



TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager

DATE: March 11, 2021

RE: **General Government and KPU Operating and Capital Budget Mitigation Plans for Substantially Reduced or No Cruise Season Conditions in 2021**

Introduction

On February 4, 2021, the Government of Canada issued two new COVID-19 pandemic interim orders, which prohibit pleasure craft in Canadian Arctic waters and cruise vessels carrying more than one hundred people in all Canadian waters until February 22, 2022 (see Exhibit A). When coupled with the lack of specific direction from the CDC on the resumption of cruise, Canada's ban is anticipated to shut down the 2021 cruise ship season due to the inability of foreign-flagged vessels visiting Alaska to comply with the Passenger Vessel Services Act of 1886 a/k/a the Jones Act (see Exhibit B).

The City Council discussed this matter at length at its meeting of February 4, 2021 (see Exhibit C). Staff was directed to prepare a financial mitigation plan assuming substantially reduced or no cruise conditions in southeast Alaska in 2021. The purpose of this report is to present the requested mitigation plan; outline specific courses of action; and seek City Council approval as necessary. The plan addresses General Government and KPU separately.

Financial Impacts on General Government Under Substantially Reduced or No Cruise Conditions in 2021

Finance Director Michelle Johansen has updated her initial financial analysis of the projected revenue impacts that General Government will experience if there is no cruise ship season in 2021. The analysis has been updated to include additional projections of lost revenues due to decreased charges for services. The five most affected funds of General Government are listed below.

- General Fund
- Hospital Sales Tax Fund
- Public Works Sales Tax Fund
- CPV Fund
- Port Fund

As indicated in the table below, Ms. Johansen is projecting total budgeted revenue losses of \$8.91 million across the five funds should there be no cruise activity in Ketchikan in 2021.

**Projected General Government Revenue Impacts Under
Substantially Reduced or No Cruise Conditions in 2021**

2021 Budget	General Fund	Hospital Sales Tax Fund	PW Sales Tax Fund	CPV Funds	Port Fund
Beginning Reserves 1/1/2021 ^❶	6,780,208	3,228,957	3,535,347	7,011,170	4,116,133
Revenues	17,929,745	2,800,700	4,201,200	4,900	6,074,329
Transfers In	3,394,289	-	-	-	500,000
Advances	-	-	-	-	379,627
Expenditures/Expenses	(23,482,902)	(355,140)	-	(30,000)	(6,713,299)
Transfers Out	(867,784)	(2,983,170)	(2,303,056)	(1,656,960)	(522,000)
Capital Projects	(18,000)	(110,000)	(1,816,257)	-	(519,000)
Projected December 31, 2021 Reserves	3,735,556	2,581,347	3,617,234	5,329,110	3,315,790
Projected Revenues Included in the 2021 Budget That Will Not Be Realized					
Sales Tax Revenues	(852,888)	(568,592)	(852,888)	-	-
Charges for Services - Civic Center	(50,000)				
Charges for Services - Museum	(137,000)				
Charges for Services - Ambulance	(365,000)				
Charges for Services - Parking Enforcement ^❷	(128,000)				
Port Revenues	-	-	-	-	(5,959,475)
Expected Revenue Decrease	(1,532,888)	(568,592)	(852,888)	-	(5,959,475)
Revised Projected December 31, 2021 Reserves Without Cruise Ships					
	2,202,668	2,012,755	2,764,346	5,329,110	(2,643,685)
Recommended Year-End Reserves Per Fund Balance Policy and 2021 General Government Transmittal Letter					
	6,100,000	3,500,000 ^❸	2,900,000	-	5,700,000
Reserves Shortfall	(3,897,332)	(1,487,245)	(135,654)	-	(8,343,685)

❶ With the adoption of the 2021 General Government Operating and Capital Budget, beginning General Fund Reserves were projected at \$7,431,724. This was lowered to \$6,780,208 when the City Council returned \$651,516 in CARES Act Funding to the City's Residential Mortgage and Rent Relief Program.

❷ Assumes Suspension of Parking Enforcement for the remainder of 2021 effective the close of business April 16, 2021. Parking Enforcement was similarly suspended in 2020.

❸ The transmittal letter to the 2021 Proposed General Government Operating and Capital Budget did not recommend a specific level of reserves for the Hospital Sales Tax Fund. A recommendation was submitted to engage the services of a consultant to determine how much should be set aside in reserves for emergency repairs and other contingencies and whether or not the City should continue the practice of transferring about \$458,624 annually to the General and Community Grant Funds. The City Manager, Acting Port & Harbors Director and Finance Director recommend a level of not less than \$3.5 million, which is the equivalent of one year's worth of debt service for the KMC Expansion Project (\$2.5 million) and a set aside for emergency repairs and other contingencies (\$1.0 million).

Based on the projections above, General Fund Reserves are estimated to be \$3.9 million less than recommended in the General Government Operating and Capital Budget transmittal letter. Assuming 2022 General Fund expenditures remain at 2021 levels, General Fund Reserves will be exhausted by the end of 2022.

Reserves of the Hospital Sales Tax Fund are below recommended levels by \$1,487,245. If the City is required to replace the failing roof on the hospital's main building in 2021 at a cost of \$1.2 million, Appropriated Reserves of the Hospital Sales Tax Fund will be nearly depleted going into 2022.

Reserves of the Public Works Sales Tax Fund are slightly below the recommended level of \$2,900,000. If the City is unsuccessful in its efforts to secure voter approval of a general obligation bond and is required to rehabilitate/replace the Schoenbar Culvert at a cost of \$2.5 million in 2022, reserves of the Public Works Sales Tax Fund will be nearly exhausted going into 2023.

Appropriated Reserves of the Commercial Passenger Vessel Fund are more than sufficient compared to the cost of capital projects that have been programmed for 2021. Nevertheless, planned expenditures will have to be scaled back to ensure that the financial resources of the CPV Fund are sufficient and available to stabilize the Port Enterprise Fund, which is expected to become insolvent by the end of this year under substantially reduced or no cruise conditions in 2021. The Finance Director and I strongly recommend that any funds directed to the Port Enterprise Fund from the CPV Fund be provided by means of a loan tied to a fixed interest rate with a defined payback schedule.

General Government Operating and Capital Budget Mitigation Plan for Substantially Reduced or No Cruise Season Conditions in 2021

In response to the financial constraints discussed above, the following measures are recommended to mitigate the revenue losses that the City will incur under substantially reduced or no cruise ship conditions in 2021. The plan also attempts to address General Government's two most critical capital projects, replacement of the failing roof on the hospital's main building and rehabilitation/replacement of the Schoenbar Culvert.

1. American Rescue Plan Act of 2021

On Thursday, March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021. As drafted, the legislation will provide direct funding to the City of Ketchikan in the amount of \$1,718,002.14. This is far less than the \$12.28 million that the City received under the Coronavirus Aid Relief and Economic Security (CARES) Act and does not begin to address the needs of the City. I am recommending that the entire amount be directed to the General Fund as revenue replacement/mitigation.

My office worked with Mayor Sivertsen to advise the Alaska Congressional Delegation of the inadequacy of the proposed funding compared to the losses that the City will sustain over the two years of the pandemic. Although Mayor Sivertsen had requested that special consideration be given to port communities like Ketchikan that have been crippled by the absence of cruise passenger visitation, it does not appear that the delegation was able to garner support to include such a provision in the legislation.

It is anticipated that the State of Alaska will receive \$1,019,259,404.81 under the Biden administration's relief bill. At this time, it is unclear whether Governor Dunleavy intends to distribute any of these financial resources to municipalities to address the effects of the pandemic at the

local level. Mayor Sivertsen has advised both Senator Stedman and Representative Ortiz of the need to allocate a portion of this financial assistance to southeast Alaska's port communities, which have been devastated by the pandemic (see Exhibit D). Should such funding be forthcoming, I am recommending that it be directed to the General and Port Enterprise Funds.

2. Labor Mitigation Measures

At the time the 2021 General Government Operating and Capital Budget was adopted last December, ten positions were identified as vacant or becoming vacant in 2021. If left unfilled, these vacant positions were expected to generate savings of \$800,773 (see Exhibit E). My office intends to leave the positions that are vacant or will become vacant in 2021 unfilled for the remainder of the year and recommend that the City Council authorize my office to proceed with limited layoffs as discussed below.

Of the two Firefighter/EMT positions that were identified at the time the budget was adopted, only one has become vacant. What were thought to be pending retirements and/or separations that would take place in the Fire Department during 2021 have yet to occur, and are now no longer expected to happen this year. Consequently, my office recommends the layoff of one Firefighter/EMT effective the close of business April 16, 2021, or sooner as determined appropriate by the City Council.

As discussed earlier, the City Council may elect to suspend parking enforcement for the remainder of 2021 under substantially reduced or no cruise ship conditions in 2021. While parking enforcement was suspended for most of 2020, the Chief of Police was able to utilize the Parking Enforcement Specialist in undertaking other departmental work. This is no longer the case. If parking enforcement is to be suspended for the remainder of 2021, my office recommends the Parking Enforcement Specialist be laid off effective the close of business April 16, 2021, or sooner as determined appropriate by the City Council.

With the exception of the Fire and Police Departments' remaining employees and Public Works Department essential state licensed positions (Wastewater Division), effective February 18, 2021 my office has implemented a hiring freeze for all General Government full-time equivalent positions that become vacant for the remainder of the 2021 calendar year. The first position that the hiring freeze has been applied to is the Finance Department's vacant Controller position. As with any hiring freeze, there will be exceptions depending on circumstances at the time a vacancy occurs.

Lastly, this analysis assumes that the vacant Port & Harbors Director position will remain open for the remainder of 2021 and that the current acting appointments within the Port & Harbors and Public Works Departments will remain in effect until the end of the year. Under the no cruise scenario, overtime and temporary wages paid to employees of the Port Department will be scaled back similar to what was done in 2020.

The personnel measures discussed above are now estimated to reduce 2021 expenditures in the General Fund and Port Enterprise Fund by \$928,342 and \$409,461 respectively.

3. Deferred Capital Spending

Concurrent with the General Government hiring freeze, department heads were instructed to review 2021 capital spending to determine what could be deferred to later years. As shown in Exhibit F, multiple projects will now be deferred that will accrue savings in the following funds:

Fund	Savings
General Fund	\$ -
Hospital Sales Tax Fund	-
Public Works Sales Tax Fund	429,000
Wastewater Fund	155,000
Commercial Passenger Vessel (CPV) Fund	865,000
Port Enterprise Fund	-
Hospital Construction Fund	1,099,821
Proposed General Obligation Bond	2,100,000
Total	<u>\$ 4,648,821</u>

No capital project savings were identified in the General Fund. Staff is now projecting that \$1.1 million in unexpended bond proceeds should be available upon close out of the contract awarded to Layton-Dawson for the Ketchikan Medical Center Expansion Project. In theory, these funds could be applied to the Hospital Roof Replacement project, but will likely not be available prior to this fall. If the roof continues to deteriorate to the point it must be addressed in 2021, an alternative funding source will have to be identified, most likely a general obligation bond. Preliminary discussions are also underway with PeaceHealth regarding a possible cost sharing arrangement as a means to expedite replacement of the roof.

The \$429,000 savings that will accrue to the Public Works Sales Tax Fund should be set aside for rehabilitation/replacement of the Schoenbar Culvert pending a determination of a final funding source. The City Council will note that rehabilitation/replacement of the Schoenbar Culvert has been pushed back to 2022. The deferral is based on the interim repairs accomplished last fall. If the repairs hold, it is possible that the project can be delayed and the City can avoid submitting a \$2.25 million bond proposition to the voters this fall. If further erosion takes place, the City may have no alternative than pursuing the bond proposition or try to identify an alternative funding source.

My office recommends that the \$865,000 savings that will accrue to the CPV Fund be set aside for transfer to the Port Enterprise Fund with additional CPV funds as may be necessary, in order to ensure that the fund remains solvent in 2021. Depending on the restart of cruise both in the United States and in Canada, additional transfers may be required in 2022. Initially, my office recommends a transfer not to exceed \$3,143,685. This would allow the Port Enterprise Fund to meet its 2021 obligations while maintaining close to \$2.0 million in reserves. Again, the Finance Director and I strongly recommend that any financial assets transferred to the Port Enterprise Fund from the CPV Fund be provided by means of a loan tied to a fixed interest rate with a defined payback schedule. Financial assets of the CPV Fund have traditionally been targeted for both waterside and uplands capital improvements and should not be "lost" to ensuring the solvency of the Port Enterprise Fund.

Absent the investment of outside resources, the Port Enterprise Fund is currently incapable of funding any major capital initiatives such as the Berth III Mooring Dolphin and Bollards Project, which is currently under design by PND Engineers, Inc.

Should the finances of the Port continue to deteriorate into 2022 and make it necessary to prioritize disbursements in accordance with bond covenants stipulated in Section 7.1 of Ordinance No. 06-1549 that authorized the Berth III debt (see Exhibit G), a separate discussion and/or work session will likely be necessary sometime early next year.

Lastly, the City has also requested intervention by Senator Stedman and Representative Ortiz regarding a reappropriation of the \$1.1 million FY 20 Designated Legislative Grant that was awarded to the City for COVID-19 relief (see Exhibit H). In the absence of CDC direction on the resumption of cruise and given Canada's ban on cruise ships carrying greater than 100 passengers in Canadian waters, it is unlikely that the City can spend the grant for its intended purpose by June 30, 2021. Consequently, the City is seeking reappropriation of the grant for either debt service or Berth IV lease payments.

The table below summarizes the fiscal impacts of the City Council endorsing the measures discussed above; receipt of COVID-19 financial relief as authorized by the American Rescue Plan Act of 2021; and state approval to reprogram the previously awarded designated legislative grant for COVID-19 mitigation.

