ **CUSIP NO.:** _____

Registered Owner: CEDE & Co.

Principal Amount: _____ and No/100 Dollars

Alaska Municipal Bond Bank (herein called the "Bank"), a public body corporate and politic, constituted as an instrumentality of the State of Alaska, organized and existing under and pursuant to the laws of the State of Alaska, acknowledges itself indebted to, and for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum specified above on the Maturity Date specified above, and to pay to the registered owner hereof interest on such principal sum from the date hereof to the date of maturity of this Bond at the rate per annum specified above, payable December 1, 2013, and semi-annually on the 1st day of June and on the 1st day of December thereafter. For so long as this Bond is held in book-entry form, payment of principal and interest shall be made by wire transfer to the registered owner pursuant to written instructions furnished to The Bank of New York Mellon Trust Company, N.A., in Seattle, Washington, as Trustee under the General Bond Resolution of the Bank, adopted July 13, 2005, as amended August 19, 2009 (herein called the "Resolution"), or its successor as Trustee (herein called the "Trustee"). In the event that this Bond is no longer held in book-entry form, (i) payment of interest will be made by check or draft mailed by first class mail to the registered owner at the address appearing on the bond register of the Bank kept by the Trustee, or, upon the written request of a registered owner of at least \$1,000,000 in principal amount of 2013 Series Two Bonds received at least 15 days prior to an interest payment date, by wire transfer in immediately available funds to an account in the United States of America designated by such registered owner; and (ii) principal will be payable upon presentation and surrender hereof at the corporate trust office of the Trustee. Interest shall be computed on the basis of a 360-day year composed of twelve thirty-day months. Both principal of

and interest on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts.

This Bond is a general obligation of the Bank and is one of a duly authorized issue of Bonds of the Bank designated "Alaska Municipal Bond Bank Bonds" (herein called the "Bonds"), issued and to be issued in various series under and pursuant to the Alaska Municipal Bond Bank Act, constituting Chapter 85, Title 44, of the Alaska Statutes (herein called the "Act"), and under and pursuant to the Resolution and a series resolution authorizing each such series. As provided in the Resolution, the Bonds may be issued from time to time pursuant to series resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and, subject to the provisions thereof, may otherwise vary. The aggregate principal amount of Bonds which may be issued under the Resolution is not limited except as provided in the Resolution and the Act, and all Bonds issued and to be issued under said Resolution are and will be equally and ratably secured by the pledges and covenants made therein, except as otherwise expressly provided or permitted in the Resolution.

This Bond is one of a series [sub-series] of Bonds (the "2013 Series Two Bonds") issued in the aggregate principal amount of \$_____ under the Resolution of the Bank and a series resolution of the Bank, adopted May __, 2013, and entitled: "A Series Resolution Authorizing the Issuance of General Obligation and Refunding Bonds, 2013 Series Two, of the Alaska Municipal Bond Bank" (said resolutions being herein collectively called the "Resolutions"). Copies of the Resolutions are on file at the office of the Bank and at the corporate trust office of the Trustee, and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledges and covenants securing the 2013 Series Two Bonds; the nature, extent and manner of enforcement of such pledges; the rights and remedies of the registered owners of the 2013 Series Two Bonds with respect thereto; and the terms and conditions upon which the Bonds are issued and may be issued thereunder; to all of the provisions of which the registered owner of this Bond, by acceptance of this Bond, consents and agrees. To the extent and in the manner permitted by the terms of the Resolutions, the provisions of the Resolutions or any resolution amendatory thereof or supplemental thereto may be modified or amended by the Bank, with the written consent of the registered owners of at least two-thirds in principal amount of the Bonds then outstanding and, in case less than all of the several series of Bonds would be affected thereby, with such consent of the registered owners of at least two-thirds in principal amount of the Bonds of each series so affected then outstanding.

The 2013 Series Two Bonds are subject to redemption prior to their respective scheduled maturities as set forth below.

The 2013 Series Two Bonds maturing on and after June 1, 20__, are subject to redemption on or after June 1, 20__, at the option of the Bank at a price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date of redemption.

Unless previously redeemed pursuant to the foregoing optional redemption provisions, the 2013 Series Two Bonds maturing on June 1, 20__ (the "Term Bonds") are subject to redemption on June 1 of the following years and in the following principal amounts at 100% of the principal amount of the 2013 Series Two Bonds to be redeemed plus accrued interest, if any, to the redemption date.

Term Bonds Due June 1, 20__

<u>Year</u>	<u>Sinking Fund Requirement</u>
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Notice of redemption will be mailed to owners of 2013 Series Two Bonds called for redemption not less than 30 days nor more than 60 days before the redemption date. Interest on any 2013 Series Two Bonds called for redemption will cease on the redemption date.

This Bond is transferable, as provided in the Resolutions, only upon the books of the Bank kept for that purpose at the corporate trust office of the Trustee, by the registered owner hereof in person or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or its attorney duly authorized in writing, and thereupon a new registered 2013 Series Two Bond or Bonds in the same aggregate principal amount and of the same maturity, in authorized denominations, shall be issued to the transferee in exchange therefor as provided in the Resolutions and upon the payment of the charges, if any, therein prescribed.

The 2013 Series Two Bonds are issuable in the denomination of \$5,000 or any integral multiple thereof, not exceeding the aggregate principal amount of 2013 Series Two Bonds (and in the case of sub-series, of each sub-series) maturing in the year of maturity of the Bond for which the denomination of the Bond is to be specified. Subject to such conditions and upon payment of such charges, if any, 2013 Series Two Bonds, upon surrender thereof at the corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered owner or its attorney duly authorized in writing, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of registered 2013 Series Two Bonds of any other authorized denominations, of the same maturity (and in the case of sub-series, of each sub-series).

The Bank is obligated to pay the principal of and interest on the 2013 Series Two Bonds only from revenues or funds of the Bank, and the State of Alaska is not obligated to pay such principal of or interest on the 2013 Series Two Bonds. Neither the faith and credit nor the taxing power of the State of Alaska is pledged to the payment of the principal of or the interest on the 2013 Series Two Bonds.

This Bond is fully negotiable for all purposes of the Uniform Commercial Code, and each owner of this Bond by accepting this Bond shall be conclusively considered to have agreed that this Bond is fully negotiable for those purposes.

Neither a member of the Bank nor any person executing the 2013 Series Two Bonds shall be liable personally on the 2013 Series Two Bonds by reason of the issuance thereof.

This Bond shall not be entitled to any benefit under the Resolutions or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Trustee of the Trustee's Certificate of Authentication hereon.

The Bank modified the Resolution, effective on the date when all Bonds issued prior to February 19, 2013 cease to be Outstanding, by: (i) authorizing the Trustee to release to the Bank amounts held in the Reserve Fund which exceed the Required Debt Service Reserve whenever there is a reduction in the Required Debt Service Reserve; (ii) requiring the Trustee to withdraw earnings and profits realized in the Reserve Fund, and to provide such amounts to the Bank on or before June 30 of each year so long as the balance therein equals the Required Debt Service Reserve; (iii) authorizing certain amendments and modifications to the Resolution effective upon securing the consent of Holders of at least two-thirds in principal amount of Bonds then Outstanding; and (iv) providing that an underwriter or purchaser of a Series of Bonds may consent to a modification of, or amendment to, the Resolution as Holder of such Bonds at the time such Bonds are issued.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and statutes of the State of Alaska and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed in due time, form and manner as required by law and that the issue of the 2013 Series Two Bonds, together with all other indebtedness of the Bank, is within every debt and other limit prescribed by law.

IN WITNESS WHEREOF, the Alaska Municipal Bond Bank has caused this Bond to be executed in its name by the manual or facsimile signature of its Chairman and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise

reproduced hereon, and attested by the manual or facsimile signature of its Executive Director all as of the _____ day of _____ 2013.

ALASKA MUNICIPAL BOND BANK

[S E A L]

Chairman

A T T E S T:

Executive Director

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within-mentioned Resolutions and is one of the 2013 Series Two Bonds of the Alaska Municipal Bond Bank.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A.,
as Trustee

Date of Authentication:

Authorized Officer

ARTICLE V MISCELLANEOUS

Section 501 - Paying Agent.

The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, or its successor, is appointed paying agent for the 2013 Series Two Bonds.

Section 502 - Arbitrage Rebate.

Within 30 days after the end of every fifth Bond Year, and within 60 days of the date when all of the 2013 Series Two Bonds have been retired (or at such other time or times as may then be required by the Code and the applicable Income Tax Regulations), the Bank shall determine the Excess Investment Earnings and pay rebate

amounts due the United States of America with respect thereto, as provided in Section 148(f) of the Code and the applicable Income Tax Regulations.

Section 503 - 2013 Series Two Debt Service Account.

There is hereby established as a special account in the Debt Service Fund the "2013 Series Two Debt Service Account," for the purpose of receiving amounts in the Debt Service Fund allocable to the 2013 Series Two Bonds, and in the case of sub-series, a "2013 Sub-Series [] Debt Service Sub-Account" shall be created for each sub-series. Such amounts and the earnings thereon shall be deposited and held, and separately accounted for, in the 2013 Series Two Debt Service Account (and in the case of sub-series, in each 2013 Sub-Series [] Debt Service Account of each sub-series).

Section 504 - Tax Exemption and General Tax Covenant.

The Bank intends that interest on the 2013 Series Two Bonds shall be excludable from gross income for federal income tax purposes pursuant to Section 103 and 141 through 150 of the Code, and the applicable regulations. The Bank covenants not to take any action, or knowingly omit to take any action within its control, that if taken or omitted would cause the interest on the 2013 Series Two Bonds to be included in gross income, as defined in Section 61 of the Code, for federal income tax purposes.

Section 505 - Arbitrage Covenant.

The Bank shall make no use or investment of the gross proceeds of the 2013 Series Two Bonds which will cause the 2013 Series Two Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code. The Bank hereby covenants that so long as any of the 2013 Series Two Bonds are outstanding, the Bank, with respect to the gross proceeds of the 2013 Series Two Bonds, shall comply with all requirements of said Section 148 and of all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect.

Section 506 - Resolution Clarification.

It shall hereby be clarified that the Resolution, at Section 919, shall only apply to Bonds issued on a tax-exempt basis.

Section 507 - Loan Agreement and Amendatory Loan Agreement.

The Chairman and the Executive Director are each hereby authorized to execute the Loan Agreements and Amendatory Loan Agreement between the Bank and the

herein referred to Governmental Units, in forms similar to the forms submitted to and part of the records of the meeting of May 2, 2013, with such changes as the Chairman or the Executive Director shall deem advisable.

Section 508 - Continuing Disclosure.

The Bank hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate attached hereto as Exhibit B. Notwithstanding any other provision of this 2013 Series Two Resolution, failure of the Bank to comply with the Continuing Disclosure Certificate shall not be considered a default of the Bank's obligations under this 2013 Series Two Resolution, the Resolution or the 2013 Series Two Bonds; however, the Beneficial Owner of any Bond may bring an action for specific performance, to cause the Bank to comply with its obligations under this Section.

Section 509 - Chairman and Executive Director.

The Chairman and the Executive Director are each hereby authorized to execute all documents and to take any action necessary or desirable to carry out the provisions of this 2013 Series Two Resolution and to effectuate the issuance and delivery of the 2013 Series Two Bonds, including execution of the Bond Purchase Contract. The authority granted in this Section 509 to the Chairman and the Executive Director includes authorization to solicit commitments for a policy of insurance with respect to payment of the interest on and principal of the Bonds and thereafter to accept such commitment which is in the best interest of the Bank and enter into such agreement with the bond insurer as shall be in the best interests of the Bank.

Section 510 - Effective Date.

This 2013 Series Two Resolution shall take effect immediately on the date hereof (May 2, 2013).

EXHIBIT A

BLANKET ISSUER LETTER OF REPRESENTATIONS

Blanket Issuer Letter of Representations
[To be Completed by Issuer]

ALASKA MUNICIPAL BOND BANK
(Name of Issuer)

May 2, 1995
(Date)

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street, 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

ALASKA MUNICIPAL BOND BANK
(Issuer)

By: Norman J. Levesque
(Authorized Officer's Signature)
NORMAN J. LEVESQUE
Executive Director

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: James G. Rooney

SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

EXHIBIT B

CONTINUING DISCLOSURE CERTIFICATE

Alaska Municipal Bond Bank (the "Issuer") executes and delivers this Continuing Disclosure Certificate (the "Disclosure Certificate") in connection with the issuance of \$_____ Alaska Municipal Bond Bank General Obligation and Refunding Bonds, 2013 Series Two (the "Bonds"). The Bonds are being issued under the General Bond Resolution of the Bank entitled "A Resolution Creating And Establishing An Issue Of Bonds Of The Alaska Municipal Bond Bank; Providing For The Issuance From Time To Time Of Said Bonds; Providing For The Payment Of Principal Of And Interest On Said Bonds, And Providing For The Rights Of The Holders Thereof," adopted July 13, 2005, as amended August 19, 2009 (the "General Bond Resolution"), and Series Resolution No. 2013-03 adopted on May __, 2013 (the "Series Resolution," and together with the General Bond Resolution, the "Resolutions"). The Issuer covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. The Issuer is executing and delivering this Disclosure Certificate for the benefit of the Beneficial Owners of the Bonds, and to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 of this Disclosure Certificate.

"Fiscal Year" means the fiscal year of the Issuer (currently the 12-month period ending June 30), as such fiscal year may be changed from time to time as required by State law.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" means any of the original underwriters of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

Section 3. Provision of Annual Reports and Financial Statements. Commencing with its Fiscal Year ending June 30, 2014, the Issuer will provide to the MSRB, in a format as prescribed by the Rule:

(a) Not later than 210 days after the end of each Fiscal Year, an Annual Report for the Fiscal Year. The Annual Report shall contain or incorporate by reference: (i) annual audited financial statements of the Issuer; (ii) a statement of authorized, issued and outstanding bonded debt of the Issuer; (iii) the Reserve Fund balance and the estimated Required Debt Service Reserve under the Resolutions; and (iv) for each of the Governmental Units that has outstanding with the Issuer an amount of Bonds equal to or greater than ten percent (10%) of all Outstanding Bonds under the General Bond Resolution as of the last day of the Fiscal Year of the Issuer, statistics regarding such Governmental Units similar to those found in Appendix ___ to the Official Statement. Any or all of these items may be included by specific reference to documents available to the public or the internet website of the MSRB or filed with the Securities and Exchange Commission. The Issuer shall clearly identify each such other document so incorporated by reference. The Annual Report may be submitted as a single document or as separate documents comprising a package, provided that audited financial statements may be submitted separately from the remainder of the Annual Report.

(b) Not later than 120 days after the end of each Fiscal Year, the Issuer will notify each Governmental Unit, who has, or had, an amount of Bonds equal to or greater than ten percent of all Bonds Outstanding under the General Bond Resolution, of its continuing disclosure undertaking responsibility. A list of Governmental Units deemed Obligated Persons for the prior Fiscal Year will be included in the Annual Report.

Section 4. Notice of Failure to Provide Information. The Issuer shall provide in a timely manner to the MSRB notice of any failure to satisfy the requirements of Section 3 of this Disclosure Certificate.

Section 5. Reporting of Significant Events. (a) The Issuer shall file with the MSRB a notice of any of the following events with respect to the Bonds, within ten (10) business days of the occurrence of such event:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.

(3) Unscheduled draws on credit enhancements reflecting financial difficulties.

(4) Substitution of credit or liquidity providers, or their failure to perform.

(5) Adverse tax opinions or events affecting the tax-exempt status of the Bonds which include (i) the issuance by the Internal Revenue Service ("IRS") of proposed or final determinations of taxability, (ii) Notices of Proposed Issues (IRS Form 5701-TEB), (iii) other material notices or determinations with respect to the Bonds, and (iv) other events affecting the tax status of the Bonds.

(6) Defeasances.

(7) Rating changes.

(8) Tender offers.

(9) Bankruptcy, insolvency, receivership or similar proceeding by the Issuer or "obligated person."

(b) The Issuer shall file with the MSRB a notice of any of the following events with respect to the Bonds, within ten (10) business days of the occurrence of such event, if material:

(1) Nonpayment-related defaults.

(2) Modifications to rights of holders of the Bonds.

(3) Bond calls, other than mandatory, scheduled redemptions not otherwise contingent on the occurrence of an event.

(4) Release, substitution or sale of property securing repayment of the Bonds.

(5) Other than in the normal course of business, the consummation of a merger, consolidation, or acquisition involving an "obligated person," or the sale of all or substantially all of the assets of the Issuer or "obligated person," or the entry into a definitive agreement to undertake such an action, or a termination of a definitive agreement relating to any such actions, other than in accordance with its terms.

(6) Appointment of a successor or additional trustee or the change in name of the trustee for the Bonds.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, provided that the amendment meets each of the following conditions:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer;

(b) This Disclosure Certificate, as amended, would have complied with the requirements of the Rule as of the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances;

(c) The Issuer obtains an opinion of counsel unaffiliated with the Issuer that the amendment does not materially impair the interests of the Beneficial Owners of the Bonds; and

(d) The Issuer notifies and provides the MSRB with copies of the opinions and amendments.

Any such amendment may be adopted without the consent of any Beneficial Owner of any of the Bonds, notwithstanding any other provision of this Disclosure Certificate or the Resolutions.

The first Annual Report containing amended operating data or financial information pursuant to an amendment of this Disclosure Certificate shall explain, in narrative form, the reasons for the amendment and its effect on the type of operating data and financial information being provided.

Section 8. Filing Alternative. Any filing required under the terms of this Disclosure Certificate may be made solely by transmitting such filing to the Electronic Municipal Market Access as provided at <http://www.emma.msrb.org>, or in such other manner as may be permitted from time to time by the Securities Exchange Commission.

Section 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Beneficial Owner may take such actions as may be necessary and appropriate, including an action to compel specific performance,

to cause the Issuer to comply with its obligations under this Disclosure Certificate. No failure to comply with any provision of this Disclosure Certificate shall be deemed an Event of Default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel specific performance.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Trustee, the Participating Underwriter and the Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 11. Prior Compliance. The Issuer is in compliance with all of its prior undertakings pursuant to the Rule.

DATED this ____ day of _____ 2013.

ALASKA MUNICIPAL BOND BANK

DEVEN J. MITCHELL
Executive Director

**FORM OF
LOAN AGREEMENT**

THIS LOAN AGREEMENT, dated as of the ___ day of June, 2013, between the Alaska Municipal Bond Bank (the "Bank"), a body corporate and politic constituted as an instrumentality of the State of Alaska (the "State") exercising public and essential governmental functions, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended (the "Act"), having its principal place of business at Juneau, Alaska, and the [City] [Borough], Alaska, a duly constituted _____ [City] [Borough] of the State (the "[City] [Borough]");

W I T N E S S E T H:

WHEREAS, pursuant to the Act, the Bank is authorized to make loans of money (the "Loan" or "Loans") to governmental units; and

WHEREAS, the [City] [Borough] is a Governmental Unit as defined in the General Bond Resolution of the Bank hereinafter mentioned and pursuant to the Act is authorized to accept a Loan from the Bank to be evidenced by its municipal bonds; and

WHEREAS, the [City] [Borough] desires to borrow money from the Bank in the amount of not to exceed \$_____ and has submitted an application to the Bank for a Loan in the amount of not to exceed \$_____, and the [City] [Borough] has duly authorized the issuance of its fully registered bond in the aggregate principal amount of \$_____ (the "Municipal Bond"), which bond is to be purchased by the Bank as evidence of the Loan in accordance with this Loan Agreement; and

WHEREAS, the application of the [City] [Borough] contains the information requested by the Bank; and

WHEREAS, to provide for the issuance of bonds of the Bank in order to obtain from time to time money with which to make Loans, the Bank has adopted the General Obligation Bond Resolution on July 13, 2005, as amended August 19, 2009 (the "General Bond Resolution") and Series Resolution No. 2013-03, approved on May 2, 2013 (together with the General Bond Resolution, the "Bond Resolution"), authorizing the making of such Loan to the [City] [Borough] and the purchase of the Municipal Bond; and

WHEREAS, on February 19, 2013, the Board approved certain modifications to the General Bond Resolution, effective on the date when all bonds issued under the terms of the General Bond Resolution, prior to February 19, 2013, cease to be outstanding.

NOW, THEREFORE, the parties agree:

1. The Bank hereby makes the Loan and the [City] [Borough] accepts the Loan in the aggregate principal amount of \$_____. As evidence of the Loan made to the [City] [Borough] and such money borrowed from the Bank by the [City] [Borough], the [City] [Borough] hereby sells to the Bank the Municipal Bond in the principal amount, with the principal installment payments, and bearing interest from its date at the rate or rates per annum, stated in Exhibit A appended hereto. For purposes of this Loan Agreement, the interest on the Municipal Bond will be computed without regard to the provision in Section 7 hereof for the [City] [Borough] to make funds available to the Trustee acting under the General Bond Resolution for the payment of principal and interest due at least seven (7) business days prior to each respective principal and interest payment date.

2. The [City] [Borough] represents that it has duly adopted or will adopt all necessary ordinances or resolutions, including [Ordinance] [Resolution] No. _____, adopted on _____, 20__ (the "[City] [Borough] [Ordinance] [Resolution]"), and has taken or will take all proceedings required by law to enable it to enter into this Loan Agreement and issue its Municipal Bond to the Bank and that the Municipal Bond will constitute [a general obligation bond, secured by the full faith and credit] [a revenue bond, a special and limited obligation] of the [City] [Borough], all duly authorized by the [City's] [Borough's] [Ordinance] [Resolution].

3. Subject to any applicable legal limitations, the amounts to be paid by the [City] [Borough] pursuant to this Loan Agreement representing interest due on its Municipal Bond (the "Municipal Bond Interest Payments") shall be computed at the same rate or rates of interest borne by the corresponding maturities of the bonds sold by the Bank in order to obtain the money with which to make the Loan and to purchase the Municipal Bond (the "Loan Obligations") and shall be paid by the [City] [Borough] at least seven (7) business days before the interest payment date so as to provide funds sufficient to pay interest as the same becomes due on the Loan Obligations.

4. The amounts to be paid by the [City] [Borough] pursuant to this Loan Agreement representing principal due on its Municipal Bond (the "Municipal Bond Principal Payments"), shall be paid at least seven (7) business days before the payment date stated in the Municipal Bond so as to provide funds sufficient to pay the principal of the Loan Obligations as the same matures based upon the maturity schedule stated in Exhibit A appended hereto.

5. In the event the amounts referred to in Sections 3 and 4 hereof to be paid by the [City] [Borough] pursuant to this Loan Agreement are not made available at any time specified herein, the [City] [Borough] agrees that any money payable to it by any department or agency of the State may be withheld from it and paid over directly to the

Trustee acting under the General Bond Resolution, and this Loan Agreement shall be full warrant, authority and direction to make such payment upon notice to such department or agency by the Bank, with a copy provided to the [City] [Borough], as provided in the Act.

6. In the event Loan Obligations have been refunded and the interest rates the Bank is required to pay on its refunding bonds in any year are less than the interest rates payable by the [City] [Borough] on the Municipal Bond for the corresponding year pursuant to the terms of the Municipal Bond, then both the Municipal Bond Interest Payments and the Municipal Bond Principal Payments will be adjusted in such a manner that (i) the interest rate paid by the [City] [Borough] on any principal installment of the Municipal Bond is equal to the interest rate paid by the Bank on the corresponding principal installment of the Bank's refunding bonds and (ii) on a present value basis the sum of the adjusted Municipal Bond Interest Payments and Municipal Bond Principal Payments is equal to or less than the sum of the Municipal Bond Interest Payments and Municipal Bond Principal Payments due over the remaining term of the Municipal Bond as previously established under this Loan Agreement. In the event of such a refunding of Loan Obligations, the Bank shall present to the [City] [Borough] for the [City's] [Borough's] approval, a revised schedule of principal installment amounts and interest rates for the Municipal Bond. If approved by the [City] [Borough] the revised schedule shall be attached hereto as Exhibit A and incorporated herein in replacement of the previous Exhibit A detailing said principal installment amounts and interest rates.

7. The [City] [Borough] is obligated to pay to the Bank Fees and Charges. Such Fees and Charges actually collected from the [City] [Borough] shall be in an amount sufficient, together with the [City's] [Borough's] Allocable Proportion (as defined below) of other money available therefor under the provisions of the Bond Resolution, and other money available therefor, including any specific grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof and amounts applied therefor from amounts transferred to the Operating Fund pursuant to Section 606 of the General Bond Resolution:

(a) to pay, as the same become due, the [City's] [Borough's] Allocable Proportion of the Administrative Expenses of the Bank; and

(b) to pay, as the same become due, the [City's] [Borough's] Allocable Proportion of the fees and expenses of the Trustee and paying agent for the Loan Obligations.

The [City's] [Borough's] Allocable Proportion as used herein shall mean the proportionate amount of the total requirement in respect to which the term is used

determined by the ratio that the principal amount of the Municipal Bond outstanding bears to the total of all Loans then outstanding to all Governmental Units under the General Bond Resolution, as certified by the Bank. The waiver by the Bank of any fees payable pursuant to this Section 7 shall not constitute a subsequent waiver thereof.

8. The [City] [Borough] is obligated to make the Municipal Bond Principal Payments scheduled by the Bank. The first such Municipal Bond Principal Payment is due at least seven (7) business days prior to the date indicated on Exhibit A appended hereto, and thereafter on the anniversary thereof each year. The [City] [Borough] is obligated to make the Municipal Bond Interest Payments scheduled by the Bank on a semi-annual basis commencing seven (7) business days prior to the date indicated on Exhibit A appended hereto, and to pay any Fees and Charges imposed by the Bank within 30 days of receiving the invoice of the Bank therefor.

9. The Bank shall not sell and the [City] [Borough] shall not redeem prior to maturity any portion of the Municipal Bond in an amount greater than the Loan Obligations which are then outstanding and which are then redeemable, and in the event of any such sale or redemption, the same shall be in an amount not less than the aggregate of (i) the principal amount of the Municipal Bond (or portion thereof) to be redeemed, (ii) the interest to accrue on the Municipal Bond (or portion thereof) to be redeemed to the next redemption date thereof not previously paid, (iii) the applicable premium, if any, payable on the Municipal Bond (or portion thereof) to be redeemed, and (iv) the cost and expenses of the Bank in effecting the redemption of the Municipal Bond (or portion thereof) to be redeemed. The [City] [Borough] shall give the Bank at least 50 days' notice of intention to redeem its Municipal Bond.

In the event the Loan Obligations with respect to which the sale or redemption prior to maturity of such Municipal Bond is being made have been refunded and the refunding bonds of the Bank issued for the purpose of refunding such Loan Obligations were issued in a principal amount in excess of or less than the principal amount of the Municipal Bond remaining unpaid at the date of issuance of such refunding bonds, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (i) above shall be the principal amount of such refunding bonds outstanding.

In the event the Loan Obligations have been refunded and the interest the Bank is required to pay on the refunding bonds is less than the interest the Bank was required to pay on the Loan Obligations, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (ii) above shall be the amount of interest to accrue on such refunding bonds outstanding.

In the event the Loan Obligations have been refunded, the amount which the [City] [Borough] shall be obligated to pay or the Bank shall receive under item (iii)

above, when the refunded Loan Obligations are to be redeemed, shall be the applicable premium, if any, on the Loan Obligations to be redeemed.

Nothing in this Section shall be construed as preventing the [City] [Borough] from refunding the Municipal Bond in exchange for a new Municipal Bond in conjunction with a refunding of the Loan Obligations.

10. Simultaneously with the delivery of the Municipal Bond to the Bank, the [City] [Borough] shall furnish to the Bank evidence satisfactory to the Bank which shall set forth, among other things, that the Municipal Bond will constitute a valid and binding [general obligation] [special and limited obligation] of the [City] [Borough], secured by the [full faith and credit] [revenue of the _____] of the [City] [Borough].

11. Invoices for payments under this Loan Agreement shall be addressed to the [City] [Borough], Attention: _____, _____, _____, Alaska 99____. The [City] [Borough] shall give the Bank and the corporate trust office of the Trustee under the General Bond Resolution at least 30 days' written notice of any change in such address.

12. The [City] [Borough] hereby agrees that it shall fully fund, at the time of loan funding, its debt service reserve fund (in an amount equal to \$_____) which secures payment of principal and interest on its Municipal Bond and that such fund shall be held in the name of the [City] [Borough] with the Banks Trustee.

13. [Rate covenant language – if applicable.]

14. The [City] [Borough] hereby agrees to keep and retain, until the date six years after the retirement of the Municipal Bond, or any bond issued to refund the Municipal Bond, or such longer period as may be required by the [City's] [Borough's] record retention policies and procedures, records with respect to the investment, expenditure and use of the proceeds derived from the sale of its Municipal Bond, including without limitation, records, schedules, bills, invoices, check registers, cancelled checks and supporting documentation evidencing use of proceeds, and investments and/or reinvestments of proceeds. The [City] [Borough] agrees that all records required by the preceding sentence shall be made available to the Bond Bank upon request.

15. Prior to payment of the amount of the Loan or any portion thereof, and the delivery of the Municipal Bond to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations hereunder if:

(a) Any representation, warranty or other statement made by the [City] [Borough] to the Bank in connection with its application to the Bank for a Loan shall be incorrect or incomplete in any material respect.

