

**ALASKA MUNICIPAL BOND BANK
AUTHORITY
BOARD OF DIRECTOR'S MEETING**

**TO BE HELD AT
Alaska Department of Revenue
Amalga Conference Room, 11th Floor
333 Willoughby Ave., State Office Building
Juneau, Alaska 99811**

November 15, 2018

11:00 AM ADT





333 Willoughby Avenue, 11th Floor
P.O. Box 110405
Juneau, Alaska 99811-405

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AGENDA FOR BOARD OF DIRECTOR'S MEETING

Meeting Place:

Alaska Department of Revenue
Amalga Conference Room, 11th Floor
333 Willoughby Avenue
State Office Building
Juneau, Alaska 99811

November 15, 2018 at 11:00 a.m. ADT

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. Approval of Agenda**
- V. Minutes of the October 8, 2018 Meeting of the Board of Directors**
- VI. General Business**
 - A. Kodiak Island Borough – Credit Review & Discussion**
 - B. AMBBA Resolution 2018-02**
- VII. Public Comments**
- VIII. Board Comments**
- IX. Adjournment**

STATUS: **Active**

**Notice of Meeting - Alaska Municipal Bond Bank
Authority Board of Director's Meeting**

Meeting Place: Alaska Department of Revenue, Amalga Conference Room, 11th floor, 333 Willoughby Avenue, State Office Building, Juneau, Alaska 99811.

Meeting Date and Time: November 15, 2018 at 11:00 a.m. ADT.

The public is invited to attend. Individuals who may need special modifications to participate should call (907) 465-2893 prior to the meeting.

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- VII. Public Comments
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Attachments, History, Details

Attachments

[AMBBA Agenda for 11-15-2018.pdf](#)

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MINUTES of the BOARD OF DIRECTORS MEETING

ALASKA MUNICIPAL BOND BANK AUTHORITY

October 8, 2018

I. CALL TO ORDER

Luke Welles called the meeting to order at 3:00 p.m., Alaska Daylight Time. Members participated at the Yukon-Kuskokwim Health Corporation Board room, 528 Chief Eddie Hoffman Hwy, Bethel, AK 99559, and telephonically.

II. ROLL CALL

Luke Welles
Craig Chapman
Fred Parady (joined telephonically during Item VII – A)
Pam Leary
Lamar Cotten

OTHERS IN ATTENDANCE:

- Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
- Ryan Williams, Finance Director, Alaska Municipal Bond Bank
- Chip Pierce, Financial Advisor, Western Financial Group
- Alex Qin, PFM
- Leslie Krusen, Orrick, Herrington & Sutcliffe, LLP
- Jay Sweeney, Chief Financial & Administrative Officer, City & Borough of Sitka,

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. The public notice was officially

published on October 1st on the official Alaska Online Public Notice website for the October 8, 2018 meeting date. There was a revision to the meeting time on the public notice site early in the morning on October 8th due to a cancelled flight from Anchorage to Bethel. The meeting time was revised from 9:30AM to 3:00PM the same day.

IV. APPROVAL OF AGENDA

The agenda was reviewed by the board. Kenai Peninsula Borough Credit Review & Discussion was stricken from the agenda. The amended agenda was approved unanimously without objection.

V. Election of Officers

Mr. Mitchell stated that the statutory requirement calls for an election of officers annually, and elected positions shall include Chair, Vice-chair, Secretary Treasurer, and Deputy / Vice-treasurer. For the last few years the Treasurer related positions have been filled by Bond Bank staff located within the Treasury Division of the State of Alaska (Mr. Mitchell / Mr. Williams). The Chair positions have most recently been filled by “non-administrative” board member positions. Ms. Leary moved to appoint Mr. Welles as Chairman, Mr. Chapman as Vice-chairman, Mr. Mitchell as Secretary Treasurer, and Mr. Williams as Deputy Treasurer. Mr. Chapman seconded the motion. The motion passed unanimously with four yes votes.

VI. MINUTES of the June 20, 2018 Board of Directors Meeting

The June 20, 2018 minutes of the AMBBA Board of Directors meeting were reviewed by the board. Ms. Leary moved approval of the June 20, 2018 minutes as written, and approval was seconded by Mr. Chapman. With no further objections, the minutes were approved unanimously.

VII. GENERAL BUISNESS

Introduction of New Board Member

Lamar Cotten introduced himself to the Board as a new member. Mr. Cotten has worked as a municipal official, city and borough manager, and administrator primarily in southwest Alaska. Mr. Cotten has also worked as Deputy

Commissioner under the Knowles administration, as well as in other financial positions throughout Alaska. The Board welcomed Mr. Cotten as a new member.

City & Borough of Sitka ('CBS') Harbor – Credit Review and Discussion

Mr. Pierce presented an application credit review summary for CBS – Harbor. The proposed loan is a not to exceed \$8,600,000 request for revenue bonds from the Bond Bank for their Crescent Harbor project. The original application was for \$8.025 million; however, the ordinance adopted by CBS increased the requested amount to \$8.6 million and Mr. Pierce updated that amount for the credit review. CBS will replace deteriorated infrastructure, floats, existing potable water, fire protection, and electrical infrastructure. The term of the loan is 20 years, with a pledge of Harbor Proprietary Fund revenues. Most recent pledged revenues were approximately \$1.03 million. Estimated debt service on this request is \$890,000 annually. Sitka is currently the largest borrower of the Bond Bank, and loan payments will be wrapped around Sitka's 2013 loan payments, with current annual Bond Bank debt service for all loans of approximately \$12.8 million (including the 2018 Harbor and Airport requests on this agenda). With most recent state shared revenues of \$19.9 million, the debt service coverage of Bond Bank debt service from state shared revenues is 1.56x. Estimated gross savings for CBS is approximately \$451,000, and the no litigation letter has been received. The total project costs, excluding the funding of a debt service reserve fund, are estimated at \$14 million, with \$5 million of funding provided by a State of Alaska Municipal Harbor Matching Grant and another \$1 million contributed from CBS. CBS will also fund a debt service reserve fund, held at the Bond Bank's trustee, from bond proceeds of the Bond Bank loan. CBS has proposed annual moorage rate increases from FY2018 through FY2037 in order to keep up with the expenses required to maintain the quality of harbor infrastructure and equipment, 6% each year through 2032, 6.3% in 2033, 7.5% from 2034 to 2036 and 2.5% thereafter. Mr. Pierce presented a comparison of moorage fees in other municipalities, with CBS currently in the middle of that range. Mr. Pierce discussed the history of the Harbor Proprietary Fund revenues from 2012-2018 (2018 unaudited), and approximately 60% of fund revenues are derived from moorage fees, and approximately 32% from fish taxes. Net revenues of the fund are also pledged to pay debt service on a 2013 loan from the Bond Bank to CBS, and total debt service, including estimated debt service on this request have a total coverage ratio of approximately 1.44x.

Mr. Pierce reviewed state shared revenues, which the Bond Bank has the ability to intercept before reaching CBS. Most recent revenues subject to intercept was \$19.9 million, and fiscal year 2018 debt service, including estimates for this Harbor request, and the airport loan request (later in this meeting agenda), is \$12.8 million, with coverage of 1.56x.