**General Government Operating and Capital Budget Mitigation Measures for
Substantially Reduced or No Cruise Season Conditions in 2021**

	General Fund	Hospital Sales Tax Fund	PW Sales Tax Fund	CPV Funds	Port Fund
Revised Projected December 31, 2021					
Reserves Without Cruise Ships	2,202,668	2,012,755	2,764,346	5,329,110	(2,643,685)
2021 Budget Mitigation Measures					
Biden COVID-19 Relief Bill	1,718,002	-	-	-	-
Labor Mitigation Measures	928,342	-	-	-	409,461
Deferred Capital Spending	-	-	429,000	865,000	-
Reappropriation of COVID-19 Designated Legislative Grant					1,100,300
Transfer of CPV Funds to Port Fund	-	-	-	(3,143,685)	3,143,685
Revised Projected December 31, 2021					
Reserves Post COVID-19 Budget Mitigation	4,849,012	2,012,755	3,193,346	3,050,425	2,009,761
Recommended Year-End Reserves Per Fund Balance Policy and 2021 General Government Transmittal Letter	6,054,223	3,500,000	2,900,000	-	5,700,000
Reserves Shortfall	(1,205,211)	(1,487,245)	293,346	-	(3,690,239)

General Fund reserves under the strategy outlined above are still approximately \$1.2 million below the Fund Balance Policy but still higher than the \$3.4 million year-end balance that the City Council adopted as a target during 2021 budget deliberations. Port reserves go from a \$2.6 million deficit to a \$2.0 million positive balance assuming legislative approval is obtained to

reprogram the COVID-19 mitigation designated legislative grant. The year-end reserves of the Hospital and Public Works Sales Tax Funds do not materially change under the proposed mitigation plan. Both funds could be exhausted within one to two years if the City is forced to replace the failing roof on the hospital's main building or the Schoenbar Culvert on accelerated schedules.

Financial Impacts on Ketchikan Public Utilities Under Substantially Reduced or No Cruise Conditions in 2021

While there will likely be negative impacts to KPU revenues under a no cruise season scenario, estimating such operating losses is not as straight forward as projecting the impacts on General Government. At my request, KPU Sales, Marketing & Customer Service Division Manager Kim Simpson has reviewed past due balances for Utility and Telecommunications accounts, in order to provide estimates of potential defaults and lost revenues. Under the analysis that follows, past due is generally considered to be any account that is delinquent by more than thirty days.

Past-Due Utility Accounts:

Unpaid utility accounts more than 30 days past due currently total \$276,353, which is 13% of the total monthly dollar receivables for Electric, Water, Wastewater, Solid Waste (all four cycles). In February of 2020, only 9% of dollar receivables were past due more than 30 days.

As shown in the table below, the past due dollar amount has increased each month since November 2020, and now totals \$276,353, an increase of 53% over November's past due utility balances.

Residential, Commercial, Industrial Active Accounts Balances 30+ Days Past Due

February 2021	January 2021	December 2020	November 2020
\$276,353	\$228,167	\$190,672	\$181,031

*\$83,674 in past due was excluded from the February 2021 past-due amount. These dollars are attributed to large commercial accounts whose payment was delayed, but is forthcoming. Including this number would have artificially inflated the February 2021 dollar figure.

The number of individual utility accounts at least one month past due is 11.2% of all customers, or 878 accounts. This is 277 more past-due accounts than in February 2020, which is a 46% increase.

Number of Utility Accounts at Least One Month Past Due (all 4 cycles)

2021	Total	% Customers Past Due
878	7856 Accounts	11.2% Customers

Past Due Telecommunications Accounts:

Unpaid Telecommunications accounts have not increased at the same rate as the utility accounts. The account balances more than 30 days past due has remained at the same approximate dollar amount since April 2020. The current past due dollar amount due to KPU Telecommunications is \$74,861, or 7.7% of Telecommunications monthly dollar receivables.

The number of past-due Telecommunications accounts is 350 accounts, or 9% of the total Telecommunication customer accounts.

Telecom Accounts 30 or more days Past Due

(Net of Carrier and Government Accounts)

2021	\$	% Customers Past Due
350 Accounts	\$74,861	9%

Dollar Summary for KPU Receivables More than 30 Days Past Due:

The total unpaid dollar liability as of 2/23/2021 is \$364,727.

Recap of Financials for 30+ Days Past Due

Electric + Utilities	\$276,353
Telecommunications (excluding federal, state, and carrier accounts)	\$74,861
Total Liability	\$364,727

Potential Default Accounts:

There are accounts for both Utility and/or Telecommunications where customers have not made payment for more than 90 days, some as long as 365 days. Some accounts have been closed by the account holder, but many are still active. The State of Alaska Legislature had, until recently, emergency legislation in place to prevent disconnect for non-pay of any customer of a certified utility for power, phone, or internet. The legislation stated that customers had to sign a form declaring their inability to pay, and once the emergency was over, customers are required to set up payment arrangements for the past due amounts. In exchange, they will not be charged for late fees, and will not be disconnected. If the payment arrangements are not kept, the customer can be disconnected, and late-fees apply. This legislation expired on February 15th, which means that the protection from disconnect and late fees no longer exists, unless the customer sets-up and keeps payment arrangements. KPU has 900 customers who completed the required COVID-19 forms.

It is expected that not all of the 900 customers will be able to pay their obligations, which will result in default of the accounts. Below is an estimation of the default amounts for both Utility and Telecommunications accounts. Ultimately, payment of the balances is the responsibility of customers, and if arrangements are not made, the balances will be sent to the local credit bureau, however, every attempt to work with customers will be made in order to avoid default.

Recap of Estimated Default

Electric + Utilities	\$135,902
Telecommunications	\$36,871
Total Liability	\$172,773

Revenue Shortfall:

Without a 2021 cruise season, it will be difficult for residents and businesses to continue with the same services. Some residents may choose to leave the community and some businesses may close. Some seasonal businesses will not return. Telecommunication customers began to pare back services and/or disconnect in 2020. Using current customer data, service reductions by category were compiled to create an estimate of revenue loss for 2021.

Estimates of customers who would potentially opt to seal their electric meter, in order to reduce their utility expenses were compiled by analyzing current account status by customer. Not all businesses can seal meters, since water is required for sprinkler systems. For many accounts, the sealing of a meter causes the charges to default back to the property owners, who then become responsible for any future charges. These estimates have been projected over 10 months for 2021.

2021 Revenue Shortfall Summary (10 Months)

Electric + Utilities	\$432,900
Residential	\$313,200
Commercial	\$119,700
Telecommunications	\$503,634
Regulated	\$209,265
Non Regulated	\$294,369

When the solid waste and wastewater accounts are factored out, the projected shortfalls for electric and water are \$240,000 and \$67,115 respectively.

In conjunction with the information provided by the Sales, Marketing & Customer Service Division Manager, Finance Director Michelle Johansen has prepared a financial analysis of the projected revenue impacts that Ketchikan Public Utilities will experience if there is no cruise ship season in 2021. As the KPU divisions are funded from a combined operating fund, the balance of this discussion will directed to the KPU Enterprise Fund.

As indicated in the table below, Ms. Johansen is projecting that the KPU Enterprise Fund could sustain a revenue loss of up to \$810,749 should there be no cruise activity in Ketchikan in 2021.

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**Projected Ketchikan Public Utilities Revenue Impacts Under
Substantially Reduced or No Cruise Conditions in 2021**

2021 Budget	General Manager	Sales, Marketing & Customer Service	Electric	Telecom	Water	Other	Ketchikan Public Utilities Fund
Beginning Reserves 1/1/2021							17,281,458
Revenues							
Operating Revenue	-	-	18,747,600	18,547,000	4,461,450	124,000	41,880,050
Non-Operating Revenue	-	-	-	-	7,848,677	-	7,848,677
Expenditures/Expenses							
Personnel Services and Benefits	(327,282)	(2,168,999)	(6,546,301)	(6,078,902)	(1,781,456)	-	(16,902,940)
Supplies	(3,040)	(100,400)	(8,121,500)	(849,000)	(304,511)	-	(9,378,451)
Contract/Purchased Services	(6,975)	(772,980)	(1,419,595)	(6,297,455)	(507,925)	-	(9,004,930)
Minor Capital Outlay	(20,000)	(7,250)	(32,500)	(18,000)	(3,000)	-	(80,750)
Interdepartmental Charges	(4,650)	(27,430)	(1,338,610)	(1,052,930)	(452,516)	-	(2,876,136)
Payment in Lieu of Taxes	-	-	(381,993)	(206,358)	(197,649)	-	(786,000)
Debt Service	-	-	(1,139,450)	(1,172,259)	(607,746)	-	(2,919,455)
Allocation of Overhead to Operating Utilities	341,947	3,077,059	(971,010)	(2,307,817)	(140,179)	-	-
Major Capital Outlay	-	-	(4,031,000)	(2,175,000)	(8,745,377)	-	(14,951,377)
Transfer to KPU Facilities and Infrastructure	-	-	-	-	-	(250,000)	(250,000)
2021 Operating Deficit by Division	(20,000)	-	(5,234,359)	(1,610,721)	(430,232)	(126,000)	(7,421,312)
Projected December 31, 2021 Reserves							9,860,146
Projected Revenues Included in the 2021 Budget That Will Not Be Realized							
Unpaid Receivables *	-	-	(240,000)	(503,634)	(67,115)	-	(810,749)
* Total Utility shortfall of \$432,900 includes Solid Waste and Wastewater services.							
Revised Projected December 31, 2021 Reserves Without Cruise Ships							<u>9,049,397</u>

Appropriated Reserves of the KPU Enterprise Fund are projected to decrease to \$9,049,397.

Ketchikan Public Utilities Operating and Capital Budget Mitigation Plan for Substantially Reduced or No Cruise Season Conditions in 2021

In response to the projected decrease of Appropriated Reserves of the KPU Enterprise Fund that will occur under substantially reduced or no cruise ship conditions in 2021, the following measures are recommended to mitigate projected revenue losses.

1. American Rescue Plan Act of 2021

As was discussed earlier in this report, on Thursday, March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021. As drafted, the legislation will provide direct funding to the City of Ketchikan in the amount of \$1,718,002.14. This is far less than the \$12.28 million that the City received under the Coronavirus Aid Relief and Economic Security (CARES) Act and does not begin to address the needs of the City. I have previously recommended that the entire amount be directed to the General Fund as revenue replacement/mitigation. If the City Council concurs, nothing will be available to offset projected revenue losses that may be incurred by KPU if there is little to no cruise ship activity in 2021.

It is anticipated that the State of Alaska will receive \$1,019,259,404.81 under the Biden administration's relief bill. As I previously noted, it is unclear whether Governor Dunleavy intends to distribute any of these financial resources to municipalities to address the effects of the pandemic at the local level. Mayor Sivertsen has advised both Senator Stedman and Representative Ortiz of the need to allocate a portion of this financial assistance to southeast Alaska's port communities, which have been devastated by the pandemic (see Exhibit D). Should such funding be forthcoming, I previously recommended that any financial assistance should be first directed to the General and Port Enterprise Funds. If there are funds left over, a portion could be directed to KPU for revenue replacement purposes.

2. Labor Mitigation Measures

As of the date of this report, Ketchikan Public Utilities has ten open positions:

Secretary I (1) – Electric
 Accounting Technician (1) – Telecommunications
 Journeyman Lineman (1) – Electric
 Journeyman Lineman Apprentice (1) - Electric
 Journeyman Power Plant Mechanic (1) - Electric
 Relief Electric System Dispatcher/Journeyman Power Plant Mechanic (1) – Electric
 Plant Manager (1) – Telecommunications
 Outside Plant Foreman (1) – Telecommunications
 Journeyman Combination Technician (1) – Telecommunications
 Water System Operator Trainee (1) - Water

Effective February 18, 2021 my office advised the division managers that no offers of employment could be extended without the express authorization of my office. Of the ten positions that are currently open, two (Electric Division Secretary I and Telecommunications Division Accounting Technician) will remain vacant for the remainder of the year. When combined with other personnel reductions realized through decreases in inter-fund transfers, KPU can expect to realize savings of \$253,195. While my office has not implemented an actual hiring freeze for the remaining positions, I anticipate that significant additional savings will accrue as recruitment efforts continue. If suitable candidates are identified as the year progresses, each potential hire will be reviewed against the "essential" needs of the division prior to authorizing offers of employment.

3. Deferred Capital Spending

Concurrent with the hiring restrictions, division managers were instructed to review 2021 capital spending to determine what could be deferred to later years. As shown in Exhibit I, multiple projects will now be deferred that will accrue savings by the following divisions:

Division	Savings
Administration	\$20,000
Sales, Marketing & Customer Service	0
Electric	605,000
Telecommunications	100,000
Water	100,000
Total	<u>\$825,000</u>

The table below summarizes the fiscal impacts of the City Council endorsing the measures recommended above.

**Ketchikan Public Utilities Operating and Capital Budget Mitigation Measures for
Substantially Reduced or No Cruise Season Conditions in 2021**

	Sales, Marketing & General Manager Customer Service Electric Telecom Water					Ketchikan Public Utilities Fund
Revised Projected December 31, 2021 Reserves Without Cruise Ships						9,049,397

Possible Expenditures/Expenses Included in the 2021 Budget That Will Not Be Realized

Savings re: General Gov't Hiring Freeze & Acting Port Director	-	-	-	-	26,444	26,444
Savings re: General Gov't Labor Mitigation Measures	-	-	37,411	29,776	9,162	76,349
Labor Mitigation Measures	-	-	78,385	72,017	-	150,402
Deferral of Major Capital Outlay	20,000	-	605,000	100,000	100,000	825,000
Expected Savings Total	20,000	-	720,796	201,793	135,606	1,078,195

Revised Projected December 31, 2021 Reserves Post COVID-19 Budget Mitigation	10,127,592
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Appropriated Reserves of the KPU Enterprise Fund under the strategy outlined above will be \$267,446 more than what was projected at the time the 2021 KPU Operating and Capital Budget was adopted last December. Given that a number of the open positions will remain vacant for an extended period, reserves are likely to increase accordingly. Similarly, some of the remaining capital projects programmed for 2021 will not be expended in their entirety, which will also further increase the level of reserves in the KPU Enterprise Fund.

