

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

**TO BE HELD AT:
TELEPHONIC MEETING
For Participation Call: 1-800-315-6338
With Code 907100#**

June 2, 2020

1:00 PM ADT





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

Phone: (907) 465-2388
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AGENDA FOR BOARD OF DIRECTOR'S MEETING

Meeting Place:

TELEPHONIC MEETING

For participation: 1-800-315-6338

Code 907100#

June 2, 2020 at 1:00 p.m. ADT

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. Approval of Agenda**
- V. Minutes of the April 29, 2020 Meeting of the Board of Directors**
- VI. General Business**
 - A. The City of King Cove Loan Application and Credit Review**
 - B. Finance Director's Report**
 - C. Executive Director's Report**
- VII. Public Comments**
- VIII. Board Comments**
- IX. Adjournment**

STATUS: **Active**

NOTICE OF PUBLIC MEETING - AMBBA Board of Director's Meeting

AGENDA FOR AMBBA BOARD OF DIRECTOR'S MEETING:

The Alaska Municipal Bond Bank Authority ('AMBBA') will hold a meeting TELEPHONICALLY, on June 2, 2020 at 1:00 PM ADT. Call in is 1-800-315-6338 with passcode 907100#.

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

- 1) Call to Order
- 2) Roll Call
- 3) Public Meeting Notice
- 4) Approval of Agenda
- 5) Minutes of the April 29, 2020 Meeting of the Board of Directors
- 6) General Business
 - a) The City of King Cove Loan Application and Credit Review
 - b) Finance Director's Report
 - c) Executive Director's Report
- 7) Public Comments
- 8) Board Comments
- 9) Adjournment

Attachments, History, Details

Attachments

[AMBBA Agenda 6-2-2020 FINAL.pdf](#)

Revision History

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Sub-Category:	
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Archive Date:	6/3/2020
Events/Deadlines:	



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MINUTES of the BOARD OF DIRECTORS MEETING

ALASKA MUNICIPAL BOND BANK AUTHORITY

April 29, 2020

I. CALL TO ORDER

Luke Welles called the meeting to order at 1:32 p.m., Alaska Daylight Time.
Members participated telephonically at 1-800-315-6338, with passcode 907100#.

II. ROLL CALL

Luke Welles
Craig Chapman
Mike Barnhill
John Springsteen
Lamar Cotten

OTHERS IN ATTENDANCE:

- Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
- Ryan Williams, Finance Director, Alaska Municipal Bond Bank
- Fred Eoff, Financial Advisor, PFM
- Alex Qin, Senior Analyst, PFM
- Leslie Krusen, Orrick, Herrington & Sutcliffe, LLP
- Doug Goe, Orrick, Herrington & Sutcliffe, LLP
- Greg Blonde, Orrick, Herrington & Sutcliffe, LLP
- John Stanley, Orrick, Herrington & Sutcliffe, LLP
- Diane Borgeson, Fairbanks North Star Borough
- Debbie Brady, Fairbanks North Star Borough
- David Thompson, Stradling Yocca Carlson & Rauth
- Melissa Haley, City and Borough of Sitka

- Eric Whaley, BofA Securities
- Wesley Ellins, BofA Securities
- Eric Wong, BofA Securities
- Laura Janke, RBC
- Tom Yang, RBC

III. PUBLIC MEETING NOTICE

Mr. Williams reviewed the public meeting notice. A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was read for the record. The public notice was officially published on April 13, 2020, on the Alaska Online Public Notice website for the April 29, 2020 meeting date.

IV. APPROVAL OF AGENDA

The agenda was reviewed by the board. There were no modifications. The Agenda was approved unanimously as written with no objections.

V. MINUTES of the March 3, 2020 Board of Directors Meeting

The March 3, 2020 minutes of the AMBBA Board of Director's meeting were reviewed by the board. Mr. Chapman moved to adopt the March 3, 2020 minutes as written, and approval was seconded by Mr. Cotten. Mr. Welles called an all-in-favor vote with five "aye" (yes) votes, no objections, and the March 3, 2020 minutes were unanimously approved and adopted by board members.

VI. GENERAL BUISNESS

Fairbanks North Star Borough Loan Application and Credit Review

Mr. Eoff presented an application credit review summary for the Fairbanks North Star Borough ('FNSB'), \$29,604,175 general obligation bond loan request from the Bond Bank. Purpose of the loan would be for refinancing currently outstanding school related general obligation bonds originally issued by the FNSB. The term of the loan would be approximately 12 years. FNSB estimated annual debt service on all loans (including a projection for this loan request) is approximately \$9.05 million. With total revenues subject to intercept through state-aid of \$126.2 million, total debt service coverage is 13.95x. Mr. Eoff presented general fund revenue sources, which have remained relatively stable and have grown over the time-period presented - from \$118 million in 2014 to

\$135.6 million in 2019, with property taxes as the primary source, followed by intergovernmental revenues and other taxes. Tax-exempt current refundings of FNSB outstanding bonds include their 2006-I, 2007-J, 2008-L, 2010-M, and 2012-R. Mr. Eoff mentioned that there are no immediate capital plans of the FNSB.

Mr. Eoff stated that based on PFM's assessment, there are no credit concerns surrounding FNSB, and recommended approval of the application. Additionally, the Bond Bank's ability to intercept State aid adds additional security. Mr. Chapman moved to approve the \$29,604,175 general obligation bond loan to the FNSB, and Mr. Barnhill seconded the motion. There was no additional discussion. Mr. Welles called an all-in-favor vote, there were five "aye" (yes) votes with no objections, and the loan was approved unanimously by all board members.

Kodiak Island Borough Loan Application and Credit Review

Mr. Eoff presented an application credit review summary for the Kodiak Island Borough. A two-part loan request backed by KIB's general obligation pledge for a \$410,422 high school upgrade project, and \$2,230,000 for school renovation projects. The term of the loan would be approximately 10 years. KIB estimated annual debt service on all loans (including a projection for these loan requests) is approximately \$9.53 million. With total revenues subject to intercept through state-aid of \$28.9 million, total debt service coverage is 3.03x. Mr. Eoff depicted KIB's total revenue distribution in their general fund, increasing from \$6.78 in 2014 million to \$8.31 million in 2019. Intergovernmental revenues have consistently been the highest source of general fund revenues, and although they trended downwards from 2015 through 2018, from 2018 to 2019 there was an approximate \$0.9 million increase, or 25.7 percent year-over-year. Total property tax revenues during fiscal year 2019 were \$16.67 million, a 3.83 percent increase over fiscal year 2018. Mr. Eoff presented KIB's general fund balance in 2019 of \$5.4 million, of which \$5.3 million is unassigned. KIB doesn't anticipate significant COVID-19 impact, but has plans to develop further surveillance as time progresses. Mr. Eoff mentioned that KIB has no plans to seek additional GO authorization in the immediate future.