Mr. Pierce discussed future capital plans for CBS. There are no current authorizations, but CBS plans to borrow an additional \$7 million of harbor revenue bonds in 2026 based on their long-term fiscal plan. There is a \$4.5 million airport request included in this meeting agenda. Sitka currently has \$18 million in GO bonds, \$113 million in electric revenue bonds, and is the largest borrower of the Bond Bank. The municipal attorney for CBS, Brian Hanson, submitted a statement of no litigation with the application. Based on Mr. Pierce's assessment, the security offered by CBS as set forth in the loan application and supplemental materials, provides sufficient security to justify approval of the application. State shared revenues also provide additional loan security.

Mr. Chapman asked to verify if moorage rate increases will occur year over year, and if the final structure will mirror the schedule provided in the credit report. Mr. Sweeney (CBS) verified that these will occur annually, starting in FY2018, to avoid a one-time large increase at a point in the future since a large increase may have the potential to rate-shock harbor users. Mr. Parady reiterated that CBS is the Bond Bank's largest borrower, and asked for additional background on the progression of their outstanding debt, and if there's any concerns on concentration. Mr Mitchell responded that CBS is the largest borrower due to their municipally owned hydroelectric project, and the largest borrowers in the Bond Bank pool tend to have municipally owned utilities with revenue pledges, or have a significant portion of outstanding general obligation school related debt. Mr. Cotten asked for clarification of the significance of breaking down a community's revenue versus GO pledges, and whether it becomes a factor in credit and security discussions. Mr. Pierce mentioned that credit rating analysts tend to look at a community's debt as a whole, and assume that overall economic activity is the basis of reviewing a communities' security. Mr. Welles asked for the Harbor Proprietary Fund balance, and Mr. Sweeney responded with the unaudited June 30, 2018 working capital balance of \$7.1 million. Mr. Chapman moved to approve the not to exceed \$8.6 million loan to the CBS, and Mr. Parady seconded the motion. There was no additional discussion. Mr. Williams called the vote, and there were five 'yes' votes, the loan was approved unanimously.

City & Borough of Sitka ('CBS') Airport – Credit Review and Discussion

Mr. Pierce presented an application credit review summary for CBS – Airport. The proposed loan is a not to exceed \$4,500,000 request for revenue bonds from the Bond Bank for their Rocky Gutierrez Airport project. The original application was for \$4.025 million; however, the ordinance adopted by CBS increased the requested amount to \$4.5 million and Mr. Pierce updated that amount for the credit review. CBS will renovate the airport terminal facility which is outdated and can't adequately provide for the efficient flow of embarking and debarking passengers and their baggage, especially with recent TSA security requirements. The proposed term of the loan is 20 years, and revenues pledged to the loan will be airport proprietary fund revenues and passenger facility charges. Most recent net pledged revenues were approximately \$323,000, including passenger facility charges imposed in May 2018. Estimated debt service on this request is \$320,000 annually. Sitka is currently the largest borrower of the Bond Bank, with current annual Bond Bank debt service for all loans of approximately \$12.8 million (including the harbor and airport requests). With most recent state shared revenues of \$19.9 million, the debt service coverage of Bond Bank debt service from state shared revenues is 1.56x. Estimated gross savings for CBS is approximately \$421,000, and the no litigation letter has been received. The total project costs, excluding the funding of a debt service reserve fund, are estimated at \$4.18 million, with \$158,570 of funding provided from federal funds. Renovations to TSA facilities will be paid by the Department of Homeland Security. The Federal Aviation Administration (FAA) has approved the collection of PFCs in the amount of \$4.50 per embarkation for a period commencing May 2018 and ending May 2038, and these will help finance eligible terminal improvements to expand capacity and improve operations. There is a not to exceed limit of approximately \$6.8 million over the PFC collection period. Mr. Pierce presented a table showing a proforma of PFCs over the 20-year timespan, with estimated enplanements, estimated revenue, and total charges collected. It's estimated that the \$6.8 million will be collected by 2034, at which point the charges will cease, and CBS will have the option to use excess revenues not used to pay debt service to defease remaining maturities of the 2018 airport loan. CBS will also fund a debt service reserve fund, held at the Bond Bank's trustee, from bond proceeds of the Bond Bank loan. Mr. Pierce discussed the history of Airport Proprietary Fund Revenues, and from 2012 through 2017 usage fees accounted for a majority of revenue at 73% over that time period, and other non-operating income accounted for

approximately 25%. The Airport does not have any existing debt, and the estimated debt service coverage on the 2018 airport loan is estimated at 1.5 times based on unaudited FY2018 financials. Mr. Pierce reviewed state shared revenues that the Bond Bank has the ability to intercept before reaching CBS. Most recent revenue subject to intercept was \$19.9 million, and fiscal year 2018 debt service, including estimates for this airport request, and the harbor request previously discussed, is \$12.8 million, with coverage of 1.56x.

Mr. Pierce discussed future capital plans for CBS, and no future bonds have been authorized at this point in time. Sitka currently has \$18 million in GO bonds, \$113 million in electric revenue bonds, and is the largest borrower of the bond bank. The municipal attorney for CBS, Brian Hanson, submitted a statement of no litigation with the application. Based on Mr. Pierce's assessment, the security offered by CBS as set forth in the loan application and supplemental materials, as well as the net revenue pledge of the Airport Proprietary Fund, and debt service reserve fund held at the Bond Bank's trustee, provides sufficient security to justify approval of the application. State shared revenues also provide additional loan security.

Mr. Welles asked whether the \$4.50 embarkation fee remains static for 20 years, or if there's an adjustment allowance. Mr. Sweeney confirmed that it shall remain static. Mr. Chapman moved to approve the not to exceed \$4.5 million loan to the CBS for the airport terminal project, and Ms. Leary seconded the motion. There was no additional discussion. Mr. Williams called the vote, and there were five 'yes' votes, the loan was approved unanimously.

AMBBA Resolution Number 2018-01 – Authorizing Bond Issuance

Mr. Krusen introduced Resolution 2018-01, a series resolution authorizing the issuance of general obligation bonds, the 2018 Series One and 2018 Series Two of the Alaska Municipal Bond Bank. The 2018 Series One is proposed to be issued in an aggregate principal amount of not to exceed \$6,000,000, and the 2018 Series Two is proposed to be issued in an aggregate principal amount of not to exceed \$14,000,000. Mr. Krusen mentioned that due to Kenai Peninsula Borough not participating in the proposed transaction, there would not likely be two series of bonds, and the Chairperson and Executive Director have authority to elect or modify series and designations. The 2018 Series Two would become the 2018 Series One bonds, with a not to exceed limit of \$14 million. A portion of proceeds would be used to fund the reserve fund deposit for each loan, as well as

costs of issuance. Maximum true interest costs shall not exceed 5.25%, and the authority granted to the Chairman and Executive Director shall expire 120 days after adoption. This resolution allows for flexibility to issue on either a competitive or negotiated basis. Mr. Mitchell discussed the factors that would be considered in a determination of the method of sale. Since the transaction contains one borrower, the scale is relatively small, and would be sold AMT, this would not lend itself well to create a comparable for future issuances that are fully tax-exempt. A negotiated sale would allow for ease of modification of the structure, if necessary. This would be discussed further with the financial advisor. Mr. Chapman made a motion to approve AMBBA Resolution 2018-01, and Ms. Leary seconded the motion. Mr. Williams conducted a roll call vote and the motion passed unanimously with five yes votes.