While I believe that the mitigation plan as presented positions KPU to deal with the immediate fiscal impacts that could occur under substantially reduced or no cruise conditions in southeast Alaska in 2021, it does not come close to maintaining reserves at a level consistent with the fund balance policy adopted by the City Council in 2013. At that time it was recommended that reserves of the KPU Enterprise Fund be maintained at a level equal to "three months of operations, or 25% of the Fund, plus amounts consistent with the City's capital improvement plan as it applies to public utilities infrastructure replacement and major maintenance". For 2021, the recommended minimum level of reserves for the KPU Enterprise Fund should be \$17.5 million. Neither the adopted budget for 2021 nor the COVID-19 mitigation plan come close to maintaining reserves at the recommended level. The inability of KPU to fully fund and maintain reserves at the recommended level clearly demonstrates the need for each of the operating divisions of the utility to become self-sufficient.

Conclusion

If the greater Ketchikan community is to again experience substantially reduced or no cruise conditions in southeast Alaska in 2021, staff believes the financial mitigation plans discussed above for General Government and KPU are appropriate responses to what is sure to be a continued economic decline within the tourism sector. My office looks forward to working with the City Council to finalize the plans and subsequently adjust them as the need arises throughout the remaining months of the year.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt the motion authorizing the City Manager/General Manager to proceed with the General Government and KPU Operating and Capital Budget mitigation plans for substantially reduced or no cruise season conditions in 2021 as detailed in staff's report dated March 10, 2021 and/or as modified by the City Council.

Recommended Motion: I move the City Council authorize the City Manager/General Manager to proceed with the General Government and KPU Operating and Capital Budget mitigation plans for substantially reduced or no cruise season conditions in 2021 as detailed in staff's report dated March 10, 2021 and/or as modified by the City Council.



Government
of Canada

Exhibit A
Gouvernement
du Canada

[Canada.ca](#) > [Transport Canada](#)

Government of Canada announces one-year ban for pleasure craft and cruise vessels

From: [Transport Canada](#)

News release

February 4, 2021 Ottawa Transport Canada

The Government of Canada continues to monitor the evolving COVID-19 pandemic and the impact it is having on the marine and tourism sectors. Keeping Canadians and transportation workers safe and healthy are top priorities for Transport Canada.

Today, the Minister of Transport, the Honourable Omar Alghabra, announced two new Interim Orders, which prohibit pleasure craft in Canadian Arctic waters and cruise vessels in all Canadian waters until February 28, 2022. This means:

- Adventure-seeking pleasure craft are still prohibited from entering Arctic waters.
- Passenger vessels carrying more than 12 people are still prohibited from entering Arctic coastal waters, including Nunatsiavut, Nunavik, and the Labrador Coast.
- Cruise vessels carrying more than 100 people are still prohibited from operating in Canadian waters.

Pleasure craft used by local Arctic residents will not be affected by these measures.

With these prohibitions in place, public health authorities will be able to continue focusing on the most pressing issues, including the vaccine rollout and new COVID-19 variants.

To limit the spread of COVID-19, the Government of Canada continues to advise Canadian citizens and permanent residents to avoid all travel on cruise ships outside Canada until further notice.

Essential passenger vessels, such as ferries and water taxis, should continue to follow local public health guidance and protocols, and follow mitigation measures to reduce the spread of COVID-19 and prevent future outbreaks. These could include: reducing the number of passengers, ensuring physical distancing, the wearing of masks, and enhanced cleaning and hygiene measures.

Cruise vessels in Canadian waters pose a risk to our health care systems. The Government of Canada will continue to evaluate the situation and make changes as necessary to ensure the health and safety of all Canadians. Should the COVID-19 pandemic sufficiently improve to allow the resumption of these activities, the Minister of Transport has the ability to rescind the Interim Orders.

Quotes

“As Canadians continue to do their part to reduce the spread of COVID-19, our government continues to work hard to ensure Canada’s transportation system remains safe. Temporary prohibitions to cruise vessels and pleasure craft are essential to continue to protect the most vulnerable among our communities and avoid overwhelming our health care systems. This is the right and responsible thing to do.”

The Honourable Omar Alghabra
Minister of Transport

Quick facts

- The temporary measures for pleasure craft and cruise ships, were scheduled to end on February 28, 2021.
- Those who do not comply with the pleasure craft prohibition could be subject to penalties: \$5,000 per day for individuals and \$25,000 per day for groups or corporations.
- In Canada’s Arctic waters, these restrictions do not apply to craft used by local communities for essential transportation, subsistence fishing, harvesting and hunting.
- Those who do not comply with the passenger vessel prohibition could be liable on summary conviction to a fine of up to \$1 million or to imprisonment for a term of up to 18 months, or to both.
- There is no national ban for smaller cruise ships certified to carry 100 or fewer people. They must follow provincial, territorial, local and regional health authority protocols for timelines and processes

around their operations.

Associated links

- [COVID-19 measures, updates, and guidance issued by Transport Canada](#)
- [COVID-19 guidance posters for marine transportation](#)
- [Coronavirus disease \(COVID-19\): Canada's response](#)

Contacts

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Press Secretary

Office of the Honourable Omar Alghabra

Minister of Transport, Ottawa

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613-993-0055

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Search for related information by keyword: [Water transport](#) | [Transport Canada](#) | [Ottawa](#) | [Coronavirus \(COVID-19\)](#) | [general public](#) | [news releases](#) | [Hon. Omar Alghabra](#)

Date modified:
2021-02-04

—2017's Top 10 Worst Travel Stories—

Canada Just Killed This Year's Alaska Cruise Season



Suzanne Rowan Kelleher Forbes Staff

Travel

I write about travel trends and news you can use.



A Canadian ban on cruising is a death blow to Alaska cruises this year. GETTY

1 of 4 free articles

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Today Canada extended its cruise ban through February 2022, effectively putting the kibosh on both the upcoming Alaska cruise season and popular “leaf-peeping” sailings from New England up to the Maritime provinces in the fall.

The country's Minister of Transport, Omar Alhabra, announced [an interim extension of Canada's current no sail order](#) on cruise ships carrying more than 100 people. The order also prohibits passenger vessels carrying more than 12 people from entering Arctic coastal waters.

Alhabra said that the government's decision was necessary given the gravity of the Covid-19 pandemic. “Temporary prohibitions to cruise vessels and pleasure craft are essential to continue to protect the most vulnerable among our communities and avoid overwhelming our health care systems. This is the right and responsible thing to do.”

[In a statement](#), the Northwest and Canada branch of Cruise Lines International Association said it was “surprised by the length of the extension of the order,” which had been scheduled to end at the end of this month.

The statement pointed out the economic hardship this decision will bring. In 2019, the Canadian

economic activity in Canada, which was a 33% jump from 2016.

“Two years without cruising in Canada will have potentially irreversible consequences for families throughout the country,” said CLIA. “We stand ready to work with Canadian health and transportation officials to operationalize a path forward.”

Canada has no governance over Alaska, of course, but it does control Canadian territorial waters.

And there’s another pesky legal issue known as the Passenger Vessel Services Act. Most big-ship cruise lines register their ships in foreign countries. By law, foreign-flagged ships cannot embark and disembark passengers at two different U.S. ports without stopping at a foreign port in between. Normally, Alaska-bound ships departing from Seattle might spend a day in Vancouver or Victoria to satisfy the requirement.

The upshot of Canada’s extension of its no sail order is that Princess Cruises, Holland America, Disney Cruise Line, Royal Caribbean and other lines that normally operate Alaska cruises cannot sail to the 49th State if they cannot make at least one stop in Canada.

A library of books remaining for cruise enthusiasts

1 of 4 free articles

Minister of Transport has the ability to rescind the Interim Orders.”

READ MORE

- [This Company Is Rolling Out Covid Test Vending Machines In Airports, Hotels, Subways And More](#)
- [How The Pandemic Created A New Hotel Giant In Less Than A Year](#)
- [U.S. Hotels Tell Joe Biden: Let Us Be Vaccination Centers](#)

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Suzanne Rowan Kelleher

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Exhibit C

"UNAPPROVED" February 4, 2021

Discussion Regarding the 2021 General Government Operating and Capital Budget and the 2021 KPU Operating and Capital Budget for a Potential No Cruise Season – Councilmember Bradberry

Councilmember Bradberry said after the news today we now need to prepare for a no cruise season. She said before this announcement today she felt the City should stay ahead of expenses, and we need to get our budget under control which will require hard decisions. She thanked staff for the additional information that was provided tonight, but felt this needs to go to a special meeting and would like to defer this until then.

Mayor Sivertsen felt this should wait until March to see if there will be any CARES Act funding packages allocated to municipalities.

Manager Amylon said from what he is hearing the Biden Administration is hoping to know by March 15, 2021 timeline whether they will get the COVID-19 package through. He said it is his understanding that package contains assistance to states and municipalities, and we may be able to use as revenue replacement. He didn't know if it would be structured like the CARES Act, where the Council will have to have a discussion on how funds would need to be disbursed and to what programs. He said the biggest concern right now is the Port as we will be in a deficit situation if there is no cruise season. He said the bond covenants that were put in place at the time Berth III was constructed will have to be dealt with. He indicated when Council schedules a special meeting the finance director and himself will bring forward a more detailed explanation, and perhaps a way we can partially address that and the parameters under which we are going to have to operate if there is a federal bailout package or not. He indicated he met with his staff today and directed them to start reviewing their capital expenditures similar to the exercise we went through last spring where they need to start carving out capital projects and their operating budgets.

Mayor Sivertsen asked staff to circulate to Councilmembers prior to the meeting so they can review.

Councilmember Flora suggested moving the utility increase ordinances to that special meeting so they can be review all at once.

Mayor Sivertsen said in answer to Councilmember Flora those ordinances are not necessarily a decline in revenue, they are additional cost incurred by one of our wholesale providers increase to us. He said we also have the continue deficit not because of COVID but we have utilities that have been operating in the red.

Councilmember Bradberry asked if Council could request a total hiring freeze from this point forward including the 10 positions discussed during budget deliberations. She indicated we need to make sure we have the funds for the staff we currently have.

Manager Amylon said the 10 positions that staff identified during budget deliberations, will be kept vacant at this time. He said a hiring freeze is either premature or the Council needs to give him guidance. He said he has lost two dispatchers, about to offer a job to a lineman (we are down several) and there will be three sergeants retiring in the spring. He asked Council for parameters, but would advise against the Council on a total hiring freeze.

Mayor Sivertsen concluded staff will work on the budget, and when we get the information we need in order to move forward we will schedule a special meeting. No objections were heard.

[Clerks' Note – No action was taken from the Council regarding a hiring freeze.]



Exhibit D

Robert Sivertsen, Mayor
334 Front Street
Ketchikan, AK 99901

(907) 228-5603 phone
(907) 225-5075 fax

March 9, 2021

Senator Bert Stedman
Legislative Information Office
1900 First Ave., Suite 310
Ketchikan, AK 99901
Via email

RE: American Rescue Plan Act of 2021 Relief Funding for Port Communities

Dear Senator Stedman,

This week, President Biden will sign into law the American Rescue Plan Act of 2021 to address the ongoing health and economic impacts of the COVID-19 pandemic. As legislators begin discussing the use of these funds in Alaska, the City of Ketchikan would like to once again express to your office the importance of this relief bill for the City and community and to encourage additional relief consideration for port communities like Ketchikan.

As Ketchikan faces a second season in which cruise visitation will be nonexistent, the federal relief provisions offered by the bill will be immensely beneficial to local businesses and individuals that will have endured 31 months of lost revenue and look to a full resumption in 2022. As you aware, the City received \$12.2 million in CARES Act funds, which was crucial in offering aid to individual and businesses but could not be used for municipal revenue replacement. Under a second year of decreased revenues without appreciable tourism, the City of Ketchikan stands to see revenue losses in excess of \$33 million. To the best of our understanding, the State of Alaska could receive \$1.019 billion in discretionary funds as part of the passed stimulus package. The City of Ketchikan stands to receive \$1,718,002 directly from the U.S. Department of the Treasury to address these budget shortfalls. While the first wave of the State's relief funding focused on businesses and individuals, the State's efforts and attention must now be turned to the ongoing fiscal impacts the pandemic has imposed upon Alaska's municipalities.

When use of the State's allotment of the American Rescue Plan relief funds is discussed, port communities such as Ketchikan require special consideration. The \$1.7 million the City will receive directly from the federal government is welcome but is extremely inadequate in addressing our losses. No amount of expenditure reductions can adequately address the lost revenues that the City has sustained, and the development of new revenue streams is equally improbable given the community's economic difficulties. Not only has the City's General Fund, which supports first responders and critical Public Works operations among other services, been impacted by decreased sales tax revenues stretching two fiscal years, but more staggering are the revenue losses sustained by the Port of Ketchikan, which are in excess of \$11 million annually without cruise. The ability of the City to continue basic operations and meet debt service obligations is directly tied to cruise passenger visitation and its resulting revenues. Without this key element there is no alternative mechanism that would allow the City to continue its operations as programmed. The City's reserves are quickly being depleted and more drastic measures,

such as employee layoffs and reduced services, are imminent without further significant municipal relief. If left to its own revenue streams, the Port of Ketchikan will become insolvent by the end of this year.

The City of Ketchikan's financial future is uncertain and we look to the State of Alaska as our last option to stabilize what has become a financial tailspin for us and all tourism communities that rely on cruise passenger visitation. The City of Ketchikan asks your office to prioritize the financial effects the pandemic has waged on Alaska's cruise port communities when state lawmakers consider how to best direct the State's portion of American Rescue Plan relief funds.

Should you have any questions on this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Sivertsen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert Sivertsen
Mayor

Cc: Ketchikan City Council
Karl R. Amylon, City Manager
Lacey Simpson, Assistant City Manager
Michelle Johansen, City Finance Director
Ray Matiasowski

Exhibit D



Robert Sivertsen, Mayor
334 Front Street
Ketchikan, AK 99901

(907) 228-5603 phone
(907) 225-5075 fax

March 9, 2021

Representative Dan Ortiz
Legislative Information Office
1900 First Ave., Suite 310
Ketchikan, AK 99901
Via email

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City of Ketchikan
American Rescue Plan Relief Funds

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Sincerely,

A handwritten signature in black ink, appearing to read "Robert Sivertsen". The signature is fluid and cursive, with the first name "Robert" and last name "Sivertsen" clearly distinguishable.