Mr. Eoff stated that based on PFM's assessment, there are no credit concerns for KIB given the information presented, and recommends approval of the application. Additionally, the Bond Bank's ability to intercept State aid adds additional security. Mr. Chapman asked for clarification on estimated debt

service for each of the two loan amounts, and Mr. Eoff stated that the credit review summary had the values reversed, loan one estimated debt service should be approximately \$45,000, and loan two estimated debt service should be approximately \$241,000. Mr. Mitchell commented that state-aid values listed in the credit reports consist of current information, but may not incorporate more recent information from the State of Alaska's enacted fiscal year 2021 budget, such as the school debt reimbursement program being reduced to zero. The financing team is working to update the state-aid table in the preliminary and official statement. Some of the aid impact may be offset by COVID-19 support, and discussions are ongoing on how the flow of funds will work through the State from the Federal Government. Mr. Welles asked for an approximate date on flow of funds. Mr. Mitchell stated that there are estimates provided through the Department of Commerce, Community, and Economic Development's website, and funds are anticipated to start flowing at the beginning of May, the beginning of July, and the beginning of October. Mr. Chapman moved to approve the loan applications for the KIB consisting of loan one for \$410,422, and loan two for \$2,230,000, both for general obligation loans to the KIB for school capital improvements, and Mr. Cotten seconded the motion. There was no additional discussion. Mr. Welles called an all-in-favor vote, there were five "aye" (yes) votes with no objections, and both loans were approved unanimously by all board members.

City & Borough of Sitka Loan Application and Credit Review

Mr. Mitchell started the conversation by summarizing the Bond Bank's current exposure to the electric utility in the City and Borough of Sitka ('Sitka'), and since this proposed refunding would move the debt from a subordinate lien structure to be on parity with other debt of the electric utility, of which the Bond Bank already has a position in, PFM will present a one-page summary of refinancing their AEA loan for savings (from Alaska Energy Authority ('AEA') and into the Bond Bank's 2005 Resolution). Mr. Eoff presented an application credit review summary sheet for Sitka's approximate \$6,000,000 utility revenue bond loan request from the Bond Bank. Purpose of the loan would be for refinancing their outstanding AEA loan into the Bond Bank program. The term of the loan would be approximately 13 years. Sitka's estimated annual debt service on all loans (including a projection for this loan request) is approximately \$8.49 million for all utility debt, and \$12.52 million if including general obligation debt. With total revenues subject to intercept through state-aid of \$17.24 million, total debt service coverage is 1.38x (all outstanding loans). Mr. Eoff mentioned that Sitka

and AEA entered into the loan in 1982, and the loan has had modifications since. Mr. Eoff stated that the current AEA structure had a second lien on revenues of the water and electric system, but the new loan would bring the associated debt on parity with the currently outstanding utility debt in the Bond Bank's portfolio, and the resolution to be proposed later in the meeting addresses this.

Mr. Eoff stated that based on PFM's assessment, he recommends approval of the application. Additionally, the Bond Bank's ability to intercept State aid adds additional security. Mr. Chapman moved to approve the \$6,000,000 utility revenue bond loan to Sitka, and Mr. Springsteen seconded the motion. There was no additional discussion. Mr. Welles called an all-in-favor vote, there were five "aye" (yes) votes with no objections, and the loan was approved unanimously by all board members.

AMBBA Resolution No. 2020-01

Mr. Welles mentioned that a replacement resolution was sent out through email correspondence to all board members on April 24th, and the replacement version will be under discussion for this meeting. Mr. Krusen introduced Resolution 2020-01, a series resolution authorizing the issuance of general obligation and refunding bonds, the 2020 Series One of the AMBBA. The Series Resolution authorizes an aggregate principal amount of not to exceed \$150,000,000 for non-AMT tax exempt governmental purposes. Mr. Krusen mentioned that the 2020 Series One includes both new money bonds, and also refunds all or a portion of outstanding bonds related to the Bond Bank. The Chairperson and Executive Director have authority to establish additional Series of 2020 Bonds, and method of sale (competitive vs. negotiated), although contemplated to be a negotiated sale at this point given the overall complexity of the structure and multiple series for both new money and refunding bonds. Maximum true interest costs shall not exceed 4.5% for the 2020 Series One Bonds. Mr. Krusen mentioned that the resolution identifies a series of refunding candidates and grants authority to the Chairman and Executive Director to choose to proceed with those refunding candidates. The authority granted to the Chairman and Executive Director shall expire 120 days after adoption of this Resolution 2020-01 of the Bond Bank. Mr. Chapman moved to approve Resolution 2020-01 authorizing the Bond Bank to issue general obligation and refunding bonds, 2020 Series One, and approval was seconded by Mr. Barnhill. Mr. Welles called an all-in-favor vote, there were five "aye" (yes) votes with no objections, and Resolution 2020-01 was approved unanimously by board members.

AMBBA Resolution No. 2020-02

Mr. Krusen introduced Resolution 2020-02, a series resolution authorizing the issuance of general obligation and refunding bonds, the 2020 Series Two of the AMBBA. The Series Resolution authorizes an aggregate principal amount of not to exceed \$271,425,000 for taxable purposes, and contemplates advance refundings of currently outstanding Bond Bank debt. Due to recent changes in the tax code, any refundings in advance of the call date would have to be contemplated on a taxable basis. Mr. Krusen mentioned that the 2020 Series Two includes a new money bond, and also advance refunds all or a portion of outstanding bonds related to the Bond Bank. The Chairperson and Executive Director have authority to establish method of sale (competitive vs. negotiated), although contemplated to be a negotiated sale at this point given the overall complexity of the structure and multiple series of potential refunding candidates. Maximum true interest costs shall not exceed 4.5% for the 2020 Series Two Bonds. Mr. Krusen reiterated that the resolution identifies a series of advance refunding candidates and grants authority to the Chairman and Executive Director to proceed with those refundings. The authority granted to the Chairman and Executive Director shall expire 120 days after adoption of this Resolution 2020-02 of the Bond Bank. Mr. Mitchell explained that there has been a lot of rate volatility recently, and the financing team is monitoring potential savings for all advance refunding candidates within the Resolution, and will continue to monitor for savings potential. There was no additional discussion. Mr. Chapman moved to approve Resolution 2020-02 authorizing the Bond Bank to issue general obligation and refunding bonds, 2020 Series Two, and approval was seconded by Mr. Barnhill. Mr. Welles called an all-in-favor vote, there were five “aye” (yes) votes with no objections, and Resolution 2020-02 was approved unanimously by board members.