(b) The [City] [Borough] has violated commitments made by it in the terms of this Loan Agreement.

(c) The financial position of the [City] [Borough] has, in the opinion of the Bank, suffered a materially adverse change between the date of this Loan Agreement and the scheduled time of delivery of the Municipal Bond to the Bank.

16. The obligation of the Bank under this Loan Agreement is contingent upon delivery of its General Obligation Bonds, 20__ Series _____ (the "20__ Series _____ Bonds") and receipt of the proceeds thereof.

17. The [City] [Borough] agrees that it will provide the Bank with written notice of any default in covenants under the [City's] [Borough's] [Ordinance] [Resolution] within 30 days from the date thereof.

18. The [City] [Borough] shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on the Municipal Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Municipal Bond is subject on the date of original issuance thereof.

The [City] [Borough] shall not permit any of the proceeds of the Municipal Bond, or any facilities financed with such proceeds, to be used in any manner that would cause the Municipal Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code.

The [City] [Borough] shall make no use or investment of the proceeds of the Municipal Bond which will cause the Municipal Bond to be an "arbitrage bond" under Section 148 of the Code. So long as the Municipal Bond is outstanding, the [City] [Borough], shall comply with all requirements of said Section 148 and all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect. The [City] [Borough] shall indemnify and hold harmless the Bank from any obligation of the [City] [Borough] to make rebate payments to the United States under said Section 148 arising from the [City's] [Borough's] use or investment of the proceeds of the Municipal Bond.

19. The [City] [Borough] agrees that if it is one of the Governmental Units that has a ten percent or greater amount of outstanding bonds held by the Bank under its General Bond Resolution, it shall execute a continuing disclosure agreement for

purposes of Securities and Exchange Commission Rule 15c2-12, adopted under the Securities and Exchange Act of 1934, and provide the Bank for inclusion in future official statements, upon request, financial information generally of the type included in Appendix D, under the heading "Summaries of Borrowers Representing 10% or More of Outstanding Principal of Bonds Issued Under the 2005 General Bond Resolution," to the Official Statement and attached hereto as Exhibit B.

20. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

21. This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments, and take such other actions as are necessary, to give effect to the terms of this Loan Agreement.

22. No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other term or condition hereof, nor shall a waiver of any breach of this Loan Agreement be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

23. In this Loan Agreement, unless otherwise defined herein, all capitalized terms which are defined in Article I of the General Bond Resolution shall have the same meanings, respectively, as such terms are given in Article I of the General Bond Resolution.

24. This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement the day and year first above written.

ALASKA MUNICIPAL BOND BANK

By: _____
DEVEN J. MITCHELL
Executive Director

[CITY] [BOROUGH] OF _____,
ALASKA

By: _____

Its: _____

EXHIBIT A

\$ _____
[City] [Borough], Alaska
[General Obligation] [Revenue] Bond, 20__ []
("Municipal Bond")

<u>Due</u> _____ 1	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
-----------------------	-----------------------------------	--------------------------------

Principal installments shall be payable on _____ 1 in each of the years, and in the amounts set forth above. Interest on the Municipal Bond shall be payable on _____ 1, 20__, and thereafter on _____ 1 and _____ 1 of each year.

Prepayment Provisions: The Municipal Bond is not subject to prepayment prior to maturity.

Optional Prepayment: The Municipal Bond principal payments due on or after _____ 1, 20__ are subject to prepayment in whole or in part at the option of the [City] [Borough] on any date on or after _____ 1, 20__, at a price of 100% of the principal amount thereof to be prepaid, plus accrued interest to the date of prepayment.

EXHIBIT B

**FORM OF
AMENDATORY LOAN AGREEMENT**

THIS AMENDATORY LOAN AGREEMENT, dated as of the ___ day of June 2013, between the Alaska Municipal Bond Bank (the "Bank"), a body corporate and politic constituted as an instrumentality of the State of Alaska (the "State") exercising public and essential governmental functions, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended (the "Act"), having its principal place of business at Juneau, Alaska, and _____, a duly constituted _____ of the State (the "[City] [Borough]"):

WITNESSETH:

WHEREAS, pursuant to the Act, the Bank is authorized to issue bonds and loan money (the "Loans") to governmental units; and

WHEREAS, the [City] [Borough] is a "Governmental Unit" as defined in the General Bond Resolution of the Bank hereinafter mentioned and was authorized to accept a Loan from the Bank, evidenced by its municipal bond; and

WHEREAS, to provide for the issuance of bonds of the Bank in order to obtain from time to time money with which to make, and or refinance, municipal Loans, the Bank adopted its General Obligation Bond Resolution on July 13, 2005, as amended August 19, 2009 (the "General Bond Resolution"); and

WHEREAS, the Bank made a Loan to the [City] [Borough] from proceeds of the Bank's _____ Bonds, _____ Series __ ("_____ Series __ Bonds") in the amount of \$_____, evidenced by a Loan Agreement dated _____ 1, _____ (the "Loan Agreement") between the Bank and the [City] [Borough]; and

WHEREAS, the Bank's _____ Series __ Bonds were issued pursuant to the terms of the Bank's Resolution No. 2002-04; and

WHEREAS, as security for repayment of the Loan, the [City] [Borough] issued its _____ Bond, _____ Series __ of the [City] [Borough], dated _____ 1, _____ (the "Municipal Bond") of which the Bank is the registered owner; and

WHEREAS, the Bank has determined that refunding a portion of the _____ Series __ Bonds will result in a debt service savings thereon and on the Municipal Bond; and

WHEREAS, pursuant to the terms of the Bank's General Bond Resolution, adopted July 13, 2005, as amended and supplemented (the "General Bond Resolution") the Bank adopted Series Resolution No. 2013-03, approved on May 2, 2013 (the "Series Resolution" and, together with the General Bond Resolution, the "Bond Resolution") authorizing the issuance of its General Obligation and Refunding Bonds,

20__ Series ____ to, in part, refund a portion of the ____ Series __ Bonds (the "Refunding Bonds"); and

WHEREAS, on February 19, 2013, the Board approved certain modifications to the General Bond Resolution, effective on the date when all bonds issued under the terms of the General Bond Resolution, prior to the issuance of the 2013 Series One Bonds (as hereinafter defined), cease to be outstanding; and

WHEREAS, to effect the proposed refunding and resulting debt service savings on the ____ Series __ Bonds and the Municipal Bond, and to conform the terms of the Loan Agreement to the current practices of the Bank, it is necessary to amend the terms of the Loan Agreement and the Municipal Bond as provided herein.

NOW, THEREFORE, the parties agree as follows:

1. The Bank will refund a portion of the outstanding ____ Series __ Bonds as provided in the Series Resolution. The amounts of the principal installments of the Municipal Bond corresponding to the refunded maturities of the ____ Series __ Bonds, and the interest payable thereon, shall be adjusted pro rata in accordance with the debt service payable on the Refunding Bonds. The Municipal Bond henceforth shall mature in the principal amounts and bear interest at the rates per annum as stated on Exhibit A appended hereto.

2. The refunding Municipal Bond shall be subject to optional prepayment prior to maturity on and after the same date, and on the same terms as the Refunding Bonds may be subject to optional redemption.

3. Section 14 of the Loan Agreement is amended to include the following:

The [City] [Borough] further agrees that if the outstanding principal amount of its bonds held by the Bank under the General Bond Resolution equals or exceeds ten percent of the outstanding principal of all bonds held by the Bank under its General Bond Resolution, it shall execute a continuing disclosure agreement for purpose of Securities and Exchange Commission Rule 15c2-12, adopted under the Securities and Exchange Act of 1934 and provide the Bank for inclusion in future official statements, upon request, financial information generally of the type included in Appendix __ under the heading "Summaries of Borrowers Representing 10% in More of Outstanding Principal of Bonds Issues Under the 2005 Bond Resolution" to the Official Statement and attached hereto as Exhibit B.

4. A new section ____ is added to the Loan Agreement to include the following:

The [City] [Borough] hereby agrees to keep and retain, until the date six years after the retirement of the Municipal Bond, or any bond issued to refund the Municipal Bond, or such longer period as may be required by the [City's] [Borough's] record retention policies and procedures, records with respect to the investment, expenditure and use of the proceeds derived from the sale of its Municipal Bond, including without limitation, records, schedules, bills, invoices, check registers, cancelled checks and supporting documentation evidencing use of proceeds, and investments and/or reinvestments of proceeds. The [City] [Borough] agrees that all records required by the preceding sentence shall be made available to the Bank upon request.

5. A new section ___ is added to the Loan Agreement to include the following:

The [City] [Borough] hereby confirms that on the day the Refunding Bonds are issued, the [City's] [Borough's] debt service reserve account, which secures payment of principal and interest on its Municipal Bond, satisfies the debt service reserve requirement set forth in the [City's] [Borough's] Ordinance.

6. A new Section ___ is added to the Loan Agreement to include the following:

(a) The [City] [Borough] hereby certifies that all Municipal Bond proceeds, except for those proceeds that are accounted for as transferred proceeds in the arbitrage certificate for its refunding Municipal Bond, have been expended prior to the date hereof.

(b) The [City] [Borough] hereby certifies that all required rebate calculations relating to the Municipal Bond have been timely performed and the [City] [Borough] has remitted any necessary amount(s) to the Internal Revenue Service.

(c) The [City] [Borough] hereby certifies (i) that the Municipal Bond, or any portion thereof, has not previously been advance refunded, or (ii) the Municipal Bonds will be refunded within ninety days from the Date of issuance of the Refunding Bonds.

IN WITNESS WHEREOF, the parties hereto have executed this Amendatory Loan Agreement as of the date first set forth above.

ALASKA MUNICIPAL BOND BANK

By: _____
DEVEN J. MITCHELL
Executive Director

[CITY] [BOROUGH], ALASKA

By: _____

Its: _____

DRAFT

EXHIBIT A

_____, Alaska
_____, ____ Series __, As Amended on _____, 20__

Principal Sum of \$ _____

Principal Payment Date
(_____ 1, 20__)

Principal
Amount

Interest
Rate

DRAFT

EXHIBIT B

DRAFT

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 22, 2013

**New Issue
Book-Entry Only**

**Fitch Rating: Applied For
Moody's Rating: Applied For
(See "Ratings" herein.)**

In the opinion of Bond Counsel, based on an analysis of existing statutes, regulations, rulings and court decisions, and assuming, among other things, compliance by the Bond Bank and the Governmental Units with covenants relating to certain requirements in the Internal Revenue Code of 1986, as amended (the "Code"), interest on the 2013 Series Two Bonds is excludable from gross income of owners thereof for federal income tax purposes. Interest on the 2013 Series Two Bonds is not treated as a tax preference item for purposes of either the individual or corporate alternative minimum tax. However, interest on the 2013 Series Two Bonds is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein.

\$35,440,000

Alaska Municipal Bond Bank General Obligation and Refunding Bonds, 2013 Series Two

\$19,495,000
General Obligation and Refunding Bonds
2013A Series Two
(Tax-Exempt Governmental Purpose)

\$15,945,000
General Obligation Bonds
2013B Series Two
(501(c)(3))

Dated: Date of Delivery

Due: As shown on inside cover

The Alaska Municipal Bond Bank (the "Bond Bank") General Obligation and Refunding Bonds, 2013 Series Two (the "2013 Series Two Bonds") initially will be issued as fully registered bonds, in book-entry form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will serve as depository for the 2013 Series Two Bonds. Individual purchases of the 2013 Series Two Bonds will be made in principal amounts of \$5,000 or integral multiples thereof within a single maturity. Purchasers of the 2013 Series Two Bonds will not receive certificates representing their beneficial ownership interests in the 2013 Series Two Bonds. Interest on the 2013 Series Two Bonds will accrue from the date of delivery of the 2013 Series Two Bonds, or from the most recent interest payment date to which interest has been paid, and is payable on each June 1 and December 1, commencing December 1, 2013.

The Bank of New York Mellon Trust Company, N.A., of Seattle, Washington, as the Trustee and Paying Agent for the 2013 Series Two Bonds, will make principal and interest payments to DTC. Disbursement of such payments to DTC's Participants is the responsibility of DTC. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants. See "DESCRIPTION OF THE 2013 SERIES TWO BONDS" and "APPENDIX G – DTC AND BOOK-ENTRY SYSTEM."

The 2013 Series Two Bonds are subject to redemption prior to their stated maturity dates. See "DESCRIPTION OF THE 2013 SERIES TWO BONDS – Optional Redemption, – Mandatory Redemption."

The 2013 Series Two Bonds are general obligations of the Bond Bank, and the full faith and credit of the Bond Bank are pledged for the punctual payment of the principal of and interest on the 2013 Series Two Bonds. The 2013 Series Two Bonds are equally and ratably secured by the pledge and assignment of all Municipal Bonds acquired by the Bond Bank under the Bond Bank's 2005 General Bond Resolution on a parity with other Bonds of the Bond Bank heretofore or hereafter issued under the 2005 General Bond Resolution. The 2013 Series Two Bonds are the twenty-sixth series of Bonds issued under the 2005 General Obligation Bond Resolution.

The 2013 Series Two Bonds do not constitute an indebtedness or other liability of the State of Alaska, and the 2013 Series Two Bonds do not directly, indirectly or contingently obligate the State of Alaska to levy any form of taxation or make any appropriation for the payment of the 2013 Series Two Bonds. Neither the faith and credit nor the taxing power of the State of Alaska is pledged for the payment of the 2013 Series Two Bonds. The Bond Bank has no taxing power. See "SECURITY FOR THE 2013 SERIES TWO BONDS."

The 2013 Series Two Bonds are offered when, as and if issued, subject to the approving legal opinion of Wohlforth, Brecht, Cartledge & Brooking of Anchorage, Alaska, Bond Counsel. Certain legal matters will be passed upon for the Governmental Units by their respective bond counsel and for the Underwriters by their counsel, Foster Pepper PLLC of Seattle, Washington. It is expected that the 2013 Series Two Bonds in definitive form will be issued and available by Fast Automated Securities Transfer for delivery through the facilities of DTC in New York, New York, on or about June 19, 2013.

J.P. Morgan

\$ _____
Alaska Municipal Bond Bank
General Obligation and Refunding Bonds
2013A Series Two

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Due	Amounts	Interest Rate	Yield	CUSIP Number⁽¹⁾ 011798	Due June 1	Amounts	Interest Rate	Yield	CUSIP Number⁽¹⁾ 011798
December 1, 2013					June 1, 2023				
June 1, 2014					June 1, 2024				
December 1, 2014					June 1, 2025				
June 1, 2015					June 1, 2026				
June 1, 2016					June 1, 2027				
June 1, 2017					June 1, 2028				
June 1, 2018					June 1, 2029				
June 1, 2019					June 1, 2030				
June 1, 2020					June 1, 2031				
June 1, 2021					June 1, 2032				
June 1, 2022					June 1, 2033				

\$ _____ % Term Bond due June 1, 20__; Yield ___%
 CUSIP Number⁽¹⁾ 011798 ____

\$ _____
Alaska Municipal Bond Bank
General Obligation Bonds
2013B Series Two

MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND CUSIP NUMBERS

Due June 1	Amounts	Interest Rate	Yield	CUSIP Number⁽¹⁾ 011798	Due June 1	Amounts	Interest Rate	Yield	CUSIP Number⁽¹⁾ 011798
2015					2025				
2016					2026				
2017					2027				
2018					2028				
2019					2029				
2020					2030				
2021					2031				
2022					2032				
2023					2033				
2024									

\$ _____ % Term Bond due June 1, 20__; Yield ___%
 CUSIP Number⁽¹⁾ 011798 ____

* Priced to the par call date of June 1, 2023.

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This Official Statement is furnished by the Bond Bank to provide information regarding the sale of the 2013 Series Two Bonds referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Official Statement does not imply that information herein is correct as of any time subsequent to the date hereof. No dealer, salesman or any other person has been authorized by the Bond Bank to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful to make such an offer, solicitation, or sale.

The information and expressions of opinion set forth in this Official Statement have been furnished by the Bond Bank and include information from other sources that the Bond Bank believes to be reliable. Neither this Official Statement nor any statement which may have been made orally is to be construed as a contract with the owners of any of the 2013 Series Two Bonds.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information set forth in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

UPON ISSUANCE, THE 2013 SERIES TWO BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, OR OTHER GOVERNMENTAL ENTITY OR AGENCY, OTHER THAN THE BOND BANK, WILL HAVE PASSED ON THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE 2013 SERIES TWO BONDS FOR SALE. THE 2005 GENERAL BOND RESOLUTION WILL NOT BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED.

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ALASKA MUNICIPAL BOND BANK
333 Willoughby Avenue, 11th Floor
P.O. Box 110405
Juneau, Alaska 99811-0405
(907) 465-2388
<http://www.revenue.state.ak.us/treasury/ambba/>

Board of Directors

Mark Pfeffer - Chair
Luke Welles - Vice Chair
Gregory Gurse - Member
Susan Bell - Member
(Ted Leonard - First Delegate to Susan Bell)
Bryan Butcher – Member
(Angela Rodell - First Delegate to Bryan Butcher)

Executive Director

Deven J. Mitchell

Bond Counsel

Wohlforth, Brecht, Cartledge & Brooking
Anchorage, Alaska

Trustee

The Bank of New York Mellon Trust Company, N.A.
Seattle, Washington

Financial Advisor

Western Financial Group, LLC
Portland, Oregon

The reference above to the Bond Bank's website is contact information provided only for convenience. The reference is not a hyperlink and, by this reference, the Bond Bank's website is not incorporated into this Official Statement.

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OFFICIAL STATEMENT

\$ _____

ALASKA MUNICIPAL BOND BANK GENERAL OBLIGATION AND REFUNDING BONDS 2013 SERIES TWO

INTRODUCTION

This Official Statement is furnished by the Alaska Municipal Bond Bank (the “Bond Bank”) to provide information regarding the Bond Bank in connection with the sale of its \$ _____ General Obligation and Refunding Bonds, 2013 Series Two (the “2013 Series Two Bonds”). The Bond Bank was created pursuant to Alaska Statutes 44.85.005 – 44.85.420, as amended (the “Act”), for the primary purpose of lending money to Governmental Units in the State of Alaska (the “State”) including the purchase of Municipal Bonds issued by such Governmental Units. Certain capitalized terms used in this Official Statement, and not otherwise defined herein, are defined under “DEFINITIONS.”

All references herein to agreements and documents are qualified in their entirety by reference to the definitive forms thereof, and all references to the 2013 Series Two Bonds are further qualified by reference to the information with respect thereto contained in the 2005 General Obligation Bond Resolution, adopted by the Board of Directors of the Bond Bank on July 13, 2005, as amended on August 19, 2009, (the “2005 General Bond Resolution”) and Resolution No. 2013-___, adopted by the Board of Directors of the Bond Bank on May 2, 2013 (the “Series Resolution,” and together with the 2005 General Bond Resolution, the “Bond Resolution”). All bonds which are issued under and pursuant to the terms of the 2005 General Bond Resolution are hereafter referred to as the “Bonds.” Any statements or information which include matters of opinion or estimates are represented as opinions or estimates in good faith, but no assurance can be given that the facts will materialize as so opined or estimated.

Appendix D contains financial, economic and demographic summary information relating to the Governmental Units whose Municipal Bonds represent 10 percent or more of the Loan Obligations outstanding under the 2005 General Bond Resolution.

PURPOSE OF THE 2013 SERIES TWO BONDS

Authorization and Purpose

The 2013 Series Two Bonds are being issued pursuant to the terms of the Bond Resolution, and are the twenty-sixth series of Bonds issued under the 2005 General Bond Resolution.

The 2013 Series Two Bond proceeds are being used for the following purposes: (i) to make four loans to Governmental Units; and (ii) to pay a portion of the costs of issuance of the 2013 Series Two Bonds. A portion of the proceeds of the 2013 Series Two Bonds will be loaned: (a) to the City of Homer to fund improvements and expansion of Homer’s small boat harbor; (b) to the City of Ketchikan to fund improvements and expansion of the City’s electric generation system; (c) to the Kodiak Island Borough for construction of a long-term care facility in the City of Kodiak; and (d) to the City of Skagway for construction of improvements to the City’s small boat harbor.

A portion of the proceeds of the 2013 Series Two Bonds is being used to refund and redeem certain outstanding bonds of the Bond Bank (the “Refunded Bonds”). Depending on market conditions on the pricing date and the resulting savings available as a result of the refunding, the Bond Bank may refund and redeem all or none of the Refunding Candidates listed in the following table. The Bond Bank is not obligated to refund any or all of the Refunding Candidates.

DETAILS OF THE REFUNDING CANDIDATES

<u>Series Designation</u>	<u>Principal Amount*</u>	<u>Maturities</u>	<u>Redemption Date</u>
2002 Series A Revenue	\$1,245,000	2013 and 2014	Currently Callable

* - All Refunding Candidates subject to call are callable at a price of par on the redemption date.

Refunding Plan

From a portion of the proceeds of the 2013 Two Bonds, the Bond Bank will deposit cash in the custody of The Bank of New York Mellon Trust Company, N.A., Seattle, Washington. The deposit will provide funds sufficient to pay accrued interest and redeem the principal amount of the Refunded Bonds on _____ at the price of par.

Sources and Uses of Funds

The table below presents the sources and uses of funds related to the 2013 Series Two Bonds.

Sources of Funds:

Par Amount of 2013 Series Two Bonds	\$
Net Original Issue Premium	
Alaska Municipal Bond Bank Contribution	_____.
Total Sources of Funds	\$

Uses of Funds:

Loan to the City of Homer	\$
Loan to the City of Ketchikan	
Loan to the Kodiak Island Borough	
Loan to the City of Skagway	
Redemption of Series 2002A Revenue Bonds	
Costs of Issuance ¹	
Underwriters' Discount	_____.
Total Uses of Funds	\$

(1) Includes bond counsel, financial advisor, rating agencies and other Bond Bank and borrower costs of issuance.

DESCRIPTION OF THE 2013 SERIES TWO BONDS

General Description

The 2013 Series Two Bonds are issuable only as fully registered bonds, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), as securities depository for the 2013 Series Two Bonds. Principal of and interest on the 2013 Series Two Bonds are payable by The Bank of New York Mellon Trust Company, N.A., of Seattle, Washington, as Trustee under the 2005 General Bond Resolution, to DTC which, in turn, is obligated to disburse such principal and interest payments to its participants (the “DTC Participants”) in accordance with DTC procedures. See “Appendix G – DTC and Book-Entry System.”

2013 Series Two Bonds

The 2013 Series Two Bonds mature on the dates and bear interest at the rates set forth on the inside cover page of this Official Statement. The 2013 Series Two Bonds are issuable in denominations of \$5,000 or any integral multiple thereof within a single maturity, are dated as of the date of delivery and bear interest from their date payable on December 1, 2013, and semiannually thereafter on each June 1 and December 1 to their date of maturity or prior redemption, whichever may occur first.

Optional Redemption

The 2013 Series Two Bonds maturing on or after June 1, 2024 are subject to redemption in whole or in part at the option of the Bond Bank on any date on or after June 1, 2023 at a price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date of redemption. The Governmental Units may prepay their loans on terms identical to the redemption provisions associated with the 2013 Series Two Bonds.

Mandatory Redemption

The 2013 Series Two Bonds maturing on June 1, 20__, are subject to mandatory sinking fund redemption on June 1 of the years and in the principal amounts set forth in the following table. Any such redemption shall be at a price equal to 100 percent of the principal amount to be redeemed plus accrued and unpaid interest thereon to the date fixed for redemption, but without premium.

Date	Principal Amount
June 1, 20__	
June 1, 20__*	

* Maturity

Notice of Redemption

At least 30 days, but not more than 60 days, prior to the date upon which any 2013 Series Two Bonds are to be redeemed, the Trustee will mail a notice of redemption to the registered owner of any 2013 Series Two Bond all or a portion of which is to be redeemed, at the owner’s last address appearing on the registration books of the Bond Bank kept by the Trustee. When all of the 2013 Series Two Bonds are held under the DTC book-entry system, such notice will be sent to DTC, and any notice to the beneficial owners of the 2013 Series Two Bonds will be the responsibility of DTC Participants. Neither the Bond Bank nor the Trustee will provide redemption notices to the beneficial owners.

Selection of 2013 Series Two Bonds for Redemption

If fewer than all of the 2013 Series Two Bonds are to be optionally redeemed prior to maturity, the Bond Bank may select the maturity or maturities to be redeemed in accordance with terms of the 2005 General Bond Resolution. If, at the time notice of redemption is given the 2013 Series Two Bonds are in book-entry form, then DTC will select the 2013 Series Two Bonds for redemption within a maturity in accordance with the Letter of Representations. The 2005 General Bond Resolution provides that if less than all of the Bonds of any one maturity of a Series are called for redemption and the Bonds are not in book-entry form, the Bonds to be redeemed are to be selected by lot by the Trustee or in any manner as the Trustee, in its sole discretion, may deem appropriate and fair. See “Appendix G – DTC and Book-Entry System.”

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SECURITY FOR THE 2013 SERIES TWO BONDS

General

The 2013 Series Two Bonds constitute general obligations of the Bond Bank, and the full faith and credit of the Bond Bank are pledged to the payment of the principal of and interest on the 2013 Series Two Bonds. **The 2013 Series Two Bonds do not constitute an indebtedness or other liability of the State of Alaska, and the 2013 Series Two Bonds do not directly, indirectly or contingently obligate the State of Alaska to levy any form of taxation or make any appropriation for the payment of the 2013 Series Two Bonds. Neither the faith and credit nor the taxing power of the State of Alaska is pledged for the payment of the 2013 Series Two Bonds. The Bond Bank has no taxing power.**

The 2013 Series Two Bonds are the twenty-sixth series of Bonds issued under the 2005 General Bond Resolution. As of May 1, 2013, not taking into account the issuance of the 2013 Series Two Bonds, the Bond Bank has outstanding \$66,335,000 of general obligation bonds issued under its 1976 General Bond Resolution, \$680,335,000 of Bonds issued under its 2005 General Bond Resolution and \$4,570,000 of general obligation bonds issued under its 2010 Municipal Obligation Bond Resolution.

Moral Obligation. As additional security for payment of principal of and interest on the 2013 Series Two Bonds and other Bonds issued under the 2005 General Bond Resolution, the Bond Bank has established a common Reserve Fund. See “SECURITY FOR THE 2013 SERIES TWO BONDS – 2005 General Bond Resolution Reserve Fund.” The Act provides that in order to ensure the maintenance of the Reserve Fund Requirement, the Chair of the Bond Bank is annually required (before each January 30) to make and deliver to the Governor and to the State Legislature a certificate stating the amount, if any, required to restore the Reserve Fund to the amount of the Reserve Fund Requirement. Money received by the Bond Bank from the State pursuant to such certification will, to the extent such certification was occasioned by the fact that the amount in the Reserve Fund was less than the Reserve Fund Requirement, be deposited in the Reserve Fund. The State Legislature is legally authorized, but not legally obligated, to appropriate such sums during the then current State fiscal year. This provision of the Act does not create a debt obligation on behalf of the State or a legally enforceable obligation of the State.

Beginning in 2009, and continuing through the current fiscal year (2013), the Bond Bank has been obligated to seek and has obtained a standing appropriation within the State’s annual budget to replenish the Reserve Fund, if necessary. No such replenishment from State appropriation has taken place. If the Bond Bank must draw on the Reserve Fund because of a default by a Governmental Unit, an amount equal to the amount drawn from the Reserve Fund is appropriated from the State’s General Fund to the Reserve Fund. There is no guarantee that the Bond Bank will be able to secure future standing appropriations within the State’s operating budget for replenishment of the Reserve Fund.

Pledge Effected by the 2005 General Bond Resolution

Pursuant to the 2005 General Bond Resolution, all Municipal Bonds, all Municipal Bonds Payments, the investments thereof and the proceeds of such investments, and all funds and accounts established by the 2005 General Bond Resolution, are pledged and assigned to the Trustee, equally and ratably, to secure the payment of the principal of, redemption premium, if any, and interest on all Bonds, subject only to the provisions of the 2005 General Bond Resolution permitting the application thereof for the purposes and on the terms and conditions specified in the 2005 General Bond Resolution.

The Act and the 2005 General Bond Resolution provide among other things that (i) any pledge made in respect of the Bonds will be valid and binding from the time the pledge is made, (ii) the Municipal Bonds, the Municipal Bonds Payments and all other money and securities so pledged and thereafter received by the Bond Bank immediately will be subject to the lien of such pledge without any further act, and (iii) the lien of any such pledge will be valid and binding against all parties having any claims of any kind in tort, contract or otherwise against the Bond Bank irrespective of whether the parties have notice.

Municipal Bonds

Under the provisions of the Act and the 2005 General Bond Resolution, the Bond Bank can purchase Municipal Bonds from any Governmental Unit. The 2005 General Bond Resolution defines Municipal Bonds as “general obligation bonds, revenue bonds, notes or other evidences of debt issued by any Governmental Unit as now or hereafter defined in the Act which have heretofore been or will hereafter be acquired by the Bond Bank as evidence of a Loan to the Governmental Unit pursuant to the Act.”