Robert Sivertsen
Mayor

Cc: Ketchikan City Council
Karl R. Amylon, City Manager
Lacey Simpson, Assistant City Manager
Michelle Johansen, City Finance Director
Ray Matiasowski

Exhibit E

City of Ketchikan

Savings Generated from Implementing a Layoff Strategy of Vacant Positions
for Addressing the Budgetary Shortfall Projected for the General Fund

Department	Position	Retire- ment		Projected Wages	Projected Benefits	Total Compensation	Adjustment for Unemployment Claims	Subtotal	IDC %	Adjustment for Interdepartmental Charges	Net Savings
Fire	Firefighter/EMT	PERS -IV	v	65689	39112	104801	0	104,801	NA	-	104,801
	Firefighter/EMT	PERS -IV	v	65689	33134	98823	0	98,823	NA	-	98,823
Police	Police Officer	PERS -IV	v	34092	21637	55729	0	55,729	NA	-	55,729
	Police Officer	PERS -IV	v	39775	25243	65018	0	65,018	NA	-	65,018
	Police Officer	PERS -IV	v	39775	25243	65018	0	65,018	NA	-	65,018
Museum	Program Assistant - Vacant	Union	v	29812	24340	54152	0	54,152	NA	-	54,152
PW - Engineering	Senior Project Engineer - Vacant	PERS -IV	v	115650	74211	189861	0	189,861	43.16%	(81,944)	107,917
	Engineering Technician - Vacant	Union	v	54538	35689	90227	0	90,227	43.16%	(38,942)	51,285
PW - Building Inspection	Building Inspector - Vacant	Union	v	67808	40070	107878	0	107,878	NA	-	107,878
PW - Streets	Maintenance Technician - Vacant	Union	v	52569	37583	90152	0	90,152	NA	-	90,152
Totals				<u>565,397</u>	<u>356,262</u>	<u>921,659</u>	<u>-</u>	<u>921,659</u>		<u>(120,886)</u>	<u>800,773</u>

Exhibit F

City of Ketchikan, Alaska
2021 - 2025 Capital Improvement Program
2021 Capital Budget
Proposed Reductions to Offset Loss of Cruiseship Season

Department/Division/Project	2021 Adopted Project Budget	2021 Revised Appropriation	Net Savings by Funding Source							Total Net Savings
			General Fund	Public Wks Sales	Solid Waste Service Fd	Wastewater Fund	Grants	Port Fund	Other	
City Manager None										
Finance Financial & Accounting System Implementation	20,000	0		(20,000)						(20,000)
Information Technology LTO Tape Library	18,000	18,000								
Fire Additional Ambulance Capacity	250,000	250,000							1	
Police Building Residing Project	234,400	234,400								
Replace One Police Vehicle	65,112	65,112								
Heating Controls Replacement	75,000	75,000								
Public Health Ketchikan Medical Center Expansion	1,099,821	0							(1,099,821)	2
Hospital ER Entrance Culvert Repair	50,000	50,000								3
Hospital Roof Replacement	60,000	60,000								3
Library None										
Museum THC Emergency Ramp Construction	175,000	0		(175,000)						4
THM Exterior Envelope Project (HVAC) Phase II	231,600	231,600								
Clean & Repair Totem Poles	30,000	30,000								

City of Ketchikan, Alaska
2021 - 2025 Capital Improvement Program
2021 Capital Budget
Proposed Reductions to Offset Loss of Cruiseship Season

Department/Division/Project	2021 Adopted Project Budget	2021 Revised Appropriation	Net Savings by Funding Source							Total Net Savings
			General Fund	Public Wks Sales	Solid Waste Service Fd	Wastewater Fund	Grants	Port Fund	Other	
Civic Center										
None										
Tourism and Economic Development										
Thomas Basin Promenade	350,000	0							(350,000)	9
Visitor Amenities	30,000	0							(30,000)	9
Married Man's Trail Gap	140,000	0							(140,000)	9
Married Man's Trail Exit Improvements	250,000	0							(250,000)	9
Salmon Walk and Salmon Ladder Enhancements	95,000	0							(95,000)	9
Public Works										
Engineering										
Dangerous Bldg Abatement/Foreclosed Property F	30,000	30,000								
PW Admin Building Heating Upgrade	40,000	5,000		(35,000)						
Building Inspection			0							
None										
Cemetery										
Grading & Drainage Improvements	2,500	2,500								6
Streets										
Transportation Infrastructure	180,000	180,000								
Stormwater Infrastructure	100,000	100,000								
ROW Maintenance	15,000	15,000								
Water Street Trestle No. 1 Reconstruction	253,745	253,745								
Sayles St/Gorge St Bridge Replacement	100,000	100,000								
Schoenbar Culvert Rehabilitation	2,500,000	250,000		(150,000)					(2,100,000)	10
Garage										
Oil Water Separator System	49,000	0		(49,000)						
STV CNC Sparxpro 4800	19,000	19,000								
Building Maintenance										
Shoreline Underground Storage Tank Removal	30,000	30,000								
Solid Waste										
Cover Generation	40,000	40,000								

City of Ketchikan, Alaska
2021 - 2025 Capital Improvement Program
2021 Capital Budget
Proposed Reductions to Offset Loss of Cruiseship Season

Department/Division/Project	2021 Adopted Project Budget	2021 Revised Appropriation	Net Savings by Funding Source							Total Net Savings	
			General Fund	Public Wks Sales	Solid Waste Service Fd	Wastewater Fund	Grants	Port Fund	Other		
Public Works (continued)											
Wastewater											
Sewer Main & Manhole Repair/Replacement	75,000	75,000									
Upgrade Sewer Laterals	30,000	30,000									
Large Pump Station Upgrades	150,000	150,000									
Small Pump Station Upgrades	50,000	25,000				(25,000)					(25,000)
WWTP Equipment Replacement	60,000	30,000				(30,000)					(30,000)
Water Meters - Business and Commercial	756,178	756,178								7	
CCTV Camera Van	180,000	180,000									
Schoenbar Road Sewer Replacement	3,918,353	3,918,353								7	
SCADA & Controls System Upgrade	100,000					(100,000)					(100,000)
Port and Harbors											
Harbors											
Bar Harbor South Pumpout Station	64,970	64,970								8	
Thomas Basin Float No. 4 Rehabilitation	1,201	1,201								8	
Bar Harbor South Float 8 Electrical	214,171	214,171									
Pink Salmon-Net Racks	1,200	1,200									
Port	0	0									
COVID-19 Port Related Projects	500,000	500,000								9	
Berth I Guard Shack & Security Cameras	19,000	19,000									
TOTAL	12,653,251	8,004,430	0	(429,000)	0	(155,000)	0	0	(4,064,821)		(4,648,821)

Other Column Legend:

- (1) Major Capital Improvements Fund
- (2) Hospital Construction Fund
- (3) Hospital Sales Tax Fund
- (4) Community Facilities Development Fund
- (5) Transient Sales Tax Fund
- (6) Cemetery Development Fund
- (7) Proposed Wastewater Bonds
- (8) Harbor Construction Fund
- (9) CPV Funds
- (10) Proposed GO Bonds

Exhibit G

CITY OF KETCHIKAN, ALASKA

PORT REVENUE BONDS, 2006

ORDINANCE NO. 06-1549

AN ORDINANCE of the City of Ketchikan, Alaska, authorizing the issuance of Port Revenue Bonds of the City in the aggregate principal amount of not to exceed \$38,500,000 to finance capital improvements to the City's port facilities and related transportation and access improvements; providing for the date, terms and covenants of said bonds; and providing for the sale of the bonds.

Passed June 1, 2006

Prepared by:

PRESTON GATES & ELLIS LLP
Seattle, Washington

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	
Section 1.1. Definitions	1
ARTICLE II FINDINGS	
Section 2.1. Best Interests of the City	6
Section 2.2. Declaration as to Obligations	6
ARTICLE III AUTHORIZATION, ISSUANCE AND PREPAYMENT OF BONDS	
Section 3.1. Authorization of Bonds	6
Section 3.2. Payment, Registration and Transfer	7
Section 3.3. Extraordinary Optional Redemption	10
Section 3.4. Additional Redemption Provisions.....	10
Section 3.5. Notice of Redemption; Payment of Redeemed Bonds	10
ARTICLE IV FORM OF BOND AND GENERAL TERMS	
Section 4.1. Form of Bond.....	11
Section 4.2. Execution and Authentication of Bonds.....	15
Section 4.3. Lost or Destroyed Bonds	15
ARTICLE V BOND FUND AND DEFEASANCE	
Section 5.1. Bond Fund; Debt Service Account.....	15
Section 5.2. Reserve Account.....	16
Section 5.3. Lien of Bonds	18
Section 5.4. Defeasance.....	18
ARTICLE VI DISPOSITION OF BOND PROCEEDS	
Section 6.1. Project Fund.....	18
Section 6.2. Disposition of Bond Proceeds	19
ARTICLE VII BOND COVENANTS	
Section 7.1. Port Revenue Fund	19
Section 7.2. Rate Stabilization Fund	20
Section 7.3. General Covenants.....	20
Section 7.4. Future Parity Bonds.....	22
Section 7.5. Junior Lien Obligations	24
Section 7.6. Tax Covenants; Special Designation.....	25
Section 7.7. Repair and Replacement Fund.....	26
ARTICLE VIII MISCELLANEOUS	
Section 8.1. Ordinance a Contract.....	26
Section 8.2. Benefits of Ordinance Limited	26
Section 8.3. Sale of the Bonds; Ongoing Disclosure.....	26
Section 8.4. General Authorization; Prior Acts.....	27
Section 8.5. Amendments.....	27

Section 8.6.	Severability	28
Section 8.7.	Effective Date	28

ORDINANCE NO. 06-1549

AN ORDINANCE of the City of Ketchikan, Alaska, authorizing the issuance of port revenue bonds of the City in the aggregate principal amount of not to exceed \$38,500,000 to finance capital improvements to the City's port facilities and related transportation and access improvements; providing for the date, terms and covenants of said bonds; and providing for the sale of the bonds.

WHEREAS, the City of Ketchikan, Alaska (the "City"), owns and operates dock and wharf facilities within the City to serve commercial ships (the "Port Facilities"); and

WHEREAS, pursuant to provisions of Title 13 of the Ketchikan Municipal Code ("KMC"), the City has established an enterprise fund designated as the Ketchikan Port Fund into which are deposited fees for the use of the Port Facilities, including passenger wharfage fees established pursuant to Chapter 13.10 KMC; and

WHEREAS, at an election held on April 11, 2006, the voters of the City approved the issuance of port revenue bonds in an amount of not to exceed \$38,500,000 for the purpose of providing funds to acquire, construct and equip improvements to the Port Facilities and related transportation and access improvements, as provided in Resolution No. 06-2164 adopted by the City Council on January 24, 2006 (collectively, the "Improvements"); and

WHEREAS, the City deems it necessary and advisable to issue its port revenue bonds in the principal amount of not to exceed \$38,500,000 (the "Bonds") to finance a portion of the cost of the Improvements; and

WHEREAS, the Council wishes to delegate to the City's Finance Director authority to negotiate the sale of the Bonds either to the Alaska Municipal Bond Bank Authority (the "Authority") or to RBC Capital Markets as underwriter, with the final sale terms to be approved by subsequent resolution of the Council, as provided herein;

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

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. As used in this ordinance, the following terms shall have the following meanings:

“Annual Debt Service” means, for any Fiscal Year the sum of:

- (i) all interest due in such year on all outstanding Parity Bonds, excluding interest to be paid from the proceeds of Parity Bonds,
- (ii) the principal of all Serial Bonds due in such year, and
- (iii) the Sinking Fund Requirement, if any, for such year.

If the interest rate on any series of Parity Bonds is other than a fixed rate, the amount of interest deemed to be payable on such series of Parity Bonds shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate that is the greater of (A) the average of the BMA Municipal Swap Index (the “BMA Index”), formerly the PSA Municipal Swap Index (7-day high grade market index of tax-exempt variable rate debt obligations produced by Municipal Market Data) during the twelve calendar months preceding the date of calculation or (B) the BMA Index on the date of calculation, or if the BMA Index is not available for such period, another similar rate or index selected by the City; provided, however, that if the interest on any such series of variable rate Parity Bonds is included in gross income for federal income tax purposes, then such Parity Bonds shall be assumed to bear interest at an interest rate equal to the average One Month USD LIBOR Rate during the twelve months preceding the date of calculation, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City; and provided further, however, that for purposes of determining actual compliance in any past calendar year with the rate covenant set forth in Section 7.3 of this ordinance, the actual amount of interest paid on such series of Parity Bonds shall be used.

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

“Bond Bank Bonds” means a series of bonds issued by the Bond Bank to provide funds to lend to the City in accordance with a Loan Agreement.

“Bond Fund” means the Port Revenue Bond Fund established pursuant to Section 5.1 of this ordinance to pay and secure the payment of all Parity Bonds.

“Bond Insurance Policy” means any municipal bond insurance policy that may be issued to insure the payment when due of the principal of and interest on the Bonds or the Bond Bank Bonds.

“Bond Insurer” means the issuer of the Bond Insurance Policy, if any, or any successor thereto or assignee thereof.

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

"Bonds" means the City's Port Revenue Bonds, in the principal amount of not to exceed \$38,500,000 authorized to be issued pursuant to this ordinance.

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

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

"Consultant" means at any time an independent consultant having a favorable reputation for skill and experience with the operation of port facilities of a size and character comparable to the Port Facilities selected by the City to perform the duties of the Consultant as required by this ordinance. For the purpose of providing a certificate required by Section 7.3(c) hereof, the term Consultant may also include an independent public accounting firm appointed by the City to provide such certificate.