Finance Director's Report

Mr. Williams stated that the Bond Bank is releasing an arbitrage rebate services request for proposals at the beginning of May. We've received services from the same provider for the last six years, and with no additional options remaining on the current contract, we'll need to go through the official procurement process. Mr. Welles asked for the date of release, and Mr. Williams anticipates a release date of May 13th.

Mr. Williams presented fund performance and portfolio market values through March 31, 2020. Mr. Williams noted that the prior report presented to the board, from January 31, 2020, had one-year annualized returns of approximately 5.5 percent (unrealized, and realized returns), and the March 31, 2020 returns are 200 basis points above that at 7.5 percent. Mr. Williams recommended that we should potentially have a presentation from APCM at a future board meeting. Mr. Chapman made a motion to approve the Finance Director's report, and, Mr. Cotton seconded the motion. There was no additional discussion. Mr. Welles called an all-in-favor vote, there were five "aye" (yes) votes with no objections, and the Finance Directors report was adopted and approved unanimously by all board members.

Executive Director's Report

Mr. Mitchell mentioned that the Bond Bank legislation, to expand authority for regional health organizations and the University of Alaska, had already passed the house but then due to the abbreviated legislative session the referral to senate finance has not been pursued further. Technically it's still a live bill with the legislature in recess, but there may not be additional discussion for this session. If it was reviewed next year, it would need reintroduction.

Mr. Mitchell mentioned that we are unaware of any reports from authorized borrowers regarding any inability to pay debt service due to decreased revenue concerns with the COVID-19 pandemic. We've reached out to the finance director community, and the Bond Bank has asked for immediate communication should any concerns arise. Mr. Mitchell stated that there's municipal relief through the CARES act; however, there's still a difficulty in how to practically implement receipt of that money in relation to "direct" impacts from COVID-19 and there still needs to be an assessment of how best to approach.

Mr. Mitchell stated that due to the pandemic, he and Mr. Williams have been working from home, as has been the case for certain other Department of Revenue staff. Mr. Mitchell mentioned that we have the option to have future board meetings through video chat if mutually agreed upon.

Mr. Mitchell noted the quarterly ethics reports have been filed with the Department of Law.

Mr. Mitchell stated that we received a loan application from the City of King Cove last week, and due to timing, we did not have it on the agenda for this meeting. We anticipate King Cove being able to participate, so we would need to call another board meeting in the next month for further consideration.

Mr. Welles asked for additional discussion on the State's credit rating. Mr. Mitchell outlined an action by Fitch six weeks ago, placing the State on credit watch negative, which implicates a potential of approximately 80 percent that there will be a downgrade in the next three months. Additionally, two weeks ago, S&P revisited the State's credit, and with the multitude of factors related to the COVID-19 pandemic, lower price of oil, and decreased revenue, they have downgraded the state from "AA" to "AA-" with a negative outlook.

Mr. Chapman made a motion to approve the Executive Director's report, and, Mr. Springsteen seconded the motion. There was no additional discussion. Mr. Welles called an all-in-favor vote, there were five "aye" (yes) votes with no objections, and the Executive Directors report was adopted and approved unanimously by all board members.

VII. PUBLIC COMMENTS

Debbie Brady with the Fairbanks North Star Borough thanked the Board for approval of their loan application.

VIII. BOARD COMMENTS

There were none.

ADJOURNMENT

Mr. Welles adjourned the meeting without objection at 2:29 p.m. ADT.

Luke Welles, Chairperson



May 26, 2020

Credit Profile

City of King Cove, Alaska
\$460,000 Electric Enterprise Revenue Bonds

This credit profile and summary has been prepared for the Alaska Municipal Bond Bank Authority for its consideration of the application submitted by the City of King Cove for a new money loan intended to finance improvements to its existing hydroelectric facilities.

The City has provided a detailed and comprehensive discussion of the Project as well as a forecast of Electric Enterprise operations. We would be remiss not to include them in this report and they are included as Appendix A and Appendix B respectively

Summary Overview

Applicant:	City of King Cove
Loan Amount:	\$460,000
Project Type:	Municipal electric utility (power production)
Project Description:	The City will use proceeds of the Bond Bank loan to fund upgrades to the Delta Creek hydroelectric facility. This includes the purchase of a new turbine runner and repairing the Glacier Creek Spillway.
Term of Loan:	15 years
Revenues Pledged to Loan:	Utility Revenues
Most recent FY Net Pledged Revenues:	Utility Revenues: \$442,624
Estimated Annual Debt Service on requested loan:	\$30,750
Estimated Annual Debt Service (all Bond Bank loans):	\$260,630
Most Recent FY Debt Service Coverage Ratio:	1.52x (including proposed 2020 loan)
Most Recent FY State-Shared Revenues (SSR):	\$1.127 million
Debt Service Coverage of AMBB DS from SSR:	3.87x
Loan Subject to State Debt Service Reimbursement:	No
No Litigation Letter Received:	To Come

Introduction

The City of King Cove (“King Cove” or “the City”) has submitted application to the Alaska Municipal Bond Bank (the “Bond Bank”) for a \$460,000 loan to finance two electric utility projects. Loan proceeds will be combined with a \$50,000 grant from Aleutians East Borough to finance upgrades to the Delta Creek Hydro facility.

The Project

Project 1 – Purchase and install a new turbine runner:

The current runner was purchased in 2006 and is now 14 years old. Replacing the turbine runners in run-of-the-river hydro projects is common after extended use. The project is estimated to cost \$280,000 and will increase the annual output of Delta Creek by 5% to 10%. The replacement will also help prevent major interruptions to energy generation, which will no doubt result in significantly higher customer cost.

The City used a competitive bid process and awarded a firm fixed-price contract to Gilkes for \$244,004 in August 2019. Upon signing, the City made a 20% contract payment. A \$28,587 professional services contract was negotiated with HDR Alaska to assist with the solicitation, selection, review, and final inspection process. The turbine was expected to be fabricated, shipped, installed, inspected, and operational by no later than May 2020. However, it is likely the installation will be delayed by the COVID-19 pandemic by 4-6 months, or possibly longer.