For each issue of Municipal Bonds that the Bond Bank purchases, the Bond Bank will obtain a bond counsel’s opinion stating that (a) such Municipal Bonds are valid debt obligations of such Governmental Unit as required by the Act and (b) a Loan Agreement has been duly authorized and executed between the Bond Bank and the Governmental Unit that constitutes a valid and binding obligation of the Governmental Unit.

Each Loan Agreement obligates a Governmental Unit to (a) make interest payments on its Municipal Bond sufficient in amount and at such times to provide the Bond Bank funds to meet interest payments on its Loan Obligations as they become due; and (b) make principal payments on its Municipal Bond sufficient in amount and at such times to provide the Bond Bank funds to meet principal payments on its Loan Obligations as they become due. Pursuant to the Loan Agreement, the Governmental Unit may be required to pay fees and charges to the Bond Bank to meet the Governmental Unit’s allocable portion of certain expenses. Each Loan Agreement also contains restrictions on the sale or redemption of Municipal Bonds.

2005 General Bond Resolution Reserve Fund

The 2005 General Bond Resolution established the Reserve Fund to be held by the Trustee and maintained at an amount equal to the Reserve Fund Requirement. The Reserve Fund Requirement is equal to the least of the following: (i) 10% of the initial principal amount of each Series of Bonds then Outstanding; (ii) Maximum Annual Debt Service with respect to all Bonds Outstanding; (iii) 125% of Average Annual Debt Service on all Bonds Outstanding; or (iv) such lower amount as may be required by law. See “DEFINITIONS – Required Debt Service Reserve.” The Reserve Fund has been funded with Bond proceeds and cash deposits from the Bond Bank. The Reserve Fund does not contain any surety policies or other forms of liquidity facility. The Reserve Fund Requirement may, however, be satisfied entirely, or in part, by a letter of credit, line of credit, credit facility, surety bond, bond insurance, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds. As of May 1, 2013, the Reserve Fund value was approximately \$___ million (unaudited), an amount sufficient to satisfy the Reserve Fund Requirement. As of that date, approximately 58% of the assets in the Reserve Fund were funded from cash deposits by the Bond Bank from the Custodian Fund. State loan proceeds deposited to the Reserve Fund in 2010, 2011 and 2012 have been converted to grants by appropriation of \$13.2 million to the Bond Bank in the State’s 2013 capital budget and are no longer required to be repaid by the Bond Bank.

The 2005 General Bond Resolution requires the Bond Bank to annually submit to the State a budget request for an appropriation to cause, if necessary, amounts held in the Reserve Fund to equal the Reserve Fund Requirement. The appropriation, if secured, would be used to replenish the Reserve Fund in the event amounts held therein were used to pay debt service on Bonds. Since 2009, and continuing through fiscal year 2013, the State has included in its operating budget a standing appropriation to replenish the Reserve Fund. The State is not obligated, legally or otherwise, to include the appropriation in its annual operating budget. This credit feature is in addition to the moral obligation feature discussed below.

On or before December 31 of each year, and subject to the requirements of the 2005 General Bond Resolution, the Trustee will transfer from the Reserve Fund any amounts remaining in the Reserve Fund derived from income or interest earned and profits realized by the Reserve Fund due to investments thereof to the Operating Fund, but only to the extent that there remains after such transfer an amount in the Reserve Fund equal to the Required Debt Service Reserve. See “SUMMARY OF THE 2005 GENERAL BOND RESOLUTION – Funds and Accounts – Reserve Fund.”

Moral Obligation. The Bond Bank is required to deliver a statement to the Governor and the State Legislature annually, before January 30, stating the amount, if any, necessary to restore the Reserve Fund to the Required Debt Service Reserve resulting from a draw on the Reserve Fund at any time during the prior year. The State Legislature may, but is under no legal obligation to, appropriate money sufficient to restore the Reserve Fund to the Required Debt Service Reserve. The Bond Bank has never reported a deficiency in any of the reserve funds held by the Bond Bank.

Custodian Account. Money not held by the Trustee in the Reserve Fund or in reserves for bonds issued under other bond resolutions is maintained by the Bond Bank in an account herein referred to as the Custodian Account (the “Custodian Account”). The Custodian Account contains direct and indirect State appropriations, prior year retained earnings not subject to the statutory annual earnings transfer, and current year investment earnings. As of June 30, 2012, the Custodian Account cash and cash equivalents and investments at fair value balance (audited) was \$7,517,574. As of April 30, 2013 the Custodian Account market value balance (unaudited) was \$_____. The increase from the audited fiscal year 2012 figure reflects the transfer from the reserve fund associated with the 1976 General Bond Resolution to the Custodian Account. The transfer resulted from the diminished reserve requirement associated with the 1976 General Bond Resolution.

The Act requires that earnings on funds directly appropriated by the State to the Bond Bank be transferred to the State in the following fiscal year. The statutory earnings transfer generated by activity in fiscal year 2011 and by statute due to the State’s general fund in fiscal year 2012 was \$86,814. The statutory earnings transfer generated by activity in fiscal year 2012 and by statute due to the State’s general fund in fiscal year 2013 was \$0. The statutory earnings transfer for 2011, and prospectively 2013, have been appropriated back to the Bond Bank in the State’s subsequent year’s operating budget. The State Legislature may, but is under no legal obligation to, appropriate Statutory earnings back to the Bond Bank. The entire Custodian Account balance is available for appropriation, at any time, by the State Legislature.

State Payments

The Act provides that any department or agency of the State, after notice from the Bond Bank that a Governmental Unit is in default on the payment of the principal of or interest on its Municipal Bonds then held or owned by the Bond Bank, will withhold the payment of money held by it and payable to such Governmental Unit and pay over such money to the Bond Bank for the purpose of paying principal of and interest on the bonds of the Bond Bank. State payments to Governmental Units include payments through the School Debt Reimbursement Program and Education Support Funding through the Department of Education and Early Development; and community jail funding through the Department of Corrections. A table appears in Appendix B that presents the amount of State payments to communities that have borrowed from the Bond Bank as well as the maximum annual loan payments and associated estimated coverage provided by those State payments. There is no guarantee that State payments will continue or remain at the current levels.

The payment and amount of such State payments is uncertain, and Legislative authorization for such payments is subject to appropriation and amendment or repeal. See “APPENDIX B – STATE PAYMENTS TO GOVERNMENTAL UNITS.” The Bond Bank has never implemented the State payment intercept remedy.

Pledge of the State

Pursuant to the Act, the State has pledged and agreed with the holders of the Bonds that it will not limit or restrict the rights vested in the Bond Bank by the Act to, among other things, purchase, hold and dispose of Municipal Bonds and fulfill the terms of an agreement (including the 2005 General Bond Resolution) made by the Bond Bank with such holders, or in any way impair the rights or remedies of such holders until the Bonds, including interest on the Bonds and interest on unpaid installments of interest and all costs and expenses in connection with an action or proceeding by or on behalf of such holders, are fully met, paid and discharged.

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THE ALASKA MUNICIPAL BOND BANK

Organization

The powers of the Bond Bank are vested in the Directors. The membership of the Bond Bank consists of five Directors: the Commissioners of the Department of Revenue and the Department of Commerce, Community and Economic Development of the State and three Directors appointed by the Governor. The three appointees serve four-year staggered terms and must be qualified voting residents of the State. The Commissioners of the Department of Revenue and the Department of Commerce, Community and Economic Development may appoint delegates to the Bond Bank Board of Directors to serve in their absence.

The Directors elect one of their members as chair and one of their members as vice-chair and also elect a secretary and treasurer who need not be Directors. Action may be taken and motions and resolutions adopted by the Bond Bank at any meeting by the affirmative vote of at least three Directors. The Directors appoint an Executive Director to manage the business of the Bond Bank.

Board of Directors

The Bond Bank's Board of Directors includes members listed below.

Mark Pfeffer - Chair. Term expires July 15, 2013. Mr. Pfeffer was originally appointed to the Board on October 10, 2001. Mr. Pfeffer is a registered architect who owns an architectural practice in Anchorage, Alaska. He is active in the development, design and management of commercial real estate projects, many of which include public/private partnerships. He is President of Pfeffer Development, LLC. Mr. Pfeffer received a Bachelor of Architecture Degree from the University of Nebraska in 1980.

Luke Welles - Vice-Chair. Term expires July 15, 2015. Mr. Welles was originally appointed to the Board on May 21, 2008. Mr. Welles became Vice President of Finance of the Arctic Slope Native Association, Ltd in March 2011. Prior to his current job he served as Chief Financial Officer of LifeMed Alaska, LLC, which provides medivac services in Alaska. Previously, Mr. Welles was the Chief Financial Officer for the Yukon Kuskokwim Healthcare Corporation which administers healthcare in 52 rural communities including a hospital located in Bethel, Alaska. He has management experience in healthcare, civil construction and commercial real estate. Over the past 15 years he has served on several economic development commissions in the State, as a city council member in Homer, Alaska and on multiple boards. Mr. Welles received a Bachelor of Arts Degree in Foreign Service and International Business from Baylor University in 1989.

Gregory Gursej - Member. Term expires July 15, 2014. Mr. Gursej was appointed to the Board on June 22, 2009. Mr. Gursej became President of Benefit Brokers, Inc. in 2001, after working as Vice President of Investments for Wedbush Morgan Securities for 11 years. Mr. Gursej also serves as a FINRA industry arbitrator in both civil and industry arbitration cases. After graduating from the University of Alaska Anchorage with a degree in finance, Mr. Gursej became involved with the University of Alaska Foundation. He served as the first Chairman of the UAA College of Fellows, served as a Trustee to the UA Foundation, and was a member of the Investment Committee to the UA Foundation. Mr. Gursej has served on both the State of Alaska Dental Examiner's Board and the U.S Treasury Department's Taxpayer Advocacy Panel. He served on the Investment Commission for the Municipality of Anchorage and several other local boards.

Ted Leonard - Member. Mr. Leonard is the first delegate for Susan Bell, Commissioner of the Department of Commerce, Community and Economic Development. Mr. Leonard was appointed Executive Director of the Alaska Industrial Development and Export Authority (AIDEA) on May 19, 2008. He was most recently the Deputy Commissioner of the Department of Commerce, Community and Economic Development. In the Deputy Commissioner capacity, he oversaw the regulatory divisions of the department which included the Division of Insurance, the Division of Banking and Securities, and the Division of Corporations, Business and

Professional Licensing. He served as the Commissioner's designee on the boards of the Alaska Housing Finance Corporation, Alaska Aerospace Development Corporation, and Alaska Community Service Commission. Mr. Leonard has worked for the last 19 years in both the government and private sector in the areas of finance and accounting in Alaska including the Mat-Su and Lower Kuskokwim School Districts as well as the City of Dillingham. He also served as the Director of Finance and Administrative Services for the City of Wasilla. He received his undergraduate degree from the College of Idaho and a Masters of Management from Willamette University. He is a Certified Management Accountant and Senior Professional in Human Resources.

Angela Rodell - Member. Ms. Rodell is the first delegate for Bryan Butcher, Commissioner of the Department of Revenue. Ms. Rodell joined the State of Alaska as Deputy Commissioner of the Department of Revenue in September 2011, and is responsible for the oversight of more than \$24 billion of State funds and more than \$20 billion of retirement assets. She has responsibility for portfolio management, cash management, debt management, unclaimed property, child support division and the permanent fund division. Ms. Rodell also serves as the ex officio board designee on a number of State boards including the Alaska Industrial Development and Export Authority, the Alaska Energy Authority, the Knik Arm Bridge & Toll Authority, the Alaska Student Loan Corporation, the Alaska Municipal Bond Bank Authority and the State Bond Committee. Formerly, Ms Rodell served as financial advisor to more than \$30 billion of transactions for state and state authorities in Alaska, Arkansas, California, Illinois, New Jersey, New York, North Carolina, Rhode Island and Virginia. Transactions included general obligation, pension obligation, public power, tobacco securitization, single family housing, multifamily housing, military housing, toll road and transportation financing. Prior to becoming a financial advisor, Ms Rodell served as the finance officer to Kentucky Housing Corporation. She has a Bachelor of Arts degree from Marquette University, Milwaukee, Wisconsin and a Master of Public Administration from the University of Kentucky, Lexington, Kentucky.

Management

Deven J. Mitchell, who also serves as State Debt Manager and Investment Officer in the Department of Revenue – Division of Treasury, was appointed Executive Director of the Bond Bank in 1999. Mr. Mitchell has worked for the State Department of Revenue since 1992. He previously held several positions in Alaska financial institutions. Mr. Mitchell holds a Bachelor of Science Degree in Business Administration from Northern Arizona University.

Rather than employ staff, the Bond Bank contracts in the private sector for a wide range of professional services. The Executive Director coordinates the activities of these professionals, which include bond counsel, financial advisor, accountants, auditors, fund trustees, bond trustees and investment managers.

Future Financing Plans

The Bond Bank anticipates issuing additional bonds pursuant to its 2005 General Bond Resolution or other bond resolutions within the next 12 months. The principal amount of such additional bonds depends on the number and size of the applications for Bond Bank financing from Governmental Units.

The total amount of Bond Bank bonds and notes outstanding at any one time may not exceed \$1 billion. As of May 1, 2013, the total principal amount of the Bond Bank's bonds and notes outstanding, not including the 2013 Series Two Bonds, was \$781,377,527.

Debt Payment Record

The Bond Bank has always made principal and interest payments on its general obligation and revenue bonds when due. No deficiencies have arisen in any Bond Bank debt service fund or reserve fund, nor has there been a need to exercise the provision requiring that State payments to Governmental Units be paid to the Bond Bank.

BONDS OUTSTANDING

Under the provisions of the Act, the Bond Bank can issue additional series of Bonds under its 2005 General Bond Resolution or issue bonds under other resolutions. The Bond Bank currently has bonds outstanding under the following resolutions:

1976 General Bond Resolution

As of May 1, 2013, the Bond Bank has issued \$721,985,000 of general obligation bonds under the 1976 General Bond Resolution, \$66,535,000 of which remain outstanding.

2005 General Bond Resolution

The 2013 Series Two Bonds are the twenty-sixth issue of Bonds under the 2005 General Bond Resolution. As of May 1, 2013, the Bond Bank has issued \$756,005,000 of general obligation bonds under the 2005 General Bond Resolution (not including the principal amount of the 2013 Series Two Bonds), \$680,335,000 of which remains outstanding.

2010 Municipal Obligation Bond Resolution

On November 2, 2010, the Bond Bank's Board of Directors approved the 2010 Municipal Obligation Bond Resolution ("2010 Resolution"). Bonds issued pursuant to the terms of the 2010 Resolution are general obligation bonds, equally and ratably secured by a pledge and assignment of all obligations acquired by the Bond Bank under the 2010 Resolution. As of May 1, 2013, the Bond Bank has issued \$4,765,000 of general obligation bonds under the 2010 Resolution, \$4,570,000 of which remains outstanding.

Revenue Bond Resolutions

The Authority (with respect to the issuance of revenue bonds the Bond Bank is referred to as the Authority) has issued revenue bonds under stand-alone revenue bond resolutions. The proceeds of these revenue bonds are applied toward the purchase of revenue bonds issued by municipal borrowers. A list of the outstanding revenue bond resolutions, amount of bonds outstanding and obligated municipal borrowers appears in the table titled "TOTAL BOND BANK BONDS ISSUED AND OUTSTANDING AS OF MAY 1, 2013" herein.

Coastal Energy Impact Program

The Bond Bank issued bonds to provide loans to local governments that qualified for aid under the Coastal Energy Impact Program ("CEIP"). CEIP is a federal program designed to provide financial assistance to coastal states and municipalities facing impacts from offshore oil development. The United States Department of Commerce, National Oceanic and Atmospheric Administration ("NOAA") and the Bond Bank entered into an agreement whereby the Bond Bank was the direct lending agency for the CEIP in the State, with \$50 million available to make loans to local governments or to establish reserves for loans to local governments.

The Bond Bank issued CEIP bonds, the proceeds of which were used to purchase bonds issued by the Kenai Peninsula Borough, the City of Seward, the City of Nome and the City of St. Paul. The total amount of CEIP bonds outstanding as of June 30, 2012, under the Coastal Energy Impact Loan Program was \$10,682,527, consisting of loans to the City of St. Paul and the City of Nome.

The CEIP loans are administered directly by NOAA without involvement of the Bond Bank. Bonds issued for the CEIP are not secured by a pledge of any amounts held by or payable to the Bond Bank under the 2005 General Bond Resolution, including the Reserve Fund, nor are they secured directly or indirectly by any reserve account created under the Act.

Direct Loans

The Bond Bank has purchased certain bond anticipation notes and defeased certain Bond Bank bonds with money from the Custodian Account while retaining underlying communities' bonds.

As of May 1, 2013, the Bond Bank holds the principal amount of \$105,000 of City and Borough of Yakutat Electric Utility Revenue Bonds in its financial portfolio. It also holds \$1,823,608 of City of Galena Utility Revenue Bonds and \$198,243 of City of Galena appropriation obligations in its financial portfolio. The Bond Bank also holds \$1,175,000 of Ketchikan Gateway Borough airport ferry revenue bonds in its financial portfolio.

Loans by the State of Alaska

In November 2010 and August 2011 the Bond Bank borrowed \$6.0 million and \$7.0 million, respectively from the State for authorized uses of the Bond Bank. The State of Alaska's fiscal year 2013 capital budget converted the 2010 and 2011 loans to grants through a \$13.2 million appropriation to the Bond Bank that was effective April 15, 2012. This amount reflected the original loan amounts plus interest accrued on those loans.

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TOTAL BOND BANK BONDS ISSUED AND OUTSTANDING AS OF MAY 1, 2013

		<u>Original Amount Issued</u>	<u>Amount Outstanding</u>
I.	Total 2005 General Bond Resolution G.O. Bonds ⁽¹⁾	\$ _____ ⁽¹⁾	\$ _____ ⁽¹⁾
II.	Total 1976 General Bond Resolution G.O. Bonds	721,985,000	66,535,000
III.	Total 2010 Resolution G.O. Bonds	4,765,000	4,570,000
IV.	Revenue Bonds		
	2002 Resolution		
	2003B Resolution		
	2004B Resolution		
	<u>Municipal Borrower</u>		
	City of Ketchikan	6,250,000	0 ⁽²⁾
	City of Valdez	19,000,000	13,500,000
	Municipality of Anchorage	5,365,000	4,510,000
V.	Coastal Energy Impact Loan Program	35,456,046	10,682,527

REMAINING DEBT CAPACITY AFTER THE ISSUANCE OF THE 2013 SERIES TWO BONDS

Debt Limit (Section 44.85.180 of the Act)		\$1,000,000,000 ⁽³⁾
Less Outstanding Bonds		
General Obligation Bonds		
1976 General Bond Resolution	\$66,535,000	
2010 Resolution	4,570,000	
2005 General Bond Resolution	_____ ⁽¹⁾	\$ _____ ⁽¹⁾
Revenue Bonds		19,255,000
Coastal Energy Loan Program		<u>10,682,527</u>
Total Outstanding Debt		\$ _____ ⁽¹⁾
Remaining Debt Capacity		<u>\$ _____⁽¹⁾</u>

(1) Includes the 2013 Series Two Bonds. Preliminary, subject to change.

(2) The 2002A Revenue Bonds are expected to be currently refunded with proceeds of the 2013 Series Two Bonds.

(3) The limit applies to all outstanding bonds or notes issued by the Bond Bank.

**DEBT SERVICE REQUIREMENTS OF
OUTSTANDING 2005 GENERAL BOND RESOLUTION
GENERAL OBLIGATION BONDS
AND THE 2013 SERIES TWO BONDS⁽¹⁾
(Fiscal Years Ending June 30)**

Fiscal Year	Existing Debt Service	2013 Series Two Principal	2013 Series Two Interest	Total Debt Service
2013	52,967,145			\$52,967,145
2014	61,236,686	\$	\$	
2015	67,317,925			
2016	68,991,962			
2017	67,008,748			
2018	68,648,426			
2019	64,677,856			
2020	60,669,191			
2021	57,539,592			
2022	54,427,289			
2023	56,326,627			
2024	49,714,426			
2025	40,900,560			
2026	36,273,547			
2027	34,527,365			
2028	35,338,625			
2029	30,584,283			
2030	25,162,009			
2031	24,184,399			
2032	18,404,011			
2033	17,896,228			
2034	12,823,697			
2035	10,876,985			
2036	10,887,381			
2037	6,544,214			
2038	6,260,235			
2039	4,647,978			
2040	3,273,250			
2041	3,272,500			
2042	3,276,250			
2043	3,274,000			
2044	3,275,750			
2045	3,276,000			
2046	3,274,500			
2047	3,276,000			
	\$1,071,035,639	\$	\$	

(1) Totals may not foot due to rounding. The 2013 Series Two Bonds are the twenty-sixth Series of Bonds issued under the 2005 General Bond Resolution.

SUMMARY OF THE 2005 GENERAL BOND RESOLUTION

The following is a summary of certain provisions of the 2005 General Bond Resolution. For a complete statement of the provisions or contents of the 2005 General Bond Resolution, see Appendix F. Words and terms used in this summary are defined in the above-mentioned document and will have the same meanings herein as contained in that document, except as defined in this Official Statement.

2005 General Bond Resolution Constitutes Contract

The 2005 General Bond Resolution constitutes a contract between the Bond Bank, the Trustee and the owners of the Bonds, and the pledges made in the 2005 General Bond Resolution and the covenants and agreements therein set forth to be performed by the Bond Bank will be for the equal and proportionate benefit, protection and security of the holders of any and all of the Bonds, all of which will be of equal rank without preference, priority or distinction.

Obligation of Bonds

The Bonds are general obligations of the Bond Bank, and the full faith and credit of the Bond Bank are pledged for the payment of the principal or redemption price of, interest on and sinking fund installments for, the Bonds solely from the sources provided in the 2005 General Bond Resolution and any Series Resolution. The State will not be liable for payment on the Bonds, and the Bonds will not be a debt or liability, or constitute a pledge or loan of the faith and credit of the State.

Pledge

The Municipal Bonds and the Municipal Bonds Payments, the investments thereof and the proceeds of such investments, if any, and all funds and accounts established by the 2005 General Bond Resolution to be held by the Trustee are pledged and assigned for the payment of the principal of, redemption price of, interest on, and sinking fund installments for, the Bonds in accordance with the terms and provisions of the 2005 General Bond Resolution, subject only to the provisions of the 2005 General Bond Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the 2005 General Bond Resolution. The Municipal Bonds and the Municipal Bonds Payments and all other money and securities pledged pursuant to the 2005 General Bond Resolution immediately will be subject to the lien of such pledge without any further act, and such lien will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Bond Bank, regardless of whether such parties have notice thereof.

Power to Issue Bonds and Make Pledges

The Bond Bank covenants that it is duly authorized by law to issue the Bonds and to pledge the Municipal Bonds Payments, the Municipal Bonds and other money, securities, funds and property purported to be pledged by the 2005 General Bond Resolution which will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the 2005 General Bond Resolution, except for the liens in favor of the Trustee and Paying Agent as provided in the 2005 General Bond Resolution. The Bond Bank will at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Municipal Bonds Payments, the Municipal Bonds and other money, securities, funds and property pledged under the 2005 General Bond Resolution and all the rights of the Bondholders under the 2005 General Bond Resolution against all claims and demands of all persons whomsoever.

General

The Bond Bank will do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Bond Bank under law and the 2005 General Bond Resolution in accordance with the terms thereof.

The Bond Bank pledges and agrees with the Holders of the Bonds that it will not cause the State to limit or alter the rights vested by the Act in the Bond Bank to fulfill the terms of any agreements made with Bondholders, or in any way impair the rights and remedies of such Bondholders, until the Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such Holders, are fully met and discharged.

Waiver of Laws

The Bond Bank will not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension of law now or at any time hereafter in force which may affect the covenants and agreements contained in the 2005 General Bond Resolution or in any Series Resolution or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Bond Bank.

Loan Agreement Provisions

No loan will be made by the Bond Bank from proceeds of the sale of Bonds and no Bonds will be issued for the purpose of providing funds with which to make a loan, unless the Loan Agreement under which such loan is to be made will comply with, but not be limited to, the following:

(a) The Governmental Unit which is a party to such Loan Agreement must be a Governmental Unit as defined by the 2005 General Bond Resolution, and the Loan Agreement must be executed in accordance with existing laws.

(b) The Governmental Unit, prior to or simultaneously with the issuance of Bonds, will issue Municipal Bonds which are valid debt obligations of the Governmental Unit as required by the Act.

(c) The Municipal Bonds Payment to be made by the Governmental Unit under such Loan Agreement will be not less than the interest and principal payments the Bond Bank is required to make on the Loan Obligations and will be scheduled by the Bond Bank in such manner and at such times as to provide funds sufficient to pay principal and interest on the Loan Obligations as the same become due.

(d) The Governmental Unit will be obligated to pay Fees and Charges to the Bond Bank at the times and in the amounts which will enable the Bond Bank to comply with the provisions of the 2005 General Bond Resolution.

(e) The Governmental Unit will agree that in the event the Municipal Bonds Payment is not paid by it to the Bond Bank on or before the times specified in the Loan Agreement, any money payable to the Governmental Unit by any department or agency of the State will be withheld from such Governmental Unit and paid over directly to the Trustee acting under the 2005 General Bond Resolution.

(f) The Bond Bank will not sell, and the Governmental Unit will not redeem prior to maturity, any of the Municipal Bonds with respect to which the Loan is made in an amount greater than the Outstanding Bonds issued with respect to such Loan which are then redeemable, and any such sale or redemption of such Municipal Bond will be in an amount not less than the aggregate of (i) the principal amount of the Loan Obligation to be redeemed, (ii) the interest to accrue on the Loan Obligation so to be redeemed to the next redemption date, (iii) the applicable redemption premium, and (iv) the costs and expenses of the Bond Bank in effecting the redemption of the Loan Obligation.

(g) The Government Unit must give the Bond Bank at least fifty (50) days' notice of its intent to redeem its Municipal Bonds.

Modification of Loan Agreement Terms

The Bond Bank will not consent to the modification of, or modify, the rates of interest of, or the amount or time of payment of any installment of principal of or interest on, any Municipal Bonds evidencing a Loan, or the amount or time of payment of any Fees and Charges payable with respect to such Loan, or the security for or any terms or provisions of such Loan or the Municipal Bonds evidencing the same, in a manner which adversely affects or diminishes the rights of the Bondholders.

Enforcement of Municipal Bonds

The Bond Bank will diligently enforce, and take all reasonable steps, actions and proceedings necessary for the enforcement of, all terms, covenants and conditions of all Loan Agreements and the Municipal Bonds, including the prompt collection, and the giving of notice to the Commissioner of Revenue, Commissioner of Commerce, Community and Economic Development and the Commissioner of Administration and any other department or agency of the State which is custodian of any money payable to the Governmental Unit of any failure or default of the Governmental Unit in the payment of its Municipal Bonds Payments and will promptly transfer any such money, upon receipt thereof, to the Trustee and the Trustee will deposit any such money in the Principal Account and Interest Account in place of said unpaid Municipal Bonds Payments or in the event deficiencies in said Accounts created by such default will have been made up by the Reserve Fund, into the Reserve Fund to the extent of such deficiencies.

Funds and Accounts

The 2005 General Bond Resolution established a Debt Service Fund, consisting of an Interest Account, a Principal Account and a Redemption Account; a Reserve Fund; a Rebate Fund, which consists of a separate sub-account for each Series of Bonds; and an Operating Fund. The Debt Service Fund, the Rebate Fund and the Reserve Fund are held by the Trustee. The Operating Fund is held by the Bond Bank.

Debt Service Fund. The Trustee will deposit Municipal Bonds Interest Payments and any other money available for the payment of interest in the Interest Account upon receipt thereof. The Trustee will, on or before each interest payment date, pay out of the Interest Account the amounts required for the payment of the interest becoming due on each series of Bonds on such interest payment date.

The Trustee will deposit Municipal Bonds Principal Payments and any other money available for the payment of principal in the Principal Account upon receipt thereof. The Trustee will, on or before each principal payment date or Sinking Fund Installment date, pay out of the Principal Account the amounts required for the payment of the principal or Sinking Fund Installment due on each series of Bonds on such date.

The Trustee establishes in the Redemption Account a separate sub-account for each Series of Bonds. Any money deposited into the Redemption Account from any source other than pursuant to Section 607 or Section 916 of the 2005 General Bond Resolution will be applied to the purchase or redemption of Bonds. Any money deposited into the Redemption Account from the Reserve Fund because of a reduction in the Required Debt Service Reserve will be applied to the purchase or redemption of Reserve Fund Obligations.

Reserve Fund. Monthly, the Trustee will set aside from amounts in the Reserve Fund derived from investment earnings and profits realized by the Reserve Fund due to investments thereof, an amount which, when added to the amounts theretofore set aside for such purpose and not paid into the Interest Account, will on such date be equal to the unpaid interest on the Reserve Fund Obligations accrued and to accrue to the last day of such month.

On or before each principal payment date and Sinking Fund Installment payment date of Reserve Fund Obligations, the Trustee will withdraw from amounts in the Reserve Fund and deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account and derived from sources other than Municipal Bonds Payments, will be equal to the Principal Installment of the Reserve Fund Obligations falling due on such date.