"Costs of Maintenance and Operation" means all necessary operating expenses, current maintenance expenses, expenses of reasonable upkeep and repairs, and insurance and administrative expense with respect to the Port Facilities, but excludes depreciation, any KDC Lease Payments, payments for debt service or into debt service reserve accounts with respect to obligations of the City payable from Port Revenue, costs of capital additions to or replacements of the Port Facilities, municipal taxes, or payments to the City in lieu of taxes.

"Council" means the legislative authority of the City, as duly constituted from time to time.

"Debt Service Account" means the account of that name authorized to be established within the Bond Fund pursuant to Article V of this ordinance.

"DTC" means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

"Federal Tax Certificate" means the certificate executed by the City setting forth certain covenants relating to the tax-exempt status of interest on the Bonds and the payment of any Rebate Amount with respect to the Bonds.

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

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

"Future Parity Bonds" means any revenue bonds of the City, the principal of and interest on which are payable from the Port Revenue Fund on a parity with the payments required to be made from such Fund to pay and secure the payment of the principal of and interest on the Bonds.

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

"Improvements" means those improvements to the Port Facilities and related transportation and access improvements specified in Resolution No. 06-2164 of the City Council.

"Interest Payment Date" means (i) for the Bonds, the first day of each June 1 and December 1 so long as the Bonds remain outstanding, commencing on the date to be established pursuant to Section 8.3 hereof, and (ii) for any Future Parity Bonds the first day of each June 1 and December 1 so long as such bonds remain outstanding, commencing on the date to be established in connection with the issuance of such Future Parity Bonds.

"Junior Lien Obligations" means revenue bonds or other obligations issued by the City pursuant to the provisions of Section 7.5 of this ordinance.

"KDC Lease" means that certain lease that the City, as lessee, may enter into with Ketchikan Dock Company or an affiliate thereof or successor thereto, as lessor, pursuant to which the City may lease certain dock and wharf facilities known as Berth 4.

"KDC Lease Payments" means rental payments owed by the City under the KDC Lease.

"Letter of Representations" means the Blanket Issuer Letter of Representation from the City to DTC.

"Loan Agreement" means a Loan Agreement authorized to be entered into by and between the City and the Bond Bank pursuant to Section 8.3 of this ordinance.

"Net Revenue" means all Port Revenue less the Costs of Maintenance and Operation.

"Parity Bonds" means the Bonds and any Future Parity Bonds.

"Permitted Investments" shall have the meaning set forth in the Sale Resolution or Loan Agreement; provided, however, that such investments must be lawful investments for City funds under Alaska law and the City's charter.

"Port Facilities" means the capital assets of the Port Revenue Fund, including dock and wharf facilities identified as the "Port of Ketchikan."

"Port Revenue" means all gross earnings, revenue and money received from or on account of the operation of the Port Facilities, including passenger wharfage fees established pursuant to Chapter 13.10 KMC and including income from the investment of any money in the

Port Revenue Fund, the Bond Fund and any other bond or redemption fund for port revenue bonds (but excluding bond proceeds, income from investments of bond proceeds, and income from investments irrevocably pledged to the payment of port revenue bonds pursuant to a plan of defeasance or refunding).

“Port Revenue Fund” means the “Ketchikan Port Fund” established pursuant to Section 13.04.050 of the KMC, into which fund all Port Revenue is paid.

“Project Fund” means the 2006 Port Improvements Fund established pursuant to Section 6.1 of this Ordinance.

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

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

“Rate Stabilization Fund” means the “Port of Ketchikan Rate Stabilization Fund” authorized to be established pursuant to Section 7.2 of this ordinance.

“Rebate Amount” means the amount, if any, determined to be payable with respect to the Bonds by the City to the United States of America in accordance with Section 148(f) of the Code.

“Registered Owner” means the person in whose name a Bond is registered on the Bond Register. During such time as the City utilizes the book-entry system for the Bonds, DTC shall be deemed the registered owner of the Bonds.

“Registrar” means the registrar, authenticating agent, transfer agent and paying agent appointed pursuant to Section 3.2, its successor or successors and any other entity that may at any time be substituted in its place pursuant to this ordinance, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, and paying principal of and interest on the Bonds.

“Repair and Replacement Fund” means the fund of that name established pursuant to Section 7.7 of this ordinance.

"Reserve Account" means the account of that name established within the Bond Fund pursuant to Article V of this ordinance.

"Reserve Requirement" means the least of (i) maximum Annual Debt Service, (ii) 125% of average Annual Debt Service, or (iii) 10% of the face amount of the Parity Bonds.

"Sale Resolution" means the resolution relating to the sale of the Bonds to be adopted by the Council pursuant to Section 8.3 of this ordinance.

"Serial Bond" means Bonds and Future Parity Bonds other than Term Bonds.

"Sinking Fund Requirement" means, for any Fiscal Year, the principal amount of Term Bonds required to be purchased, redeemed or paid at maturity in such year as established by the ordinance or resolution of the City authorizing the issuance of such Term Bonds.

"Term Bonds" means any Bonds identified as such in the Sale Resolution and any Future Parity Bonds identified as such in the ordinance or resolution authorizing the issuance thereof, the payment of the principal of which is provided for by deposits of money into the Debt Service Account equal (in the aggregate) to the full principal amount of such Term Bonds and by a mandatory redemption schedule corresponding (as to time and amounts) to such schedule of deposits.

ARTICLE II FINDINGS

Section 2.1. Best Interests of the City. The Council hereby finds and determines that it is in the best interests of the City and the users of the Port Facilities that the City issue its port revenue bond to finance the cost of the Improvements and pay the costs of issuing such bonds, as authorized by Resolution No. 06-2164 of the City Council and approved by the City's voters in an election held in the City on April 11, 2006.

Section 2.2. Declaration as to Obligations. The Council hereby declares, in fixing the amounts to be paid into the Bond Fund and the accounts therein, that it has exercised due regard to the Costs of Maintenance and Operation of the Port Facilities and has not obligated the City to set aside and pay into said fund and accounts a greater amount of the Port Revenue than in its judgment will be available over and above such Costs of Maintenance and Operation.

ARTICLE III AUTHORIZATION, ISSUANCE AND PREPAYMENT OF BONDS

Section 3.1. Authorization of Bonds. The City shall now issue and sell not to exceed \$38,500,000 principal amount of the port revenue bonds approved by the City's voters at an election held on April 11, 2006 for the purpose of financing the Improvements and paying costs of issuance of said bonds.

Such bonds shall be issued in one or more series in a total principal amount not to exceed \$38,500,000, designated as the "City of Ketchikan Port Revenue Bonds, [applicable year and series designation]," shall be dated as of the date to be established in accordance with Section 8.3 hereof, shall be fully registered as to both principal and interest, shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification and control, shall bear interest at the rate or rates, shall mature on the date or dates and shall be paid in installments in the principal amounts and on Interest Payment Dates to be determined in accordance with Section 8.3 hereof and ratified and confirmed by the Sale Resolution. Interest on the Bonds shall be calculated based on a 360-day year of twelve 30-day months.

Section 3.2. Payment, Registration and Transfer.

(a) Appointment of Registrar. The Bonds shall be issued only in registered form as to both principal and interest. If the Bonds are sold to RBC Capital Markets, the Finance Director is authorized to appoint a bank or corporate trust company to serve as the authenticating agent, paying agent and bond registrar (the "Registrar") and the City is hereby authorized to enter into a written agreement with the Registrar to evidence the Registrar's commitment to act as Registrar in accordance with the terms set forth in this ordinance and providing for the payment of the fees and expenses of the Registrar. The Registrar may be removed at any time at the option of the City upon prior notice to the Registrar, the Bond Insurer, if any, DTC, each NRMSIR and SID, if any, and a successor Registrar appointed. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder.

The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the City (the "Bond Register"). The Registrar is authorized, on behalf of the City, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this ordinance and to carry out all of the Registrar's powers and duties under this ordinance. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) Letter of Representations/Book-Entry System. To induce DTC to accept the Bonds as eligible for deposit at DTC, the City has heretofore executed and delivered a Blanket Issuer Letter of Representations. The Bonds initially issued shall be held in fully immobilized form by DTC acting as depository pursuant to the terms and conditions set forth in the Letter of Representations.

(c) City and Registrar Not Responsible for DTC. Neither the City nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds in respect of the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal or interest on the Bonds, any notice which is permitted or required to be given to Registered Owners under this ordinance (except such notices as shall be

required to be given by the City to the Registrar and the Bond Insurer or to DTC), or any consent given or other action taken by DTC as the Registered Owner.

(d) DTC as Registered Owner. The City and the Registrar, each in its discretion, may deem and treat the Registered Owner as the absolute owner thereof for all purposes, and neither the City nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in this section, but such registration may be transferred as herein provided. All such payments made as described in this section shall be valid and shall satisfy and discharge the liability of the City upon such Bond to the extent of the amount or amounts so paid. The City and the Registrar shall be entitled to treat DTC as the absolute owner of all Bonds for all purposes of this ordinance and any applicable laws, notwithstanding any notice to the contrary received by the Registrar or the City. Neither the City nor the Registrar will have any responsibility or obligation, legal or otherwise, to any other party including DTC or its successor (or substitute depository or its successor), except to the Registered Owners.

(e) Use of DTC/Book-Entry System.

(1) *Bonds Registered in the Name Designated by DTC.* The Bonds shall be registered initially in the name of "Cede & Co.," as nominee of DTC, with one Bond for each maturity in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (i) to any successor of DTC or its nominee, *provided that* any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (ii) to any substitute depository appointed by the City pursuant to subparagraph (2) below or such substitute depository's successor; or (iii) to any person as provided in paragraph (4) below.

(2) *Substitute Depository.* Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the City that it is no longer in the best interest of owners of beneficial interests in the Bonds to continue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the City may thereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) *Issuance of New Bonds to Successor/Substitute Depository.* In the case of any transfer pursuant to clause (i) or (ii) of paragraph (1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the City, issue a single new Bond for each maturity of such Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the City.

(4) *Termination of Book-Entry System.* In the event that (i) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (ii) the City determines that it is in the best interest

of the owners of beneficial interests in the Bonds that they be able to obtain Bond certificates, the ownership of Bonds may then be transferred to any person or entity as herein provided, and the Bonds shall no longer be held in fully immobilized form. The City shall deliver a written request to the Registrar, together with a supply of definitive Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt of all then Outstanding Bonds by the Registrar together with a written request on behalf of the City to the Registrar, new Bonds shall be issued in such denominations and registered in the names of such persons as are requested in such written request.

(f) Transfer or Exchange of Registered Ownership; Change in Denominations. If the Bonds are no longer held in immobilized, book-entry form, the registered ownership of any Bond may be transferred or exchanged, but no transfer of any Bond shall be valid unless it is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new Registered Owner) of the same date, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to transfer or exchange any Bond during the 15 days preceding any interest payment date or principal payment date. No charge shall be imposed upon Registered Owners in connection with any transfer or exchange, except for taxes or governmental charges related thereto.

(g) Registration Covenant. The City covenants that, until all Bonds have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) Place and Medium of Payment. Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as all outstanding Bonds are registered in the name designated to the City by DTC or its successors, payments of principal and interest thereon shall be made as provided in the Letter of Representations.

If the Bonds are no longer held in fully immobilized form, interest on the Bonds shall be paid by check or draft mailed (or by wire transfer to a Registered Owner of Bonds in the aggregate principal amount of \$1,000,000 or more, who so requests) to the Registered Owners of the Bonds at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the Registered Owners at the office designated by the Registrar.

(i) Registrar for Bonds Sold to Bond Bank. Notwithstanding any other provisions of this Section 3.2 to the contrary, if the Bonds are sold to the Bond Bank in accordance with the provisions of Section 8.3 hereof, the Finance Director shall act as authenticating agent, paying agent and registrar for the Bonds, and the Loan Agreement may include provisions for payment of principal of and interest on the Bonds and for transfer and exchange of the Bonds in lieu of any provisions of this Section 3.2.

Section 3.3. Extraordinary Optional Redemption. The Bonds shall be subject to extraordinary redemption in whole at any time at a price of par plus accrued interest to the date of redemption if the Port Facilities financed with the proceeds of the Bonds are damaged or destroyed to such extent that, in the opinion of the City, such Port Facilities could not be reasonably restored or replaced using available insurance proceeds to substantially the same condition thereof immediately preceding such damage and the City has received insurance proceeds or other funds legally available for such purpose to pay and redeem all of the Bonds.

Section 3.4. Additional Redemption Provisions. In addition to the redemption provided for in Section 3.3, the City may reserve the right to redeem outstanding Bonds prior to their maturity on the dates and at the prices established pursuant to the provisions of Section 8.3 hereof and ratified and confirmed by the Sale Resolution. The Council may provide for such prior redemption as a whole or in part (maturities to be selected by the City and by lot within a maturity, in increments of \$5,000, with the manner of selection to be as chosen by the Registrar or, so long as the Bonds are registered in the name of Cede & Co., or its registered assign by DTC) upon written notice mailed as provided in Section 3.5 of this ordinance.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple of \$5,000, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of such Bond at the office of the Registrar, there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal amount thereof, a new Bond or Bonds, at the option of the Registered Owner, of like series, maturity and interest rate in any denomination authorized by this ordinance.

Section 3.5. Notice of Redemption; Payment of Redeemed Bonds.

(a) Notice of Redemption. Written notice of any redemption of Bonds shall be given by the Registrar on behalf of the City by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date to the Registered Owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. So long as the Bonds are in book-entry form, notice of redemption shall be given as provided in the Letter of Representations. The Registrar shall provide additional notice of redemption (at least 30 days) to each NRMSIR and SID, if any, in accordance with the undertaking to be approved by the Sale Resolution.

The requirements of this section shall be deemed complied with when notice is mailed, whether or not it is actually received by the owner.