Project 2 – Rebuild Glacier Creek Spillway:

Glacier Creek is the primary tributary to Delta Creek and supplies approximately 2/3 of the water used by Delta Creek for generation. The City has been aware of the need to rehabilitate the spillway due to Glacier Creek’s heavy stream sediment bedload. The project will cost about \$280,000 and will add HDPE plates and a new gate wall and thimble to the concrete sluiceway. Repairs are scheduled to be completed between June and July, 2020, when electric service can likely remain 100% hydro/renewable while Glacier Creek is out of service. However, as noted for the turbine runner project, the COVID-19 situation may also delay the timing of this project.

The design and cost estimate for Glacier Creek Spillway repairs was developed by HDR Alaska through a series of meetings with City staff last year. With the exception of hiring an outside project manager, who has specific hands-on project experience in King Cove, the City has the proven experience and talents to complete the project.

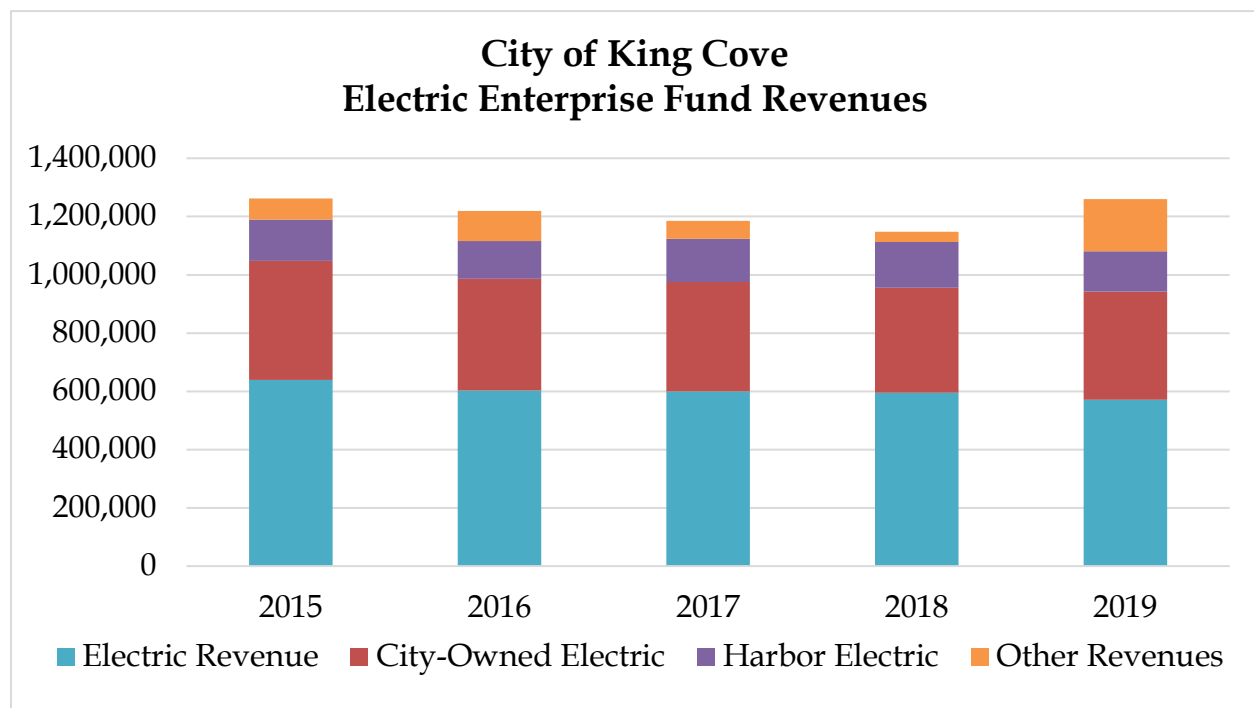
City Financial Position

The City's electric system is operated as an enterprise fund. The Electric Fund accounts for all revenues and expenditures for the utility, including both hydroelectric facilities, diesel plant, recoverable heat system, and transmission system. The fund operates with annual revenues

of approximately \$1.2 million and annual expenditures of approximately \$1.1 million (including depreciation and interest charges). In FY 2019, the Electric Fund had an ending balance of \$760,252.

Together, the Waterfall Creek hydro facility, the Delta Creek hydro facility, and the diesel plant produce about 4.6 MWh of power. The two hydro facilities produce at least 85% of this annual demand.

The graph below highlights Electric Enterprise revenues over the past five fiscal years. Revenues are realized from three primary sources: in FY 2019 Electric Revenue (residential customers) was approximately 50% of total revenue, City-Owned Electric (revenue from City owned facilities) was 31%, and Harbor Electric (boat customers) accounted for 12%.



The table below summarizes operating expenses over the past five completed fiscal years. Notably, in 2015 the largest expense for the Electric fund, net of depreciation, was diesel fuel. Since then the completion of the Waterfall Creek hydro facility has significantly decreased the City's dependence on diesel-generated electricity and fuel purchases have decreased from approximately 54% of total operating expenses in FY 2015 to only 21% in FY 2019. This decrease is offset by modest increases in salary and other purchase expenses but FY2019 operating expenses net of depreciation has decreased by 11% from FY 2015.

	Fiscal Years Ending 6/30				
	2015	2016	2017	2018	2019
Salaries and Benefits	\$191,753	\$346,439	\$284,840	\$210,477	\$269,921
Power Plant Fuel	414,350	273,581	360,218	184,079	145,040
Other	155,423	115,504	140,070	209,707	262,049
Total	\$761,526	\$735,524	\$785,128	\$604,263	\$677,010

Security Pledge

The proposed 2020 loan will be issued on a parity with outstanding debt of the Electric Enterprise Fund. The City will pledge net revenues of the Electric Enterprise Fund to support the debt service on all parity bonds, including the 2020 bonds. Prior Parity Bonds were issued through the Bond Bank in 2013, 2014 and 2018 and as of are currently outstanding in the amount of \$3,052,803

The additional bonds test in the electric utility revenue master resolution requires that, before additional parity bonds may be issued, the City must demonstrate that net revenues are sufficient to cover existing and projected debt service by 1.25x based on audited net revenue collections. As shown in the graph above, the City has maintained a healthy debt service coverage above the 1.25x requirement in the past 5 years. The revenues available for debt service has increased primarily due to the decrease in operating expenditures.

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 electric system for any 12 of the preceding 30 months; 2) estimated revenues of current electric system customers that have not been customers for a 12 month period; 3) an increase in electric rates that have been implemented, but have not yet been reflected in audited financial statement, and 4) new revenues associated with extensions of the facilities that will be financed with the proceeds of additional bonds.