On or before December 31 of each year, after satisfying the deposit requirements set forth above, the Trustee will withdraw from the Reserve Fund any amount remaining therein derived from investment earnings or profits due to investments thereof, and pay over said amount to the Bond Bank for deposit in the Operating Fund, but only to the extent that there remains after such withdrawal an amount in the Reserve Fund at least equal to the Reserve Fund Requirement.

The Bond Bank will pay into the Reserve Fund (a) money made available by the State and paid by the State for the purpose of the Alaska Municipal Bond Bank Reserve Fund created by the Act in the amount provided by a Series Resolution; (b) all money paid to the Bond Bank pursuant to the Act for the purpose of restoring the Reserve Fund to the amount of the Reserve Fund Requirement; (c) such portion of the proceeds of sale of Bonds, if any, as will be provided by any Series Resolution; (d) Credit Enhancement; and (e) any other money which may be made available to the Bond Bank for the purposes of the Reserve Fund from any other source or sources. The Reserve Fund Requirement may be satisfied entirely, or in part, by a letter of credit, a line of credit, a credit facility, a surety bond, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds; provided, however, any credit enhancement satisfying all or any part of the Reserve Fund Requirement after the initial issuance of Bonds or issued in substitution of any prior credit enhancement previously issued will not, by itself, cause a withdrawal or downward revision of the ratings maintained by any Rating Agency with respect to the Bonds.

In the event there will be a deficiency in the Interest Account or in the Principal Account, the Trustee will make up such deficiencies from the Reserve Fund.

Administration of Reserve Fund. Money and securities held in the Reserve Fund will not be withdrawn therefrom at any time in such amount as would reduce the amount in such Fund to an amount less than the Reserve Fund Requirement except for the payment when due of debt service on Reserve Fund Obligations and to cure a deficiency in the Principal Account or the Interest Account.

Rebate Fund. There will be deposited in the Rebate Fund the amount of the Rebate Requirement for each Series of Bonds, and the Trustee will pay over to the United States Government such amounts as determined by the Bond Bank and as set forth in the 2005 General Bond Resolution. All amounts held in the Rebate Fund, including income earned from investment of the Rebate Fund, shall be held by the Trustee free and clear of the lien of the 2005 General Bond Resolution.

Operating Fund. There will be deposited in the Operating Fund all Fees and Charges, to the extent not otherwise encumbered or pledged, and any other money which may be made available to the Bond Bank therefor from any other source or sources. Money at any time held for the credit of the Operating Fund will be used for and applied solely to the following purposes: (a) to pay the Administrative Expenses of the Bond Bank; (b) to pay the fees and expenses of the Trustee and any Paying Agent; (c) to pay financing costs incurred with respect to a Series of Bonds; and (d) to pay any expenses incurred in carrying out any other purpose then authorized by the Act.

All amounts in the Operating Fund will be free and clear of any lien or pledge created by the 2005 General Bond Resolution.

Security for Deposits

All money held by the Trustee will be continuously and fully secured, for the benefit of the Bond Bank and the Bondholders in such manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds. It will not be necessary for the Trustee or any paying agent to give security for the deposit of any money with them held in trust for the payment of the principal or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any money which will be represented by obligations purchased under the provisions of the 2005 General Bond Resolution as an investment of such money.

Payment of Bonds

The Bond Bank will duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds according to the true intent and meaning thereof, and will duly and punctually satisfy all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds.

Fees and Charges

The Bond Bank may charge such Fees and Charges to each Governmental Unit to which a Loan is made, and will revise such Fees and Charges if necessary, so that such Fees and Charges actually collected from each such Governmental Unit will at all times produce money which, together with such Governmental Unit's Allocable Proportion of other money available under the provisions of the 2005 General Bond Resolution, and other money available therefor, will be at least sufficient to pay, as the same become due, the Governmental Unit's Allocable Proportion of the Administrative Expenses of the Bond Bank and of the fees and expenses of the Trustee and any Paying Agent.

Issuance of Additional Obligations

The Bond Bank may issue additional Bonds and refunding Bonds pursuant to the terms of the 2005 General Bond Resolution; however, no additional series of Bonds will be issued unless:

- (a) the aggregate principal amount of Bonds and Notes Outstanding at the time of issuance and delivery of such additional Bonds including the principal amount of such additional Bonds, will not exceed any limit thereon imposed by State law;
- (b) there is at the time of the issuance of such additional Bonds no deficiency in the amounts required by the 2005 General Bond Resolution or any Series Resolution to be paid into the Debt Service Fund and into the Reserve Fund;
- (c) the amount of the Reserve Fund, upon the issuance and delivery of such additional Bonds, will not be less than the Required Debt Service Reserve; and
- (d) the maturities of, or Sinking Fund Installments for, the additional Bonds representing Loan Obligations, unless such additional Bonds are being issued to refund Outstanding Bonds, will be equal to the scheduled Municipal Bonds Principal Payments to be made in respect of the Loans with respect to which such additional Bonds are to be issued.

The Bond Bank expressly reserves the right to adopt other general bond resolutions and reserves the right to issue notes and any other obligations so long as the same are not a charge or lien on the Municipal Bonds, the Municipal Bonds Payments and the Fees and Charges or payable from the Debt Service Fund or the Reserve Fund.

Defeasance

If the Bond Bank will pay or cause to be paid to the holders of all Bonds then Outstanding, the principal and interest and/or Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the 2005 General Bond Resolution and also will pay or cause to be paid all other sums payable under the 2005 General Bond Resolution, including any amounts payable to the United States, then, at the option of the Bond Bank, as expressed in an instrument in writing signed by an Authorized Officer and delivered to the Trustee, the covenants, agreements and other obligations of the Bond Bank to the Bondholders will be discharged and satisfied. All Outstanding Bonds of any Series will, prior to the maturity or redemption date thereof, be deemed to have been paid if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Bond Bank will have given to the Trustee in form satisfactory to it irrevocable instructions to publish notice of redemption on said date of such Bonds, and (b) there will have been deposited with the Trustee either monies in an amount which will be sufficient or Investment Securities which are not subject to redemption prior to the dates on which amounts will be needed to make payments on the Bonds and described in clause (1) of the definition thereof, the principal of and the interest on which when due will provide money which, together with the money, if any, deposited with the Trustee or Paying Agent at the same time, will be sufficient, to pay, when due, the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as may be the case.

Supplements and Amendments

The Bond Bank may adopt a Series Resolution or Supplemental Resolution without the consent of the Bondholders or the Trustee for various purposes not inconsistent with the 2005 General Bond Resolution, to provide for the issuance of additional Series of Bonds, to impose additional limitations or restrictions on the issuance of Bonds, to impose other restrictions on the Bond Bank, to surrender any right, power or privilege, or to confirm any pledge of or lien upon the Municipal Bonds or the Municipal Bonds Payments or any other funds. The Bond Bank may also supplement the 2005 General Bond Resolution to cure any ambiguity or defect in the 2005 General Bond Resolution, provided such modifications are not contrary to or inconsistent with the 2005 General Bond Resolution as theretofore in effect.

Any modification or amendment of the 2005 General Bond Resolution and of the rights and obligations of the Bond Bank and of the Bondholders may be made with the written consent (a) of the holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that such modification or amendment will not permit (i) a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or Sinking Fund Installment therefor, (ii) a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon, (iii) a reduction of the percentage of the Holders of which is required to effect any such modification or amendment, or (iv) the creation of any lien prior to or on a parity with the lien created by the 2005 General Bond Resolution (except in the manner provided by the 2005 General Bond Resolution) or deprive the Bondholders of the lien created by the 2005 General Bond Resolution, without the consent of the holders of all the Bonds Outstanding or of the Series of Bonds affected by such modification or amendment. To the extent that the full payment of the interest and principal of Bonds of a Series is secured by Credit Enhancement, the Credit Enhancement Agency will be considered to be the Bondholder of all the Bonds of the Series for purposes of exercising any rights with respect to supplements and amendments to the 2005 General Bond Resolution if the Credit Enhancement so provides.

Events of Default and Remedies

Each of the following events is an Event of Default under the 2005 General Bond Resolution:

(a) the Bond Bank defaults in the payment of the principal or Redemption Price of, Sinking Fund Installment for, or interest on, any Bond when and as the same will become due whether at maturity or upon call for redemption, or otherwise;

(b) the Bond Bank fails or refuses to comply with the provisions of the Act regarding the certification of deficiencies in the 2005 General Bond Resolution Reserve Fund, or such amounts as will be certified to the Governor and to the Legislature pursuant to the Act will not be appropriated and paid to the Bond Bank prior to the termination of the then current State fiscal year; or

(c) the Bond Bank fails or refuses to comply with the provisions of the Act, other than as provided in (b) above, or defaults in the performance or observance of any other of the covenants, agreements or conditions on its part in the 2005 General Bond Resolution, any Series Resolution, any Supplemental Resolution, or in the Bonds contained, and such failure, refusal or default will continue for a period of 45 days after written notice thereof by the Trustee or the Holders of not less than 25 percent in principal amount of the Outstanding Bonds;

provided, however, that an event of default will not be deemed to exist under the provisions of clause (c) above upon the failure of the Bond Bank to make and collect Fees and Charges required to be made and collected by the 2005 General Bond Resolution or upon the failure of the Bond Bank to enforce any obligation undertaken by a Governmental Unit pursuant to a Loan Agreement including the making of the stipulated Municipal Bonds Payments so long as the Bond Bank may be otherwise directed by law and so long as the Bond Bank will be provided with money from the State or otherwise, other than withdrawals from or reimbursements of the Reserve Fund, sufficient in amount to pay the principal of and interest on all Bonds as the same will become due during the period for which the Bond Bank will be directed by law to abstain from making and collecting such Fees and Charges and from enforcing the obligations of a Governmental Unit under the applicable Loan Agreement.

Upon the happening and continuance of any event of default specified in paragraph (a) above, the Trustee will proceed, or upon the happening and continuance of any event of default specified in paragraphs (b) and (c) above, the Trustee may proceed, and upon the written request of the holders of not less than 25 percent in principal amount of the Outstanding Bonds will proceed, in its own name, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Bond Bank to make and collect Fees and Charges and Municipal Bonds Payments adequate to carry out the covenants and agreements as to, and pledge of, such Fees and Charges and Municipal Bonds Payments, and other properties and to require the Bond Bank to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, require the Bond Bank to account as if it were the trustee of an express trust for the holders of the Bonds;

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds.

Upon the occurrence of an event of default in the payment of principal of and interest on Bonds then Outstanding, the Trustee may, and upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding will, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will be immediately due and payable. This provision, however, is subject to the condition that if before any judgment or decree for the payment of the money due will have been obtained or entered, the Bond Bank will deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest upon all the Bonds, with interest on such overdue installments of principal at the rate borne by the respective Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, then the holders of at least a majority in aggregate principal amount of the Bonds then outstanding, may, on behalf of the holders of all of the Bonds, rescind and annul such declaration and its consequences and waive such default.

Bondholders' Direction of Proceedings. The holders of a majority in principal amount of the Bonds then Outstanding will have the right to direct the method of conducting all remedial proceedings to be taken by the Trustee, provided that such direction will not be otherwise than in accordance with law or the 2005 General Bond Resolution, and that the Trustee will have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Limitation on Rights of Bondholders. No holder of any Bond will have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the 2005 General Bond Resolution, or for the protection or enforcement of any right under the 2005 General Bond Resolution or any right under law unless such holder will have given to the Trustee written notice of the event of default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than 25 percent in principal amount of the Bonds then Outstanding will have made written request of the Trustee and will have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under law or to institute such action, suit or proceeding in its name and unless, also, there will have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred thereby, and the Trustee will have refused or neglected to comply with such request within a reasonable time. No holder of the Bonds will have any right to affect, disturb or prejudice the security of the 2005 General Bond Resolution, or to enforce any right with respect to the Bonds or the 2005 General Bond Resolution, except in the manner provided in the 2005 General Bond Resolution, and all proceedings at law or in equity will be instituted, held and maintained in the manner herein provided and for the benefit of all Bondholders.

Excess Earnings

The Bond Bank covenants and agrees to calculate Rebatable Arbitrage and to pay Rebatable Arbitrage to the United States of America in the manner necessary to comply with the then applicable federal tax law. Within 30 days after the end of every fifth Bond Year, and within 60 days of the date when all of each Series of Bonds have been retired (or at such other time or times as may then be required by the Code and the applicable Income Tax Regulations), the Bond Bank will determine the Rebatable Arbitrage with respect to each Series of Bonds, and pay rebate amounts due the United States of America with respect thereto, as provided in Section 148(f) of the Code.

Modifications to the 2005 General Bond Resolution

The 2005 General Bond Resolution authorizes modifications of any provision set forth in the 2005 General Bond Resolution by the terms of a Supplemental Resolution, with such modifications becoming effective after all Bonds of each Series Outstanding as of the date of such Supplemental Resolution authorizing such modification cease to be Outstanding. A first supplemental resolution (the "First Supplemental Resolution") was approved by the Board of Directors of the Bond Bank at a meeting held on February 19, 2013.

The First Supplemental Resolution authorizes the following modifications to the 2005 General Bond

Resolution: (i) to authorize the Trustee to release to the Bond Bank amounts held in the Reserve Fund which exceed the Required Debt Service Reserve whenever there is a reduction in the Required Debt Service Reserve, (ii) to authorize the Trustee to release to the Bond Bank earnings and profits realized from investments in the Reserve Fund on or before June 30 of each year so long as the balance therein equals the Required Debt Service Reserve, (iii) to allow for certain amendments and modifications to the 2005 General Bond Resolution to be effective upon securing the consent of Holders of at least two-thirds in principal amount of Bonds then Outstanding, and (iv) to establish that consent of Holders of Bonds, when required under the terms of the 2005 General Bond Resolution, specifically includes the consent of an underwriter or purchaser of a Series of Bonds at the time such Bonds are issued.

The modifications to the 2005 General Bond Resolution set forth in the First Supplemental Resolution shall become effective after all Bonds issued prior to the 2013 Series One Bonds cease to be Outstanding and compliance by the Bank with certain requirements set forth in the 2005 General Bond Resolution, at which time these modifications will apply to the 2013 Series Two Bonds and govern the rights and obligations of the Holders thereof.

LITIGATION

Upon the delivery of the 2013 Series Two Bonds, the Bond Bank will furnish a certificate to the effect that, among other things, there is no litigation pending in any court to restrain or enjoin the issuance or delivery of the 2013 Series Two Bonds, or in any way contesting the validity or enforceability of the 2013 Series Two Bonds, the 2005 General Bond Resolution or any Bonds or money pledged under the 2005 General Bond Resolution.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale by the Bond Bank of the 2013 Series Two Bonds are subject to the approving legal opinion of Wohlforth, Brecht, Cartledge & Brooking of Anchorage, Alaska, Bond Counsel to the Bond Bank. The proposed form of the opinion of Bond Counsel is included herein as Appendix A.

Certain legal matters will be passed upon for (i) the City of Homer, the City of Ketchikan and the City of Skagway by their bond counsel, K&L Gates LLP of Seattle, Washington, and (ii) the Kodiak Island Borough by its bond counsel, Wohlforth, Brecht, Cartledge & Brooking of Anchorage, Alaska.

Certain legal matters will be passed upon for the Underwriters by their counsel, Foster Pepper PLLC of Seattle, Washington. Any opinion of such firm will be delivered solely to the Underwriters, will be limited in scope, and cannot be relied upon by investors.

Wohlforth, Brecht, Cartledge & Brooking has secured the consent of the Bond Bank and the Kodiak Island Borough regarding the multiple representations of clients in this transaction.

UNDERWRITING

The 2013 Series Two Bonds are to be purchased by JP Morgan and _____ (the "Underwriters") from the Bond Bank at an aggregate purchase price of \$ _____ (equal to the aggregate principal amount of the 2013 Series Two Bonds, plus a net original issue premium of \$ _____, less Underwriters' discount of \$ _____), subject to the terms of a Bond Purchase Contract between the Bond Bank and the Underwriters. The Bond Purchase Contract provides that the Underwriters will purchase all of the 2013 Series Two Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Contract, including the approval by counsel of certain matters.

The initial offering prices (or prices corresponding to the yields) set forth on the inside cover of this

Official Statement may be changed from time to time by the Underwriters without prior notice to any person after the date of the sale of the 2013 Series Two Bonds. The Underwriters may offer and sell the 2013 Series Two Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the initial offering prices (or prices corresponding to the yields) set forth on the inside cover of this Official Statement.

FINANCIAL ADVISOR

Western Financial Group, LLC has acted as financial advisor (the “Financial Advisor”) to the Bond Bank in connection with the issuance of the 2013 Series Two Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Western Financial Group, LLC is an independent advisory firm registered with the Securities and Exchange Commission and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

FINANCIAL STATEMENTS

The financial statements of the Bond Bank included as Appendix E to this Official Statement have been audited by Elgee Rehfeld Mertz LLC, independent certified public accounts, to the extent and for the periods indicated in their report thereon. Such financial statements have been included in reliance upon the report of Elgee Rehfeld Mertz LLC.

The Bond Bank has not requested Elgee Rehfeld Mertz LLC to provide written consent for inclusion of the financial statements in this Official Statement.

TAX MATTERS

In the opinion of Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other things, compliance with certain covenants, interest on the 2013 Series Two Bonds is excludable from gross income for federal income tax purposes. Interest on the 2013 Series Two Bonds is not an item of tax preference for purposes of determining alternative minimum taxable income for individuals or corporations under the Code. However, interest on the 2013 Series Two Bonds is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations.

Bond Counsel is also of the opinion, based on existing laws of the State as enacted and construed that interest on the 2013 Series Two Bonds is excludable from taxation by the State except for transfer, estate and inheritance taxes.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2013 Series Two Bonds. The Bond Bank and Governmental Units have covenanted to comply with certain restrictions designed to assure that interest on the 2013 Series Two Bonds is excludable from federal gross income. Failure to comply with these covenants may result in interest on the 2013 Series Two Bonds being included in federal gross income, possibly from the date of issuance of the 2013 Series Two Bonds. Bond Counsel's opinion is subject to the condition that the Bond Bank and the Governmental Units comply with these covenants and, in addition, will rely on representations by the Bond Bank and the Governmental Units and their advisors with respect to matters solely within the knowledge of the Bond Bank and the Governmental Units and their advisors, respectively.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2013 Series Two Bonds may adversely affect the tax status of interest on the 2013 Series Two Bonds.

Although Bond Counsel has rendered an opinion that interest on the 2013 Series Two Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, such 2013 Series Two Bonds may otherwise affect a 2013 Series Two Bond Owner's federal or State tax liability. The nature and extent of these other tax consequences will depend upon the 2013 Series Two Bond Owner's particular tax status and the 2013 Series Two Bond Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Series Two Bonds. Owners of the 2013 Series Two Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2013 Series Two Bonds, which may include original issue discount, original issue premium, purchase at market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Backup Withholding. Interest on tax-exempt obligations such as the 2013 Series Two Bonds is in many cases subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. This reporting requirement does not in and of itself affect or alter the excludability of interest on the 2013 Series Two Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount. The 2013 Series Two Bonds maturing June 1, 20__, (the "Discount Bonds") are being sold at an original issue discount. The difference between the initial public offering prices, as set forth on the cover page, of such Discount Bonds and their stated amounts to be paid at maturity, constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2013 Series Two Bonds.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Original Issue Premium. The 2013 Series Two Bonds maturing June 1, 20__ through and including June 1, 20__ (collectively, the "Premium Bonds") are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term

using constant yield principles, based on the purchaser's yield to maturity or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Changes in Federal Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the 2013 Series Two Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 2013 Series Two Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the 2013 Series Two Bonds or the market value thereof would be impacted thereby. Purchasers of the 2013 Series Two Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the 2013 Series Two Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Bond Counsel's opinion is not a guarantee of a result and is not binding on the Internal Revenue Service ("IRS"), rather, the opinion represents its legal judgment based upon its review of existing statutes, regulations, published rulings, and court decisions and the representations and covenants of the Bond Bank. The IRS has an ongoing program of auditing the tax-exempt status of the interest on governmental obligations. If an audit of the 2013 Series Two Bonds is commenced, under current procedures, the IRS is likely to treat the Bond Bank as the "taxpayer," and the owners of the 2013 Series Two Bonds (the "Owners") would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2013 Series Two Bonds, the Bond Bank may have different or conflicting interests from the Owners. Public awareness of any future audit of the 2013 Series Two Bonds could adversely affect the value and liquidity of the 2013 Series Two Bonds during the pendency of the audit, regardless of its ultimate outcome.

RATINGS

Moody's Investors Service Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned "___" and "___" ratings, respectively, to the 2013 Series Two Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300; Fitch, One State Street Plaza, New York, New York 10004, (212) 908-0500. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. **There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2013 Series Two Bonds.**

CONTINUING DISCLOSURE UNDERTAKING

Basic Undertaking to Provide Annual Financial Information and Notice of Material Events.

Continuing disclosure is provided for the benefit of beneficial owners. Pursuant to the Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule"), the Bond Bank will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("MSRB") annual financial information and operating data as described below. In addition, if any Governmental Unit has outstanding with the Bond Bank an amount of bonds equal to or greater than 10 percent of all Bonds outstanding, such Governmental Unit will be deemed an "Obligated Person" under the Rule and will be contractually required, at a minimum, to provide updated financial information of the type included in Appendix D hereof and annual financial statements prepared in accordance with generally accepted accounting principles applicable to the governmental entities, as such principles may be changed from time to time.

Not later than 120 days after the end of each Bond Bank fiscal year, the Bond Bank will notify each Governmental Unit that has, or had, an amount of bonds equal to or greater than 10 percent of all Bonds Outstanding, of its continuing disclosure undertaking responsibility. A list of Governmental Units deemed Obligated Persons for the prior fiscal year will be included in the Bond Bank's annual financial information filing.

The Bond Bank will also undertake to provide or cause to be provided to the MSRB a notice of the occurrence of any of the following events specified by the Rule with respect to the 2013 Series Two Bonds within ten business days of the occurrence of the event: (a) principal and interest payment delinquencies; (b) unscheduled draws on debt service reserves reflecting financial difficulties; (c) unscheduled draws on credit enhancements reflecting financial difficulties; (d) substitution of credit or liquidity providers, or their failure to perform; (e) adverse tax opinions or events affecting the tax-exempt status of the 2013 Series Two Bonds; (f) defeasances; (g) rating changes; (h) tender offers; (i) bankruptcy, insolvency, receivership or similar proceeding by the Bond Bank or "obligated person". The Bond Bank will also file with the MSRB a notice of any of the following events with respect to the 2013 Series Two Bonds within ten business days of the occurrence of such event, if material: (a) non-payment related defaults; (b) modification to rights of holders of 2013 Series Two Bonds; (c) bond calls, other than mandatory, scheduled redemptions not otherwise contingent on the occurrence of an event; (d) release, substitution or sale of property securing repayment of the 2013 Series Two Bonds; (e) other than in the normal course of business, the consummation of a merger, consolidation or acquisition involving an "obligated person," or the sale of all or substantially all of the assets of the Bond Bank or "obligated person," or the entry into a definitive agreement to undertake such an action, or a termination of a definitive agreement relating to any such actions, other than in accordance with its terms; (f) appointment of a successor or additional trustee or the change in name of the Trustee for the 2013 Series Two Bonds.

The Bond Bank also will provide to the MSRB timely notice of its failure to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to be Provided by the Bond Bank. The annual financial information that the Bond Bank undertakes to provide will consist of (a) annual financial statements for the Bond Bank, prepared in accordance with generally accepted accounting principles applicable to governmental entities, as such principles may be changed from time to time; (b) a statement of authorized, issued and outstanding bonded debt; (c) Reserve Fund balance; and (d) Governmental Unit statistics in substantially the same form as Appendix C attached hereto. This information will be provided to the MSRB not later than 210 days after the end of each fiscal year of the Bond Bank (currently, the 12-month period ending June 30), as such fiscal year may be changed as required by State law, commencing with the Bond Bank's fiscal year ending June 30, 2014.

Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the 2013 Series Two Bonds without the consent of any Beneficial Owner of any 2013 Series Two Bond, or any broker, dealer, municipal securities dealer, participating underwriter, rating agency, or the MSRB, if (a) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the Bond Bank; (b) the Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the 2013 Series Two Bonds, after taking into account any amendments or interpretations of the Rule by the SEC and any changes in

circumstances; (c) the Bond Bank obtains an opinion of nationally recognized bond counsel to the effect that the amendment will not adversely affect the Bond Bank's compliance with the Undertaking and Rule; and (d) the Bond Bank notifies and provides the MSRB with copies of the opinions and amendments. Such amendment may be adopted without the consent of any Beneficial Owner of any of the 2013 Series Two Bonds, notwithstanding any other provision of the Undertakings or the Bond Resolution.

The first annual report containing amended operating data or financial information pursuant to an amendment of the Bond Bank continuing disclosure undertaking will explain, in narrative form, the reasons for the amendment and its effect on the type of operating data and financial information being provided.

All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

Termination. The obligations of the Bond Bank under its undertaking will terminate upon the legal defeasance, prior redemption or payment in full of all of the 2013 Series Two Bonds.

Remedy for Failure to Comply with Undertaking. No failure by the Bond Bank and/or the Obligated Persons identified in Appendix D hereto to comply with any provisions of their respective undertakings will constitute a default in respect of the 2013 Series Two Bonds, and the sole remedy under the respective undertakings in the event of any failure of the Bond Bank and/or the Obligated Persons identified in Appendix D hereto to comply with their respective undertaking will be the right to obtain specific performance of the undertaking.

Prior Compliance with Continuing Disclosure Undertakings Under the Rule

The Bond Bank is in compliance with all of its prior undertakings pursuant to the Rule. The Obligated Persons have reported that they are in compliance with their prior undertakings under the Rule.

SOURCES OF CERTAIN INFORMATION

As of the date of this Official Statement, the Governmental Units which have loan obligations in an amount of ten percent (10%) or greater in the pool of loans financed with proceeds of Bonds are the City and Borough of Sitka (16.65%), the City and Borough of Juneau (15.59%), and the Kenai Peninsula Borough (11.20%). These Governmental Units are considered "Obligated Persons" under the Rule and have provided the information appearing in Appendix D of this Official Statement.

The Bond Bank makes no representation as to the accuracy of the information concerning the City and Borough of Juneau, the Kenai Peninsula Borough or the City and Borough of Sitka found in Appendix D of this Official Statement.

DEFINITIONS

The following terms are used in this Official Statement with the following meanings:

"Act" — The Alaska Municipal Bond Bank Act, codified as Chapter 85, Title 44, of the Alaska Statutes, as amended.

"Bond Bank" — The Alaska Municipal Bond Bank, a public corporation and instrumentality of the State of Alaska within the Department of Revenue but with legal existence independent of and separate from the State.

"Bonds" — Bonds issued by the Bond Bank under the 2005 General Bond Resolution pursuant to a Series Resolution. These include "Loan Obligations" and "Reserve Fund Obligations" as defined below.

"Code" — Internal Revenue Code of 1986 and the regulations thereunder, as amended.

"Credit Enhancement" — A letter of credit, a line of credit, a credit facility, a surety bond, bond insurance, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds to further secure the payment of the Bonds of such Series or to satisfy the Reserve Fund Requirement.

"Credit Enhancement Agency" — Any bank or other institution that provides Credit Enhancement.

"Debt Service Fund" — A fund established by the 2005 General Bond Resolution to be maintained and held by the Trustee. The 2005 General Bond Resolution defines and provides that the "Interest Account," "Principal Account" and "Redemption Account" are maintained within the Debt Service Fund.

"Fees and Charges" — All fees and charges authorized to be charged by the Bond Bank pursuant to Sections 44.85.080 (8), (15), and (16) of the Act and charged by the Bank pursuant to the terms and provisions of the Loan Agreements.

"Governmental Unit" — A municipality or such other entity from which the Bond Bank is authorized by law to purchase its revenue bonds, general obligation bonds, notes, or other forms of indebtedness and which otherwise satisfies conditions found in the 2005 General Bond Resolution and in the Loan Agreement.

"Loan Agreement" — An agreement, and any amendments thereto, entered into between the Bond Bank and a Governmental Unit setting forth the terms and conditions of a loan.

"Loan Obligations" — The amount of Bonds and the Bonds themselves issued by the Bond Bank for the purchase of Municipal Bonds of a Governmental Unit.

"Municipal Bonds" — General obligation bonds, revenue bonds, notes or other evidence of debt issued by any Governmental Unit, as defined in the Act, which have been acquired by the Bond Bank as evidence of a loan to the Governmental Unit pursuant to the Act.

"Municipal Bonds Payment" — The amounts paid or required to be paid, from time to time, for principal and interest by a Governmental Unit to the Bond Bank on the Governmental Unit's Municipal Bonds.

"Notes" — Any obligations referred to in the 2005 General Bond Resolution issued by the Bond Bank other than Bonds.

"Operating Fund" — A fund established by the 2005 General Bond Resolution. This fund is not held by the Trustee and money therein is not pledged as security for Bonds.