Each notice of redemption shall contain the following information: (1) the redemption date, (2) the redemption price, (3) if less than all outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (4) that on the redemption date the redemption price will become due and payable upon each Bond or portion called for redemption, and that interest shall cease to accrue from the redemption date, (5) that the Bonds are to be surrendered for payment at the principal office of the Registrar, (6) the CUSIP numbers of all Bonds being redeemed, (7) the dated date of the Bonds, (8) the rate of interest for each Bond being redeemed, (9) the date of the notice, and (10) any other information needed to identify the Bonds being redeemed.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(b) Effect of Redemption. Unless the City has revoked a notice of redemption, the City shall transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar, will be sufficient to redeem, on the redemption date, all the Bonds to be redeemed. From the redemption date interest on each Bond to be redeemed shall cease to accrue.

(c) Amendment of Notice Provisions. The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

In addition, and notwithstanding any other provisions of this Section 3.5 to the contrary, if the Bonds are sold to the Bond Bank in accordance with the provisions of Section 8.3 hereof, the foregoing notice requirements shall be deemed modified by the notice provisions of the Loan Agreement.

(d) Purchase on Open Market. The City reserves the right to purchase any of the Bonds offered to the City at any price deemed reasonable by the City at any time.

ARTICLE IV FORM OF BOND AND GENERAL TERMS

Section 4.1. Form of Bond. The Bond shall be in substantially the following form, with such modifications as may be necessary or advisable to comply with the Loan Agreement or any bond purchase agreement entered into in connection with the Sale of the Bonds:

UNITED STATES OF AMERICA

STATE OF ALASKA
CITY OF KETCHIKAN
PORT REVENUE BOND, 2006

FINAL MATURITY DATE:

INTEREST RATES:

See Below

REGISTERED OWNER:

ALASKA MUNICIPAL BOND BANK

PRINCIPAL AMOUNT:

_____ AND NO/100
DOLLARS

The City of Ketchikan, Alaska (the "City"), a municipal corporation organized and existing under and by virtue of the laws and Constitution of the State of Alaska and the City's charter, hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount indicated above in accordance with the installment payment schedule set forth below (unless prepaid prior thereto as provided herein), together with interest on such installments from the date hereof or the most recent date to which interest has been paid or duly provided for, at the interest rates set forth below, on _____, 20____, and on each _____ 1 and _____ 1 thereafter:

Year of Principal Installment Payment (_____) 1)	Principal Installment Amount	Interest Rate
2007	\$	
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		

Principal of, interest, and premium, if any, on this Bond are payable solely out of the special fund of the City known as the "Port Revenue Bond Fund" (the "Bond Fund") established pursuant to Ordinance No. _____ of the City (the "Bond Ordinance"). Both principal of and interest on this Bond are payable in lawful money of the United States of America. Installments of principal of and interest on this Bond are payable by check or draft of the City's Finance Director (the "Registrar") mailed (on the date such interest is due) to the Registered Owner hereof at the address appearing on the records maintained by the Registrar as of the fifteenth day

of the month preceding the interest payment date. The final installment of principal of and interest on this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this bond at the office of the Registrar in Ketchikan, Alaska. Notwithstanding the foregoing, so long as the Bond Bank is the Registered Owner of this Bond, payments of principal of and interest on this Bond shall be made to the Bond Bank in accordance with the Loan Agreement.

This Bond is issued under and pursuant to the Bond Ordinance and Resolution No. _____ of the City (collectively, the "Bond Legislation"), and under the authority of and in full compliance with the Constitution and laws of the State of Alaska and the City's Charter. This Bond is issued to finance the costs of certain capital improvements to Port Facilities of the City. Capitalized terms used and not otherwise defined on this Bond shall have the meanings given such terms in the Bond Legislation.

This Bond is subject to prepayment as provided in the Bond Legislation and the Loan Agreement.

By the Bond Legislation, the City has pledged to set aside from the Port Revenue Fund, and to pay into the Bond Fund and Debt Service Account and Reserve Account therein, the various amounts required by the Bond Legislation to be paid into and maintained in said fund and accounts, all within the times provided by the Bond Legislation. The City has further pledged and bound itself to pay into the Port Revenue Fund as collected, all of the Port Revenue.

Said amounts so pledged to be paid out of the Port Revenue Fund into the Bond Fund and the accounts therein are hereby declared to be a prior lien and charge upon the money in the Port Revenue Fund superior to all other charges of any kind or nature except the Costs of Maintenance and Operation and equal in rank to any charges that may be made on the Port Revenue Fund to pay and secure the payment of any Future Parity Bonds.

The obligations of the City under the Bond Legislation may be discharged upon the making of provision for the payment of this Bond on the terms and conditions set forth in the Bond Legislation and the Loan Agreement.

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

It is hereby certified, recited and declared that the Bond is issued pursuant to and in strict compliance with the constitution and laws of the State of Alaska, and the Charter, ordinances and resolutions of the City of Ketchikan, and that all acts, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed.

IN WITNESS WHEREOF, the City of Ketchikan, Alaska has caused this Bond to be signed on behalf of the City with the manual or facsimile signature of the Mayor, to be attested by the manual or facsimile signature of the City Clerk, and the seal of the City to be imprinted or impressed hereon, as of this ____ day of _____, 2006.

CITY OF KETCHIKAN, ALASKA

By _____ /s/_____
Mayor

(SEAL)

Attest:

_____/s/_____
City Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____, 20__

This is the City of Ketchikan Port Revenue Bond, 2006, dated _____, 2006, as described in the Bond Legislation.

By _____ /s/_____
Finance Director, City of Ketchikan,
as Registrar

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR TAXPAYER IDENTIFICATION NUMBER OF TRANSFEREE

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

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

DATED: _____, ____.

SIGNATURE GUARANTEED:

NOTICE: Signature(s) must be guaranteed pursuant to law.

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

Section 4.2. Execution and Authentication of Bonds. The Bonds shall be signed on behalf of the City with the facsimile or manual signature of the Mayor, shall be attested by the facsimile or manual signature of the City Clerk, and the seal of the City shall be impressed or imprinted thereon. Only such Bond as shall bears thereon a Certificate of Authentication in the form set forth in Section 4.1 hereof, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been executed, duly authenticated, registered, and delivered under this ordinance and is entitled to the benefits of this ordinance.

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

Section 4.3 Lost or Destroyed Bonds. If any Bond is lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond of like series, amount, maturity and tenor to the Registered Owner upon the owner's paying the expenses and charges of the City in connection with preparation and authentication of the replacement Bond and upon his or her filing with the Registrar evidence satisfactory to him or her that such Bond was actually lost, stolen or destroyed and of his or her ownership, and upon furnishing the City with indemnity satisfactory to the Registrar.

ARTICLE V
BOND FUND AND DEFEASANCE

Section 5.1. Bond Fund; Debt Service Account.

(a) Bond Fund. There is hereby authorized to be established a special fund of the City designated as the "Port Revenue Bond Fund" (the "Bond Fund"), which fund is to be

drawn upon for the sole purpose of paying the principal of, premium, if any, and interest on Parity Bonds. Within the Bond Fund there is hereby authorized to be established a Debt Service Account and a Reserve Account.

(b) Payments into Debt Service Account. So long as the Bonds remain outstanding, the City hereby obligates and binds itself to set aside and pay into the Debt Service Account out of money in the Port Revenue Fund, on or before the dates set forth in the table below, an amount that, together with any money then on deposit in the Debt Service Account, shall equal at least the percentage set forth below of the total amount of principal of (including maturing principal and mandatory redemption payments) and interest on the Bonds due and payable on the succeeding December 1 and June 1:

Debt Service Account Deposit Date	Debt Service Account Deposit Targets (% of principal and interest due on the Bonds on the succeeding December 1 and June 1)
July 15	10%
August 15	35
September 15	55
October 15	80
November 15	100

The City covenants that in the event it issues any Future Parity Bonds that are Term Bonds, it will provide in each ordinance or resolution authorizing the issuance of the same for annual payments to be made from the Port Revenue Fund into the Debt Service Account in amounts sufficient, together with any money available therefor in the Debt Service Account, to satisfy the Sinking Fund Requirement with respect to such Term Bonds.

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

Section 5.2. Reserve Account.

(a) Reserve Account. The Reserve Account shall be maintained in the Bond Fund to secure the payment of the principal of, premium, if any, and interest on the Bonds and any Future Parity Bonds. The City hereby covenants and agrees to deposit into the Reserve Account when the Bonds are issued, from Bond proceeds or other funds of the City available therefor, an amount sufficient to satisfy the Reserve Requirement for the Bonds.

The City further covenants and agrees that in the event it issues any Future Parity Bonds it will provide in each ordinance authorizing the issuance of such Future Parity Bonds that on or prior to the date of issuance of such Future Parity Bonds money shall be deposited into the Reserve Account, from proceeds of such bonds or other funds available therefor, so that the total amount of money in the Reserve Account will at least equal the Reserve Requirement.

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

(b) Deficiency in Debt Service Account. In the event there shall be a deficiency in the Debt Service Account to make any payment of interest on or principal of and interest on any Parity Bonds, such deficiency shall be made up by withdrawal of money from the Reserve Account and the sale or redemption of obligations held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. If more than one Qualified Letter of Credit or Qualified Insurance is available, draws shall be made ratably thereon to make up the deficiency. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up out of Net Revenue, after making necessary provision for the payments required to be made by paragraphs First through Fourth, inclusive, of Section 7.1 of this ordinance, by making a deposit into the Reserve Account out of money in the Port Revenue Fund, on or before each of the dates set forth in the table below, in an amount that, together with any money then on deposit in the Reserve Account, shall equal at least the percentage set forth below of the Reserve Account deficiency calculated as of June 15 of each year:

Reserve Account Deposit Date	Reserve Account Deposits (% of Reserve Account deficiency as of the June 15 calculation preceding each annual July 1 deposit date)
July 15	10%
August 15	35
September 15	55
October 15	80
November 15	100

(c) Qualified Insurance or a Qualified Letter of Credit. The City may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be paid into or maintained in the Reserve Account. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years' notice. In the event of any cancellation, the

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

(d) Investment of Reserves. Money in the Reserve Account may be kept in cash or invested in Permitted Investments maturing not later than the final maturity of the Bonds. Interest earned on any such investments and/or any profits realized from the sale thereof shall be deposited in and become a part of the Port Revenue Fund.

Section 5.3. Lien of Bonds. The amounts pledged by this ordinance to be paid out of the Port Revenue Fund into the Bond Fund and the Debt Service Account and Reserve Account therein are hereby declared to be a prior lien and charge upon all the money in the Port Revenue Fund superior to all other charges of any kind or nature except the charges required to pay Costs of Maintenance and Operation and equal in rank to any charges that may later be made on money in the Port Revenue Fund to pay the principal of, premium, if any, and interest on any Future Parity Bonds.

Section 5.4. Defeasance. In the event that money and/or Government Obligations maturing at such time or times and bearing interest to be earned thereon in amounts (together with such money, if necessary) sufficient to prepay and retire the Bonds or a portion thereof in accordance with their terms, are set aside in a trust or escrow account held by a bank or trust company to effect such prepayment and retirement, and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose for the benefit of the owners of such Bonds or portion thereof, then no further payments need be made into the Debt Service Account for the payment of the principal of and interest on such Bonds or portion thereof so provided for, and such Bonds or portion thereof shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and such Bonds or portion thereof shall be deemed not to be outstanding hereunder.

ARTICLE VI DISPOSITION OF BOND PROCEEDS

Section 6.1. Project Fund. There is hereby authorized to be established a special fund of the City designated as the "2006 Port Improvements Fund" to be held in trust and administered by the City. The Project Fund shall be used to pay costs of the Improvements, including reimbursing any fund of the City that has advanced money for such purposes and, if necessary, paying interest on the Bonds during the construction of the Improvements and for a period not to exceed six months after completion of the Improvements, and to pay costs of issuing the Bonds. Money in the Project Fund may be invested in Permitted Investments. Earnings on the investment of money in the Project Fund shall be deposited in such fund.

After the payment in full of all costs of the Improvements, or after adequate provision has been made for such payment, any money remaining in the Project Fund shall be paid into the Bond Fund. Money in the Project Fund shall be used to make up any deficiency in the Bond Fund and is hereby pledged as additional payment to the Bond Fund to the extent required.

Section 6.2. Disposition of Bond Proceeds. The proceeds of the Bonds shall be deposited as follows:

(1) Accrued interest, if any, received at the time of delivery of the Bonds shall be paid into the Bond Fund.

(2) The amount sufficient to satisfy the Reserve Requirement shall be deposited into the Reserve Account.

(3) The balance of the proceeds of the Bonds shall be deposited in the Project Fund and applied as provided in Section 6.1.

ARTICLE VII BOND COVENANTS

Section 7.1. Port Revenue Fund. Pursuant to Section 13.04.050 KMC, there has heretofore been established a special fund of the City known as the "Port Revenue Fund," into which all Port Revenue shall be deposited as collected. The Port Revenue Fund shall be held separate and apart from all other funds and accounts of the City. The Port Revenue deposited in the Port Revenue Fund shall be used only for the following purposes and in the following order of priority; provided, however, that any payments in lieu of taxes shall be subordinate to the payments required to be made into the Bond Fund out of the Port Revenue Fund:

First, to pay the Costs of Maintenance and Operation;

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

Third, to make all payments required to be made into the Debt Service Account to pay the maturing principal of any Serial Bonds and to satisfy the Sinking Fund Requirement;

Fourth, to make all payments required to be made pursuant to a reimbursement agreement (or other equivalent document) with any provider of Qualified Insurance or a Qualified Letter of Credit; provided, however, that if there is not sufficient money to make all payments under reimbursement agreements with more than one such provider, the payments will be made on a pro rata basis;

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

Sixth, to make all payments required to be made into the Repair and Replacement Fund;

Seventh, to pay when due principal of or interest on the City's General Obligation Port Bonds, Series 1994;

Eighth, to make all KDC Lease Payments; provided, however, that before any such payment is made, (i) all deposits to the Debt Service Account and Reserve Account have been made as required by Sections 5.1 and 5.2 hereof, (ii) the Reserve Account is valued at an amount at least equal to the Reserve Requirement as of such date, (iii) all payments of principal of and interest on the Bonds due and owing as of such date have been made in full, (iv) all payments required to be made into the Repair and Replacement Fund have been made in full, (v) all payments of principal of and interest on the City's General Obligation Port Bonds, Series 1994, have been made in full, and (vi) any payments required to be made by the City to the Bond Bank pursuant to a Loan Agreement have been made;

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

Tenth, to retire by redemption or purchase in the open market any outstanding revenue bonds or other obligations of the City payable from the Port Revenue Fund, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Port Facilities, to make deposits into the Rate Stabilization Fund, or for any other lawful City purpose.