The City is also required to obtain Bond Bank consent prior to the issuance of bonds secured by electric system revenues. The bond resolution also includes a rate covenant that requires the City to establish, maintain and collect electric system revenues sufficient to cover debt service by 1.25 times. If the City fails to maintain revenues sufficient to meet the rate covenant, the City must retain an expert consultant to make recommendations on improvements to operations in order to meet the rate covenant.

The bond resolution requires the City to fund a debt service reserve in an amount equal to the lesser of 1) 10% of the par amount of the bonds; 2) 125% of average annual debt service; or 3) 100% of maximum annual debt service. In the case of the bonds to be issued for this project, based on current rates and the City's desired 15-year term of the bonds, the debt service reserve requirement is expected to be 125% of Average Annual Debt service. The City has indicated it plans to cash fund the required increase to the debt service reserve fund anticipated to be approximately \$21,800 and total reserve balance will be approximately \$191,000.

Impact of COVID-19

Interceptible State Revenues

In addition to the utility revenue pledge by the City, the Bond Bank has the ability to intercept state-shared revenues that would otherwise flow to the City. The following table summarizes the revenues subject to intercept, along with the maximum annual debt service on the City's bonds.

Shared Taxes and Fees	\$439,489
Dept. of Transportation Reimbursement	\$0
Reimbursement and Other Education Funding	\$0
Education Support Funding	\$0
Matching Grants	\$612,748
Community Jails	\$0
PILT Transfers	\$0
Revenue Sharing	\$75,076
Total Revenue Subject to Intercept	\$1,127,313
Projected Maximum Debt Service (FY 2022)	\$233,424
Debt Service Coverage Intercept Coverage	4.83x

Future Electric Enterprise Capital Plans & Credit Topics

- Rebuilding the CAT 3516 and Other Replacements – The City expects other major utility system upgrades are going to be needed in the next 12-24 months, including a complete rebuild of the CAT 3516 diesel generator and the next phase of transformer replacements. The City estimates these costs to be between \$150,000 and \$200,000 and anticipates funding them from Electric Enterprise fund balance.
- New Seafood Process Competition - Two new processors, Trident Seafoods and Silver Bay, have started buying and processing salmon this summer (2019) in False Pass, which is 40 miles west of King Cove. This new competition appears to be bringing a 60-75% shift in processing, which will significantly impact the City's historical dependence on this source of tax revenue. Current city estimates project a loss of annual salmon tax revenue in the range of \$300,000 to \$500,000. This represents a substantial portion of the City's annual fish tax revenue, which has averaged \$1.0 - \$1.2 million over the last decade.

Statement of No Litigation

To be provided.

Summary

Based on our assessment, the operating history and protective debt covenants for the proposed loan provides sufficient revenues and security to meet existing and additional Electric Enterprise debt service commitments. The pledge of the net operating revenue of the Electric Enterprise Fund and debt service reserve is further supported by the Bond Bank's ability to intercept state revenues that would otherwise flow to the City.

We recommend approval of this loan application conditioned upon receipt of the No Litigation letter. If there are any questions regarding this review, please feel free to call upon me at (206) 858-5370.

For PFM Financial Advisors, LLC

Fred Eoff, Director

APPENDIX A

ALASKA MUNICIPAL BOND BANK APPLICATION

Project Descriptions and Justifications for \$560,000 Loan Requests

The City of King Cove is requesting \$560,000 in loan funding to move forward with two major project upgrades for our Delta Creek hydroelectric facility. These projects are: 1) purchase and install a new turbine runner; and, 2) repair the Glacier Creek spillway/impoundment structure.



Delta Creek Valley – Location of King Cove’s Two Hydroelectric Facilities – Delta Creek (Glacier and Clear Creek tributaries) and Waterfall Creek. Note Mt. Dutton in the background - a semi-active volcano, largely surrounded with glaciers.

Project Description

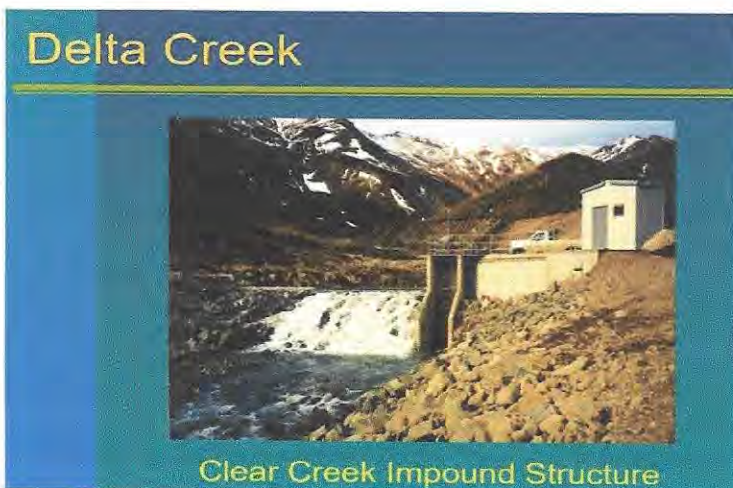
Project #1 - Purchase and install a new turbine runner for the Delta Creek Hydroelectric Facility. The new turbine runner is presently being fabricated by Gilkes & Gordon Ltd (England). Gilkes is a world-wide leader in designing and fabricating turbine runners. King Cove’s original Delta Creek turbine was fabricated by Gilkes; as well as the current turbine runner purchased in 2006. Replacing turbine runners in run-of-the-river hydro projects is common after extended use. The runner to be replaced is now 14 years old.

The new turbine runner is expected to increase the annual output of Delta Creek by 5% to 10% - approximately 200,000 kWh. More importantly, a new turbine runner prevents any catastrophic damage causing major interruptions to Delta Creek generation. The City, and its residents, understand that any major interruptions to Delta Creek energy generation will result in a significant higher kWh customer cost; particularly important since residents and City facilities no longer receive Power Cost Equalization subsidies from the State of Alaska.

The timeline for the turbine runner replacement started in August 2019 with the City's approval of its contract with Gilkes and the turbine was expected to be fabricated, shipped, installed, inspected, and operational by no later than May 2020. However, now with the COVID-19 pandemic it is likely this installation will be delayed for 4-6 months, or possibly longer.