"Outstanding" — When used with reference to Bonds, shall mean, as of any date, Bonds theretofore or then being delivered under the provisions of the 2005 General Bond Resolution, other than Bonds owned or held by or for the account of the Bond Bank except: (i) any Bonds cancelled by the Trustee at or prior to such date, (ii) any Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the 2005 General Bond Resolution, and (iii) Bonds deemed to have been paid as provided in the 2005 General Bond Resolution.

"Reserve Fund" — The reserve account established by the 2005 General Bond Resolution and held by the Trustee pursuant to the provisions of the 2005 General Bond Resolution.

"Reserve Fund Obligations" — Bonds issued by the Bond Bank to obtain funds to deposited in the Reserve Fund.

"Reserve Fund Requirement" — The amount required to be on deposit in the 2005 General Bond Resolution Reserve Fund is the least of the following: (i) 10% of the initial stated principal amount of each Series of Bonds then Outstanding; (ii) maximum annual principal and interest requirements on all Bonds then Outstanding; (iii) 125% of average annual principal and interest requirements on all Bonds then Outstanding; or (iv) such lesser amount as shall be required by law. The Reserve Fund Requirement may be satisfied entirely, or in part, by Credit Enhancement; provided, however, any Credit Enhancement satisfying all or any part of the Reserve Fund Requirement after the initial issuance of Bonds or issued in substitution for any prior Credit Enhancement previously issued will not, by itself, cause a withdrawal or downward revision of the ratings maintained by any Rating Agency with respect to the Bonds.

"Required Debt Service Reserve" — As of any date of calculation, the amount required to be on deposit in the Reserve Fund which amount shall at least be equal to the Reserve Fund Requirement.

"Series Resolution" — A resolution of the Bond Bank authorizing the issuance of a series of Bonds in accordance with the terms of the 2005 General Bond Resolution.

"2005 General Bond Resolution" — The Bond Bank's 2005 General Obligation Bond Resolution adopted July 13, 2005, as amended August 19, 2009. (The Bond Bank may adopt additional general obligation resolutions for the same or different purposes.)

MISCELLANEOUS

The summaries or descriptions of provisions in the Bond Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions, and reference is hereby made to the complete documents and materials, copies of which will be furnished by the Bond Bank on request. The 2005 General Bond Resolution has been included herein as Appendix F.

Any statements made in this Official Statement indicated to involve matters of opinion or estimates are represented as opinions or estimates in good faith. No assurance can be given, however, that the facts will materialize as so opined or estimated.

PRELIMINARY OFFICIAL STATEMENT

The Bond Bank hereby deems this Preliminary Official Statement pursuant to the SEC Rule 15c2-12 as final as of its date except for the omission of the information dependent upon the pricing of the issue, such as offering prices, interest rates, delivery date and other terms of the 2013 Series Two Bonds dependent on the foregoing matters.

OFFICIAL STATEMENT

The Bond Bank has authorized the execution and distribution of this Official Statement.

ALASKA MUNICIPAL BOND BANK

/s/ _____
Deven J. Mitchell
Executive Director

APPENDIX A

Form of Legal Opinion

APPENDIX B

State Payments to Governmental Units

Appendix B

State Payments to Governmental Units

The State of Alaska (the “State”) disburses to Alaskan cities and boroughs (the “Governmental Units”) funds that generally are available for uses other than paying municipal bond debt service. In the event of default by a Governmental Unit with respect to a Loan Agreement, the Bond Bank can cause such funds, held in custody by the State prior to disbursement, to be paid over to the Bond Bank. However, the State may at any time reduce or terminate the disbursements or programs under which they are made. Four of the departments of the State that disburse money to Governmental Units are as follows:

(1) Department of Education and Early Development. The Department of Education and Early Development (DEED) disburses State aid for educational purposes primarily through two programs. The first program provides a system under which the State, subject to annual appropriation by the State Legislature, will reimburse municipalities that operate school districts for certain costs of school construction. State reimbursement applies to debt service on locally issued general obligation school bonds. Timing of reimbursements is determined by municipalities’ debt service payments, and is made throughout the year. This program provides that subject to statutory and regulatory conditions that the State will reimburse municipalities for a pre-determined percentage of debt service incurred for such bonds, depending on when such bonds were issued and the project components. The State has in the past, and may in the future, appropriate less than the full amount to which the municipalities are entitled. When appropriations are less than 100 percent of the entitlement, funds have been allocated pro rata among the eligible school districts.

Under the second program, the State aids local school districts in the payment of operating expenses under the State “K-12 Support” funding which provides education-related aid for operating costs associated with qualified K-12 schools as well as programs such as the Public School Foundation, boarding home grants, youth and detention funding, handicapped facilities, pupil transportation, and nutrition programs. The program provides for monthly distributions to the school districts.

(2) Department of Revenue. The Department of Revenue disburses shares of various State taxes collected by the within the jurisdiction of certain Governmental Units including corporate income, amusement, aviation fuel, electric, telephone, liquor and fisheries taxes. Payments are distributed both semi-annually in January and July and annually in October depending upon the type of tax.

(3) Department of Commerce, Community and Economic Development. The Department of Commerce, Community and Economic Development (DCCED) administers a payment in lieu of taxes program under which the federal government pays a fee for use of land. The payments received from the federal government are passed through the State to certain Governmental Units. Distributions occur annually in July. The State also disburses money to certain Governmental Units through the DCCED’s Capital Matching Grants program to provide assistance in financing capital projects. Distributions are made throughout the year as approved projects are constructed. Additionally the State Revenue Sharing program provides an annual transfer to certain governmental units based on population.

(4) Department of Corrections. The Department of Corrections transfers monthly amounts to pay operational expenses of local communities that house prisoners in municipal-owned facilities.

Sources: State of Alaska, Department of Administration, Division of Finance; State of Alaska, Office of Management and Budget; and State of Alaska, Department of Revenue, Tax Division. Further information regarding the State of Alaska may be found at <http://alaska.gov> (this reference is not a hyperlink, and, by this reference, the State of Alaska’s website is not incorporated into this Official Statement).

Alaska Municipal Bond Bank Capability to Intercept Funds

	Shared Taxes & Fees FY2012	DOT Reimbursement Program FY 2013	School Debt Reimbursement FY2013	Education Support FY2013	Matching Grants Through FY2013 (1)	Community Jails FY 2012	Revenue Sharing FY 2013	Total Intercept Capability	Fiscal Year 2013 Total Debt Service (2)	Coverage Ratio
Boroughs										
Aleutians East Borough	\$2,082,874	\$514,838	\$641,928	\$5,312,704	\$4,542,842	0	\$575,711	\$13,670,897	\$2,602,051	5.25
Haines Borough	486,904	0	911,249	3,595,614	33,894,143	0	2,911,989	\$41,799,899	1,382,392	30.24
City & Borough of Juneau	4,662,940	0	14,333,513	44,160,753	27,119,002	0	2,911,989	\$93,188,197	11,103,655	8.39
Kenai Peninsula Borough	1,473,978	0	2,055,727	85,783,122	56,141,466	0	3,838,645	\$149,292,938	8,432,941	17.70
Ketchikan Gateway Borough	2,639,506	0	2,135,246	20,980,809	20,388,110	0	897,081	\$47,040,752	5,900,744	7.97
Kodiak Island Borough (3)	1,222,846	943,676	3,677,661	27,612,782	20,576,130	0	1,042,431	\$55,075,526	5,803,305	9.49
Northwest Arctic Borough	6,695	0	3,168,611	35,256,494	18,811,762	944,172	635,710	\$58,823,444	6,374,394	9.23
City & Borough of Sitka	1,641,483	0	2,563,509	13,468,594	52,149,536	419,450	1,301,072	\$71,543,644	9,599,237	7.45
Municipality of Skagway (3)	3,485,620	0	0	528,514	15,045,144	0	639,304	\$19,698,582	429,960	45.81
City & Borough of Wrangell	409,023	0	207,480	4,532,934	17,235,019	474,907	846,656	\$23,706,019	372,050	63.72
Cities										
Bethel*	\$3,937	\$0	\$0	\$0	\$71,985,180	\$0	\$566,499	\$72,555,616	\$293,344	247.34
Cordova	1,517,031	351,179	970,893	3,811,379	19,262,110	185,784	294,223	26,392,599	1,675,586	15.75
Dillingham	419,943	0	822,009	6,927,296	5,491,658	460,725	300,237	14,421,868	1,174,590	12.28
Hoonah	756,778	0	69,898	2,079,269	20,101,778	0	188,050	23,195,773	109,400	212.03
Homer* (3)	197,140	0	0	0	14,612,494	0	485,141	15,294,775	0	--
Ketchikan* (3)	2,465,255	0	0	0	41,432,990	0	698,801	44,597,046	7,029,739	6.34
Kenai*	363,172	0	0	0	10,322,585	0	627,466	11,313,223	175,848	64.34
King Cove*	524,085	0	0	0	703,320	0	201,529	1,428,934	105,804	13.51
Kodiak*	1,371,504	0	0	0	45,945,333	793,335	572,306	48,682,478	967,654	50.31
Nome	54,785	0	233,272	9,340,281	38,174,693	0	391,410	48,194,441	779,782	61.81
North Pole*	61,605	0	0	0	456,580	0	282,196	800,381	151,342	5.29
Palmer*	151,713	0	0	0	10,852,998	0	556,753	11,561,464	262,401	44.06
Petersburg	1,056,400	0	499,417	6,212,320	18,218,709	247,710	345,443	26,579,999	1,396,510	19.03
Sand Point*	365,756	0	0	0	2,723,843	0	144,287	3,233,886	162,822	19.86
Seward*	869,806	0	0	0	10,243,591	433,210	324,914	11,871,521	4,241,289	2.80
Soldotna*	46,057	0	0	0	9,016,506	0	432,124	9,494,687	220,916	42.98
Unalaska	8,542,195	366,594	834,585	48,580,088	3,670,777	602,385	437,654	63,034,278	3,765,841	16.74
Valdez	485,678	225,811	99,165	5,185,930	12,210,754	427,262	411,940	19,046,540	2,029,831	9.38
Wasilla*	252,454	0	0	0	16,709,201	0	693,410	17,655,065	422,744	41.76

* Communities that are located in a borough which operates the public schools in the community and receives that related Education Support Funding.

(1) Matching grants are appropriated by the Alaska State Legislature and can vary significantly from year to year.

(2) Includes annual debt service on general obligation and revenue-backed loans issued through AMBB.

(3) Borrowers to this issue.

APPENDIX C
Government Unit Statistics
Regarding Participation in the Bond Bank

APPENDIX C
GOVERNMENTAL UNIT STATISTICS
REGARDING PARTICIPATION IN THE BOND BANK

2005 GENERAL BOND RESOLUTION
OUTSTANDING LOAN PRINCIPAL TO GOVERNMENTAL UNIT BORROWERS OF THE
ALASKA MUNICIPAL BOND BANK
AS OF MAY 1, 2013
(Does Not Include 2013 Series Two Bonds)

Borrower	Outstanding Par	Percent of Outstanding
City and Borough of Sitka	113,275,000	16.65%
City and Borough of Juneau	106,085,000	15.59%
Kenai Peninsula Borough	76,165,000	11.20%
Kodiak Island Borough	51,760,000	7.61%
City of Ketchikan	51,680,000	7.60%
Ketchikan Gateway Borough	42,365,000	6.23%
City of Seward	41,205,000	6.06%
City of Unalaska	36,060,000	5.30%
Northwest Arctic Borough	30,915,000	4.54%
Aleutians East Borough	28,015,000	4.12%
City of Cordova	15,095,000	2.22%
City of Kodiak	13,820,000	2.03%
City of Dillingham	12,505,000	1.84%
City of Petersburg	9,575,000	1.41%
City of Nome	5,890,000	0.87%
Municipality of Skagway	4,775,000	0.70%
City of Bethel	3,080,000	0.45%
City of Valdez	2,725,000	0.40%
City of Sand Point	2,615,000	0.38%
City of Soldotna	2,330,000	0.34%
City of Wasilla	2,200,000	0.32%
City of Kenai	1,775,000	0.26%
City of Hoonah	1,245,000	0.18%
Haines Borough	1,210,000	0.18%
City of King Cove	1,150,000	0.17%
City of Palmer	860,000	0.13%
City of North Pole	825,000	0.12%
City and Borough of Wrangell	475,000	0.07%
Reserve Obligations	20,660,000	3.04%
Total Outstanding Par	\$680,335,000	100.00%

**DEBT SERVICE OF OUTSTANDING GENERAL OBLIGATION LOANS TO GOVERNMENTAL UNIT BORROWERS OF THE ALASKA
MUNICIPAL BOND BANK UNDER THE 2005 GENERAL BOND RESOLUTION
FISCAL YEARS 2012-2022
(Includes 2013 Series Two Bonds)**

(Table reflects Loan Payments through fiscal year 2022. Debt service on bonds issued under the 2005 Resolution continues to 2047.)

Borrower	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Ketchikan Utility - 2005 Loan	\$1,317,580	\$1,315,180	\$1,330,180	\$1,331,680	\$1,332,480	\$				
City of Nome - 2005 Loan	298,138	301,338	302,338	302,838	299,838	\$301,433	\$302,564	\$303,114	303,244	302,709
Kenai Peninsula Borough Cent. Em. Svcs. Dist. - 2006 Loan	190,378	190,128	190,728	191,128	191,328	191,171	190,809	190,071	194,121	192,671
City of Seward - 2005 Port Loan	114,535	116,935	118,435	114,685	116,685	118,405	114,899	116,329	117,549	118,464
City of Seward - 2005 Refunding	281,550	286,750	288,750							
City of Seward - 2006 Port Loan	343,880	344,380	346,380	342,980	344,380	345,099	345,405	344,993	344,155	347,760
City of Ketchikan Port - 2006 Loan	2,560,113	2,559,450	2,556,156	2,555,069	2,556,963	2,553,063	2,548,063	2,550,038	2,543,850	2,544,363
City of Nome - 2007 Refunding	178,325	177,488	181,397	179,894	177,419	180,247	182,859	180,619	178,609	0
Northwest Arctic Borough - 2007 Refunding	256,569	256,331	256,094	255,856	1,259,844	1,249,172	1,248,350	1,248,825	1,245,163	0
City of Petersburg - 2007 Refunding	141,969	147,181	147,131	141,944	145,919	140,159	144,391	143,681	147,991	0
City of Seward - 2007 Refunding	239,475	241,838	243,859	235,606	241,044	241,709	237,394	238,363	234,525	239,994
City and Borough of Sitka - 2007 Refunding	846,850	846,575	845,341	847,319	848,781	851,672	849,219	0	0	0
City of Wasilla - 2007 Refunding	422,744	417,744	422,263	420,819	421,681	423,241	424,588	0	0	0
Kenai Peninsula Borough - 2007 Loan	311,825	314,538	316,725	313,225	312,625	0	0	0	0	0
City of Petersburg - 2007 Loan	88,556	91,281	88,925	91,431	88,544	90,778	92,894	90,100	92,356	89,425
Aleutians East Borough - 2007 Refunding	1,203,538	1,206,238	1,203,438	945,438	947,338	1,772,238	1,818,363	1,835,863	1,844,988	1,856,938
South Kenai Peninsula Hospital - 2007 Refunding	146,500	145,900	145,300	144,700	144,100	143,500	142,825	146,950	789,450	788,250
City and Borough of Juneau - 2007 III Dock Loan	750,131	753,159	748,813	747,175	749,575	746,875	749,125	745,500	746,000	745,500
City of Bethel - 2007 III Court Facility Loan	293,344	292,413	295,225	291,838	293,038	294,125	295,125	290,750	291,000	290,750
Kenai Peninsula Borough South Hospital Service Area	1,128,475	1,129,569	1,129,600	1,128,569	1,126,475	1,127,363	1,124,313	1,122,938	1,119,813	1,119,813
City of Kodiak M&P Loan	125,871	128,621	126,221	128,671	125,971	128,121	125,121	127,521	125,287	127,878
City of Kodiak Lift Loan	242,330	243,580	244,530	240,330	240,980	241,330	241,380	242,030	243,271	244,186
Kodiak Island Borough 2008 One Loan	620,210	625,210	624,210	622,460	624,960	620,160	624,960	623,960	621,323	623,048
City of Dillingham 2008 One Loan	1,174,590	1,176,090	1,176,090	1,179,590	1,176,340	1,178,540	1,174,540	1,174,540	1,176,390	1,176,753
Kodiak Police Station 2008 One Loan	528,240	529,990	531,240	531,990	532,240	529,040	505,640	507,840	509,128	504,990
City of Seward Long Term Care 2008 One Loan	1,973,163	1,970,663	1,971,413	1,970,163	1,971,913	1,970,513	1,972,713	1,973,313	1,969,750	1,969,488
City and Borough of Sitka 2008 Two Loan	561,945	563,445	562,045	565,245	562,845	564,725	564,625	564,005	562,355	564,645
Municipality of Skagway 2008 Two Loan	393,735	394,235	391,235	393,035	394,435	395,210	391,110	395,330	393,630	396,210
City of Seward 2008 Two Loan	394,436	393,686	393,886	393,886	393,686	393,151	394,751	393,151	391,176	393,816
City of Unalaska 2009 One Loan	1,915,100	1,914,000	1,916,800	1,909,900	1,912,900	1,909,025	1,908,275	1,905,525	1,905,650	1,903,525
City of Kodiak 2009 One Boat Lift Loan	71,213	70,413	69,613	68,713	67,713	71,588	70,338	69,088	67,838	71,463
City of Unalaska 2009 Two Loan	563,225	561,425	559,025	558,775	558,800	563,588	560,413	0		
Kodiak Island Borough 2009 Two Loan	1,503,400	1,502,800	0							
City of Cordova 2009 Two Loan	1,369,281	1,370,481	1,370,681	1,371,656	1,367,969	1,369,094	1,371,244	1,369,906	1,369,906	1,367,906
City of Nome 2009 Two Loan	55,263	54,263	53,263	52,138	51,075	55,044	53,694	52,269	55,769	54,019
City and Borough of Juneau - 2009 Three Loan	1,449,750	1,479,850	1,493,075	1,500,650	1,485,600	1,495,000	1,444,800	1,468,800	0	0
Ketchikan Gateway Borough-2009 Four Loan	1,776,419	1,775,819	1,774,769	1,777,769	1,775,519	1,768,232	1,754,104	1,743,479	1,731,390	1,722,642
Kenai Peninsula Borough-2009 Four Loan	1,052,950	1,055,150	1,055,600	0						
City of Kenai-2010 One Loan	175,848	178,598	176,198	178,798	175,398	176,998	178,398	172,704	172,011	171,018
Ketchikan Gateway Borough-2010 One Loan	725,350	729,000	729,000	729,800	725,800	731,000	730,000	728,000	0	0
Northwest Arctic Borough-2010 One Loan	279,815	281,215	282,465	283,565	283,165	282,565	281,765	280,765	284,565	281,315
City of Petersburg-2010 One Loan	236,994	239,419	236,269	238,044	239,094	234,494	234,794	234,894	234,794	238,694
City of Unalaska-2010 One Loan	427,249	426,699	425,999	425,149	427,149	428,749	424,949	425,949	426,549	424,299

Table Continues on Following Page.

Borrower	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Ketchikan Utility - 2010 Refunding	893,850									
Northwest Arctic Borough - 2010 Refunding	966,250	970,750	969,350	967,200						
City and Borough of Juneau - 2010 Two Loans	1,147,719	1,143,819	1,141,794	1,139,319	1,139,029	1,129,772	1,117,534	1,107,744	2,472,665	1,820,539
City of Cordova 2010 Two Loan	47,830	46,955	45,905	49,780	48,430	46,859	45,138	48,188	46,070	0
City of King Cove 2010 Two Loan	43,212	42,712	42,112	41,512	45,743	44,762	43,686	42,540	41,363	40,155
Aleutians East Borough - 2010 Loan	399,478	399,778	399,003	397,078	398,878	395,378	396,578	397,966	392,943	390,877
City of King Cove 2010 Three Loan	62,592	61,842	60,942	59,892	58,692	62,392	60,992	59,680	58,205	61,359
City of Unalaska 2010 Three Loan	440,317	435,192	438,892	436,267	437,267	437,867	438,067	433,605	432,617	429,319
Kenai Peninsula Borough 2010 Four Loan	1,494,765	1,487,777	1,477,241	1,468,022	1,459,887	1,442,725	1,431,305	1,411,775	1,395,269	1,376,201
City of Ketchikan 2010 Four Loan	637,981	632,888	631,272	628,044	623,153	616,549	608,190	603,500	597,854	586,163
Ketchikan Gateway Borough 2010 Four Loan	342,594	339,087	334,573	333,976	332,198	324,287	320,209	315,233	314,574	308,091
City and Borough of Sitka 2010 Four Loan	4,066,332	4,069,032	4,082,982	4,064,732	4,064,932	4,075,151	4,062,570	4,047,570	4,058,570	4,050,648
City of Soldotna 2010 Four Loan	220,916	219,162	216,905	219,070	215,646	216,594	211,905	211,752	206,311	205,509
City and Borough of Wrangell 2011 One Loan	26,875	26,275	25,675	25,075	24,475	28,875	28,000	27,000	26,000	
Kodiak Island Borough 2011 One Loan	623,400	624,850	626,000	621,850	622,550	622,950	621,400	622,800	623,600	623,800
City and Borough of Juneau 2011 Two Loan	655,531	660,231	659,631	658,831	657,831	658,831	657,300	659,600	655,200	0
City and Borough of Sitka 2011 Two Loan	411,109	411,709	412,209	407,609	408,009	412,134	410,090	407,590	407,390	411,790
Aleutians East Borough 2011 Three Refunding	303,250	298,000	569,125	833,750	976,625	229,375	229,875	226,000	231,625	230,625
Kenai Peninsula Borough 2011 Three Refunding	527,100	1,169,000	1,656,275	1,647,050	1,640,450	1,630,075	1,621,825	1,617,850	967,375	958,750
Ketchikan Gateway Borough 2011 Three Refunding	231,500	618,600	620,325	621,250	616,300	618,175	618,800	615,900	616,875	614,000
Northwest Arctic Borough 2011 Three Refunding	939,600	1,336,500	2,493,150	2,484,400	2,491,900	2,486,775	2,492,025	2,492,700	2,488,875	2,485,000
Wrangell 2011 Three Refunding	53,600	96,300	87,600	93,800	41,000					
Kenai Peninsula Borough (Central Hospital) 2011 Three	1,343,600	1,343,600	3,522,725	3,525,050	3,522,125	3,521,750	3,520,000	3,521,000	3,525,500	3,528,625
City of Cordova 2011 Three	54,725	58,400	56,600	54,800	57,875	55,625	53,375	56,250	54,000	56,375
City of Hoonah 2011 Three	109,400	112,550	110,075	107,600	114,875	111,625	113,250	90,500	93,125	90,375
Kodiak Island Borough 2011 Three	299,325	298,800	301,350	298,600	300,475	300,975	300,975	301,550	301,625	300,125
Municipality of Skagway 2011 Three	36,225	35,700	35,025	34,350	33,675	37,800	36,800	35,900	35,000	34,000
City of Seward 2011 Three	159,400	159,400	242,275	243,350	244,175	244,300	244,175	244,350	244,275	243,400
City and Borough of Juneau G. O. Refunding 2012 One	1,318,625	1,319,500	1,323,700	1,319,125	1,091,625					
Juneau Wildflower Court Refunding 2012 One	1,655,299	1,569,700	1,637,075	1,702,025	1,344,900	1,418,125	1,486,925	1,555,825	437,725	484,575
Juneau 2012 Two	266,765	318,000	1,892,250	1,902,150	1,920,400	1,940,250	1,958,400			
City of Ketchikan 2012 Two	141,996	357,794	358,344	356,944	354,444	356,644	352,519	352,019	355,894	355,344
Ketchikan Gateway Borough 2012 Two	124,329	135,450	135,450	689,150	686,150	682,350	689,250	681,625		
Kodiak Island Borough 2012 Two	467,885	503,550	503,550	1,449,250	1,449,850	1,439,500	1,447,950	1,439,025	1,442,275	1,433,950
City of Nome 2012 Two	50,180	52,150	145,725	147,300	148,200	148,900	148,825	147,950	146,825	146,100
City of North Pole 2012 Two	38,254	41,600	36,550	36,550	100,250	102,550	99,400	100,775	101,900	103,200
City of Palmer 2012 Two	33,920	37,550	37,550	111,050	108,050	105,800	108,450	104,850	105,725	106,800
City of Petersburg 2012 Two	155,068	175,400	333,000	494,000	490,600	496,600	491,075	488,125	488,375	489,750
City and Borough of Sitka 2012 Two	1,046,394	1,061,450	1,058,050	1,455,650	1,456,250	1,460,150	1,456,775	1,455,650	1,456,650	1,451,200
City of Valdez 2012 Two	112,300	126,350	126,350	341,950	347,850	348,250	351,850	343,725	340,225	342,550
Haines Borough 2012 Three		84,208	83,919	87,219	85,981	84,744	82,719	85,344	82,844	85,219
Juneau 2012 Three Refunding		396,616	903,050	909,050	916,950	918,950	928,250	937,125	948,625	947,875
Juneau 2012 Three School Construction		1,584,494	1,482,875	1,455,375	1,440,838	1,430,600	1,400,375	1,363,625	1,364,875	1,363,125

Table Continues on Following Page.