AMBBA FY2018 Finalized Audit and Review of BDO Audit Wrap-up Document

Sam Thompson, BDO, introduced himself as the independent auditor of the Bond Bank for the last few years. The Bond Bank recently completed the fiscal year 2018 audit, and Mr. Thompson reviewed the audit process for the Board. Mr. Thompson mentioned that BDO issued an unmodified opinion for the Bond Bank, and the unmodified opinion is the highest level of assurance that BDO can professionally render upon full review of the Bond Bank's financial statements. Mr. Thompson mentioned that BDO has reviewed information directly from the Bond Bank, communities, and the Bond Bank trustees for approximately two weeks, and all information was answered clearly in a timely manner. Mr. Thompson mentioned that there have been no internal control deficiencies and the Bond Bank has sound control structure on the management level as well. There were no other suggestions to management. Ms. Leary moved to formally accept the fiscal year 2018 audit, and Mr. Chapman seconded the motion. Mr. Williams conducted a roll call vote and the motion for acceptance passed unanimously with five yes votes.

Executive Director's Report

Mr. Mitchell reported on the following items that were not covered in the October 8, 2018 Agenda:

On August 29, 2018 Governor Walker provided a letter thanking Greg Gurse for his service on the Bond Bank Board.

On September 19, 2018, I travelled to King Cove to tour the community and dedicate the new Waterfall Creek hydroelectric facility funded, in part, by the Bond Bank. Representatives from the Alaska Energy Authority, the Alaska Power Authority, the Aleutians East Borough mayor and administrator, the Governor's Rural Director, Senator Lyman Hoffman, Representative Bryce Edgmon, the King Cove mayor and administrator, and more were present for the dedication.

I have met several times with City of Old Harbor lobbyists - Kent Dawson, Kris Knauss, and Royce Weller about the potential of making adjustments to the administration of the State's Power Cost Equalization program to encourage renewable energy projects. There may be legislation developed to provide for these changes which may, in turn, provide financing needs that the Bond Bank would be looked to for funding.

There are several professional services contracts that have recently been extended including audit, investment manager, accounting compilation, trustee bank, and financial advisor is in the request for the proposal procurement process.

VIII. PUBLIC COMMENTS

There were none.

IX. BOARD COMMENTS

There were none.

ADJOURNMENT

Mr. Welles adjourned the meeting without objection at 4:47 p.m. ADT.

Luke Welles, Chairman

Alaska Municipal Bond Bank Authority ('AMBBA')
Application Credit Review Summary (Internal)
Date of Application: 10/29/2018

Applicant: Kodiak Island Borough ('KIB')

Total Loan Amount: Not to exceed \$550,000 (Proposed as a direct loan from the Bond Bank's Custodian Account)

Loan Amount Summary:

- 1) KIB has applied to the Bond Bank for a loan of \$550,000, including costs of issuance, issued pursuant to KIB's approved *General Obligation Bond Measure* for Kodiak High School renovation and expansion projects - approved by voters in October 2009

2009 Projects - \$76.31 million approved by a 53.5% to 46.5% margin

- With the most recent KIB funding through the sale of AMBBA's 2015 Bonds, the Borough has approximately \$8 million in authorization remaining under the Kodiak High School renovation and expansion bond measure.
- DEED has approved prior projects for reimbursement by the State of Alaska at a reimbursement rate of not less than 60% of the principal and interest on general obligation bonds to help finance the costs of school projects
- DEED has been contacted by AMBBA regarding this specific loan proposal, and it is uncertain as to whether it would qualify for reimbursement under the program, should KIB ultimately pursue this reimbursement.

Proposed Term of Loan: 10 Years

Revenues Pledged to Loan: Property Taxes

Projected (as of 10/31/18) Level Annual Debt Service on this \$550,000 request: Approximately \$65,000 / Year

FY 2017 Actual Property Tax Revenue for KIB: \$15.7 million

Total Bond Bank FY2019 Debt Service (includes estimate for \$550,000 request): \$9,305,546

KIB Long-term GO Debt by Fiscal Year as of 6/30/2017 (from KIB 2017 CAFR):

	Principal	Interest	Total
Year ending June 30:			
2018	\$ 3,870,000	3,408,307	7,278,307
2019	4,425,000	3,245,932	7,670,932
2020	4,605,000	3,063,032	7,668,032
2021	4,800,000	2,873,382	7,673,382
2022	5,020,000	2,653,882	7,673,882
2023-2027	25,005,000	9,565,001	34,570,001
2028-2032	19,155,000	4,390,220	23,545,220
2033-2036	7,200,000	535,990	7,735,990
	<u>\$ 74,080,000</u>	<u>29,735,746</u>	<u>103,815,746</u>

KIB Long-term GO Debt outstanding with Bond Bank as of 11/1/2018 (doesn't include revenue pledges through the Bond Bank):

\$61.7 million

KIB Long-term GO Debt outstanding outside of the Bond Bank as of 11/1/2018:

\$8.5 million

Most Recent State-Shared Revenues (SSR):

\$33.6 million

Debt Service Coverage (includes KIB 2019 Debt Service through AMBBA, and estimate for direct loan):

3.61x

Estimated Borrower Savings (Gross):

TBD

Estimated Borrower Savings (Present Value):

TBD

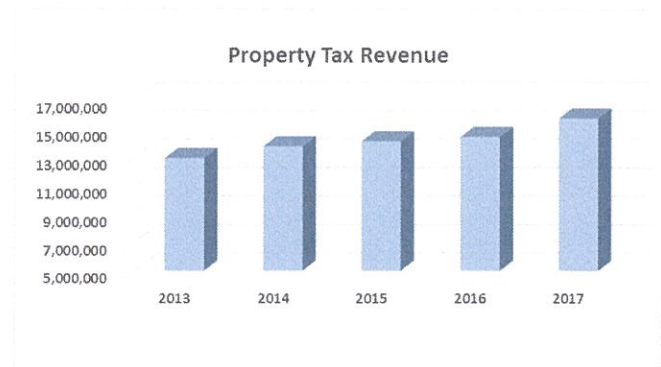
Introduction

KIB has submitted an application to the AMBBA for a General Obligation Bond loan totaling \$550,000, including costs of issuance. The loan proceeds will be used to make a settlement payment related to a lawsuit from the general contractor over completion of the Kodiak High School. The proposed source is an AMBBA direct loan from funds available in the custodian account.