The Delta Creek turbine runner cost is a firm fixed-price contract with Gilkes for \$244,004. The City used a competitive bid process and awarded this contract to Gilkes in August 2019. Upon signing the contract, the City made a 20% contract payment to Gilkes. Also, a \$28,587 professional services contract was negotiated with HDR Alaska to prepare the contract specifications, solicit qualified bidders, evaluate and recommend a contract award, review the final shop drawings, and perform the final inspection upon installation in King Cove.

Project #2 - Rebuild Glacier Creek Spillway. This project component will repair the Glacier Creek concrete sluiceway, including adding HDPE plates and a new gate wall and thimble (gate frame). Glacier Creek is the primary tributary to Delta Creek and supplies approximately two-thirds of the water used by the Delta Creek hydroelectric project for generation. Unfortunately, Glacier Creek carries a heavy stream sediment bedload, including large boulders and rocks, particularly after many of the frequent storm events in King Cove. The City has been aware of this "hostile" stream environment since the original design considerations over 25 years ago.



Consequently, the need for this Glacier Creek rehabilitation and repair project to be completed now is not a surprise to the City. The Glacier Creek spillway repairs are scheduled to be completed during the months of June and July (2020). The City chose this time period primarily because electric service can likely remain 100% hydro/renewable while Glacier Creek is out of service for during these two months. However, as

noted for the turbine runner project schedule, the COVID-19 situation may also delay the timing of this project.

Glacier Creek Sluiceway

Silt laden waters



Exposed Rebar



Concrete Structure Eroding



The design and cost estimate for the Glacier Creek Spillway repairs was developed by HDR Alaska. A series of meetings between HDR and the City staff occurred last year to fully understand the project scope, logistics, timing considerations, and to pursue as a local force account project. With the exception of hiring an outside project manager (who has specific hands-on project in King Cove), the City has the proven experience and talents to do this project, including overall project administration.

Project Timeline

Tasks:	2019					2020					Oct
	May	June	July	Aug	...	May	June	July	Aug	Sept	
Turbine competitive bids											
Turbine contract awarded											
Turbine shipping											
New turbine installed											
Sluiceway materials ordered											
Sluiceway materials shipped											
Sluiceway repairs underway											
Project complete											
Reporting											

Project Cost Estimates

		Sub-total	Total
Delta Creek Turbine Rehab			
Runner	\$97,853		
Runner coating	\$6,097		
Nozzle	\$3,484		
Spear tip, rod, etc.	\$11,497		
Deflector plates	\$4,181		
Coatings, other	\$14,806		
Valves (3)	\$25,624		
Taxes & fees	\$17,310		
Shipping	\$28,942		
Equipment & Shipping		\$209,794	
Labor rate, \$1,745/day			
Est. time, days 18	\$31,410		
Expenses	\$2,800		
Labor		\$34,210	
HDR Engineering (Task Order19)		\$28,587	
Total			\$272,591
Glacier Creek Spillway Repair			
Excavate diversion channel	\$25,724		
New 2" HDPE Liner	\$35,650		
Gate himble repair	\$18,901		
Stoplog Slot & Pier Nose Repair	\$14,801		
Downstream Apron Repair	\$60,720		
Construction sub-total		\$155,796	
Tools & Equipment	\$7,000		
Compactor	\$18,000		
Travel & Per Diem	\$8,000		
Inspection/Construct Admin	\$30,000		
Testing	\$5,000		
Contingency 10%	\$13,800		
Sub-total		\$81,800	
Gate Replacement		\$50,000	
Total			\$287,596
Grand Total (rounded)			\$560,000

City's Electric Fund Information

The City's Electric Fund accounts for all revenues and expenditures for the utility, including both hydroelectric facilities, diesel plant, recoverable heat system, and transmission system. The fund operates with annual revenues of approximately \$1.12 million and annual expenditures of approximately \$1.1 million. The Electric Fund (minus any allowance for depreciation) currently has a positive fund balance of approximately \$380,000 and a separate repair and replacement sub-category of \$240,000 for a total FY19 Electric Fund balance of \$620,000.

The City prefers to borrow funding for this project instead of spending down existing fund balances. The City expects other major utility system upgrades are going to be needed in the next 12-24 months, including a complete rebuilt of the CAT 3516 and the next phase of transformer replacements. The City estimates these costs to be between \$150,000 and \$200,000 and will pay for them directly from these electric fund balances.

Attachment B presents a detailed summary of the City's Electric Fund for both the short-term (three years) and then longer term through FY30. The financial information in Tables A & B in Attachment B, along with an accompanying memo, documents the City's financial ability to support this AMMB loan application and all other existing debt on our Waterfall Creek.

APPENDIX B

Status of City's Electric Fund (FY20 – FY30)

The City of King Cove is requesting two loans from the Alaska Municipal Bond Bank (AMMB) for upgrading our Delta Creek Hydro facility. The two projects requiring these loans are described in detail in Attachment A.

The city has an excellent reputation and history with the AMBB and currently has two AMMB loans for Waterfall Creek, our second hydro facility. These two project loan requests will build on this relationship and assist the city in maintaining and operating one of the oldest and most successful hydro facilities in rural Alaska.

Tables A & B present our current and projected status of the city's Electric Fund through FY30. Note the detailed footnotes for both tables which document our assumptions and general expectations for the Electric Fund through FY30.

Note "Debt" in the fund expenditures and the "Other" category. This \$40,000 annual expenditure assumes these two loan requests are approved in June 2020 and the first annual principal & interest payment will be due in June 2021 (FY21).

The "WC Debt" represents our current debt with AMMB for our second and newest Waterfall Creek hydro facility which came online in 2017. The relatively large FY19 & FY20 debt payments included our two final loan payments on Delta Creek. The Delta Creek hydro facility had \$2.0 million debt on a \$5.8 million project and was initially financed by USDA/RD until AMMB offered more attractive loan terms in 2015/2016 to pay off the USDA/RD loan.

Also, the "WC Debt" includes: 1) current, annual payment commitments to AMMB; and, 2) an assumption that the Alaska Energy Authority (AEA) will refinance our existing \$1.42 million debt (4.34% for 40 years) to more **attractive** terms including a 25-year loan @ 1.0% annual interest and starting in FY26 with annual payments of approximately \$65,000.

This also assumes no city payments (interest or principle) will be due until FY26. This request is based, in part, on a similar financing deal which AEA and the

Legislature approved for the Reynolds Creek hydro facility on Prince of Wales Island in 2014/2015.

The city believes it is important to document for AMMB our rationale and expectations for AEA to refinance this existing debt to more attractive terms. If AEA is not amenable to the city's request, the city may eventually come back to AMMB to refinance this current loan with AEA. The city notes that AMMB, back in 2015, was willing to consider funding up to \$3.2 million for Waterfall Creek.