Borrower	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
City of Petersburg 2012 Three		104,978	103,925	101,525	104,838	103,050	105,000	101,500	102,875	104,000
Kenai Peninsula Borough (Bear Creek Fire) 2013 One		83,488	94,020	97,420	95,620	93,820	97,020	94,520	97,520	95,320
City and Borough of Juneau (Bartlett Hospital) 2013 One		1,680,044	1,656,213	1,652,113	1,657,213	1,659,263	1,665,563	1,661,863	1,661,513	1,666,713
City and Borough of Juneau 2013 One		198,241	204,610	201,010	202,410	203,610	199,610	204,610	200,210	200,810
Ketchikan Gateway Borough 2013 One		540,621	610,150	608,150	610,550	607,150	608,150	608,400	607,600	611,000
Kodiak Island Borough 2013 One		1,496,335	1,689,340	1,690,140	1,689,740	1,688,140	1,690,340	1,687,590	1,691,790	1,689,390
City of Sand Point 2013 One		162,822	180,580	183,180	180,580	182,980	180,180	181,680	183,680	180,480
City and Borough of Sitka (Harbor) 2013 One		272,728	310,700	310,300	309,700	308,900	307,900	310,150	308,550	311,750
City and Borough of Sitka (Electric) 2013 One		1,557,216	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360
City of Homer 2013 Two		271,275	282,200	282,400	282,400	282,200	281,800	286,200	285,200	284,000
City of Ketchikan 2013 Two		1,679,320	1,705,300	1,079,500	1,080,300	1,080,300	1,084,500	1,082,700	1,085,100	1,086,500
Kodiak Island Borough 2013 Two		701,575	1,293,500	1,291,300	1,293,300	1,294,300	1,294,300	1,293,300	1,296,300	1,293,100
Municipality of Skagway 2013 Two		62,620	69,100	67,900	66,700	70,500	69,100	67,700	71,300	69,700
Total Loan Obligation Debt Service	\$50,680,342	\$62,473,051	\$68,587,200	\$68,943,862	\$68,540,848	\$65,893,801	\$65,846,444	\$61,992,978	\$59,341,436	\$56,378,064

APPENDIX D

Summaries of Borrowers Representing 10% or More of Outstanding Principal of Bonds Issued Under the 2005 General Bond Resolution

Kenai Peninsula Borough - General Fund General Obligation Financial Summary							
Municipal Financial Position		2008	2009	2010	2011	2012	Average
Property Tax Collections							
Borrower's Property Tax Rate per \$1,000		\$5.50	\$4.50	\$4.50	\$4.50	\$4.50	\$5.50
Municipal Levy		\$30,042,125	\$26,779,449	\$28,875,124	\$29,058,274	\$30,419,493	\$29,075,468.00
Current Year's Collections		\$29,651,635	\$26,431,968	\$28,375,677	\$28,630,610	\$29,946,804	\$28,652,398.78
Current Collection Rate		98.70%	98.70%	98.27%	98.53%	98.45%	98.54%
Total Year's Collections		\$30,033,406	\$26,766,274	\$28,856,141	\$28,989,201	\$29,946,804	\$29,009,081.44
Total Collection Rate		99.97%	99.95%	99.93%	99.76%	98.45%	99.77%
General Fund							
Total Ending Fund Balance		\$ 24,460,074	\$ 25,138,217	\$ 23,025,423	\$ 21,705,814	\$ 21,466,583	
Unreserved Ending Fund Balance		\$ 23,979,600	\$ 24,604,294	\$ 22,864,839	\$ 21,454,058	\$ 21,268,520	\$20,704,636
Expenditures		\$ 62,252,359	\$ 69,119,691	\$ 70,829,556	\$ 72,163,558	\$ 71,347,868	\$63,830,592
Fund Balance/Expenditures		39%	36%	32%	30%	30%	32%
Total Revenues		\$ 66,420,270	\$ 69,797,834	\$ 68,716,762	\$ 70,799,893	\$ 71,108,637	\$63,817,196
Intergovernmental Revenues		\$ 7,786,421	\$ 9,477,866	\$ 8,987,813	\$ 8,538,331	\$ 9,749,464	\$7,885,232
Percentage Intergovernmental		12%	14%	13%	12%	14%	12%
Overall Municipal Debt Position							
Revenue Debt - Governmental Funds		\$ -	\$ -	\$ -	\$ -	\$ -	
Revenue Debt - Enterprise Funds		\$ -	\$ -	\$ -	\$ -	\$ -	
Total Revenue Debt		\$ -	\$ -	\$ -	\$ -	\$ -	
General Obligation Debt - Governmental Funds (General Fund only)		\$ 20,174,000	\$ 17,904,000	\$ 20,364,000	\$ 33,910,000	\$ 30,230,000	
General Obligation Debt - Enterprise Funds		\$ -	\$ -	\$ -	\$ -	\$ -	
Total General Obligation Debt		\$ 20,174,000	\$ 17,904,000	\$ 20,364,000	\$ 33,910,000	\$ 30,230,000	
Total Revenue and General Obligation Debt		\$ 20,174,000	\$ 17,904,000	\$ 20,364,000	\$ 33,910,000	\$ 30,230,000	
Governmental GO Debt/Assessed Value (mry)		0.38%	0.30%	0.32%	0.53%	0.46%	
Enterprise GO Debt / Assessed Value (mry)		0.00%	0.00%	0.00%	0.00%	0.00%	
Total Revenue and GO Debt/A.V. (mry)		0.38%	0.30%	0.32%	0.53%	0.46%	
General Obligation Debt Per Capita		\$381	\$338	\$380	\$612	\$536	
Total Revenue and GO Debt Per Capita		\$381	\$338	\$380	\$612	\$536	
General Economic and Demographic Data							
		2008	2009	2010	2011	2012	Annual Growth Rate
Population		52,990	52,990	53,578	55,400	56,369	1.75%
Assessed Value		\$ 5,369,378,000	\$ 5,966,757,000	\$ 6,369,098,000	\$ 6,393,531,000	\$ 6,633,241,000	3.75%
Assessed Value Per Capita		\$ 101,328	\$ 112,602	\$ 118,875	\$ 115,407	\$ 117,675	
Top 10 Tax Payers as a % of Total Assessed Value		17.68%	15.77%	15.23%	14.38%	14.38%	

CITY AND BOROUGH OF SITKA GENERAL OBLIGATION FINANCIAL SUMMARY							
Municipal Financial Position	2007	2008	2009	2010	2011	2012	Average
Property Tax Collections							
Borrower's Property Tax Rate per \$1,000	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
Municipal Levy	\$5,003,463	\$5,558,821	\$5,735,000	\$5,768,331	\$5,799,400	\$5,904,617	\$5,628,272
Current Year's Collections	\$4,983,438	\$5,501,591	\$5,689,030	\$5,735,962	\$5,753,039	\$5,874,918	\$5,589,663
Current Collection Rate	99.60%	98.97%	99.20%	99.44%	99.20%	99.50%	99.32%
Total Year's Collections	\$5,013,706	\$5,525,653	\$5,746,123	\$5,801,822	\$5,797,927	\$5,874,918	\$5,626,692
Total Collection Rate	100.20%	99.40%	100.19%	100.58%	99.97%	99.50%	99.98%
General Fund							
Unreserved Ending Fund Balance	\$ 8,766,337	\$ 6,389,357	\$ 7,193,254	\$ 8,853,936	\$ 11,508,475	\$ 13,584,873	\$ 9,382,705
Expenditures	\$ 23,002,357	\$ 23,575,260	\$ 23,817,458	\$ 23,597,203	\$ 23,260,649	\$ 24,075,729	\$ 23,554,776
Fund Balance/Expenditures	38%	27%	30%	38%	49%	56%	39.81%
Total Revenues	\$ 23,513,736	\$ 24,718,668	\$ 25,925,306	\$ 24,882,306	\$ 24,709,916	\$ 26,584,728	\$ 25,055,777
Intergovernmental Revenues	\$ 1,949,569	\$ 2,174,717	\$ 2,393,157	\$ 2,219,501	\$ 2,380,298	\$ 2,659,323	\$ 2,296,094
Percentage Intergovernmental	8%	9%	9%	9%	10%	10%	9.15%
Overall Municipal Debt Position							
Revenue Debt - Enterprise Funds	\$ 48,625,608	\$ 50,247,039	\$ 50,517,063	\$ 48,467,078	\$ 68,857,276	\$ 66,881,864	
Revenue Debt - Governmental Funds	\$ -	\$ 195,000	\$ 185,250	\$ 175,500	\$ 165,750	\$ 156,000	
General Obligation Debt - Governmental Funds	\$ 30,540,000	\$ 29,035,000	\$ 34,410,000	\$ 32,550,000	\$ 36,300,000	\$ 34,040,000	
General Obligation Debt - Enterprise Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total General Obligation Debt	\$ 30,540,000	\$ 29,035,000	\$ 34,410,000	\$ 32,550,000	\$ 36,300,000	\$ 34,040,000	
Total Revenue and General Obligation Debt	\$ 79,165,608	\$ 79,477,039	\$ 85,112,313	\$ 81,192,578	\$ 105,323,026	\$ 101,077,864	
Governmental GO Debt/Taxable Assessed Value	3.54%	3.47%	3.65%	3.42%	3.96%	3.46%	
Total Revenue and GO Debt/A.V.	9.18%	8.49%	9.04%	8.52%	11.50%	10.26%	
General Obligation Debt Per Capita	\$3,533	\$3,370	\$3,989	\$3,665	\$4,138	\$3,803	
Total Revenue and GO Debt Per Capita	\$9,158	\$9,225	\$9,866	\$9,142	\$12,005	\$11,291	
General Economic and Demographic Data							
	2007	2008	2009	2010	2011	2012	Annual Growth Rate
Population	8,644	8,615	8,627	8,881	8,773	8,952	2.04%
Taxable Assessed Value	\$ 861,978,476	\$ 935,894,126	\$ 941,464,880	\$ 952,574,685	\$ 916,072,379	\$ 985,073,126	7.53%
Assessed Value Per Capita	\$ 99,720	\$ 108,635	\$ 109,130	\$ 107,260	\$ 104,420	\$ 110,039	
Top 10 Tax Payers as a % of Assessed Value	6.51%	6.35%	8.36%	8.21%	7.64%	7.57%	

**City and Borough of Sitka
Electric Enterprise Fund
Financial Summary**

	2007	2008	2009	2010	2011	2012
	Audited	Audited	Audited	Audited	Audited	Audited
Assets						
Cash	8,458,918	9,393,512	8,993,721	8,868,159	24,320,421	31,450,650
Restricted Assets	6,964,401	7,020,244	7,376,785	7,149,277	6,871,164	3,595,875
Other Assets	2,189,489	3,185,865	3,602,067	4,256,023	5,010,167	7,266,275
Construction in Progress	1,524,810	1,130,584	2,883,684	5,555,467	11,646,987	18,086,724
Utility Plant in Service	<u>69,898,054</u>	<u>67,869,782</u>	<u>66,094,407</u>	<u>64,914,833</u>	<u>63,103,150</u>	<u>61,775,003</u>
Total Assets	89,035,672	88,599,987	88,950,664	90,743,759	110,951,889	122,174,527
Liabilities and Net Assets						
Liabilities						
Other Liabilities	663,351	654,181	419,304	636,920	1,722,772	2,477,182
Revenue Bonds Payable	34,570,000	32,550,000	30,395,000	28,090,000	48,700,000	47,570,000
Deferred loss/premium on bonds	(1,232,682)	(1,093,244)	(954,781)	(815,343)	1,471,509	(1,711,547)
Revenue Note Payable	<u>9,760,076</u>	<u>9,534,167</u>	<u>9,299,130</u>	<u>9,054,598</u>	<u>8,800,188</u>	<u>8,535,498</u>
Total Liabilities	43,760,745	41,645,104	39,158,653	36,966,175	60,694,469	56,871,133
Net Assets	45,274,927	46,954,883	49,792,011	53,777,584	50,257,420	65,303,394
Operating Revenues	10,716,798	10,939,726	11,846,117	10,852,914	11,401,523	11,611,319
Operating Expenses						
Administrative and General	1,392,512	1,799,393	1,955,508	1,699,737	1,739,698	2,003,768
Operation and Maintenance	3,752,626	4,144,733	4,465,023	4,366,115	5,257,342	5,914,895
Depreciation	<u>2,006,972</u>	<u>2,024,708</u>	<u>1,998,438</u>	<u>1,994,177</u>	<u>1,987,558</u>	<u>1,971,739</u>
Operating Income	3,564,688	2,970,892	3,427,148	2,792,885	2,416,925	1,720,917
Nonoperating revenue (expense)						
Investment Income	791,965	1,020,133	642,422	523,298	490,986	459,107
Interest Expense	(2,741,335)	(2,621,198)	(2,469,192)	(2,369,426)	(1,725,198)	(2,848,639)
Other	<u>50,717</u>	<u>315,931</u>	<u>351,823</u>	<u>208,962</u>	<u>-</u>	<u>625,748</u>
Net Income before contributions and transfers	1,666,035	1,685,758	1,952,201	1,155,719	1,182,713	(42,867)
Capital contributions	1,300,914		603,582	2,853,752	4,039,237	5,266,050
Extraordinary Item:						
Net Pension Obligation Relief			281,345		119,824	139,806
Transfer In (Out) net	<u>-</u>	<u>(5,802)</u>	<u>-</u>	<u>(23,898)</u>	<u>-</u>	<u>-</u>
Change In Net Assets	2,966,949	1,679,956	2,837,128	3,985,573	5,341,774	5,362,989
Population of City and						
Borough	8,644	8,615	8,627	8,881	8,773	
# of electric customers	5,113	5,197	5,257	5,278	5,282	
KwH Sold	106,491,085	109,997,183	114,866,192	108,739,970	111,795,344	
Revenue Bond Debt Service	4,024,958	4,113,594	4,106,690	4,108,407	3,477,959	
Revenue Bond Coverage (> 1.25)	1.59	1.54	1.56	1.34	1.41	

**CITY AND BOROUGH OF JUNEAU
FINANCIAL SUMMARY
General Governmental Fund**

Municipal Financial Position	2008	2009	2010	2011	2012	Average
Property Tax Collections						
Borrower's Property Tax Rate per \$1,000	\$10.37	\$10.37	\$10.60	\$10.51	\$10.55	\$10.48
Municipal Levy	\$39,585,556	\$40,446,577	\$41,048,853	\$40,739,944	\$41,751,673	\$40,714,521
Current Year's Collections	\$39,220,681	\$40,159,018	\$40,691,450	\$40,329,083	\$41,431,682	\$40,366,383
Current Collection Rate	99.08%	99.29%	99.13%	98.99%	99.23%	99.14%
Total Year's Collections	\$39,220,681	\$40,159,018	\$40,691,450	\$40,329,083	\$41,431,682	\$40,366,383
Total Collection Rate	99.08%	99.29%	99.13%	98.99%	99.23%	99.14%
General Fund						
Unreserved - Undesignated Ending Fund Balance	\$ 7,661,221					\$ 7,661,221
Unassigned Plus Emergency Operating Res (GASB#54)		\$ 5,479,594	\$ 5,714,731	\$ 1,729,385	\$ 3,438,792	\$ 4,090,626
Expenditures	\$ 45,344,930	\$ 48,556,036	\$ 49,158,125	\$ 50,540,314	\$ 51,283,781	\$ 48,976,637
Fund Balance/Expenditures	17%	11.29%	11.63%	3.42%	6.71%	9.99%
Total Revenues	\$ 64,317,473	\$ 67,503,826	\$ 66,541,842	\$ 66,008,466	\$ 50,055,357	\$ 62,885,393
Intergovernmental Revenues	\$ 11,288,000	\$ 14,141,624	\$ 12,389,683	\$ 14,313,000	\$ 15,464,700	\$ 13,519,401
Percentage Intergovernmental	18%	21%	19%	22%	31%	21.94%
Overall Municipal Debt Position						
Revenue Debt - Enterprise Funds	\$ 48,330,982	\$ 47,552,969	\$ 46,370,845	\$ 45,208,341	\$ 43,679,682	
Revenue Debt - Governmental Funds	\$ 173,032	\$ 2,888,891	\$ 2,718,662	\$ 3,599,575	\$ 2,861,747	
General Obligation Debt - Governmental Funds	\$ 114,309,000	\$ 142,543,000	\$ 156,356,000	\$ 148,301,000	\$ 133,446,000	
General Obligation Debt - Enterprise Funds	\$ 45,000	\$ -	\$ -	\$ -	\$ -	
Total General Obligation Debt	\$ 114,354,000	\$ 142,543,000	\$ 156,356,000	\$ 148,301,000	\$ 133,446,000	
Total Revenue and General Obligation Debt	\$ 162,858,014	\$ 192,984,860	\$ 205,445,507	\$ 197,108,916	\$ 179,987,429	
Governmental GO Debt/Taxable Assessed Value	2.97%	3.60%	3.98%	3.72%	3.28%	
Total Revenue and GO Debt/A.V.	4.24%	4.87%	5.22%	4.94%	4.42%	
General Obligation Debt Per Capita	\$3,690	\$4,641	\$4,999	\$4,742	\$4,133	
Total Revenue and GO Debt Per Capita	\$5,256	\$6,284	\$6,569	\$6,302	\$5,574	
General Economic and Demographic Data						
Population	30,988	30,711	31,275	31,275	32,290	3.25%
Taxable Assessed Value	\$ 3,845,256,273	\$ 3,964,306,237	\$ 3,933,364,442	\$ 3,989,344,944	\$ 4,071,713,732	3.52%
Assessed Value Per Capita	\$ 124,089	\$ 129,084	\$ 125,767	\$ 127,557	\$ 126,098	
Top 10 Tax Payers as a % of Assessed Value	8.94%	9.60%	10.52%	13.78%	13.73%	

**CITY AND BOROUGH OF JUNEAU
HARBOR ENTERPRISE FUND
FINANCIAL SUMMARY**

	2008 Audited	2009 Audited	2010 Audited	2011 Audited	2012 Audited
ASSETS					
Plant In-Service (net of depreciation)	\$14,065,027	\$13,081,747	\$11,923,364	\$13,827,335	\$12,844,129
Construction Work in Progress	21,482,038	27,841,706	29,935,711	29,889,294	33,499,769
Cash	4,087,343	3,299,922	4,470,053	4,728,522	4,660,755
Restricted Assets	12,546,998	9,929,753	7,588,584	10,702,703	11,196,479
Other Assets	233,341	1,178,214	866,059	764,741	847,869
Total Assets	52,414,747	55,331,342	54,783,771	59,912,595	63,049,001
LIABILITIES AND NET ASSETS					
Revenue Bonds Payable	10,450,000	10,210,000	9,960,000	9,700,000	9,691,595
Other Liabilities	2,946,716	2,590,015	1,726,240	2,110,290	2,140,909
Total Liabilities	13,396,716	12,800,015	11,686,240	11,810,290	11,832,504
NET ASSETS	39,018,031	42,531,327	43,097,531	48,102,305	51,216,497
Operating Revenues	2,686,154	2,630,220	3,040,330	2,854,858	3,154,885
Operation and Maintenance	2,368,561	2,396,922	2,133,877	2,492,110	2,434,329
Administrative and General	-	-	-	-	-
Depreciation	1,235,019	1,048,281	799,254	899,956	986,619
Operating Income (Loss)	(917,426)	(814,983)	107,199	(537,208)	(266,063)
Non-Operating Revenue (Expense)	431,688	422,169	(183,181)	46,509	155,306
Net Income (Loss) Before Contribution	(485,738)	(392,814)	(75,982)	(490,699)	(110,757)
Capital Contributions	2,094,317	317,339	242,186	1,690,873	2,549,949
Net Transfers-In (Out)	(112)	3,250,000	400,000	3,804,600	675,000
Special item - NPO/OPEB write off		338,771			
Change in Net Assets	1,608,467	3,513,296	566,204	5,004,774	3,114,192
Population of City	30,988	30,711	31,275	31,275	32,290
Revenue Bond Coverage	3.89	1.67	2.19	1.19	1.79

**City and Borough of Juneau
Conduit Debt
WILDFLOWER COURT (A not for profit organization)
FINANCIAL SUMMARY**

	2007	2008	2009	2010	2011
	Audited	Audited	Audited	Audited	Audited
ASSETS					
Plant In-Service	8,269,919	7,422,377	6,520,271	5,674,338	4,909,305
Cash	1,030,875	1,162,402	1,500,220	1,255,867	1,582,128
Restricted Assets	1,753,935	1,756,235	1,760,358	1,735,178	1,707,402
Other Assets	1,183,595	1,149,867	1,142,642	1,312,915	1,399,517
Total Assets	12,238,324	11,490,881	10,923,491	9,978,298	9,598,352
LIABILITIES AND NET ASSETS					
Bond Debt	15,300,000	14,850,000	14,250,000	13,650,000	13,050,000
Other Liabilities	798,560	923,777	872,825	878,190	904,428
Total Liabilities	16,098,560	15,773,777	15,122,825	14,528,190	13,954,428
NET ASSETS (DEFICIT)	(3,860,236)	(4,282,896)	(4,199,334)	(4,549,892)	(4,356,076)
Operating Revenues	8,305,603	8,972,432	10,290,008	10,361,609	10,859,195
Operating Expenses	7,667,554	8,438,613	9,302,040	9,802,944	9,894,353
Depreciation	1,021,764	988,053	951,871	937,147	832,579
Operating Income (Loss)	(383,715)	(454,234)	36,097	(378,482)	132,263
Non-Operating Revenue (Expense)	135,696	31,574	47,465	27,924	61,553
Change in Net Assets	(248,019)	(422,660)	83,562	(350,558)	193,816
Revenue Bond Coverage	1.29	1.10	1.27	1.01	1.33

* Financial statements are prepared on a calendar year basis.

**CITY AND BOROUGH OF JUNEAU
BARTLETT REGIONAL HOSPITAL
FINANCIAL SUMMARY**

	2008 Audited	2009 Audited	2010 Audited	2011 Audited	2012 Audited
ASSETS					
Plant In-Service (net of depreciation)	\$54,074,505	\$71,272,745	\$74,736,663	\$72,772,410	\$74,566,327
Construction Work in Progress	17,059,590	8,224,160	3,126,611	6,866,781	6,202,224
Cash	11,061,880	16,297,926	18,036,202	14,990,308	17,386,169
Restricted Assets	14,414,883	5,462,944	8,555,051	10,160,114	6,549,498
Other Assets	16,925,949	17,751,193	20,549,937	23,011,263	23,462,113
Total Assets	113,536,807	119,008,968	125,004,464	127,800,876	128,166,331
LIABILITIES AND NET ASSETS					
Revenue Bonds Payable	27,295,000	26,740,000	26,165,000	25,570,000	24,926,795
Other Liabilities	11,708,161	10,484,387	11,066,147	11,391,053	8,999,867
Total Liabilities	39,003,161	37,224,387	37,231,147	36,961,053	33,926,662
NET ASSETS	74,533,646	81,784,581	87,773,317	90,839,823	94,239,669
Operating Revenues	68,693,315	76,333,369	82,640,681	90,680,836	95,026,373
Operation and Maintenance	61,982,608	66,831,133	72,975,632	83,883,389	89,411,913
Administrative and General	-	-	-	-	-
Depreciation	4,470,386	5,474,872	6,270,565	6,552,177	7,145,290
Operating Income (Loss)	2,240,321	4,027,364	3,394,484	245,270	(1,530,830)
Non-Operating Revenue (Expense)	(677,429)	243,415	911,555	1,579,634	3,306,366
Net Income (Loss) Before Contribution	1,562,892	4,270,779	4,306,039	1,824,904	1,775,536
Capital Contributions	2,136,890	870,700	536,697	89,002	471,910
Net Transfers-In (Out)	1,102,100	1,103,000	1,146,000	1,152,600	1,152,400
Special item - NPO/OPEB write off		1,006,456			
Change in Net Assets	4,801,882	7,250,935	5,988,736	3,066,506	3,399,846
Population of City	30,988	30,711	31,275	31,275	32,290
Revenue Bond Coverage	3.58	5.07	5.15	3.63	3.00

APPENDIX E

Financial Statements of the
Alaska Municipal Bond Bank
for the Year Ended June 30, 2012

APPENDIX F

2005 General Obligation Bond Resolution

APPENDIX G

DTC and Book-Entry System

DTC AND BOOK-ENTRY SYSTEM

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2013 Series Two Bonds. The 2013 Series Two Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2013 Series Two Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating from Standard & Poor's of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of 2013 Series Two Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Series Two Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 Series Two Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2013 Series Two Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2013 Series Two Bonds, except in the event that use of the book-entry system for the 2013 Series Two Bonds is discontinued.

4. To facilitate subsequent transfers, all 2013 Series Two Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2013 Series Two Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Series Two Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Series Two Bonds are credited,

which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2013 Series Two Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Series Two Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2013 Series Two Bond documents. For example, Beneficial Owners of 2013 Series Two Bonds may wish to ascertain that the nominee holding the 2013 Series Two Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the 2013 Series Two Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2013 Series Two Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2013 Series Two Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Payments on the 2013 Series Two Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Bond Bank or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Bank or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the 2013 Series Two Bonds at any time by giving reasonable notice to the Bond Bank or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2013 Series Two Bond certificates are required to be printed and delivered.

10. The Bond Bank may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2013 Series Two Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bond Bank believes to be reliable, but the Bond Bank takes no responsibility for the accuracy thereof.

SOURCES AND USES OF FUNDS

Alasks Municipal Bond Bank Series 2013 Two Bonds
Alaska Municipal Bond Bank Series 2013 Two

Sources:	City of Ketchikan 2013 Two Loan	Ketchikan Public Utility Refunding of 2002 Bonds	Homer Boat Harbor Loan	Kodiak Island Borough 2013 Hospital Loan	Skagway General Obligation Loan	Total
Bond Proceeds:						
Par Amount	13,665,000.00	1,230,000.00	3,580,000.00	15,805,000.00	865,000.00	35,145,000.00
Premium	2,469,876.70	28,105.50	647,328.75	2,942,927.50	155,668.55	6,243,907.00
	<u>16,134,876.70</u>	<u>1,258,105.50</u>	<u>4,227,328.75</u>	<u>18,747,927.50</u>	<u>1,020,668.55</u>	<u>41,388,907.00</u>
Other Sources of Funds:						
AMBB COI Grant	50,701.85		13,283.03	58,641.97	3,209.42	125,836.27
Homer DSRF Contribution			283,375.00			283,375.00
State Capital Grant				1,275,000.00		1,275,000.00
Borough Funding				85,000.00		85,000.00
Community Development Block Grant				90,000.00		90,000.00
	<u>50,701.85</u>		<u>296,658.03</u>	<u>1,508,641.97</u>	<u>3,209.42</u>	<u>1,859,211.27</u>
	<u>16,185,578.55</u>	<u>1,258,105.50</u>	<u>4,523,986.78</u>	<u>20,256,569.47</u>	<u>1,023,877.97</u>	<u>43,248,118.27</u>
Uses:						
Project Fund Deposits:						
Project Fund Deposit	15,000,000.00		4,200,000.00	18,500,000.00	1,000,000.00	38,700,000.00
Refunding Escrow Deposits:						
Cash Deposit		1,247,921.88				1,247,921.88
Other Fund Deposits:						
Debt Service Reserve Fund	1,077,550.00		283,375.00	1,286,875.00		2,647,800.00
Capitalized Interest				343,125.00		343,125.00
	<u>1,077,550.00</u>		<u>283,375.00</u>	<u>1,630,000.00</u>		<u>2,990,925.00</u>
Cost of Issuance:						
AMBB Financial Advisor	13,608.62	1,224.93	3,565.23	15,739.79	861.43	35,000.00
AMBB Bond Counsel	19,440.89	1,749.89	5,093.19	22,485.42	1,230.61	50,000.00
AMBB Trustee	155.53	14.00	40.75	179.88	9.84	400.00
Moody's Rating	7,776.36	699.96	2,037.27	8,994.17	492.24	20,000.00
Fitch Rating	7,776.36	699.96	2,037.27	8,994.17	492.24	20,000.00
Miscellaneous	1,944.09	174.99	509.32	2,248.54	123.06	5,000.00
Borrower Bond Counsel	15,000.00		15,000.00	15,000.00	15,000.00	60,000.00
	<u>65,701.85</u>	<u>4,563.73</u>	<u>28,283.03</u>	<u>73,641.97</u>	<u>18,209.42</u>	<u>190,400.00</u>
Delivery Date Expenses:						
Underwriter's Discount	42,263.95	2,151.50	11,072.09	49,582.24	2,669.33	107,739.11
Other Uses of Funds:						
Additional Proceeds	62.75	3,468.39	1,256.66	3,345.26	2,999.22	11,132.28
	<u>16,185,578.55</u>	<u>1,258,105.50</u>	<u>4,523,986.78</u>	<u>20,256,569.47</u>	<u>1,023,877.97</u>	<u>43,248,118.27</u>

SUMMARY OF REFUNDING RESULTS**Alaska Municipal Bond Bank Series 2013 Two Bonds**
Alaska Municipal Bond Bank Series 2013 Two

Dated Date	06/19/2013
Delivery Date	06/19/2013
Arbitrage yield	2.484766%
Escrow yield	
Bond Par Amount	1,230,000.00
True Interest Cost	0.531579%
Net Interest Cost	0.542020%
Average Coupon	2.763158%
Average Life	0.950
Par amount of refunded bonds	1,245,000.00
Average coupon of refunded bonds	4.856463%
Average life of refunded bonds	0.960
PV of prior debt to 06/19/2013 @ 3.090096%	1,268,446.51
Net PV Savings	45,657.44
Percentage savings of refunded bonds	3.667264%
Percentage savings of refunding bonds	3.711987%

SUMMARY OF BONDS REFUNDED

Alaska Municipal Bond Bank Series 2013 Two Bonds
Alaska Municipal Bond Bank Series 2013 Two

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Ketchikan Public Utility 2002 Bonds, KPU2002:					
KPU2002	12/01/2013	4.375%	610,000.00	06/19/2013	100.000
	12/01/2014	5.000%	635,000.00	06/19/2013	100.000
			1,245,000.00		

SAVINGS

Alaska Municipal Bond Bank Series 2013 Two Bonds
 Alaska Municipal Bond Bank Series 2013 Two

Date	Prior Debt Service	Refunding Debt Service	Savings	Annual Savings @	Present Value to 06/19/2013 @ 3.0900955%
12/01/2013	639,218.75	628,837.50	10,381.25	10,381.25	10,238.98
06/01/2014	15,875.00	9,225.00	6,650.00		6,459.07
12/01/2014	650,875.00	624,225.00	26,650.00	33,300.00	25,491.00
	1,305,968.75	1,262,287.50	43,681.25	43,681.25	42,189.05

Savings Summary

PV of savings from cash flow	42,189.05
Plus: Refunding funds on hand	3,468.39
Net PV Savings	<u>45,657.44</u>

BOND SUMMARY STATISTICS

Alaska Municipal Bond Bank Series 2013 Two Bonds
Alaska Municipal Bond Bank Series 2013 Two

Dated Date	06/19/2013
Delivery Date	06/19/2013
Last Maturity	06/01/2033
Arbitrage Yield	2.484766%
True Interest Cost (TIC)	3.090096%
Net Interest Cost (NIC)	3.466202%
All-In TIC	3.065354%
Average Coupon	4.944519%
Average Life (years)	11.810
Duration of Issue (years)	9.229
Par Amount	35,145,000.00
Bond Proceeds	41,388,907.00
Total Interest	20,523,600.00
Net Interest	14,387,432.11
Total Debt Service	55,668,600.00
Maximum Annual Debt Service	2,827,400.00
Average Annual Debt Service	2,790,406.02
Underwriter's Fees (per \$1000)	
Average Takedown	2.566368
Other Fee	0.499192
Total Underwriter's Discount	3.065560
Bid Price	117.459576

Bond Component	Par Value	Price	Average Coupon	Average Life
Serial Bonds	35,145,000.00	117.766	4.945%	11.810
	35,145,000.00			11.810

	TIC	All-In TIC	Arbitrage Yield
Par Value	35,145,000.00	35,145,000.00	35,145,000.00
+ Accrued Interest			
+ Premium (Discount)	6,243,907.00	6,243,907.00	6,243,907.00
- Underwriter's Discount	-107,739.11	-107,739.11	
- Cost of Issuance Expense		-190,400.00	
- Other Amounts		283,375.00	
Target Value	41,281,167.89	41,374,142.89	41,388,907.00
Target Date	06/19/2013	06/19/2013	06/19/2013
Yield	3.090096%	3.065354%	2.484766%

BOND PRICING

Alaska Municipal Bond Bank Series 2013 Two Bonds
Alaska Municipal Bond Bank Series 2013 Two