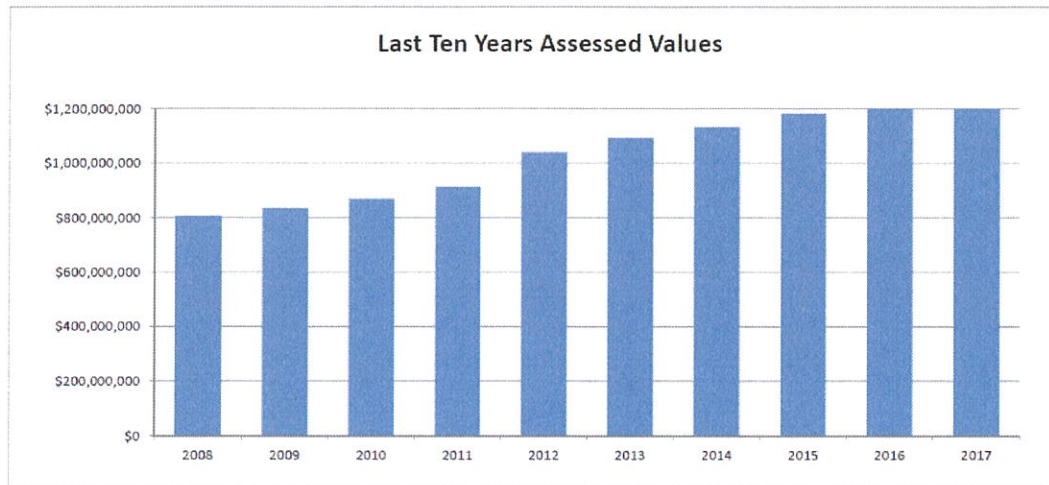
Security & KIB Financial Position

As of KIB's fiscal year 2012 CAFR, the Borough established the Education Support Special Revenue Fund ('ESSRF'). This fund accounts financial support to primary and secondary education in the Borough that was formerly an expenditure in the General Fund. Consequently, the ESSRF receives property taxes that formerly flowed from the General Fund. For the purposes of this report, the General Fund and ESSRF are combined below for the presentation of property tax revenue.

The Borough's general fund derives its revenues primarily from ad valorem property taxes (77.6% in fiscal year 2017), intergovernmental revenues including state-shared and federal revenues (17.9% in 2017), and severance taxes (7.0% in 2017). The chart on the right depicts property tax revenue increasing from \$12.9 million in FY2013 to \$15.7 million in FY2017. Property tax revenue increased 9.02% from 2016 to 2017.



The KIB assembly sets the mill rates, and for fiscal year 2017, the Borough-wide mill rate was 10.75, or 1.075 cents of tax for each dollar of assessed property value. The Borough-wide mill rate has been constant since 2013, and from 2008 to 2012 the rate was 10.50 mills. The chart below depicts net taxable assessed value over the last ten years for the Borough.



Over the past five years the Borough has maintained the General Fund balance in a range from \$2.3 million to \$3.5 million. As of the 2017 fiscal year end, the balance stands at \$2.3 million, almost all of which is unassigned. The balance was maintained above \$3 million over the time-period; however, the fund balance decreased by approximately \$1 million during fiscal year 2017. With the State of Alaska's decrease in school debt reimbursement payments by 25% in 2017, the Borough's general fund transferred approximately \$1 million in unassigned funds to cover required debt service payments. The State of Alaska school debt reimbursements were restored to their full (100%) level in fiscal year 2018.

The Borough maintains a Facilities Fund, which was funded with proceeds for the sale of Shuyak Island to the federal government in FY1996. Eighty-five percent of the interest earnings from the previous year can be used for insurance, debt reimbursement (capped at 50%), and capital projects; the remaining fifteen percent must be kept in the fund for inflation proofing. The Borough's general objective is to preserve the principal of the Facilities Fund, applying interest earnings after inflation toward debt service and for payment of insurance on the Borough's buildings. The ending fund balance of the Facilities Fund as of June 30, 2017 amount to \$39.3 million, with earnings of \$191,391. The fund decreased by \$246,922 during the fiscal year. The key factor leading to this decrease was increased use of previous earnings. Since inception in FY1996 the Facilities fund has earned approximately \$20.2 million in interest.

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 on October 6, 2009 by a 53.5% to 46.5% margin. Most recently, the Borough received a loan in 2015 as a fifth installment under that authorization. KIB's remaining authorization related to Kodiak High School is approximately \$8 million. Borough voters approved the issuance of \$10.23 million of general obligation bonds for renewal and replacement projects at twelve Kodiak Island Schools on October 7, 2014 by a 65.9% to 34.1% margin. Most recently, the Borough received a loan in 2016 related to school renewal and replacement projects, and has approximately \$2.5 million of authorization remaining under that bond measure.

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. State aid intercept is a significant credit strength (although it has never been tested). The table below represents the Borough's most recent revenues subject to intercept compared to estimated debt service on the proposed transaction:

Shared Taxes and Fees (FY2017)	\$1,082,940
Dept. of Transportation Reimbursement (FY2019)	\$0
Reimbursement and Other Education Funding (FY2019)	\$5,745,835
Education Support Funding (FY2019)	\$25,341,117
Matching Grants (as of September 10, 2018)	\$1,008,079
Community Jails (FY2019)	\$0
PILT Transfers (FY2019)	\$0
Revenue Sharing (FY2019)	\$443,211
Total Revenue Subject to Intercept	\$33,621,182
2019 Debt Service (includes direct loan estimate)	\$9,305,546
Debt Service Coverage	3.61

KIB has a historical track record of receiving these State supported amounts, providing a sufficient intercept capacity to cover the projected amount of the debt service on the proposed Bond Bank direct loan by over 3.6 times.

Summary

After review of KIB's provided loan application and supplemental materials, the Bond Bank staff's assessment shows sufficient security to support approval of the loan request in the amount of \$550,000. The Borough has irrevocably covenanted that it will annually levy taxes, without limitation as to the rate or amount, on all taxable property within its boundaries in an amount sufficient to pay principal of and interest on this Bond Bank loan. The Bond Bank's ability to intercept state aid adds an extra layer of security for this loan request.

For these reasons, we recommend approval of this loan application. If you have any questions regarding our analysis, please feel free to contact me at (907) 465-2893.