THE CITY AND ALASKA ENERGY AUTHORITY/POWER PROJECT FUND (PPF). *The city is requesting this AEA refinance to offset the fact that King Cove has not received a PCE subsidy since FY17. For our last five full years, FY10 - FY15, the City received an annual, average Power Cost Equalization (PCE) subsidy of \$125,000 for our residential households and community facilities.*

The city believes the PCE program should ideally incorporate our situation into regulations by allowing the annual cost of our long-term debt, which is currently about \$250,000 as an expenditure "substitute" replacing our \$400,000+ annual fuel cost savings. Instead, current PCE regulations allow only an annual cost allowance equal to a straight-line depreciation per the terms of the respective project debt.

This depreciation value, for PCE purposes, is only about 10-15% of the above cost difference (fuel savings minus debt), and thus does not give us enough expenditures to receive the PCE subsidy. Consequently, it is now easy to trace the disincentive for a small utility, like King Cove, to become discouraged in investing a disproportionate amount of long-term debt to achieve stable electric costs, but to only realize that we have been penalized by the PCE regulations. Simply stated, we do not believe this right.

The city also realizes this is not the time to expect any legislative adjustment to the PCE regulations to incorporate our unique situation. Consequently, the city is now proposing this alternative approach as fair and acceptable. This action would also reinforce and demonstrate the State's commitment to long-term support for renewable energy, particularly in rural Alaska. The city also understands that AS 42.45.010. (Power Project Fund) provides the AEA Director the authority to grant our request.

Next, the following comments are offered in support of the information in Tables A & B.

Table A – the utility has demonstrated that the Electric Fund should have a positive fund balance of approximately \$660,000 (i.e. \$600,000 fund balance + R&R fund balance of \$60,000) at the end of FY23.

This also assumes the Electric Fund, with the above AMMB loan request incorporated and the AEA/PPF refinance of Waterfall Creek debt approved, may be able to “self-fund” our own PCE of \$125,000 (residential and community facilities) for a number of years.

The \$125,000 proposed, PCE “self-funded” assumption represents the five-year, annual average PCE amount that King Cove was receiving when last in the program (as noted above).

Table B – this table documents our current assumptions and expectations, and projects an annual fund balance of \$(-50,000) starting in FY26. With no significant rate increases or reductions in annual expenditures by FY30, the annual fund balance could reach \$(-132,000). This would also reduce the Electric Fund balance to about \$250,000.

Additionally, the R & R fund is projected to have a \$165,000 fund balance. Together, the Electric Fund and R&R Fund balances are projected to be around \$400,000 at the end of FY30

Future City Considerations Regarding Electric Fund Balance

The key observations and guiding financial considerations for FY24-FY30 should be a combination of the following questions and factors, including:

- 1) Has there been a consistent MWh demand? Has the utility been able to sell any “surplus” energy to our local seafood processor? How much?
- 2) Has there been a consistent level of production from both the Delta Creek and Waterfall Creek hydro facilities?

- 3) What is a realistic fund balance for our size of electric utility? \$500,000? If so, and using these current projects, the City could raise rates or discontinue any temporary rate credits at that point.
- 4) Can/should the utility continue the \$125,000 "self-funded" PCE credit for residential and community facility users, even if the Legislature and Administration do not wish to amend the PCE regulations for King Cove "type" situations?
- 5) Can we realistically expect the Legislature and/or Administration to amend the current PCE regulations to accommodate this renewable energy situation in King Cove or elsewhere?

Table A
CITY OF KING COVE
Electric Fund
FY19 - FY23

	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
REVENUES					
Customers	\$570,584	\$575,000	\$580,000	\$585,000	\$585,000
City Facilities	372,176	375,000	375,000	380,000	380,000
Harbor ¹	138,098	130,000	130,000	130,000	130,000
Rec/Heat ²	38,423	40,000	40,000	40,000	40,000
Other ³	<u>5,333</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
TOTAL	\$1,124,614	\$1,125,000	\$1,130,000	\$1,140,000	\$1,140,000
EXPENDITURES					
Fuel ⁴	\$145,040	\$150,000	\$155,000	\$137,000	\$141,000
Personnel ⁵	269,921	332,000	342,000	352,000	363,000
Debt ⁶					
WC Debt	268,157	267,000	115,000	117,000	115,000
Other	0	0	40,000	40,000	40,000
Supplies	26,862	30,000	30,000	30,000	30,000
S. Subsidy ⁷	49,205	60,000	60,000	60,000	60,000
Insurance	38,268	33,000	35,000	35,000	37,000
Utilities	75,084	75,000	70,000	70,000	70,000
Repair/Replace ⁸	30,000	30,000	30,000	30,000	30,000
Other/Misc					
Misc ⁹	121,835	75,000	50,000	50,000	50,000
PCE ¹⁰	0	40,000	125,000	125,000	125,000
Gen. Fund Reim ¹¹	<u>60,000</u>	<u>60,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$1,084,372	\$1,152,000	\$1,052,000	\$1,046,000	\$1,061,000
EXCESS REVENUE	\$40,242	(\$27,000)	\$78,000	\$94,000	\$79,000
BEGIN FUND BALANCE	\$582,386	\$382,628	\$355,628	\$433,628	\$527,628
END FUND BALANCE¹²	\$382,628	\$355,628	\$433,628	\$527,628	\$606,628

REPAIR & REPLACEMENT FUND

Fund Balance ¹³	240,000				
Addition		30,000	30,000	30,000	30,000
Expenditure	<u> </u>	<u>50,000</u>	<u>150,000</u>	<u>50,000</u>	<u>50,000</u>
		-20,000	-120,000	-20,000	-20,000
TOTAL¹⁴	240,000	220,000	100,000	80,000	60,000

TOTAL FUND BALANCE

Electric Fund	382,628	355,628	433,628	527,628	606,628
R & R Fund	<u>240,000</u>	<u>220,000</u>	<u>100,000</u>	<u>80,000</u>	<u>60,000</u>
TOTAL¹⁵	622,628	575,628	533,628	607,628	666,628