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	12/01/2013	615,000	2.000%	0.250%	100.786
	06/01/2014	580,000	2.000%	0.300%	101.611
	12/01/2014	615,000	3.000%	0.380%	103.784
	06/01/2015	1,120,000	3.000%	0.440%	104.965
	06/01/2016	1,160,000	4.000%	0.620%	109.864
	06/01/2017	1,205,000	4.000%	0.810%	112.376
	06/01/2018	1,255,000	4.000%	1.040%	114.244
	06/01/2019	1,310,000	5.000%	1.270%	121.309
	06/01/2020	1,380,000	5.000%	1.530%	122.795
	06/01/2021	1,445,000	5.000%	1.770%	123.854
	06/01/2022	1,530,000	5.000%	1.970%	124.749
	06/01/2023	1,600,000	5.000%	2.180%	125.100
	06/01/2024	1,685,000	5.000%	2.330%	123.588 C
	06/01/2025	1,775,000	5.000%	2.460%	122.295 C
	06/01/2026	1,865,000	5.000%	2.600%	120.920 C
	06/01/2027	1,960,000	5.000%	2.730%	119.660 C
	06/01/2028	2,055,000	5.000%	2.820%	118.797 C
	06/01/2029	2,165,000	5.000%	2.900%	118.036 C
	06/01/2030	2,275,000	5.000%	2.960%	117.469 C
	06/01/2031	2,395,000	5.000%	3.010%	116.999 C
	06/01/2032	2,510,000	5.000%	3.060%	116.531 C
	06/01/2033	2,645,000	5.000%	3.110%	116.066 C
		35,145,000			

Dated Date	06/19/2013	
Delivery Date	06/19/2013	
First Coupon	12/01/2013	
Par Amount	35,145,000.00	
Premium	6,243,907.00	
Production	41,388,907.00	117.766132%
Underwriter's Discount	-107,739.11	-0.306556%
Purchase Price	41,281,167.89	117.459576%
Accrued Interest		
Net Proceeds	41,281,167.89	

BOND DEBT SERVICE BREAKDOWN

Alaska Municipal Bond Bank Series 2013 Two Bonds
Alaska Municipal Bond Bank Series 2013 Two

Period Ending	Ketchikan Public		Homer Boat Harbor Loan	Kodiak Island		Skagway General Obligation Loan	Total
	City of Ketchikan 2013 Two Loan	Utility Refunding of 2002 Bonds		Borough 2013 Hospital Loan			
12/01/2013	291,105	628,837.50	76,275	343,125	18,382.50	1,357,725	
12/01/2014	1,077,550	633,450.00	283,350	762,500	70,550.00	2,827,400	
12/01/2015	1,076,525		280,475	1,284,550	69,800.00	2,711,350	
12/01/2016	1,075,650		281,350	1,285,600	68,750.00	2,711,350	
12/01/2017	1,076,850		281,450	1,283,200	67,550.00	2,709,050	
12/01/2018	1,077,250		281,350	1,284,900	66,350.00	2,709,850	
12/01/2019	1,074,250		280,375	1,282,500	69,875.00	2,707,000	
12/01/2020	1,072,625		283,375	1,285,625	68,125.00	2,709,750	
12/01/2021	1,074,625		281,000	1,282,125	66,375.00	2,704,125	
12/01/2022	1,075,125		283,250	1,286,875	69,500.00	2,714,750	
12/01/2023	1,074,125		280,125	1,284,750	67,500.00	2,706,500	
12/01/2024	1,076,500		281,625	1,285,750	65,500.00	2,709,375	
12/01/2025	1,077,125		282,625	1,284,750	68,375.00	2,712,875	
12/01/2026	1,076,000		283,125	1,286,625	66,125.00	2,711,875	
12/01/2027	1,073,125		283,125	1,286,250	68,750.00	2,711,250	
12/01/2028	1,073,375		282,625	1,283,625	66,250.00	2,705,875	
12/01/2029	1,076,500		281,625	1,283,625	68,625.00	2,710,375	
12/01/2030	1,077,375		280,125	1,286,000	65,875.00	2,709,375	
12/01/2031	1,076,000		283,000	1,285,625	68,000.00	2,712,625	
12/01/2032	1,072,375		280,250	1,282,500	69,875.00	2,705,000	
12/01/2033	1,076,250		281,875	1,286,375	66,625.00	2,711,125	
	21,800,305	1,262,287.50	5,712,375	25,516,875	1,376,757.50	55,668,600	

BOND DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
City of Ketchikan 2013 Two Loan

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2013			291,105	291,105	291,105
06/01/2014	435,000	2.000%	323,450	758,450	
12/01/2014			319,100	319,100	1,077,550
06/01/2015	445,000	3.000%	319,100	764,100	
12/01/2015			312,425	312,425	1,076,525
06/01/2016	460,000	4.000%	312,425	772,425	
12/01/2016			303,225	303,225	1,075,650
06/01/2017	480,000	4.000%	303,225	783,225	
12/01/2017			293,625	293,625	1,076,850
06/01/2018	500,000	4.000%	293,625	793,625	
12/01/2018			283,625	283,625	1,077,250
06/01/2019	520,000	5.000%	283,625	803,625	
12/01/2019			270,625	270,625	1,074,250
06/01/2020	545,000	5.000%	270,625	815,625	
12/01/2020			257,000	257,000	1,072,625
06/01/2021	575,000	5.000%	257,000	832,000	
12/01/2021			242,625	242,625	1,074,625
06/01/2022	605,000	5.000%	242,625	847,625	
12/01/2022			227,500	227,500	1,075,125
06/01/2023	635,000	5.000%	227,500	862,500	
12/01/2023			211,625	211,625	1,074,125
06/01/2024	670,000	5.000%	211,625	881,625	
12/01/2024			194,875	194,875	1,076,500
06/01/2025	705,000	5.000%	194,875	899,875	
12/01/2025			177,250	177,250	1,077,125
06/01/2026	740,000	5.000%	177,250	917,250	
12/01/2026			158,750	158,750	1,076,000
06/01/2027	775,000	5.000%	158,750	933,750	
12/01/2027			139,375	139,375	1,073,125
06/01/2028	815,000	5.000%	139,375	954,375	
12/01/2028			119,000	119,000	1,073,375
06/01/2029	860,000	5.000%	119,000	979,000	
12/01/2029			97,500	97,500	1,076,500
06/01/2030	905,000	5.000%	97,500	1,002,500	
12/01/2030			74,875	74,875	1,077,375
06/01/2031	950,000	5.000%	74,875	1,024,875	
12/01/2031			51,125	51,125	1,076,000
06/01/2032	995,000	5.000%	51,125	1,046,125	
12/01/2032			26,250	26,250	1,072,375
06/01/2033	1,050,000	5.000%	26,250	1,076,250	
12/01/2033					1,076,250
	13,665,000		8,135,305	21,800,305	21,800,305

BOND DEBT SERVICEAlasks Municipal Bond Bank Series 2013 Two Bonds
Ketchikan Public Utility Refunding of 2002 Bonds

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2013	615,000	2.000%	13,837.50	628,837.50	628,837.50
06/01/2014			9,225.00	9,225.00	
12/01/2014	615,000	3.000%	9,225.00	624,225.00	633,450.00
	1,230,000		32,287.50	1,262,287.50	1,262,287.50

BOND DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
Homer Boat Harbor Loan

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2013			76,275	76,275	76,275
06/01/2014	115,000	2.000%	84,750	199,750	
12/01/2014			83,600	83,600	283,350
06/01/2015	115,000	3.000%	83,600	198,600	
12/01/2015			81,875	81,875	280,475
06/01/2016	120,000	4.000%	81,875	201,875	
12/01/2016			79,475	79,475	281,350
06/01/2017	125,000	4.000%	79,475	204,475	
12/01/2017			76,975	76,975	281,450
06/01/2018	130,000	4.000%	76,975	206,975	
12/01/2018			74,375	74,375	281,350
06/01/2019	135,000	5.000%	74,375	209,375	
12/01/2019			71,000	71,000	280,375
06/01/2020	145,000	5.000%	71,000	216,000	
12/01/2020			67,375	67,375	283,375
06/01/2021	150,000	5.000%	67,375	217,375	
12/01/2021			63,625	63,625	281,000
06/01/2022	160,000	5.000%	63,625	223,625	
12/01/2022			59,625	59,625	283,250
06/01/2023	165,000	5.000%	59,625	224,625	
12/01/2023			55,500	55,500	280,125
06/01/2024	175,000	5.000%	55,500	230,500	
12/01/2024			51,125	51,125	281,625
06/01/2025	185,000	5.000%	51,125	236,125	
12/01/2025			46,500	46,500	282,625
06/01/2026	195,000	5.000%	46,500	241,500	
12/01/2026			41,625	41,625	283,125
06/01/2027	205,000	5.000%	41,625	246,625	
12/01/2027			36,500	36,500	283,125
06/01/2028	215,000	5.000%	36,500	251,500	
12/01/2028			31,125	31,125	282,625
06/01/2029	225,000	5.000%	31,125	256,125	
12/01/2029			25,500	25,500	281,625
06/01/2030	235,000	5.000%	25,500	260,500	
12/01/2030			19,625	19,625	280,125
06/01/2031	250,000	5.000%	19,625	269,625	
12/01/2031			13,375	13,375	283,000
06/01/2032	260,000	5.000%	13,375	273,375	
12/01/2032			6,875	6,875	280,250
06/01/2033	275,000	5.000%	6,875	281,875	
12/01/2033					281,875
	3,580,000		2,132,375	5,712,375	5,712,375

BOND DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
Kodiak Island Borough 2013 Hospital Loan

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2013			343,125	343,125	343,125
06/01/2014			381,250	381,250	
12/01/2014			381,250	381,250	762,500
06/01/2015	530,000	3.000%	381,250	911,250	
12/01/2015			373,300	373,300	1,284,550
06/01/2016	550,000	4.000%	373,300	923,300	
12/01/2016			362,300	362,300	1,285,600
06/01/2017	570,000	4.000%	362,300	932,300	
12/01/2017			350,900	350,900	1,283,200
06/01/2018	595,000	4.000%	350,900	945,900	
12/01/2018			339,000	339,000	1,284,900
06/01/2019	620,000	5.000%	339,000	959,000	
12/01/2019			323,500	323,500	1,282,500
06/01/2020	655,000	5.000%	323,500	978,500	
12/01/2020			307,125	307,125	1,285,625
06/01/2021	685,000	5.000%	307,125	992,125	
12/01/2021			290,000	290,000	1,282,125
06/01/2022	725,000	5.000%	290,000	1,015,000	
12/01/2022			271,875	271,875	1,286,875
06/01/2023	760,000	5.000%	271,875	1,031,875	
12/01/2023			252,875	252,875	1,284,750
06/01/2024	800,000	5.000%	252,875	1,052,875	
12/01/2024			232,875	232,875	1,285,750
06/01/2025	840,000	5.000%	232,875	1,072,875	
12/01/2025			211,875	211,875	1,284,750
06/01/2026	885,000	5.000%	211,875	1,096,875	
12/01/2026			189,750	189,750	1,286,625
06/01/2027	930,000	5.000%	189,750	1,119,750	
12/01/2027			166,500	166,500	1,286,250
06/01/2028	975,000	5.000%	166,500	1,141,500	
12/01/2028			142,125	142,125	1,283,625
06/01/2029	1,025,000	5.000%	142,125	1,167,125	
12/01/2029			116,500	116,500	1,283,625
06/01/2030	1,080,000	5.000%	116,500	1,196,500	
12/01/2030			89,500	89,500	1,286,000
06/01/2031	1,135,000	5.000%	89,500	1,224,500	
12/01/2031			61,125	61,125	1,285,625
06/01/2032	1,190,000	5.000%	61,125	1,251,125	
12/01/2032			31,375	31,375	1,282,500
06/01/2033	1,255,000	5.000%	31,375	1,286,375	
12/01/2033					1,286,375
	15,805,000		9,711,875	25,516,875	25,516,875

BOND DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
Skagway General Obligation Loan

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2013			18,382.50	18,382.50	18,382.50
06/01/2014	30,000	2.000%	20,425.00	50,425.00	
12/01/2014			20,125.00	20,125.00	70,550.00
06/01/2015	30,000	3.000%	20,125.00	50,125.00	
12/01/2015			19,675.00	19,675.00	69,800.00
06/01/2016	30,000	4.000%	19,675.00	49,675.00	
12/01/2016			19,075.00	19,075.00	68,750.00
06/01/2017	30,000	4.000%	19,075.00	49,075.00	
12/01/2017			18,475.00	18,475.00	67,550.00
06/01/2018	30,000	4.000%	18,475.00	48,475.00	
12/01/2018			17,875.00	17,875.00	66,350.00
06/01/2019	35,000	5.000%	17,875.00	52,875.00	
12/01/2019			17,000.00	17,000.00	69,875.00
06/01/2020	35,000	5.000%	17,000.00	52,000.00	
12/01/2020			16,125.00	16,125.00	68,125.00
06/01/2021	35,000	5.000%	16,125.00	51,125.00	
12/01/2021			15,250.00	15,250.00	66,375.00
06/01/2022	40,000	5.000%	15,250.00	55,250.00	
12/01/2022			14,250.00	14,250.00	69,500.00
06/01/2023	40,000	5.000%	14,250.00	54,250.00	
12/01/2023			13,250.00	13,250.00	67,500.00
06/01/2024	40,000	5.000%	13,250.00	53,250.00	
12/01/2024			12,250.00	12,250.00	65,500.00
06/01/2025	45,000	5.000%	12,250.00	57,250.00	
12/01/2025			11,125.00	11,125.00	68,375.00
06/01/2026	45,000	5.000%	11,125.00	56,125.00	
12/01/2026			10,000.00	10,000.00	66,125.00
06/01/2027	50,000	5.000%	10,000.00	60,000.00	
12/01/2027			8,750.00	8,750.00	68,750.00
06/01/2028	50,000	5.000%	8,750.00	58,750.00	
12/01/2028			7,500.00	7,500.00	66,250.00
06/01/2029	55,000	5.000%	7,500.00	62,500.00	
12/01/2029			6,125.00	6,125.00	68,625.00
06/01/2030	55,000	5.000%	6,125.00	61,125.00	
12/01/2030			4,750.00	4,750.00	65,875.00
06/01/2031	60,000	5.000%	4,750.00	64,750.00	
12/01/2031			3,250.00	3,250.00	68,000.00
06/01/2032	65,000	5.000%	3,250.00	68,250.00	
12/01/2032			1,625.00	1,625.00	69,875.00
06/01/2033	65,000	5.000%	1,625.00	66,625.00	
12/01/2033					66,625.00
	865,000		511,757.50	1,376,757.50	1,376,757.50

BOND PRICING

Alasks Municipal Bond Bank Series 2013 Two Bonds
City of Ketchikan 2013 Two Loan

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	06/01/2014	435,000	2.000%	0.300%	101.611
	06/01/2015	445,000	3.000%	0.440%	104.965
	06/01/2016	460,000	4.000%	0.620%	109.864
	06/01/2017	480,000	4.000%	0.810%	112.376
	06/01/2018	500,000	4.000%	1.040%	114.244
	06/01/2019	520,000	5.000%	1.270%	121.309
	06/01/2020	545,000	5.000%	1.530%	122.795
	06/01/2021	575,000	5.000%	1.770%	123.854
	06/01/2022	605,000	5.000%	1.970%	124.749
	06/01/2023	635,000	5.000%	2.180%	125.100
	06/01/2024	670,000	5.000%	2.330%	123.588 C
	06/01/2025	705,000	5.000%	2.460%	122.295 C
	06/01/2026	740,000	5.000%	2.600%	120.920 C
	06/01/2027	775,000	5.000%	2.730%	119.660 C
	06/01/2028	815,000	5.000%	2.820%	118.797 C
	06/01/2029	860,000	5.000%	2.900%	118.036 C
	06/01/2030	905,000	5.000%	2.960%	117.469 C
	06/01/2031	950,000	5.000%	3.010%	116.999 C
	06/01/2032	995,000	5.000%	3.060%	116.531 C
	06/01/2033	1,050,000	5.000%	3.110%	116.066 C
		13,665,000			

Dated Date	06/19/2013	
Delivery Date	06/19/2013	
First Coupon	12/01/2013	
Par Amount	13,665,000.00	
Premium	2,469,876.70	
Production	16,134,876.70	118.074473%
Underwriter's Discount	-42,263.95	-0.309286%
Purchase Price	16,092,612.75	117.765187%
Accrued Interest		
Net Proceeds	16,092,612.75	

BOND PRICING

Alaska Municipal Bond Bank Series 2013 Two Bonds
Ketchikan Public Utility Refunding of 2002 Bonds

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:	12/01/2013	615,000	2.000%	0.250%	100.786
	12/01/2014	615,000	3.000%	0.380%	103.784
		1,230,000			

Dated Date	06/19/2013	
Delivery Date	06/19/2013	
First Coupon	12/01/2013	
Par Amount	1,230,000.00	
Premium	28,105.50	
Production	1,258,105.50	102.285000%
Underwriter's Discount	-2,151.50	-0.174919%
Purchase Price	1,255,954.00	102.110081%
Accrued Interest		
Net Proceeds	1,255,954.00	

BOND PRICING

Alasks Municipal Bond Bank Series 2013 Two Bonds
Homer Boat Harbor Loan

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	06/01/2014	115,000	2.000%	0.300%	101.611
	06/01/2015	115,000	3.000%	0.440%	104.965
	06/01/2016	120,000	4.000%	0.620%	109.864
	06/01/2017	125,000	4.000%	0.810%	112.376
	06/01/2018	130,000	4.000%	1.040%	114.244
	06/01/2019	135,000	5.000%	1.270%	121.309
	06/01/2020	145,000	5.000%	1.530%	122.795
	06/01/2021	150,000	5.000%	1.770%	123.854
	06/01/2022	160,000	5.000%	1.970%	124.749
	06/01/2023	165,000	5.000%	2.180%	125.100
	06/01/2024	175,000	5.000%	2.330%	123.588 C
	06/01/2025	185,000	5.000%	2.460%	122.295 C
	06/01/2026	195,000	5.000%	2.600%	120.920 C
	06/01/2027	205,000	5.000%	2.730%	119.660 C
	06/01/2028	215,000	5.000%	2.820%	118.797 C
	06/01/2029	225,000	5.000%	2.900%	118.036 C
	06/01/2030	235,000	5.000%	2.960%	117.469 C
	06/01/2031	250,000	5.000%	3.010%	116.999 C
	06/01/2032	260,000	5.000%	3.060%	116.531 C
	06/01/2033	275,000	5.000%	3.110%	116.066 C
		3,580,000			

Dated Date	06/19/2013	
Delivery Date	06/19/2013	
First Coupon	12/01/2013	
Par Amount	3,580,000.00	
Premium	647,328.75	
Production	4,227,328.75	118.081809%
Underwriter's Discount	-11,072.09	-0.309276%
Purchase Price	4,216,256.66	117.772532%
Accrued Interest		
Net Proceeds	4,216,256.66	

BOND PRICING

Alaska Municipal Bond Bank Series 2013 Two Bonds
Kodiak Island Borough 2013 Hospital Loan

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	06/01/2014		2.000%	0.300%	101.611
	06/01/2015	530,000	3.000%	0.440%	104.965
	06/01/2016	550,000	4.000%	0.620%	109.864
	06/01/2017	570,000	4.000%	0.810%	112.376
	06/01/2018	595,000	4.000%	1.040%	114.244
	06/01/2019	620,000	5.000%	1.270%	121.309
	06/01/2020	655,000	5.000%	1.530%	122.795
	06/01/2021	685,000	5.000%	1.770%	123.854
	06/01/2022	725,000	5.000%	1.970%	124.749
	06/01/2023	760,000	5.000%	2.180%	125.100
	06/01/2024	800,000	5.000%	2.330%	123.588 C
	06/01/2025	840,000	5.000%	2.460%	122.295 C
	06/01/2026	885,000	5.000%	2.600%	120.920 C
	06/01/2027	930,000	5.000%	2.730%	119.660 C
	06/01/2028	975,000	5.000%	2.820%	118.797 C
	06/01/2029	1,025,000	5.000%	2.900%	118.036 C
	06/01/2030	1,080,000	5.000%	2.960%	117.469 C
	06/01/2031	1,135,000	5.000%	3.010%	116.999 C
	06/01/2032	1,190,000	5.000%	3.060%	116.531 C
	06/01/2033	1,255,000	5.000%	3.110%	116.066 C
		15,805,000			

Dated Date	06/19/2013	
Delivery Date	06/19/2013	
First Coupon	12/01/2013	
Par Amount	15,805,000.00	
Premium	2,942,927.50	
Production	18,747,927.50	118.620231%
Underwriter's Discount	-49,582.24	-0.313712%
Purchase Price	18,698,345.26	118.306519%
Accrued Interest		
Net Proceeds	18,698,345.26	

BOND PRICING

Alaska Municipal Bond Bank Series 2013 Two Bonds
Skagway General Obligation Loan

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bonds:					
	06/01/2014	30,000	2.000%	0.300%	101.611
	06/01/2015	30,000	3.000%	0.440%	104.965
	06/01/2016	30,000	4.000%	0.620%	109.864
	06/01/2017	30,000	4.000%	0.810%	112.376
	06/01/2018	30,000	4.000%	1.040%	114.244
	06/01/2019	35,000	5.000%	1.270%	121.309
	06/01/2020	35,000	5.000%	1.530%	122.795
	06/01/2021	35,000	5.000%	1.770%	123.854
	06/01/2022	40,000	5.000%	1.970%	124.749
	06/01/2023	40,000	5.000%	2.180%	125.100
	06/01/2024	40,000	5.000%	2.330%	123.588 C
	06/01/2025	45,000	5.000%	2.460%	122.295 C
	06/01/2026	45,000	5.000%	2.600%	120.920 C
	06/01/2027	50,000	5.000%	2.730%	119.660 C
	06/01/2028	50,000	5.000%	2.820%	118.797 C
	06/01/2029	55,000	5.000%	2.900%	118.036 C
	06/01/2030	55,000	5.000%	2.960%	117.469 C
	06/01/2031	60,000	5.000%	3.010%	116.999 C
	06/01/2032	65,000	5.000%	3.060%	116.531 C
	06/01/2033	65,000	5.000%	3.110%	116.066 C
		865,000			

Dated Date	06/19/2013	
Delivery Date	06/19/2013	
First Coupon	12/01/2013	
Par Amount	865,000.00	
Premium	155,668.55	
Production	1,020,668.55	117.996364%
Underwriter's Discount	-2,669.33	-0.308593%
Purchase Price	1,017,999.22	117.687771%
Accrued Interest		
Net Proceeds	1,017,999.22	

UNDERWRITER'S DISCOUNT

Alaska Municipal Bond Bank Series 2013 Two Bonds
Alaska Municipal Bond Bank Series 2013 Two

Underwriter's Discount	\$/1000	Amount
Average Takedown	2.56637	90,195.00
CUSIP	0.02541	893.00
Bookrunning/i-deal	0.09034	3,174.86
DTC	0.01423	500.00
Day Loan	0.02778	976.25
Underwriters' Counsel	0.25608	9,000.00
Out-of-Pocket - Closing	0.08536	3,000.00
	3.06556	107,739.11

NET DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
City of Ketchikan 2013 Two Loan

Date	Principal	Interest	Total Debt Service	Debt Service Reserve Fund	Net Debt Service	Annual Net D/S
12/01/2013		291,105	291,105		291,105	291,105
06/01/2014	435,000	323,450	758,450		758,450	
12/01/2014		319,100	319,100		319,100	1,077,550
06/01/2015	445,000	319,100	764,100		764,100	
12/01/2015		312,425	312,425		312,425	1,076,525
06/01/2016	460,000	312,425	772,425		772,425	
12/01/2016		303,225	303,225		303,225	1,075,650
06/01/2017	480,000	303,225	783,225		783,225	
12/01/2017		293,625	293,625		293,625	1,076,850
06/01/2018	500,000	293,625	793,625		793,625	
12/01/2018		283,625	283,625		283,625	1,077,250
06/01/2019	520,000	283,625	803,625		803,625	
12/01/2019		270,625	270,625		270,625	1,074,250
06/01/2020	545,000	270,625	815,625		815,625	
12/01/2020		257,000	257,000		257,000	1,072,625
06/01/2021	575,000	257,000	832,000		832,000	
12/01/2021		242,625	242,625		242,625	1,074,625
06/01/2022	605,000	242,625	847,625		847,625	
12/01/2022		227,500	227,500		227,500	1,075,125
06/01/2023	635,000	227,500	862,500		862,500	
12/01/2023		211,625	211,625		211,625	1,074,125
06/01/2024	670,000	211,625	881,625		881,625	
12/01/2024		194,875	194,875		194,875	1,076,500
06/01/2025	705,000	194,875	899,875		899,875	
12/01/2025		177,250	177,250		177,250	1,077,125
06/01/2026	740,000	177,250	917,250		917,250	
12/01/2026		158,750	158,750		158,750	1,076,000
06/01/2027	775,000	158,750	933,750		933,750	
12/01/2027		139,375	139,375		139,375	1,073,125
06/01/2028	815,000	139,375	954,375		954,375	
12/01/2028		119,000	119,000		119,000	1,073,375
06/01/2029	860,000	119,000	979,000		979,000	
12/01/2029		97,500	97,500		97,500	1,076,500
06/01/2030	905,000	97,500	1,002,500		1,002,500	
12/01/2030		74,875	74,875		74,875	1,077,375
06/01/2031	950,000	74,875	1,024,875		1,024,875	
12/01/2031		51,125	51,125		51,125	1,076,000
06/01/2032	995,000	51,125	1,046,125		1,046,125	
12/01/2032		26,250	26,250		26,250	1,072,375
06/01/2033	1,050,000	26,250	1,076,250	1,077,550	-1,300	
12/01/2033						-1,300
	13,665,000	8,135,305	21,800,305	1,077,550	20,722,755	20,722,755

NET DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
Ketchikan Public Utility Refunding of 2002 Bonds

Date	Principal	Interest	Total Debt Service	Net Debt Service	Annual Net D/S
12/01/2013	615,000	13,837.50	628,837.50	628,837.50	628,837.50
06/01/2014		9,225.00	9,225.00	9,225.00	
12/01/2014	615,000	9,225.00	624,225.00	624,225.00	633,450.00
	1,230,000	32,287.50	1,262,287.50	1,262,287.50	1,262,287.50

NET DEBT SERVICE

Alaska Municipal Bond Bank Series 2013 Two Bonds
Homer Boat Harbor Loan

Date	Principal	Interest	Total Debt Service	Debt Service Reserve Fund	Net Debt Service	Annual Net D/S
12/01/2013		76,275	76,275		76,275	76,275
06/01/2014	115,000	84,750	199,750		199,750	
12/01/2014		83,600	83,600		83,600	283,350
06/01/2015	115,000	83,600	198,600		198,600	
12/01/2015		81,875	81,875		81,875	280,475
06/01/2016	120,000	81,875	201,875		201,875	
12/01/2016		79,475	79,475		79,475	281,350
06/01/2017	125,000	79,475	204,475		204,475	
12/01/2017		76,975	76,975		76,975	281,450
06/01/2018	130,000	76,975	206,975		206,975	
12/01/2018		74,375	74,375		74,375	281,350
06/01/2019	135,000	74,375	209,375		209,375	
12/01/2019		71,000	71,000		71,000	280,375
06/01/2020	145,000	71,000	216,000		216,000	
12/01/2020		67,375	67,375		67,375	283,375
06/01/2021	150,000	67,375	217,375		217,375	
12/01/2021		63,625	63,625		63,625	281,000
06/01/2022	160,000	63,625	223,625		223,625	
12/01/2022		59,625	59,625		59,625	283,250
06/01/2023	165,000	59,625	224,625		224,625	
12/01/2023		55,500	55,500		55,500	280,125
06/01/2024	175,000	55,500	230,500		230,500	
12/01/2024		51,125	51,125		51,125	281,625
06/01/2025	185,000	51,125	236,125		236,125	
12/01/2025		46,500	46,500		46,500	282,625
06/01/2026	195,000	46,500	241,500		241,500	
12/01/2026		41,625	41,625		41,625	283,125
06/01/2027	205,000	41,625	246,625		246,625	
12/01/2027		36,500	36,500		36,500	283,125
06/01/2028	215,000	36,500	251,500		251,500	
12/01/2028		31,125	31,125		31,125	282,625
06/01/2029	225,000	31,125	256,125		256,125	
12/01/2029		25,500	25,500		25,500	281,625
06/01/2030	235,000	25,500	260,500		260,500	
12/01/2030		19,625	19,625		19,625	280,125
06/01/2031	250,000	19,625	269,625		269,625	
12/01/2031		13,375	13,375		13,375	283,000
06/01/2032	260,000	13,375	273,375		273,375	
12/01/2032		6,875	6,875		6,875	280,250
06/01/2033	275,000	6,875	281,875	283,375	-1,500	
12/01/2033						-1,500
	3,580,000	2,132,375	5,712,375	283,375	5,429,000	5,429,000

NET DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
Kodiak Island Borough 2013 Hospital Loan