Section 7.2. Rate Stabilization Fund. There is hereby authorized to be established a special fund of the City designated as the "Port of Ketchikan Rate Stabilization Fund" (the "Rate Stabilization Fund") in anticipation of future increases in revenue requirements of the Port Facilities. In accordance with the provisions of Section 7.1 of this ordinance, the City may from time to time appropriate or budget amounts in the Port Revenue Fund for deposit in the Rate Stabilization Fund and may from time to time withdraw amounts therefrom for deposit in the Revenue Fund to prevent or mitigate increases in rentals, tariffs, rates, fees or charges for use of the Port Facilities or for other lawful purposes of the City related to the Port Facilities.

Section 7.3. General Covenants. The City hereby covenants with the owners of the Bonds as follows:

(a) Rate Covenant. That it will at all times establish, maintain and collect rentals, tariffs, rates, fees, and charges in the operation of the Port Facilities for as long as any Bonds are outstanding that will produce Net Revenue in each Fiscal Year in an amount equal to at least (i) 1.25 times Annual Debt Service and (ii) 1.0 times Annual Debt Service, plus amounts required to be paid into the Reserve Account and Repair and Replacement Fund, plus the KDC Lease Payments due in such Fiscal Year, plus any debt service payments required to be made for any Junior Lien Obligations in such Fiscal Year. For the purpose of meeting the requirement of this paragraph there may be added to Net Revenue for any Fiscal Year any amounts withdrawn from the Rate Stabilization Fund and deposited in the Port Revenue Fund. There shall be subtracted from Net Revenue for any Fiscal Year any amounts withdrawn from the Port Revenue Fund and deposited into the Rate Stabilization Fund in such Fiscal Year.

The City hereby covenants that it will not construct, operate or enter into any agreement permitting or facilitating the construction or operation of any facilities that will compete with the operations of the Port Facilities unless it has first obtained a certificate from a Consultant to the effect that such agreement will not materially and adversely affect the City's ability to comply with the rate covenant set forth in this subsection (a).

If either of the rate covenants set forth above is not met in any Fiscal Year, the City will retain a Consultant to make recommendations regarding the operation of the Port Facilities and the rentals, tariffs, rates, fees and charges established for use of the Port Facilities. The City shall not be in default under this subsection (a) so long as the Council, to the extent permitted by law, within the next Fiscal Year, adopts the recommendations of such Consultant regarding the operations of the Port Facilities and any changes in rentals, tariffs, rates, fees and charges for use of the Port Facilities.

(b) Operation and Maintenance of Port Facilities and Maintenance of Powers. That it will at all times maintain and keep the Port Facilities in good repair, working order and condition, and will at all times operate the Port Facilities and the business in connection therewith in an efficient manner and at a reasonable cost. The City will enforce all contracts, operating agreements and other arrangements for the management or use of Port Facilities to maintain any material sources of Port Revenue derived therefrom. The City will maintain the powers, functions, duties and obligations now reposed in it to operate the Port Facilities in accordance with the City's charter and laws of the State of Alaska, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to delay or imperil payments of principal of or interest on the Bonds or the performance of any of the covenants to be performed by the City under this ordinance.

(c) Sale or Disposition. That it will not sell or otherwise dispose of all the Port Facilities unless provision is made for payment into the Bond Fund of a sum sufficient to pay the principal and interest of all the outstanding Parity Bonds in accordance with the terms thereof, nor will it sell or otherwise dispose of any real or personal property constituting the Port Facilities unless (i) the City replaces such property with property that produces approximately the same amount of revenue or (ii) the City provides for payment into the Bond Fund of one of the following (as the Council may determine in its sole discretion):

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

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

(3) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding (as defined above) that the book value of the portion of the Port Facilities sold or disposed of bears to the book value of all of the Port Facilities immediately prior to such sale or disposition; and

the City obtains a certificate from a Consultant to the effect that the Port Facilities remaining after such sale or disposition shall provide sufficient Port Revenue to pay when due the principal of and interest on the Parity Bonds that remain outstanding.

Any such money so paid into the Bond Fund shall be used to retire Parity Bonds at the earliest possible date

Notwithstanding anything in this Section 7.3(c) to the contrary, the City may sell or otherwise dispose of any part of the Port Facilities with a value less than 5% of the net book value of the Port Facilities or that has become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Port Facilities, or no longer necessary, material to or useful in such operation, without making any deposit into the Bond Fund.

(d) Annual Audit. That it will within a period of 120 days following the close of each Fiscal Year cause an audit of the books and accounts of the Port Facilities to be made by an independent certified public accountant or firm of certified public accountants, which audit shall show the income and expenditures of the Port Facilities, the balance sheet as of the end of such Fiscal Year, comments in regard to the manner in which the City has carried out the requirements of this ordinance, a list and amount of insurance policies in force on any part of the Port Facilities, and the number and classification of Port Facilities customers.

(e) Insurance. That it will at all times carry fire and extended coverage, commercial general liability and property damage and such other forms of insurance with responsible insurers and with policies payable to the City for the full replacement value of the real and personal property constituting the Port Facilities.

Section 7.4. Future Parity Bonds. The City hereby covenants and agrees with the owners of the Bonds for as long as they remain outstanding that the City will not create any special fund or funds for the payment of any other port revenue bonds that will rank on a parity with or have any priority over the payments out of the Revenue Fund into the Bond Fund and the accounts therein, except that it hereby reserves the right, for the purpose of refunding any outstanding bonds that are a lien upon Port Revenue and/or the money in such Revenue Fund, or for the purpose of acquiring, constructing and installing additions and improvements to and extensions of and making necessary replacements or other capital improvements to the Port Facilities or any of them, to issue Future Parity Bonds upon compliance with the following conditions:

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

(2) The Future Parity Bonds shall be payable from the Bond Fund, and the ordinance authorizing such Future Parity Bonds shall provide for payments into the Debt Service Account to satisfy any Sinking Fund Requirement applicable to such Future Parity Bonds in accordance with Section 5.1 and payments into the Reserve Account to satisfy the Reserve Requirement in accordance with Section 5.2.

(3) Prior to the delivery of any such Future Parity Bonds the City shall have on file in the office of the City Clerk, a certificate of a Consultant dated not earlier than 90 days prior to the date of delivery of such Future Parity Bonds and showing that the Net Revenue, determined and adjusted as hereafter provided for each Fiscal Year after the issuance of such Future Parity Bonds (the "Adjusted Net Revenue"), will equal at least (i) 1.25 times maximum Annual Debt Service on all Parity Bonds then outstanding, plus the Future Parity Bonds proposed to be issued and (ii) 1.0 times maximum Annual Debt Service on all Parity Bonds then outstanding, plus the Future Parity Bonds proposed to be issued, plus the maximum amount of KDC Lease Payments due in any Fiscal Year after the issuance of such Future Parity Bonds (based on a Consultant's calculation of projected increases, if any, in the KDC Lease Payments under the terms of the KDC Lease), plus the maximum amount of annual debt service required for any Junior Lien Obligations then outstanding.

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

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

(ii) any increase or decrease in Net Revenue estimated by such Consultant to result from any additions or improvements to the Port Facilities that (a) became fully operational subsequent to the beginning of such twelve-month period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Future Parity Bonds to be issued.

Such Consultant shall base this certification upon, and the certificate shall have attached thereto, financial statements of the City, certified by the Finance Director, showing income and expenses for the period upon which the same is based.

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

(4) Instead of the certificate described in subsection (3) above, the City may issue Future Parity Bonds if, at or prior to the delivery of such Future Parity Bonds, the Finance Director shall have certified that the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds equals at least (i) 1.25 times maximum Annual Debt Service on all Parity Bonds then outstanding, plus the Future Parity Bonds proposed to be issued and (ii) 1.0 times maximum Annual Debt Service on all Parity Bonds then outstanding, plus the Future Parity Bonds proposed to be issued, plus the maximum amount of KDC Lease Payments due in any Fiscal Year after the issuance of such Future Parity Bonds (based on a Consultant's calculation of projected increases, if any, in the KDC Lease Payments under the terms of the KDC Lease), plus the maximum amount of annual debt service required for any Junior Lien Obligations then outstanding.

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

Section 7.5. Junior Lien Obligations. The City may issue revenue bonds or other obligations that are a charge upon the Port Revenue or the money in the Port Revenue Fund junior or inferior to the payments to be made into the Bond Fund and the Reserve Account and junior or inferior to the City's obligation to make KDC Lease Payments ("Junior Lien Obligations") upon compliance with the following conditions:

(1) That at the time of the issuance of such Junior Lien Obligations there is no deficiency in the Bond Fund or any accounts therein.

(2) Prior to the delivery of any such Junior Lien Obligations the City shall have on file in the office of the City Clerk, a certificate of a Consultant dated not earlier than 90 days prior to the date of delivery of such Junior Lien Obligations and showing that the Net Revenue, determined and adjusted as provided in Section 7.4(3) hereof for each Fiscal Year after the issuance of such Junior Lien Obligations (the "Adjusted Net Revenue"), will equal at least 1.0 times maximum Annual Debt Service on all Parity Bonds then outstanding, plus the maximum amount of KDC Lease Payments due in any Fiscal Year after the issuance of such Junior Lien Obligations (based on a Consultant's calculation of projected increases, if any, in the KDC Lease Payments under the terms of the KDC Lease), plus the maximum amount of annual debt service required for any Junior Lien Obligations then outstanding, plus the Junior Lien Obligations proposed to be issued.

(3) Instead of the certificate described in subsection (2) above, the City may issue Junior Lien Obligations if, at or prior to the delivery of such Junior Lien Obligations, the Finance Director shall have certified that the Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Junior Lien Obligations equals at least 1.0 times maximum Annual Debt Service on all

Parity Bonds then outstanding, plus the maximum amount of KDC Lease Payments due in any Fiscal Year after the issuance of such Junior Lien Obligations (based on a Consultant's calculation of projected increases, if any, in the KDC Lease Payments under the terms of the KDC Lease), plus, plus the maximum amount of annual debt service required for any Junior Lien Obligations then outstanding, plus the Junior Lien Obligations proposed to be issued.

Notwithstanding the foregoing provisions of this Section 7.5 or anything else contained in this ordinance, the City may issue Junior Lien Obligations to refund maturing bonds or obligations for the payment of which money is not otherwise available.

Section 7.6. Tax Covenants; Special Designation.

(a) General. The City intends that interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Code, and the applicable regulations. The City covenants not to take any action, or knowingly omit to take any action within its control, that if taken or omitted would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes.

(b) Federal Tax Certificate. Upon the issuance of the Bonds, the Finance Director is authorized to execute a federal tax certificate (the "Federal Tax Certificate"), which will certify to various facts and representations concerning the Bonds, based on the facts and estimates known or reasonably expected on the date of issuance of the Bonds, and make certain covenants with respect to the Bonds, including the following:

(1) *No Arbitrage Bonds.* The City hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the City that may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the applicable regulations thereunder that will cause the Bonds to be "arbitrage bonds" within the meaning of said Section and said regulations. The City will comply with the applicable requirements of Section 148 of the Code (or any successor provision thereof applicable to the Bonds) and the applicable regulations thereunder throughout the term of the Bonds.

(2) *No Federal Guarantee.* The City has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted would cause the Bonds to be "federally guaranteed" within the meaning of the Code, as further described in the Federal Tax Certificate.

(3) *Arbitrage Rebate.* The City will pay the Rebate Amount, if any, to the United States of America at the times and in the amounts necessary to meet the requirements of the Code to maintain the federal income tax exemption for interest payments on the Bonds, in accordance with the Federal Tax Certificate.

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

Section 7.7. Repair and Replacement Fund. There is hereby authorized to be established a special fund of the City designated as the "Port of Ketchikan Repair and Replacement Fund" (the "Repair and Replacement Fund"). Beginning on November 1, 2008, and on each November 1 thereafter, the City shall pay into the Repair and Replacement Fund, out of money in the Port Revenue Fund available after making the payments described in paragraphs First through Fifth in Section 7.1, an amount equal to 5% of total Port Revenue received during the preceding Fiscal Year. Such payments shall continue until, and resume as necessary after any discontinuance so that, the total amount on deposit in the Repair and Replacement Fund equals at least the greater of (i) \$750,000 or (ii) the amount specified by a Consultant based on a life cycle analysis prepared for the City not less than once every three years. The City shall use money on deposit in the Repair and Replacement Fund only for paying the cost of extensions, improvements to or additions to or the replacement of capital assets of the Port Facilities, including extraordinary repairs; provided, however, that if at any time money on deposit in the Bond Fund is insufficient to make any payment required therefrom, the City may withdraw money from the Repair and Replacement Fund to the extent of such deficiency.

ARTICLE VIII MISCELLANEOUS

Section 8.1. Ordinance a Contract. This ordinance shall constitute a contract with the owners of the Bonds, enforceable by the owners of the Bonds by mandamus or any other appropriate suit or action in any court of competent jurisdiction.

Section 8.2. Benefits of Ordinance Limited. Nothing in this ordinance, expressed or implied, is intended or shall be construed to confer upon or give to any person or corporation other than the City, the Registrar, the Bond Insurer, and the owners from time to time of the Bonds any rights, remedies or claims under or by reason of this ordinance or any covenant, condition or stipulation thereof; and all the covenants, stipulations, promises and agreements in this ordinance contained by or on behalf of the City shall be for the sole and exclusive benefit of the City, the Registrar, the Bond Insurer, and the owners from time to time of the Bonds.