On behalf of Alaska Municipal Bond Bank Staff,



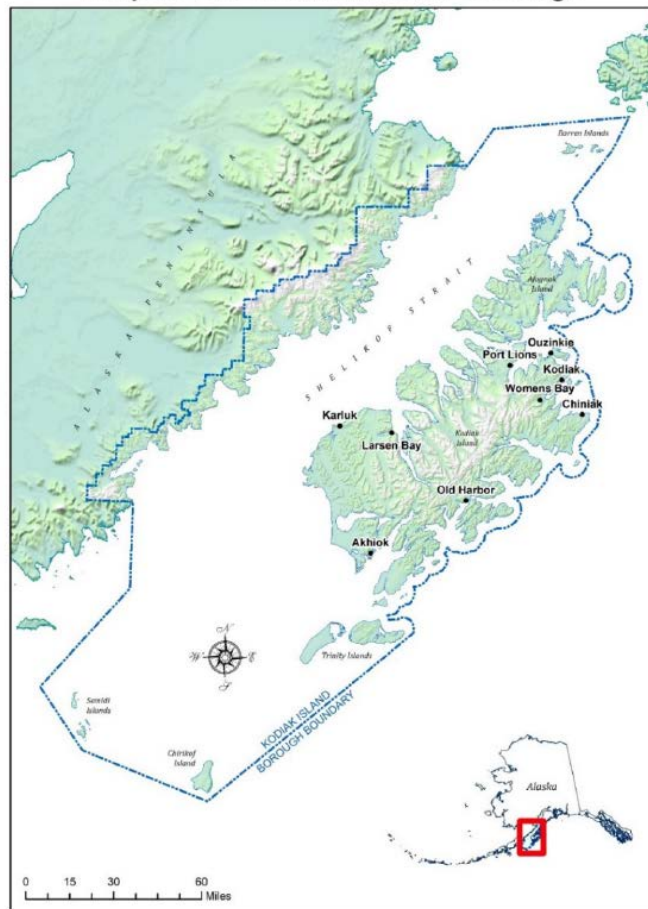
Ryan Williams
Finance Director
Alaska Municipal Bond Bank Authority
(907) 465-2893
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Kodiak Island Borough Profile and Demographics

Location

Kodiak is the largest island in the State of Alaska and the second largest in the United States; second only to the Big Island of Hawaii. The island lies at the western border of the Gulf of Alaska, about 40 miles south of the Kenai Peninsula and approximately 240 miles south of Anchorage. Nearly two-thirds of the Borough lies in the Kodiak Archipelago, which includes Kodiak Island and several smaller outlying islands. One-third of the Borough is on the Alaska Peninsula, across the Shelikof Strait from Kodiak Island. The Borough encompasses a total of 7,130 square miles, making it slightly smaller than the state of Massachusetts. Accessible only by boat or plane, the Kodiak Island Borough faces unique challenges in providing services to its residents.

Map of the Kodiak Island Borough



Kodiak Island Borough | 710 Mill Bay Road | Kodiak, Alaska 99615

Form of Government

The Kodiak Island Borough is a second-class borough and currently operates under a manager form of government. The Manager is hired by the Assembly and oversees the day-to-day affairs of the Borough. The Assembly is comprised of seven members elected by the public to govern the Borough. The Borough Mayor, also elected by the people, presides over the Assembly, votes only in the case of a tie and serves as a ceremonial figure for certain Borough affairs. The term of office for both assembly members and the Mayor is three years. The day-to-day business of the Borough is conducted within six departments: Manager's Office, Clerk's Office, Finance (including IT), Assessing, Community Development, and Engineering/Facilities.

The Borough was incorporated in September 1963, as a Second-Class Borough by Chapter 146 Sessions, Laws of Alaska 1961, as amended. Per AS 29.35.210, the powers of a second-class borough include providing transportation systems; regulating the sales and use of fireworks; licensing, impounding, and disposing of animals; providing garbage, solid waste, and septic waste collection and disposal; providing water and air pollution control; participating in federal or state loan programs for housing rehabilitation and improvement for energy conservation; providing for economic development; providing for the acquisition and construction of local service roads and trails; establishing an emergency services communications center; and regulating the licensing and operation of motor vehicles and operators. A second-class borough may also issue bonds to finance or make loans to finance the acquisition, construction, rehabilitation or development of public improvements. The Kodiak Island Borough has also adopted health care powers under rules outlined in AS 29.35.300.

Population

The general population of the Kodiak Island Borough has fluctuated between 13,000 and 14,000 with most of the population located in and around the City of Kodiak. Five other villages are located throughout the archipelago, all accessible only by small commuter aircraft or boat.

Economic Condition and Outlook

The economic condition of the Kodiak Island Borough remains resilient. The main industries within the Borough are commercial fishing, tourism, government and community support services.

The backbone of the Kodiak economy is, and has been, the seafood industry. This industry includes commercial fishing, fisheries research, management and enforcement, seafood processing, and maintenance and support services. While some segments of the commercial fishing industry have declined over time such as crab fisheries, others, like kelp harvesting have grown. The Port of Kodiak has room for over 600 vessels and consistently has ranked in the top ten ports in the country, according to the National Ocean Economics Program data.

Tourism continues to remain stable in Kodiak with a steady number of visitors. Cruise ships have become a growing presence, bringing many visitors each summer.

An interesting niche within the Kodiak Island Borough is the Pacific Spaceport Complex, which was constructed twenty years ago. Located at Narrow Cape, the complex occupies 3,700 acres and is owned by Alaska Aerospace Development Corporation (AADC). It is also the first not owned by the Federal Government, as the AADC is a public corporation of the State of Alaska. The Pacific Spaceport Complex is the first complete launch facility built in the United States since the 1960's. Its purpose is to support the launches of small to medium-sized rocket-launched low earth orbit satellites, as well as military and scientific research missions.

Kodiak is also home to the largest United States Coast Guard Base (USCG) in the United States, employing around 1,200 people and providing vital services to the marine industries that are an integral part of Kodiak's make-up.

The unemployment rate on June 30, 2018, is 5.6% compared to 5.4% on June 30, 2017. Hiring of seasonal cannery and other fisheries-related workers traditionally peaks around July and is virtually nil in December. This generally accounts for seasonal highs and lows in the local unemployment rate. This rate has fluctuated from 5.4% to 6.3% over the last five years, but the overall average is 5.6%.

Kodiak's general real estate market has been increasing since the late 1980's. The demand for affordable housing increased with the 2016 closure of a major mobile home park within the Borough. From about 2000 until the general crash of the real estate market in the Lower 48 in 2007, Kodiak's market was increasing around 6-12% annually. While the real estate economy and the general economy of this country fell drastically in 2007, the Kodiak real estate market generally continued to grow 2-4%

annually through the year 2012. The market leveled out in 2013 and 2014 for the most part, but sales in 2017 show a continued value increase of about 2% annually.

Kodiak Island Borough Demographics

State of Alaska, Department of Labor, Workforce Development

	Kodiak Island Borough	State of Alaska
Annual Unemployment Rate (2017)	5.1%	7.2%

Kodiak Island Borough Specific Information (from Borough records)

	Kodiak Island Borough
Public Education	
Number of Schools	13
Number of Staff	
Teachers	206
Support Personnel	210
Elections	
Number of Registered Voters	9,357
Votes Cast in Last Election	1,692
Voter Turnout	18%