Date	Principal	Interest	Total Debt Service	Debt Service Reserve Fund	Capitalized Interest	Net Debt Service	Annual Net D/S
12/01/2013		343,125	343,125		343,125		
06/01/2014		381,250	381,250			381,250	
12/01/2014		381,250	381,250				762,500
06/01/2015	530,000	381,250	911,250			911,250	
12/01/2015		373,300	373,300			373,300	1,284,550
06/01/2016	550,000	373,300	923,300			923,300	
12/01/2016		362,300	362,300			362,300	1,285,600
06/01/2017	570,000	362,300	932,300			932,300	
12/01/2017		350,900	350,900			350,900	1,283,200
06/01/2018	595,000	350,900	945,900			945,900	
12/01/2018		339,000	339,000			339,000	1,284,900
06/01/2019	620,000	339,000	959,000			959,000	
12/01/2019		323,500	323,500			323,500	1,282,500
06/01/2020	655,000	323,500	978,500			978,500	
12/01/2020		307,125	307,125			307,125	1,285,625
06/01/2021	685,000	307,125	992,125			992,125	
12/01/2021		290,000	290,000			290,000	1,282,125
06/01/2022	725,000	290,000	1,015,000			1,015,000	
12/01/2022		271,875	271,875			271,875	1,286,875
06/01/2023	760,000	271,875	1,031,875			1,031,875	
12/01/2023		252,875	252,875			252,875	1,284,750
06/01/2024	800,000	252,875	1,052,875			1,052,875	
12/01/2024		232,875	232,875			232,875	1,285,750
06/01/2025	840,000	232,875	1,072,875			1,072,875	
12/01/2025		211,875	211,875			211,875	1,284,750
06/01/2026	885,000	211,875	1,096,875			1,096,875	
12/01/2026		189,750	189,750			189,750	1,286,625
06/01/2027	930,000	189,750	1,119,750			1,119,750	
12/01/2027		166,500	166,500			166,500	1,286,250
06/01/2028	975,000	166,500	1,141,500			1,141,500	
12/01/2028		142,125	142,125			142,125	1,283,625
06/01/2029	1,025,000	142,125	1,167,125			1,167,125	
12/01/2029		116,500	116,500			116,500	1,283,625
06/01/2030	1,080,000	116,500	1,196,500			1,196,500	
12/01/2030		89,500	89,500			89,500	1,286,000
06/01/2031	1,135,000	89,500	1,224,500			1,224,500	
12/01/2031		61,125	61,125			61,125	1,285,625
06/01/2032	1,190,000	61,125	1,251,125			1,251,125	
12/01/2032		31,375	31,375			31,375	1,282,500
06/01/2033	1,255,000	31,375	1,286,375	1,286,875		-500	
12/01/2033							-500
	15,805,000	9,711,875	25,516,875	1,286,875	343,125	23,886,875	23,886,875

NET DEBT SERVICE

Alasks Municipal Bond Bank Series 2013 Two Bonds
Skagway General Obligation Loan

Date	Principal	Interest	Total Debt Service	Net Debt Service	Annual Net D/S
12/01/2013		18,382.50	18,382.50	18,382.50	18,382.50
06/01/2014	30,000	20,425.00	50,425.00	50,425.00	
12/01/2014		20,125.00	20,125.00		70,550.00
06/01/2015	30,000	20,125.00	50,125.00	50,125.00	
12/01/2015		19,675.00	19,675.00	19,675.00	69,800.00
06/01/2016	30,000	19,675.00	49,675.00	49,675.00	
12/01/2016		19,075.00	19,075.00	19,075.00	68,750.00
06/01/2017	30,000	19,075.00	49,075.00	49,075.00	
12/01/2017		18,475.00	18,475.00	18,475.00	67,550.00
06/01/2018	30,000	18,475.00	48,475.00	48,475.00	
12/01/2018		17,875.00	17,875.00	17,875.00	66,350.00
06/01/2019	35,000	17,875.00	52,875.00	52,875.00	
12/01/2019		17,000.00	17,000.00	17,000.00	69,875.00
06/01/2020	35,000	17,000.00	52,000.00	52,000.00	
12/01/2020		16,125.00	16,125.00	16,125.00	68,125.00
06/01/2021	35,000	16,125.00	51,125.00	51,125.00	
12/01/2021		15,250.00	15,250.00	15,250.00	66,375.00
06/01/2022	40,000	15,250.00	55,250.00	55,250.00	
12/01/2022		14,250.00	14,250.00	14,250.00	69,500.00
06/01/2023	40,000	14,250.00	54,250.00	54,250.00	
12/01/2023		13,250.00	13,250.00	13,250.00	67,500.00
06/01/2024	40,000	13,250.00	53,250.00	53,250.00	
12/01/2024		12,250.00	12,250.00	12,250.00	65,500.00
06/01/2025	45,000	12,250.00	57,250.00	57,250.00	
12/01/2025		11,125.00	11,125.00	11,125.00	68,375.00
06/01/2026	45,000	11,125.00	56,125.00	56,125.00	
12/01/2026		10,000.00	10,000.00	10,000.00	66,125.00
06/01/2027	50,000	10,000.00	60,000.00	60,000.00	
12/01/2027		8,750.00	8,750.00	8,750.00	68,750.00
06/01/2028	50,000	8,750.00	58,750.00	58,750.00	
12/01/2028		7,500.00	7,500.00	7,500.00	66,250.00
06/01/2029	55,000	7,500.00	62,500.00	62,500.00	
12/01/2029		6,125.00	6,125.00	6,125.00	68,625.00
06/01/2030	55,000	6,125.00	61,125.00	61,125.00	
12/01/2030		4,750.00	4,750.00	4,750.00	65,875.00
06/01/2031	60,000	4,750.00	64,750.00	64,750.00	
12/01/2031		3,250.00	3,250.00	3,250.00	68,000.00
06/01/2032	65,000	3,250.00	68,250.00	68,250.00	
12/01/2032		1,625.00	1,625.00	1,625.00	69,875.00
06/01/2033	65,000	1,625.00	66,625.00	66,625.00	
12/01/2033					66,625.00
	865,000	511,757.50	1,376,757.50	1,376,757.50	1,376,757.50



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

TO: AMBBA Board Members
Mark Pfeffer, Angela Rodell, Luke Welles,
Gregory Gurse, Ted Leonard

DATE: February 6, 2013

FROM: Deven Mitchell, Staff to AMBBA

TELEPHONE: 465-3750

RE: Modification to Accounting Practice

Pam Leary, Ryan Williams and I met with Karen Tarver and Helen Hesson of Elgee Rehfeld Mertz on February 5, 2013 to discuss the accounting practices of the Bond Bank. Since 1998 the Bond Bank's accounting work and compilation of financial statements has been accomplished by Department of Revenue, Treasury Division, Asset Accounting staff and more recently Treasury Division Staff has made the accounting entries and we have relied on our auditor on a consultancy basis for the compilation of financial statements. This work has proven somewhat challenging over the years due to a lack of dedicated staff and reliance on Asset Accounting for support as they are able to provide. Further in the course of our meeting it became apparent that Treasury Division lacks QuickBooks expertise and the current structure of relying on Treasury Division employee Ryan Williams results in a lack of depth of staff and direct reporting accountability for this critical work.

Following our initial meeting, Pam and I determined that the preferred alternative available to the Bond Bank would be to shift to an external consultant for monthly accounting entries as well as quarterly and annual financial statement compilation. This shift would have little or no financial impact on the Bond Bank as the amount of Ryan Williams' time currently assigned to the Bond Bank to handle this responsibility would be diminished and free up funding to pay the estimated \$20,000 per year cost. Further by having financial statements compiled prior to our audit firm becoming involved we envision a reduction in the cost of our annual audit that will further offset cost of the proposed contract work.

Pam and I then met with Angela Rodell to discuss the shift as Ryan Williams reports directly to her and she would have to approve a shift in the allocation of Ryan's time and compensation away from the Bond Bank to other funding sources and duties. Angela was supportive of the shift.

Due to the desire to shift to the preferred alternative as quickly as possible, I am recommending the Bond Bank immediately begin the process of procuring accounting and compilation services. Final approval of that procurement would be provided by the Board.



WESTERN
FINANCIAL
GROUP

Deven Mitchell
Executive Director
Alaska Municipal Bond Bank
P.O. Box 110405
Juneau, AK 99811

March 20, 2013

Dear Deven:

With the sale of the Alaska Municipal Bond Bank's General Obligation Bonds, 2013 Series One on February 26, 2013 I have prepared this sale results summary.

The bonds were sold by negotiated sale to RBC Capital Markets. The 2013 Series One Bonds were sold with a true interest cost of 3.61%. This TIC is at the high end of recent Bond Bank sales, reflecting the long average life of the bonds. The longer average life reflects the loan to the City and Borough of Sitka, which funded the continuing expansion of the Blue Lake hydroelectric project with a loan maturing from 2032 through 2047. RBC purchased the 2013 One Bonds with an underwriter discount of approximately \$3.15/\$1,000. For comparison, the table below summarizes the true interest cost, average life and underwriter costs of recent Bond Bank issues.

Issue	TIC	Average Life	Underwriter Cost (per \$1,000)
2013 One	3.6056%	17.671	\$ 3.15
2012 Three	1.7607%	6.387	4.50
2012 Two	2.1554%	7.149	4.50
2012 One	1.521%	4.928	3.50
2011 Three	2.5669%	7.855	4.01
2011 Two	3.2693%	8.277	10.92
2011 One	4.5663%	11.373	5.03
2010A Four	3.0896%	6.870	4.67
2010A Three	2.0137%	5.251	5.07
2010A Two	1.9283%	3.416	5.14
2010A One	2.7134%	4.648	4.11
2009A Four	2.3877%	3.828	5.22
2009 Three	3.1173%	5.733	6.31
2009 Two	5.0216%	8.966	7.28
2009 One	5.4526%	15.769	7.16

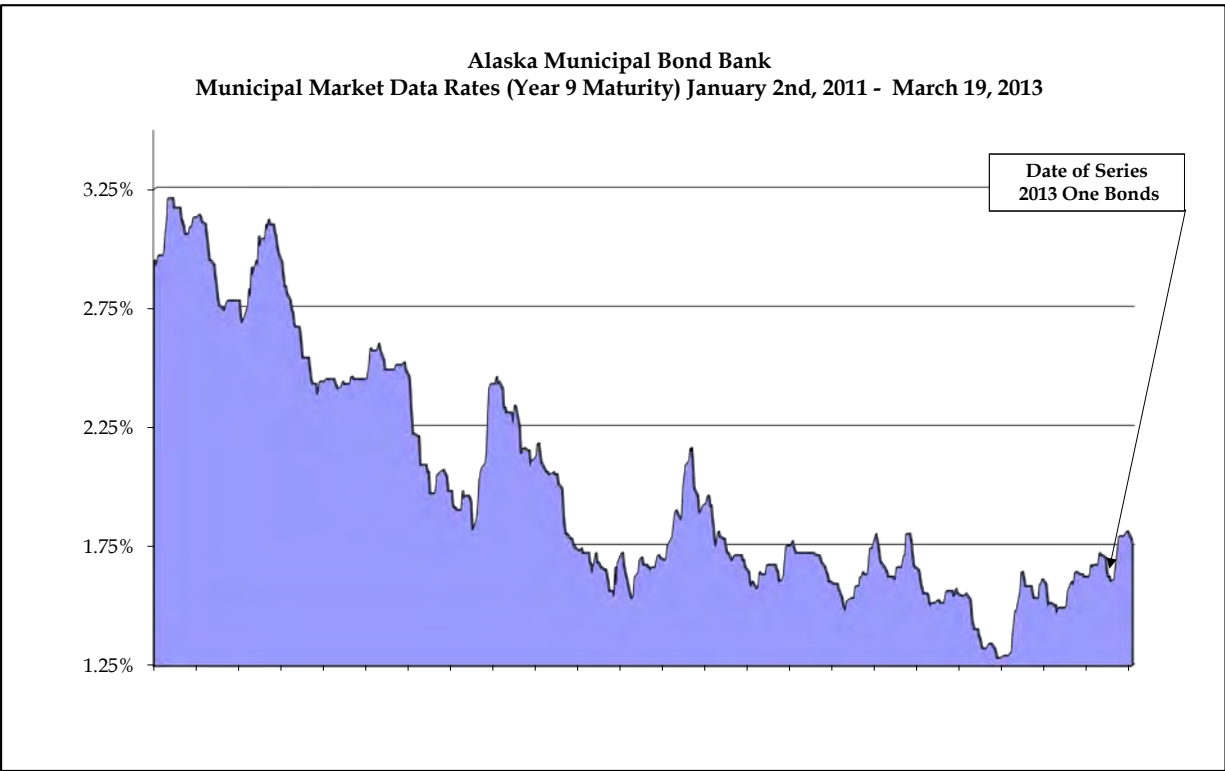
The table below presents the AMBB and MMD scales for sample maturities of the 2013 Series One Bonds with a comparison to the yield spreads to the MMD for the 2011 One Series through the 2012 Series Three Bonds:

Year	MMD (2/26/13)	AMBB (2013 I Bonds)	Difference (2013 I Bonds)	Difference (2012 III Bonds)	Difference (2012 II Bonds)	Difference (2012 I Bonds)	Difference (2011 III Bonds)	Difference (2011 II Bonds)	Difference (2011 I Bonds)
2012	--	--		--	--		.13%	.28%	.33%
2014	0.20	0.18	-.02	.11	.31	.29	.32	.14	.39
2016	0.44	0.57	.13	.20	.45	.35	.40	.16	.50
2018	0.79	1.04	.25	.23	.47	.46	.44	.19	.61
2021	1.46	1.84	.38	.31	.50	.48	.54	.19	.65
2025	2.01	2.62	.61	.95	.585	.42			
2027	2.19	3.00	.81	.94	.69				
2028	2.27	3.11	.84	.	.71				

As the table demonstrates, the spread to MMD fell sharply from the 2011 One issue to the 2011 Two issue, then the spread increased between the 2011 Two and 2012 Two issues. This is a function of two factors. First, rates on AAA rated bonds, according to MMD, declined by over 100 basis points from the time when the 2011 Two Bonds were sold to the time of the 2012 Two sale. While this decline impacted rates across all credit levels, the improvement in top rated credits was more pronounced than for lower-rated credits, meaning that credit spreads increased during the late summer of 2011 rally. That trend continued with the bond rally in the late winter and early spring of 2012. The yield spreads on the 2012 Three tightened relative to MMD through 2023, then widened in the remaining years in which smaller serial and term maturities (less than \$350,000) were marketed at prices near par. The yield spreads on the 2013 One Bonds were as tight relative to MMD in the first 10 years as any issue since the 2011 Three bonds, then widened farther out the curve, reflecting the impact of the yield kick on 5% coupon bonds callable in ten years.

The graph on the following page presents the yield on the nine year maturity of a AAA rated bond according to Municipal Market Data. As the graph demonstrates, the past two years has been characterized by wide fluctuations of highly rated bonds, although the trend has been for rates to move lower. These fluctuations, which have resulted in increases and declines in interest rates of more than 50 basis points for top-rated credits within a short timeframe, have been even more pronounced for lower rated credits, and the spread between high grade and lower investment grade credits continues to be relatively wide.

Tax-exempt rates reached all-time lows in late November/early December 2012, and have subsequently increased approximately 50 basis points.



On the morning of February 25th members of the working group convened at the New York office of RBC to discuss the marketing of the 2013 Series One Bonds. RBC provided a proposed scale with yields ranging from 0.41% in 2015 to 3.46% in 2047. The 2014 maturity would be sold by sealed bid to either RBC or JP Morgan, the co-managing underwriter. These yields resulted in spreads to the MMD AAA scale ranging from 10 basis points in the 2015 maturity to as wide as 80 basis points in the 2027 and 2028 serial bonds. After a review of the scale, consideration of the market tone and comparison with other transactions in the market, WFG proposed reducing the yields on the 2024 through 2033 serial bonds by 5 basis points. RBC agreed to those adjustments prior to releasing the scale on the pricing wire.

The retail scale was released on the morning of the 25th. The 2015 through 2023 maturities were included in the retail sale, with lower coupon bonds of bifurcated maturities in 2024 through 2028, 2032, 2033 and the 2035 term bond. There was a strong investor response during the order period for the first 10 years of the bond structure. Of the approximately \$24.5 million of bonds offered in those years, RBC had orders for approximately 76% of the maturities. The orders for individual maturities ranged from more than two times oversubscription (2016 through 2018 (3.00% maturity), 2021 and 2023) to under-subscriptions that ranged from 0% (2019) to 68% for the 4.00% bond maturing in 2018. The balance of the bonds offered to retail had subscription level ranging from 0% to 58%. Orders totaled \$35.7 million. Adjusting for over-subscriptions, the retail order period accounted for approximately \$22.1 million in orders.

The following morning, the balance of the bonds was offered to institutional investors. The major block of bonds available to institutions that had not been presented to retail were the 5% term bonds maturing in 2035, 2038, 2043 and 2047 totaling \$34.6 million. Those bonds were offered at yields ranging from 3.00% in 2033 to 3.36% in 2047.

During the institutional order period, orders continued to be accepted throughout the structure of the bonds, including over-subscribed maturities based on the reasoning that this would provide a higher likelihood of yield reductions during a post-sale repricing. Following the institutional order period, RBC reported that nearly all bonds through 2028 were subscribed for. Longer serial bonds and the term bonds had very few orders. In the case of the 2043 and 2047 term bonds, there were no orders. Based on these results, RBC recommended yield reductions of between 1 and 5 basis points on bonds maturing through 2025. RBC requested yield increases of between 5 and 10 basis points on the 2028 through 2033 serial bonds and 10 basis points on the 5% coupon term bonds, of which there was a \$30.2 million unsold balance. After consultation and review of other transactions in the market, Bond Bank staff and WFG agreed to those yield adjustments.

The proceeds of the 2013 Series One Bonds sale were provided to borrowers for both refunding and new money purposes. In the case of the refunding, the Bond Bank provided rates that the City and Borough of Juneau would not have been able to achieve on its own. In the case of new money loans, the savings have been estimated based on the interest rate differential and costs of issuance benefits associated with the Bond Bank's pooled financing approach.

The table below summarizes the actual present value refunding savings achieved by the City and Borough of Juneau.

Borrower	Loan Par	Present Value Savings
City and Borough of Juneau	\$23,660,000	\$3,402,106

The table below summarizes the estimated present value savings achieved by the new money participants to the 2013 Series One sale.

Borrower	Loan Par	Gross Savings	Present Value Savings
City and Borough of Juneau	\$2,600,000	\$276,000	\$192,000
Kenai Peninsula Borough	1,215,000	275,000	198,000
Ketchikan Gateway Borough	4,875,000	345,000	287,000
Kodiak Island Borough	21,595,000	1,735,000	1,253,000
City of Sand Point	2,615,000	850,000	560,000
City and Borough of Sitka (Harbor)	3,955,000	720,000	515,000
City and Borough of Sitka (Electric)	35,530,000	7,115,000	4,381,000

The bond sale closed on March 12th in Seattle. As always, it was a pleasure to serve the Bond Bank on this transaction. If you have any questions, please feel free to call me.

Sincerely,



Chip Pierce



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

TO: AMBBA Board Members
Mark Pfeffer, Angela Rodell, Luke Welles,
Gregory Gurse, Ted Leonard

DATE: April 25, 2013

FROM: Deven Mitchell, Executive Director **TELEPHONE:** 465-3750

Following are updates on items not covered in the May 2, 2013 Agenda:

1976 Reserve

As directed by the attached letters the excess balances in the 1976 reserve have been transferred back to the Bond Bank's custodial account. On February 28 and then April 12, 2013 \$738,902.73 and \$405,215.04 respectively was transferred to the First National Bank Alaska.

2004 A Reserve

As a result of the refinancing of the 2004 A Revenue Bonds the associated reserve was released. This resulted in a March 12, 2013 transfer of just under \$1.9 million from the reserve account held by the Bank of New York Mellon to the Bond Bank's Custodial Account.

2001 Series B Revenue Bonds

On March 20, 2013 I directed the Bank of New York Mellon to continue to invoice the Ketchikan Gateway Borough for the bonds debt service, and to transfer those funds as received to the Bond Bank's Custodial Account. The Bond Bank optionally redeemed its 2001 Series B Revenue Bonds in December 2012 making the Ketchikan Gateway Borough bonds a direct loan of the Bond Bank.

Kodiak Island Borough State Aid Intercept

On April 8, 2013 Bond Bank staff and contractors participated in a teleconference with the Kodiak Island Borough's finance director Karl Short and their bond counsel Cheryl Brooking. The call was required as Karl and Cheryl believed that the state aid intercept statute 44.85.170(b) wouldn't be applied to the revenue loan that they had requested from the Bond Bank. The Bond Bank team explained that the statute would apply and provided the attached letter as evidence of that assertion.

AGFOA

Ryan Williams and I are planning to attend the May 15 to May 17 AGFOA conference in Talkeetna.

Web Site Update

Ryan Williams and I are working to update the Bond Bank's web site with Treasury Division's external contractor. After the revision ease of web site update should be significantly enhanced.

Financial Advisor

In April I extended the Bond Bank's contract with Western Financial Group by two months. This allows for the completion of work associated with the 2013 Two bonds prior to current contract expiration. An RFP for financial advisory services has been released and we will need board members to participate on the selection committee.



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

February 8, 2013

Ms. Kathleen Gyland, Vice President
The Bank of New York Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321

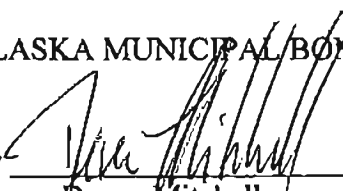
Dear Kathleen:

Please wire transfer the \$738,902.73 of excess funds from the Bond Bank's 1976 Bond Reserve Fund to the Bond Bank's custodial bank, First National Bank Alaska. Transfer funds from the Special Account.

Wire transfer through the Federal Reserve wire transfer system with the following instructions:

Bank Name: First National Bank Alaska
Trust Department
ABA Routing Number: 125200060
Account Name: AK Municipal Bond Bank Authority Trust
Account Number: 2040209816 / 50010000

ALASKA MUNICIPAL BOND BANK

By 
Name: Deven Mitchell
Title: Executive Director



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

April 12, 2013

Ms. Kathleen Gyland, Vice President
The Bank of New York Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321


Dear Kathleen:

Please wire transfer the \$405,215.04 of excess funds from the Bond bank's 1976 Bond Reserve Fund to the Bond Bank's custodial bank, First National Bank Alaska. Transfer funds from the regular account.

Wire transfer through the Federal Reserve wire transfer system with the following instructions:

Bank Name: First National Bank Alaska
Trust Department
ABA Routing Number: 125200060
Account Name: AK Municipal Bond Bank Authority Trust
Account Number: 2040209816 / 50010000

ALASKA MUNICIPAL BOND BANK

By 
Name: Deven Mitchell
Title: Executive Director



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

March 6, 2013

Ms. Kathleen Gyland, Vice President
The Bank of New York Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321

Dear Kathleen:

Please wire transfer the entire balance of the 2004 A Revenue Bond Reserve of the Bond Bank, approximately \$1.9 million, to the Bond Bank's custodial bank, First National Bank Alaska on March 12, 2013.

Wire transfer through the Federal Reserve wire transfer system with the following instructions:

Bank Name: First National Bank Alaska
Trust Department
ABA Routing Number: 125200060
Account Name: AK Municipal Bond Bank Authority Trust
Account Number: 2040209816 / 50010000

ALASKA MUNICIPAL BOND BANK

By 
Name: Deven Mitchell
Title: Executive Director



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

March 20, 2013

Ms. Kathleen Gyland, Vice President
The Bank of New York Mellon Trust Company, N.A.
601 Union Street, Suite 520
Seattle, WA 98101-2321

Dear Kathleen:

As of December 1, 2012 the Alaska Municipal Bond Bank optionally redeemed its 2001 Series B Revenue Bonds. The Ketchikan Gateway Borough's Airport Revenue Bond, 2001 Series B (AMT) remains outstanding and the Bank of New York should continue to invoice KGB on the established schedule. Please wire transfer KGB's debt service payments to the Bond Bank's custodial bank, First National Bank Alaska.

Wire transfer through the Federal Reserve wire transfer system with the following instructions:

Bank Name: First National Bank Alaska
Trust Department
ABA Routing Number: 125200060
Account Name: AK Municipal Bond Bank Authority Trust
Account Number: 2040209816 / 50010000

ALASKA MUNICIPAL BOND BANK

By 
Name: Deven Mitchell
Title: Executive Director



333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

April 11, 2013

Karleton Short, Finance Director
Kodiak Island Borough, Alaska
710 Mill Bay Road
Kodiak, AK 99615

RE: Long-Term Care Center Revenue Bonds (Providence Kodiak Island Medical
Center)
Our File No. 3742.1734

Dear Karl:

A question has arisen on the operation of the Alaska Municipal Bond Bank's (Bond Bank) "intercept" statute. In an effort to fully answer your question in a clear and understandable fashion the following paragraphs both answer the question. The first paragraph is the legal response and the second paragraph is the everyday person response.

As I understand it, the question is whether the language in AS 44.85.170(b) providing for withholding of state money payable to a municipality and payment of that money over to the Bond Bank operates whenever and for any reason there is a nonpayment by the municipality on municipal bonds held by the Bond Bank. I believe the answer is "yes" and that the reason for nonpayment (or "default on the payment" in the words of the statute) such as the failure of underlying security, as, for example, in the case of municipal revenue bonds, is of no consequence.

AS 44.85.170(b) has consistently been utilized by the Bond Bank to establish that all loans are, in part, secured by the ability to intercept state aid if there is a failure of the borrower to pay debt service. This layer of credit is incorporated into every loan analysis, summarized in every bond issue's preliminary and official statement, required by the terms of the Bond Bank's 2005 Bond Resolution, and regularly reported to analysts that determine the public credit rating of the Bond Bank. As all Bond Bank loans must have a 100% expectation of repayment, this ability to intercept state aid has been the difference for certain general obligation and revenue loan approvals. The state aid intercept creates an additional financial incentive for the municipal borrower to make the hard fiscal decisions sometimes required to repay obligations and a Bond

Karleton Short, Finance Director

Re: Long-Term Care Center Revenue Bonds (Providence Kodiak Island Medical Center)

April 10, 2013

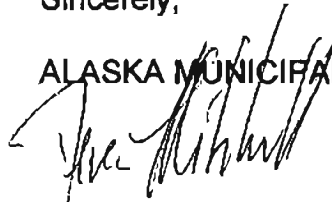
Page 2

Bank driven option in the event that they don't. While the Bond Bank has never had to use this statute to intercept a municipality's state aid, it is a critical component of the Bond Bank's ability to meet the conflicting goals of loaning money to lesser credits while maintaining the expectation of repayment every time.

A final legal point worth highlighting is that the intercept language of AS 44.85.170 has not been litigated in Alaska and that the result of any future litigation would likely depend on the nature of the funds intercepted, which might include state constitutional issues.

Sincerely,

ALASKA MUNICIPAL BOND BANK

A handwritten signature in black ink, appearing to read "Deven Mitchell", is written over the printed name and title.

Deven Mitchell
Executive Director

STATE OF ALASKA
AMENDMENT TO PROFESSIONAL SERVICES CONTRACT

1. Agency Contact Number	2008-0400-7777
2. ASPS Number	03-0422
3. Optional Renewal?	No
4. Financial Coding	
5. Agency Assigned Encumbrance Number	
6. Amendment No.	Three (3)

This agreement is between the State of Alaska,

7. Department of **Revenue, Alaska Municipal Bond Bank Authority AMBBA** hereafter the State, and

8. Contractor **Western Financial Group** hereafter the Contractor

Mailing Address	Street or P.O. Box	City	State	ZIP Code
PM B 172, 333 State Street, Suite V		Lake Oswego	OR	97034

9. Original period of performance FROM: June 3, 2008 TO: June 2, 2012	10. Amended period of performance FROM: June 8, 2008 TO: July 31, 2013
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11. Previous amount of contract to date: Fee Based	12. Amount of this amendment:	13. This amended contract shall not exceed
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14. In accordance with the provisions of the above referenced contract, the parties to that contract agree that the services to be performed by the contractor under the contract are amended as follows: All other terms and conditions of the contract remain in effect. (Use reverse for continuation of amended provisions if necessary.)

Amend the original contract completion date by 2 months

The end date for the period of performance under this contract is amended to July 31, 2013

IN WITNESS WHEREOF the parties hereto have executed this amendment.

NOTICE! This amendment has no effect until signed by the head of the contracting agency, procurement officer or designee.

15. **CONTRACTOR**

Name of Firm
Western Financial Group

Signature of Authorized Representative Date **4/4/13**

Typed or Printed Name of Authorized Representative
Lawrence W. Pierce

Title
Principal

17. **CERTIFICATION:** I certify that the facts herein and on supporting documents are correct, that this voucher constitutes a legal charge against funds and appropriations cited, that sufficient funds are encumbered to pay this obligation, or that there is a sufficient balance in the appropriation cited to cover this obligation. I am aware that to knowingly make or allow false entries or alterations on a public record, or knowingly destroy, mutilate, suppress, conceal, remove or otherwise impair the verity, legibility or availability of a public record constitutes tampering with public records punishable under AS 11.56.815 - .820. Other disciplinary action may be taken up to and including dismissal.

16. **CONTRACTING AGENCY**

Department/Division
Alaska Municipal Bond Bank Authority

Signature of Project Director Date **4/10/13**

Typed or Printed Name of Project Director
Devan Mitchell

Title
Executive Director

Signature of Head Contracting Agency or Designee Date **4-10-13**

Typed or Printed Name of Authorizing Official
Jerry Burnett

Title
Director of Administrative Services, Dept. of Revenue