Section 8.3. Sale of the Bonds; Ongoing Disclosure. The Finance Director is hereby authorized to negotiate the sale of the Bonds to the Bond Bank or to RBC Capital Markets on terms and conditions, consistent with this ordinance. The terms and conditions of the Bonds shall be set forth in a Loan Agreement by and between the City and the Bond Bank or in a bond purchase agreement by and between the City and RBC Capital Markets, as applicable, and shall include the series, the aggregate principal amount of each series, the date, first Interest Payment Date, maturity schedule, interest rates, and redemption provisions of the Bonds, provisions for an undertaking for ongoing disclosure with respect to the Bonds, provisions for current or future delivery of the Bonds, provisions for a Bond Insurance Policy, and any other matters provided for by or not in conflict with this ordinance and subject to the Council's approval by the Sale Resolution. If the Loan Agreement or bond purchase agreement negotiated pursuant to this Section 8.3 provides for the issuance of a Bond Insurance Policy, the Council may, by the Sale Resolution (notwithstanding any provisions of Section 8.5 of this ordinance to the contrary), modify or supplement any terms of this ordinance as may be required to comply with the Bond Insurer's commitment to provide such Bond Insurance Policy. The authority delegated to the

Finance Director to provide for sale of the Bonds shall terminate on December 31, 2006, unless hereafter extended by resolution of the Council.

Section 8.4. General Authorization; Prior Acts. The Mayor, City Manager, City Clerk and Finance Director of the City and any other appropriate officers of the City are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, papers, financing statements, assignments or instruments as in their judgment may be necessary, appropriate or desirable to carry out the terms and provisions of, and complete the transactions contemplated by, this ordinance. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 8.5. Amendments.

(a) Without Consent of Bondowners. The Council from time to time and at any time may adopt an ordinance or ordinances supplemental hereof, which ordinance or ordinances thereafter shall become a part of this ordinance, for any one or more or all of the following purposes:

(1) To add to the covenants and agreements of the City in this ordinance other covenants and agreements thereafter to be observed that do not adversely affect the interests of the owners of the Bonds in any material respect, or to surrender any right or power herein reserved to or conferred upon the City.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance in regard to such matters or questions as the Council may deem necessary or desirable and not inconsistent with this ordinance and that do not adversely affect the interests of the owners of the Bonds in any material respect.

(3) To amend or supplement any provision contained in this ordinance for the purpose of obtaining or maintaining a rating on the Bonds or the Bond Bank Bonds so long as such amendment or supplement is not inconsistent with this ordinance and will not adversely affect the interests of the owners of the Bonds in any material respect.

Any such supplemental ordinance of the Council may be adopted without the consent of the owners of the Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section; provided, however, that the City shall obtain an opinion of nationally recognized bond counsel to the effect that such supplemental ordinance complies with this subsection (a) and will not adversely affect the interests of the owners of the Bonds in any material respect.

(b) With Bondowners' Consent. With the consent of the Bond Insurer, if any, or of owners representing 65% of the principal amount of the Bonds, the Council may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall extend

the fixed maturity of any Bond, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the prepayment thereof, without the consent of the owner of such Bond.

It shall not be necessary for the consent of Bondowners under this subsection (b) to approve the particular form of any proposed supplemental ordinance, but it shall be sufficient if such consent shall approve the substance thereof.

(c) Effective Date of Supplemental Ordinance. Upon the adoption of any supplemental ordinance pursuant to the provisions of this Section 8.5, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City under this ordinance and the owners of the Bonds shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes.

Section 8.6. Severability. If any one or more of the covenants or agreements provided in this ordinance on the part of the City to be performed shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds issued hereunder.

Section 8.7. Effective Date. This ordinance shall be in full force and effect immediately one month after its final passage and publication.

PASSED in first reading on the April 20, 2006.

FINAL PASSAGE ON June 1, 2006.

CITY OF KETCHIKAN, ALASKA

By Bob Weinstein
Bob Weinstein, Mayor

ATTEST:

Katherine M. Suiter
Katherine M. Suiter, City Clerk

EFFECTIVE DATE: 7/02/2006			
ROLL CALL	YEA	NAY	ABSENT
NORTON	X		
COYNE	X		
K. HARRIS	X		
WEST	X		
FREEMAN	abstain		
WILLIAMS	X		
J. HARRIS	X		
MAYOR			

Exhibit H



Robert Sivertsen, Mayor
334 Front Street
Ketchikan, AK 99901

(907) 228-5603 phone
(907) 225-5075 fax

February 15, 2021

Representative Dan Ortiz
Legislative Information Office
1900 First Ave., Suite 310
Ketchikan AK, 99901
Via email

Senator Bert Stedman
Legislative Information Office
1900 First Ave., Suite 310
Ketchikan AK, 99901
Via email

**RE: Request to Reappropriate FY 2020 Designated Legislative Grant Per AS
37.05.315, Grants to Municipalities**

Dear Representative Ortiz and Senator Stedman,

With regard to the above referenced subject, the Ketchikan City Council requests your offices seek a reappropriation of the FY 2020 Designated Legislative Grant appropriated to the City of Ketchikan for the purposes of mitigating the risk of the coronavirus disease (COVID-19) at the Port of Ketchikan.

In May 2020, the City of Ketchikan was notified by the Department of Commerce, Community, and Economic Development that it was appropriated \$1,100,300.50 in Commercial Passenger Vessel (CPV) excise tax funds per AS 37.05.315 as a FY 2020 Designated Legislative Grant (please see the attached award notice). The City has worked with Grants Administrator Robin Park to identify eligible projects for these funds and has sought to use the grant for debt service and lease payments at the Port of Ketchikan. Ms. Park deemed this use to not be in line with the intent of the legislation, which is to mitigate the risk of COVID-19 and, as the funding source is from CPV revenues, the funds must be expended on mitigation measures at the Port of Ketchikan.

As your offices are well aware, the possibility of a 2021 cruise season remains very uncertain. At best, the City anticipates to see passengers in any appreciable volume in July or later. This is beyond the State's fiscal year and the timeframe in which these funds must be spent. To date, the Centers for Disease Control and Prevention (CDC) has offered no additional guidance to cruise lines beyond what is contained in the agency's Framework for Conditional Sailing issued in October 2020. Port communities like Ketchikan cannot plan for port mitigation measures when the expectations from the CDC and cruise lines have yet to be established. Furthermore, if a 2021 cruise season does not materialize, mitigation measures would be moot and the use of these funds would be ill-spent.

The City finds that a more appropriate and needed use of these funds would be toward debt service and lease payments at the Port of Ketchikan. Despite no revenues in 2020, the City's Port Enterprise Fund is bound to its annual debt service obligations of \$2,623,750 for the construction of Berth III and the lease payment obligations of \$2,119,000 for use of Berth IV. Under the absence of cruise activity in 2021, the Port Enterprise fund will show a (\$2,085,803) balance by year-end as it continues to hemorrhage from lost revenues and the payments it is legally obligated to make. The Port Enterprise Fund is in an extremely precarious position and is not well positioned for a

return to cruise in 2022. These deep losses further hamper the Port's ability to respond to costly infrastructure maintenance and improvements expected within the coming years.

With so much uncertainty surrounding a resumed 2021 cruise season, the City believes that these grant funds would be much better spent mitigating the Port's financial losses, rather than mitigating viral risks associated with cruise activity that may not even occur within the project period. This need is established, quantifiable, and immediate and insulates the community of Ketchikan from further financial impacts caused by the pandemic. The City has historically used CPV funds for these payments, and simply requests that the State of Alaska allow this continued use in these unprecedented circumstances. The City asks for your assistance in broadening the use of these Designated Legislative Grant funds so that they may be used for COVID-19 financial impact mitigation as well as viral risk mitigation.

Should you have any questions on this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Sivertsen". The signature is fluid and cursive, with the first name "Robert" and last name "Sivertsen" clearly distinguishable.

Robert Sivertsen
Mayor

Cc: City of Ketchikan Councilmembers
Karl R. Amylon, City Manager
Lacey Simpson, Assistant City Manager
Michelle Johansen, Finance Director
Mark Hilson, Acting Port & Harbors Director
Ray Matiashowski, City of Ketchikan Lobbyist



THE STATE
of **ALASKA**
GOVERNOR MIKE DEERLY

Department of Commerce, Community,
and Economic Development

DIVISION OF COMMUNITY AND REGIONAL AFFAIRS
Bureau Office

1000 North Steese Blvd
Juneau, Alaska 99801
Phone: 907-586-3000
Fax: 907-586-3001

April 29, 2020

City of Ketchikan
Karl Amylon, City Manager
334 Front Street
Ketchikan 99901

RECEIVED
MAY 11 2020
City Manager's Office
334 Front Street
Ketchikan, AK 99901

RE: FY 20 Designated Legislative Grant

Dear Mr. Amylon:

I am pleased to notify you the City of Ketchikan has been appropriated a FY 2020 Designated Legislative Grant per AS 37.05.315, Grants to Municipalities, for the purpose of Mitigating the risk of COVID-19. The amount of state funding appropriated for this grant is \$1,100,300.50.

In order to receive grant funds, a grant agreement must be executed. Please provide the following information within 30 days:

- A scope of work for this project which includes a detailed project description, proposed timeline and detailed budget narrative.
- Original completed Signatory Authority Form (enclosed).

Upon receipt of the requested information, I will prepare and send the grant agreement for signature. Please note: Grant recipients will be required to provide a final summary report once the project is complete.

The latest Designated Legislative Handbook is available online at:

<https://www.commerce.alaska.gov/web/dcra/GrantsSection/DLGrants.aspx> and should answer any questions you have regarding management and use of grant funds.

Congratulations on this award. I look forward to working with you to ensure the success of this project. If you have any additional questions, contact me via phone at (907)465-4731 or email robin.park@alaska.gov.

Sincerely,

Robin Park
Grants Administrator II

Enclosure

**Ketchikan Public Utilities
2021 - 2025 Capital Improvement Program
2021 Capital Budget
Proposed Reductions to Offset Loss of Cruiseship Season**

Department/Division/Project	Adopted Project Budget	Revised Project Appropriation	Net Savings
Administration			
Financial & Accounting Information System	20,000	0	(20,000)
Administration Division Total	20,000	0	(20,000)
Sales, Marketing & Customer Service			
None			
Sales, Marketing & Customer Service Division Total	0	0	0
Electric Division			
Beaver Falls Project Relicensing	120,000	120,000	
Bailey Unit No. 3 Rehabilitation	400,000	400,000	
Bailey Unit No. 1 Rehabilitation	850,000	550,000	(300,000)
Diesel Generation Modernization	60,000	60,000	
Beaver Falls Switch Gear Replacement	1,535,000	1,535,000	
Whitman Tailrace Modification	25,000	25,000	
Bailey Generator Radiator Replacement	25,000	25,000	
Ketchikan International Airport & Pennock Is. Upgrade	50,000	50,000	
Silvis Substation Upgrade	125,000	0	(125,000)
AMI, Meters and Meter Replacement Parts	65,000	65,000	
Transformer Purchase	85,000	85,000	
Battery System and Chargers	19,000	19,000	
Reimbursable Projects	25,000	25,000	
Warehouse Roof Repair and Replacement	220,000	220,000	
Operating Equipment	263,000	183,000	(80,000)
Additional Projects	164,000	64,000	(100,000)
Electric Division Total	4,031,000	3,426,000	(605,000)

Ketchikan Public Utilities
2021 - 2025 Capital Improvement Program
2021 Capital Budget
Proposed Reductions to Offset Loss of Cruiseship Season

Department/Division/Project	Adopted Project Budget	Revised Project Appropriation	Net Savings
Telecommunications Division			
Normal Growth and Repair - Buildings	10,000	10,000	
Normal Growth and Repair - Copper Cable	10,000	10,000	
Normal Growth and Repair - Fiber Cable	100,000	100,000	
Normal Growth and Repair - CO Transmission	150,000	150,000	
Normal Growth and Repair - Expansion	5,000	5,000	
Normal Growth and Repair - Provisioning	10,000	10,000	
Fiber to the Home	50,000	40,000	(10,000)
Remote Cabinets for Advanced Services	10,000	0	(10,000)
Core Network Upgrade	100,000	65,000	(35,000)
Server Environment	50,000	50,000	
Multi-Dwelling Unit Project	100,000	100,000	
Operating Equipment	15,000	5,000	(10,000)
PC Hardware & Software	40,000	40,000	
Power Expansion/Reclamation	5,000	5,000	
Network Monitoring	100,000	100,000	
Headend Expansion	10,000	10,000	
Video Set Top Boxes	25,000	25,000	
4G LTE	60,000	60,000	
Hosted	100,000	90,000	(10,000)
Wi-Fi	50,000	25,000	(25,000)
Internet Expansion ¹	1,175,000	1,175,000	
Telecommunications Division Total	2,175,000	2,075,000	(100,000)

**Ketchikan Public Utilities
2021 - 2025 Capital Improvement Program
2021 Capital Budget
Proposed Reductions to Offset Loss of Cruiseship Season**

Department/Division/Project	Adopted Project Budget	Revised Project Appropriation	Net Savings
Water Division			
Filtration Facility-Preliminary Preparation Tasks	386,700	386,700	
Schoenbar Water Mains - (Charter School - Middle School) ¹	7,092,499	7,092,499	
Water Meters - Business & Commercial Customers ¹	756,178	756,178	
Federal Act - Risk & Resilience Assessment	150,000	50,000	(100,000)
SCADA PLC Controllers	260,000	260,000	
Water Distribution Grid Improvements	30,000	30,000	
Additional Projects	40,000	40,000	
Water Service Upgrade Program	15,000	15,000	
Backflow Prevention Program	15,000	15,000	
Water Division Total	8,745,377	8,645,377	(100,000)
GRAND TOTAL	14,971,377	14,146,377	(825,000)

¹ Projects funded through Revenue Utility Bonds.