United States Census Bureau - Quick Facts Estimate for 7/1/2017

	Kodiak Island Borough	State of Alaska	United States
Population	13,606	710,249	308,758,105
Age			
Under 5 years, percent	7.9%	7.3%	6.1%
Under 18 years, percent	25.9%	25.0%	22.6%
65 Years & Over, percent	10.2%	11.2%	15.6%
Unspecified in above groups, percent	56.0%	56.5%	55.7%
Sex			
Male, percent	53.2%	52.3%	49.2%
Female, percent	46.8%	47.7%	50.8%
Housing			
Housing Units	5,410	316,952	137,403,460
Owner-occupied housing, percent	60.7%	63.7%	63.6%
Median value of owner-occupied housing	\$ 266,700	\$ 257,100	\$ 184,700
Median gross rent	\$ 1,254	\$ 1,173	\$ 949
Families & Living Arrangements			
Households	4,585	250,235	117,716,237
Persons per household	2.96	2.83	2.64
Living in same house 1 year ago, percent of persons age 1 year+	83.5%	81.2%	85.2%
Language other than English spoken at home, percentage of persons age 5 years+	24.0%	16.2%	21.1%
Education			
High school graduate or higher, percentage of persons age 25 years+	90.7%	92.3%	87.0%
Bachelor's degree or higher, percentage of persons age 25 years+	24.8%	28.8%	30.3%
Geography			
Population per square mile	2.1	1.2	87.4
Income & Poverty			
Median household income	\$ 73,068	\$ 74,444	\$ 55,322
Per capita income in past 12 months	\$ 32,066	\$ 34,191	\$ 29,829
Persons in poverty, percent	7.3%	9.9%	12.7%



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.):			
Second Class			
C. Contact Person for the government:			
Name:		Title:	
Michael Powers		Borough Manager	
Address:		City:	State: Zip:
710 Mill Bay Road		Kodiak	AK 99615
Phone:	Fax:	E-mail:	
907.486.9302		mpowers@kodiakak.us	
D. Applicant's Bond Counsel:			
Name:		Title:	
Foster Pepper PLLC		Marc Grounough	
Address:		City:	State: Zip:
1111 Third Ave, Suite 3000		Seattle	WA 98101
Phone:	Fax:	E-mail:	
206.447.7888		marc.grounough@foster.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:

525,000 + expenses

B. Total term of requested loan: 10 years

C. Preferred principal and interest payment months: _____ ^{principa}l/interest _____ ^{interest} only

The only preference I have is that we do not schedule payments for July.

D. If a bond election is required, provide a copy of the bond election ordinance and ballot proposition.

If a bond election has been held, provide the votes for and against the issue(s):

Yes:	No:	Percent of registered voters casting ballots
		%

See previous applications

Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide details.

No

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.

- Are engineering and specifications completed? ☐ Yes ☐ No
- If not, when are they projected for completion? _____
- Have construction bids been awarded? ☐ Yes ☐ No
- Are there additional state or local approvals required? ☐ Yes ☐ No
- Describe timing/scheduling plan: _____

6. What is the projected completion date? 12/31/2018

G. Sources of uses of funds

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

*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:
Final construction costs and cost 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 **You already have all loan agreements.**

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. \$ **N/A**

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 **No**

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 **No**

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 **No**

F. Provide information on the amount, timing, and purpose of any bonds you have authorized by the voters, but not yet issued. ☐Attached. **The HS project is the only project with authorized and**

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 **This is the last of financing necessary for the HS project.**

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 **Please see our FY2017 CAFR**

I. 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 **Yes, USCG is expecting to add 2 new cutters & 100 additional personnel in the next 5 years.**

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

Year	Population	Source
	Please see page 139 in our FY2017 CAFR	

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. ☐Attached **Please see page 135 in our FY2017 CAFR.**

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

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

MICHAEL POWERS
Name (print)
BOROUGH MANAGER
Title

Signature
10/29/18
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

**ALASKA MUNICIPAL BOND BANK AUTHORITY
RESOLUTION NO. 2018-02**

RESOLUTION OF THE ALASKA MUNICIPAL BOND BANK AUTHORITY
AUTHORIZING THE USE OF AUTHORITY FUNDS, IN AN AMOUNT NOT
TO EXCEED \$550,000, TO MAKE A LOAN TO THE KODIAK ISLAND
BOROUGH, ALASKA; APPROVING THE FORM OF A LOAN AGREEMENT;
AND PROVIDING FOR RELATED MATTERS

WHEREAS, the Alaska Municipal Bond Bank Authority (“Authority”) is authorized by AS 44.85.080(13) to invest funds or money of the Authority in a loan to a political subdivision for the purchase of a municipal bond; and

WHEREAS, the Authority is authorized by AS 44.85.080(14) to prescribe the form of application or procedure required of a political subdivision for a loan, to fix the terms and conditions of the loan, and enter into an agreement with a political subdivision with respect to such loan; and

WHEREAS, the Kodiak Island Borough, Alaska (the “Borough”), a political subdivision of the State of Alaska (the “State”), enacted Ordinance No. FY2010-03 (the “School Construction Ordinance”) on August 6, 2009, pursuant to which the Borough was authorized to issue its general obligation bonds in an amount not to exceed \$76,310,000 for the purpose of financing the costs of capital improvements to the Borough’s Kodiak High School (the “High School Project”); and

WHEREAS, on March 1, 2011, from proceeds of the Authority’s General Obligation Bonds, 2011 Series One, the Authority made a loan to the Borough in the aggregate principal amount of \$8,000,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation Bond, 2011 Series A in the aggregate principal amount of \$8,000,000 (the “2011 Bond”); and

WHEREAS, on March 12, 2013, from proceeds of the Authority’s General Obligation Bonds, 2013 Series One, the Authority made a loan to the Borough in the aggregate principal amount of \$21,595,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation School Bond, Series 2013 in the aggregate principal amount of \$21,595,000 (the “2013 Bond”); and

WHEREAS, on February 20, 2014, from proceeds of the Authority’s General Obligation Bonds, 2014A Series One, the Authority made a loan to the Borough in the aggregate principal amount of \$22,660,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation School Bond, 2014 Series A in the aggregate principal amount of \$22,660,000 (the “2014 Bond”); and

WHEREAS, on September 16, 2015, from proceeds of the Authority’s General Obligation Bonds, 2015 Series Three, the Authority made a loan to the Borough in the aggregate principal amount of \$6,210,000 to finance a portion of the High School Project, the repayment of which was

secured, in part, by delivery to the Authority of the Borough's duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation School Bond, 2015 Series A in the aggregate principal amount of \$6,210,000 (the "2015 Bond"); and

WHEREAS, on February 2, 2016, from proceeds of the Authority's General Obligation and Refunding Bonds, 2016 Series One, the Authority made a loan to the Borough in the aggregate principal amount of \$1,870,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough's duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation School Bond, 2016 Series A in the aggregate principal amount of \$1,870,000 (the "2016 Bond" and together with the 2011 Bond, the 2013 Bond, the 2014 Bond and the 2015 Bond, the "Outstanding High School Project Bonds"); and

WHEREAS, the Borough has a remaining general obligation bond authorization under the School Construction Ordinance and submitted an application to the Authority for a direct loan from the Authority in an aggregate amount not to exceed \$550,000 (the "High School Direct Loan") to finance the costs of making certain payments to the general contractor of the High School Project; and

WHEREAS, the terms and conditions of the High School Direct Loan and the Borough's payment and other obligations in connection therewith will be set forth in a separate loan agreement to be entered into by the Authority and the Borough ("Loan Agreement"); and

WHEREAS, the payments required to be made under the Loan Agreement will be evidenced and secured, in part, by a duly authorized and issued Kodiak Island Borough, Alaska General Obligation School Bond to be issued by the Borough and of which the Authority will be the registered owner (the "2018 Bond" and together with the Outstanding High School Project Bonds and any other bonds issued under the School Construction Ordinance, the "High School Project Bonds"); and

WHEREAS, the High School Project Bonds, including the 2018 Bond, constitute general obligations of the Borough, secured by the full faith and credit of the Borough; and

WHEREAS, the Authority hereby finds and determines that it is in the public interest and will carry out the purposes of the Authority to make the High School Direct Loan to the Borough from funds available in the Authority's Custodian Account; and

WHEREAS, the form of Loan Agreement, by and between the Authority and the Borough, is attached as Appendix A hereto and has been presented to this meeting;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE ALASKA MUNICIPAL BOND BANK AUTHORITY, AS FOLLOWS:

Section 1. Authority to Make the High School Direct Loan and Maximum Principal Amount. The Authority is hereby authorized to make the High School Direct Loan to the Borough in an amount not to exceed \$550,000. The authority granted under this Section 1 shall expire 120 days after the date this Resolution No. 2018-02 is adopted.