CITY OF KING COVE

Electric fund

FY19 – FY23

Table Notes

1	Expected decrease in harbor electric demand/revenues due to changing fisheries & alternative vessel moorage options.
2	Recoverable heat revenue from AEBSD, EATS, & AHA.
3	Finance charges & PERS Rebate (per auditor determination).
4	FY21 – Additional 3000 gallons of diesel assumed for turbine runner replacement in summer 2020. FY22 & 23 – anticipated 10% decrease in diesel consumption with the FY20 & FY21 projects. Current annual diesel fuel baseline use is 48,000 gallons. Current cost of diesel in King Cove is \$3/gallon. A 3% annual fuel cost increase assumed.
5	FY20 personnel cost adjustments. FY21 – FY23 – 3% annual increase assumed.
6	Debt assumptions. FY20 – last/final payment of Delta Creek hydro debt and interest only payment on Waterfall Creek (WC) debt to AEA/PPF interest and principle debt on and AMMB (two bonds). FY21 – FY23 – WC debt – AMMB and AEA/PPF. No interest/principle payments through FY25, and then 25 years of \$1.43 million, 1.0% interest for approximately for \$65,000 annual payments.
7	Starting in FY20 (mid yr) moving another 25% of the annual costs of this program from the General Fund to Electric Fund. FY21 & beyond - moving 100% of the senior subsidy to the Electric Fund & proposing a 50% reduction in the program, effective July 1, 2020.
8	Electric fund repair/replacement account established in FY12. Fund is capitalized with \$240,000 at end of FY19. Starting in FY20, the R&R fund becomes its own sub-fund within the Electric Fund and will be annually funded with \$30,000.
9	FY20 - \$75,000 , includes \$5,000 professional membership & travel; \$7,500 vehicle fuel; \$13,500 prior WC dedication cost; \$40,000 engineering/financial consultants; and \$14,00 miscellaneous costs. FY21-23 - \$50,000 , includes \$5,000 professional memberships/travels; \$8,000 vehicle fuel; \$25,000 engineering/financial consultants, and \$12,000 miscellaneous costs.
10	City “self-funded” PCE. FY20/partial (3 months) – \$40,000 - \$10,000 residential and \$30,000 community facilities. FY21-23 \$100,000 – residential \$40,000 and \$85,000 community facilities.
11	Starting in FY15, annual pay back of \$60,000 to the city General Fund for prior “loan” of \$360,000 to the Electric Fund. A 6-year pay back plan was approved by the city council. Final payment due in FY20.
12	FY19 end fund balance adjusted to put \$240,000 R&R capitalization into sub-fund.
13	FY19 \$240,000 capitalization balance. FY20-23 annual \$30,000 contribution and \$250,000 expenditures for rebuild of diesel system units.
14	Total Electric Fund balance, including the R&R sub-fund.

Table B
City of King Cove
Electric Fund
FY23-30

	Revenues	Expenditures	Difference	Fund Balance¹
FY23	1,140,000	1,060,000	80,000	606,000
FY24	1,151,000	1,092,000	59,000	665,000
FY25	1,163,000	1,125,000	38,000	703,000
FY26	1,175,000	1,225,000	-50,000	653,000
FY27	1,193,000	1,262,000	-69,000	584,000
FY28	1,210,000	1,300,000	-90,000	494,000
FY29	1,229,000	1,339,000	-110,000	384,000
FY30	1,247,000	1,379,000	-132,000	252,000

Repair and Replacement Fund
FY24-30

FY23				60,000
FY24-30 ²	210,000	105,000	105,000	165,000

Total Fund Balance

Electric Fund	252,000
R & R Fund	<u>165,000</u>
	<u>417,000</u>

Assumptions

Revenues: FY24-26, 1% annual increase; FY27-30, 1.5% annual increase

Expenditures: FY24-30, 3% annual increase. Plus additional annual debt starting in FY26 of \$65,000 which further assumes our current request to AEA to refinance our existing PPF loan for Waterfall Creek will be approved.

¹See FY23 Fund balance from Table A for Electric Fund and Repair & Replacement Fund.

²Assumes \$30,000/yr contribution to the Repair & Replacement Fund for FY24 through FY30 and 50% of these funds will be used during these fiscal years and leaving a fund balance of \$165,000.



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):

City of King Cove

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

First class city

C. Contact Person for the government:

Name:

Title:

GARY L. Hennigh

City Administrator

Address:

City:

State:

Zip:

3380 "C" Street Suite 205

ANCHORAGE

AK

99503

Phone:

Fax:

E-mail:

D. Applicant's Bond Counsel:

Name:

Title:

MARC GREENOUGH & JOE LEVESQUE

Address:

City:

State:

Zip:

Phone:

Fax:

E-mail:

E. Applicant's Financial Advisor or Underwriter (if applicable):

Name:

Title:

NONE

Address:

City:

State:

Zip:

Phone:

Fax:

E-mail:

II. Issue Information

A. Total amount of bond purchase request:

\$ 560,000

TWO LOANS

- 1) #280,000 Turbine Runner 15yr
2) 280,000 GLACIER Creek 20yr

B. Total term of requested loan:

20 years

C. Preferred principal and interest payment months:

principal/ interest
interest only

See Table A, Attachment B

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:
		%

N/A

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

willing to pledge Assets From City Electric Fund

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: _____

[SEE ATTACHMENT A]

6. What is the projected completion date?

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$ <u>560,000</u>	Construction	\$ <u>510,000</u>
Federal Funds*	\$ _____	Engineering	\$ <u>35,000</u>
State Funds*	\$ _____	Contingency	\$ <u>15,000</u>
Applicant's Funds	\$ <u>15,000</u>	Cost of Issuance	\$ <u>15,000</u>
Other (specify)	\$ _____	Other	\$ _____
Total:	\$ <u>575,000</u>	Total:	\$ <u>575,000</u>

*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:

All but \$15,000 in costs to be paid with AMBB proceeds

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. ☒ Attached * will FORWARD copies - see ATTACHMENT C

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☒ Yes ☐ No HARBOR Rebuild Project
If yes, provide amount of financed, purpose and principal amount outstanding. \$ ≈ 700,000

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. 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

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 ATTACHMENT D

I. Are any of the community's major employers expected to make changes in work force or operations? ☐ Yes ☒ No ? see Attachment D
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

L. Provide assessed valuation and property tax collected for all taxable property within your corporate limits for the past five years. ☐ Attached N/A - NO PROPERTY TAX IN KING COVE

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been preformed). ☐ Attached * will be FORWARDED

N. Provide your current year's budget. ☐ Attached * will be forwarded

O. Provide your capital improvement plan. ☐ Attached No current CIP

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

GARY L. Hennigh

Name (print)

CITY ADMINISTRATOR

Title

Gary L. Hennigh

Signature

APRIL 22 2020

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