Section 2. Purpose. The High School Direct Loan is being provided to the Borough to finance all or a portion of certain payments to the general contractor of the High School Construction Project.

Section 3. Interest Rate and Maturity. The High School Direct Loan shall bear interest at a rate not greater than five percent (5.0%) per annum and shall mature no later than ten (10) years after the effective date of the High School Direct Loan as determined by the Chairman or Executive Director (each an "Authorized Officer") after consulting with the Financial Advisor. The High School Direct Loan shall be evidenced by the 2018 Bond, of which the Authority shall be the registered owner.

Section 4. Principal and Interest Payments. Principal shall be payable on December 1 and interest shall be payable on the June 1 and December 1, beginning June 1, 2019, or on such other dates 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, until the entire amount due and outstanding is paid in full. The schedule of principal and interest payments shall be included as an exhibit to the Loan Agreement and shall match the amounts and dates of principal and interest payments of the 2018 Bond.

Section 5. Prepayment. The Chairman and the Executive Director are, and each of them is, hereby authorized to determine the prepayment provisions, if any, for the High School Direct Loan.

Section 6. Loan Agreement. The form and content of, and the performance by the Authority of its obligations contained in, the Loan Agreement are hereby in all respects authorized, approved and confirmed. The Chairman and the Executive Director are, and each of them separately is, authorized, empowered and directed to execute the Loan Agreement for and on behalf of the Authority, including necessary counterparts, in substantially the form and content now before this meeting but with such changes, modifications, additions or deletions therein as seem necessary, desirable or appropriate, the execution thereof to constitute conclusive evidence of such approval of any and all changes, modifications, additions or deletions therein from the form and content of the Loan Agreement now before the Board at this meeting; and from and after the execution and delivery of the Loan Agreement, the Chairman and the Executive Director are each hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Loan Agreement as executed.

Section 7. Loan Trustee. The Bank of New York Mellon Trust Company, N.A., of San Francisco, California, is hereby appointed Loan Trustee.

Section 8. Chairman and Executive Director and other Authorized Officers. The Chairman and the Executive Director are, and each of them separately is, authorized, empowered and directed to determine the principal amount, maturity date or dates, interest rate or rates and other terms of the High School Direct Loan as provided in this Resolution, and each Authorized Officer and/or any other person authorized by an Authorized Officer, is hereby authorized to execute and deliver for and on behalf of the Authority any and all additional certificates, documents, opinions or other

papers and perform all such other acts as they may deem necessary or appropriate to implement and carry out the intent and purposes of this Resolution.

Section 9. Recitals. These Recitals to this Resolution are incorporated herein, and by this reference, are made a part hereof as if fully set forth herein.

Section 10. Effective Date. This Resolution shall become effective immediately upon its passage and approval.

DATED this 15th day of November 2018.

ALASKA MUNICIPAL BOND BANK
AUTHORITY

[SEAL]

LUKE WELLES
Chairman

ATTEST:

DEVEN J. MITCHELL
Executive Director

Appendix A

Form of Loan Agreement

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of the ___ day of November 2018 (the “Loan Agreement”), between the Alaska Municipal Bond Bank Authority (the “Authority”), 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 Kodiak Island Borough, Alaska, a duly constituted second-class borough of the State (the “Borough”):

WITNESSETH:

WHEREAS, pursuant to the Act, the Authority is authorized to make loans of money (the “Loan” or “Loans”) to political subdivisions of the State; and

WHEREAS, the Borough is a political subdivision of the State and pursuant to the Act is authorized to accept a Loan from the Authority to be evidenced and secured by its municipal bond; and

WHEREAS, the Kodiak Island Borough, Alaska (the “Borough”), a political subdivision of the State of Alaska (the “State”), enacted Ordinance No. FY2010-03 (the “School Construction Ordinance”) on August 6, 2009, pursuant to which the Borough was authorized to issue its general obligation bonds in an amount not to exceed \$76,310,000 for the purpose of financing the costs of capital improvements to the Borough’s Kodiak High School (the “High School Project”); and

WHEREAS, on March 1, 2011, from proceeds of the Authority’s General Obligation Bonds, 2011 Series One, the Authority made a Loan to the Borough in the aggregate principal amount of \$8,000,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation Bond, 2011 Series A in the aggregate principal amount of \$8,000,000 (the “2011 Bond”); and

WHEREAS, on March 12, 2013, from proceeds of the Authority’s General Obligation Bonds, 2013 Series One, the Authority made a Loan to the Borough in the aggregate principal amount of \$21,595,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation School Bond, Series 2013 in the aggregate principal amount of \$21,595,000 (the “2013 Bond”); and

WHEREAS, on February 20, 2014, from proceeds of the Authority’s General Obligation Bonds, 2014A Series One, the Authority made a Loan to the Borough in the aggregate principal amount of \$22,660,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued

registered Kodiak Island Borough, Alaska General Obligation School Bond, 2014 Series A in the aggregate principal amount of \$22,660,000 (the “2014 Bond”); and

WHEREAS, on September 16, 2015, from proceeds of the Authority’s General Obligation Bonds, 2015 Series Three, the Authority made a Loan to the Borough in the aggregate principal amount of \$6,210,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation School Bond, 2015 Series A in the aggregate principal amount of \$6,210,000 (the “2015 Bond”); and

WHEREAS, on February 2, 2016, from proceeds of the Authority’s General Obligation and Refunding Bonds, 2016 Series One, the Authority made a Loan to the Borough in the aggregate principal amount of \$1,870,000 to finance a portion of the High School Project, the repayment of which was secured, in part, by delivery to the Authority of the Borough’s duly authorized and issued registered Kodiak Island Borough, Alaska General Obligation School Bond, 2016 Series A in the aggregate principal amount of \$1,870,000 (the “2016 Bond” and together with the 2011 Bond, the 2013 Bond, the 2014 Bond and the 2015 Bond, the “Outstanding High School Project Bonds”); and

WHEREAS, the Borough has a remaining general obligation bond authorization under the School Construction Ordinance and submitted an application to the Authority for a direct loan from the Authority in an aggregate amount not to exceed \$550,000 (the “High School Direct Loan”) to finance the costs of making certain payments to the general contractor of the High School Project; and

WHEREAS, at the Borough’s request, the Board, pursuant to Resolution No. 2018-02 adopted on November 15, 2018, authorized the Authority to make the High School Direct Loan from funds available in the Authority’s Custodian Account and as evidence of such High School Direct Loan, to enter into this Loan Agreement and to purchase from the Borough the Borough’s General Obligation School Bond in the principal amount of \$550,000 (the “2018 Bond” or the “Municipal Bond”);

NOW, THEREFORE, the Borough and the Authority agree as follows:

Section 1. The Authority hereby makes the High School Direct Loan and the Borough hereby accepts the High School Direct Loan in the aggregate principal amount of \$_____. As evidence of the High School Direct Loan made to the Borough and such money borrowed from the Authority by the Borough, the Borough hereby agrees to sell to the Authority the 2018 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 hereof. For purposes of this Loan Agreement, the interest on the 2018 Bond will be computed without regard to the provision in Section 6 hereof. As set forth in Sections 3 and 4 hereof, the Borough shall make funds available to The Bank of New York Mellon Trust Company, N.A., as loan trustee (“Loan Trustee”) for the payment of principal and interest at least seven (7) business days prior to each principal and interest payment date.

Section 2. The Borough represents that it has duly adopted or will adopt all necessary ordinances or resolutions, including Ordinance No. FY2010-03, enacted on August 6, 2009 (the “Borough’s Ordinance”) and Resolution No. FY2019-13, adopted on November 7, 2018 (the “Borough’s Resolution” and together with the Borough’s Ordinance, the “Borough’s Authorizations”). The Borough further represents to the Bank that the Borough has taken or will take all other actions or proceedings required by law to enable the Borough to enter into this Loan Agreement and to issue its 2018 Bond to the Authority and that the 2018 Bond will constitute a general obligation bond, secured by the full faith and credit of the Borough, all as duly authorized by the Borough’s Authorizations.

The Borough represents that the Borough’s Authorizations are in full force and effect and have not been amended, supplemented or otherwise modified, other than as may have been previously certified by the Borough to the Authority

Section 3. Subject to any applicable legal limitations, the amounts to be paid by the Borough pursuant to this Loan Agreement representing interest due on its 2018 Bond (the “Municipal Bond Interest Payments”) shall be paid by the Borough to the Loan Trustee at least seven (7) business days before the interest payment date to provide funds sufficient to pay interest as the same becomes due.

Section 4. The amounts to be paid by the Borough pursuant to this Loan Agreement representing principal due on its 2018 Bond (the “Municipal Bond Principal Payments”) shall be paid by the Borough to the Loan Trustee at least seven (7) business days before each principal installment date stated in the 2018 Bond so as to provide funds sufficient to pay the principal of the 2018 Bond as the same becomes due based upon the maturity schedule stated in Exhibit A hereof.

Section 5. In the event the amounts referred to in Sections 3 and 4 hereof to be paid by the Borough pursuant to this Loan Agreement are not made available at any time specified herein, the 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 acting Loan Trustee, and this Loan Agreement shall be full warrant, authority and direction to make such payment upon notice to such department or agency by the Authority, with a copy provided to the Borough, as provided in the Act.

Section 6. The Borough is obligated to pay to the Authority fees and charges authorized to be charged by the Authority pursuant to Sections 44.85.080(8), (15) and (16) of the Act and charged by the Bank to the Borough (“Fees and Charges”). Such Fees and Charges actually collected from the Borough shall be in an amount sufficient, together with 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:

(a) to pay, as the same become due, the administrative expenses of the Authority; and

(b) to pay, as the same become due, the Borough’s fees and expenses of the Loan Trustee for the 2018 Bond.

The waiver by the Authority of any fees payable pursuant to this Section 6 shall not constitute a subsequent waiver thereof.

Section 7. The Borough is obligated to make the Municipal Bond Principal Payments scheduled by the Authority on an annual basis commencing seven (7) business days before the dates indicated in Exhibit A hereof. The first such Municipal Bond Principal Payment is due seven (7) business days prior to the date indicated in Exhibit A hereof. The Borough is obligated to make the Municipal Bond Interest Payments scheduled by the Authority on a semi-annual basis commencing seven (7) business days before the dates indicated in Exhibit A hereof, and to pay any Fees and Charges imposed by the Authority within thirty (30) days after receiving the invoice of the Authority thereof.

Section 8. Simultaneously with the delivery of the 2018 Bond to the Authority, the Borough shall furnish to the Authority evidence satisfactory to the Authority that, among other things, that the 2018 Bond will constitute a valid and binding general obligation of the Borough, secured by the full faith and credit of the Borough.

Section 9. Notice to the Borough for payments under this Loan Agreement shall be addressed to the Kodiak Island Borough, Attention: Finance Director, 710 Mill Bay Road, Kodiak, Alaska 99615. The Borough shall give the Authority and the corporate trust office of the Loan Trustee least thirty (30) days' written notice of any change in such address.

Section 10. Prior to payment of the amount of the High School Direct Loan or any portion thereof, and the delivery of the 2018 Bond to the Authority or its designee, the Authority 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 Borough to the Authority in connection with its application to the Authority for a Loan shall be incorrect or incomplete in any material respect.

(b) The Borough has violated commitments made by it in the terms of this Loan Agreement.

(c) The financial position of the Borough has, in the opinion of the Authority, suffered a materially adverse change between the date of this Loan Agreement and the scheduled time of delivery of the 2018 Bond to the Authority.

Section 11. The Borough agrees that it will provide the Authority with written notice of any default in covenants under the terms of this Loan Agreement and the Borough's Authorization's within thirty (30) days after the date thereof.

Section 12. [The Borough hereby agrees to keep and retain, until the date six years after the retirement of the 2018 Bond, or any bond issued to refund the 2018 Bond, or such longer period as may be required by the 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 2018 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 Borough agrees that all records required by the preceding sentence shall be made available to the Authority upon request.]

Section 13. 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.

Section 14. 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.

Section 15. 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.

Section 16. This Loan Agreement shall remain in full force and effect so long as the 2018 Bond remains outstanding.

Section 17. 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.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement as of the date first set forth above.

ALASKA MUNICIPAL BOND BANK
AUTHORITY

By: _____
DEVEN J. MITCHELL
Executive Director

KODIAK ISLAND BOROUGH, ALASKA

By: _____
DORA CROSS
Finance Director

EXHIBIT A

\$550,000
Kodiak Island Borough, Alaska
General Obligation School Bond
("2018 Bond")

<u>Due</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u> \$	<u>Interest</u> <u>Amount</u> \$	<u>Interest</u> <u>Rate</u> %
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Principal installments shall be payable on _____ 1 in each of the years, and in the amounts set forth above. Interest on the 2018 Bond shall be payable on _____ 1, 201_, and thereafter on _____ 1 and _____ 1 of each year.

Prepayment Provisions: The 2018 Bond is subject to prepayment in whole, or in part, at any time at the option of the Borough.