

“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 hercof 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 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 Svendsen 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" written in a larger, more prominent script than the last name "Sivertsen".

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 Matiasowski, City of Ketchikan Lobbyist



THE STATE  
of ALASKA  
GOVERNOR WESLEY DENNEY

Department of Commerce, Community,  
and Economic Development

DIVISION OF COMMUNITY AND REGIONAL AFFAIRS  
1000 CHITINA

April 29, 2020

City of Ketchikan  
Karl Amylon, City Manager  
334 Front Street  
Ketchikan 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](mailto:robin.park@alaska.gov).

Sincerely,

Robin Park  
Grants Administrator II

Enclosure

# Exhibit I

## 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
<b>Administration</b>			
Financial & Accounting Information System	20,000	0	(20,000)
<b>Administration Division Total</b>	<b>20,000</b>	<b>0</b>	<b>(20,000)</b>
<b>Sales, Marketing &amp; Customer Service</b>			
None			
<b>Sales, Marketing &amp; Customer Service Division Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Electric Division</b>			
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	184,000	64,000	(100,000)
<b>Electric Division Total</b>	<b>4,031,000</b>	<b>3,426,000</b>	<b>(605,000)</b>

**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
<b>Telecommunications Division</b>			
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 <sup>1</sup>	1,175,000	1,175,000	
<b>Telecommunications Division Total</b>	<b>2,175,000</b>	<b>2,075,000</b>	<b>(100,000)</b>

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

Department/Division/Project	Adopted Project		Revised Project Appropriation	Net Savings
	Budget			
<b>Water Division</b>				
Filtration Facility-Preliminary Preparation Tasks	386,700		386,700	
Schoenbar Water Mains - (Charter School - Middle School) <sup>1</sup>	7,092,499		7,092,499	
Water Meters - Business & Commercial Customers <sup>1</sup>	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	
<b>Water Division Total</b>	<b>8,745,377</b>		<b>8,645,377</b>	<b>(100,000)</b>
<b>GRAND TOTAL</b>	<b>14,971,377</b>		<b>14,146,377</b>	<b>(825,000)</b>

<sup>1</sup> Projects funded through Revenue Utility Bonds.

March 18, 2021

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

Moved by Flora, seconded by Zenge 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.

Manager Amylon felt everyone knows what the score is in terms of the 2021 cruise season. He indicated he had forwarded to the Council a memo from Bermello Ajamil and Partners, Inc. (B&A) today that they are now predicting it will be April 2022 before we see foreign flag vessels return to Alaska. He informed staff has put together a mitigation plan for both General Government and Ketchikan Public Utilities.

- **General Government:**
  - **The most impacted funds would be:**
    - The General Fund.
    - Hospital Sales Tax Fund.
    - Public Works Sales Tax Fund.
    - Commercial Passenger Vessel (CPV) Fund.
    - Port Enterprise Fund.

Manager Amylon informed those funds would be impacted by \$8.91 million in lost revenues. He said this information was put in a table to summarize the projected losses to show a comparison between what would be revised projected reserves and what would be the recommended year-end reserves for each of the funds according to the fund balance policy that the Council adopted a number of years ago. He indicated in each case the reserves will fall far short of what would be the recommended level. He said clearly the most impacted fund is the Port Enterprise Fund due to lost revenues from the passenger wharfage and dockage fees. He said once they defined what the problem was, staff started to bring together what we thought would be possible ways to address the shortfalls. He said staff identified a number of things that could come into play such as:

- **The American Rescue Plan Act of 2021 which President Biden signed into law:**
  - From that Ketchikan would receive approximately \$1.7 million in direct relief under that plan. He said guidance is still being drafted. He indicated the amount could be more or less, and come in multiple years. He said it was his recommendation to direct these funds to the General Fund in order to mitigate the loss of sales tax and other revenues.
- **Labor Mitigation Measures:**
  - The ten vacant positions that were identified during budget deliberations to remain vacant for the balance of 2021. He said we are short one position in the Fire Department that staff identified as a retirement that will not happen, and in order to maintain the budget levels established during budget deliberation in December, he is asking the Council for authorization to layoff one firefighter/EMT on or about April 16, 2021 to keep to that threshold.
  - Suspend parking enforcement, due to the lack of cruise ships. He said if that is something the Council wishes to consider, it is staff's recommendation that the parking enforcement specialist be laid off on or about April 16, 2021.

March 18, 2021

- Defer Capital Spending:
  - Staff looked at various projects that were programmed for 2021, and identified those projects that could be deferred. He indicated this creates a significant amount of savings.

Mr. Amylon went on to say staff has programmed approximately \$865,000 worth of projects and recommended that all of those be placed on hold, noting those funds be set aside for transfer over to the Port Enterprise Fund along with some other CPV reserves for a total of \$3.1 million dollars. He said this will be necessary in order to keep the Port Enterprise Fund solvent through the end of 2021. He indicated the finance director and himself are recommending those funds be transferred in the form of a loan. He said they didn't feel it would be appropriate for that money to be lost in order to bail out the Port Enterprise Fund. He said normally those funds are used for either waterside or upland projects in the immediate downtown area, and that money should be placed on a repayment schedule in order to address those future needs. He said if you take everything together and apply as outlined in the report, staff is able to get the General Fund to a comfortable level moving into 2022 with sufficient reserves. He informed the Port Enterprise Fund is not ideal, but it will be carrying about \$2 million dollar surplus, if the City is successful in appropriating the \$1.1 million COVID response grant that the legislature gave the City early last year. He indicated many municipalities within the State are having trouble with that grant and are petitioning the legislature as we are for re-appropriation. He said if that does happen staff is recommending those funds be applied to port debts service or the Berth IV lease payments. He said the Hospital Sales Tax Fund and the Public Works Sales Tax Fund don't change much in terms of the mitigation measures staff proposed, noting staff is in discussions with PeaceHealth about sharing the expense to replace the bad hospital roof, and they have indicated they are open to that concept. He indicated if the Council adopts the measures that were outlined, we will be fine in those funds.

Mr. Amylon said the KPU Enterprise Fund is not as straight forward as the General Government Funds. He said they tried to put together information based on what has been incurred since the pandemic began in regards to accounts in arrears or delinquent that will not be recouped. He said we are roughly in a position where this fund will need \$810,000 in mitigation measures. He indicated this was put together primarily by keeping a couple positions vacant, and deferring capital projects. He said by doing this staff was able to make up the loss and actually have reserves in the KPU Enterprise Fund.

Mr. Amylon summarized both sides of the government will have hiring freezes, which includes the ten positions identified during budget deliberations and freezing the finance department's Controller position for the time being and a few positions on the KPU side. He said as identified in his manager reports the payroll coordinator is retiring in the fall and we lost an Information Technology employee last week. He felt in those two cases we have to recruit for replacements. He indicated the bottom line is the finance director and himself believe these are reasonable responses under the circumstance, and we are looking for Council concurrence or modification if Council feels there are adjustments that need to be made. He said the finance director and himself will try and answer any questions the Council may have.

Councilmember Flora questioned if the Council accepts staff's plan as presented, what would be the timeline to revisit the results to modify as needed before the end of the year.

In answer to Councilmember Flora, Manager Amylon felt this plan will have to be evaluated and fine-tuned on a monthly basis depending on circumstances. He pointed out we know we have the resources and the CPV funds to keep the Port Fund solvent. He said he agreed with one thing that Mr. Parks stated was this will be a multiyear recovery, and we want to move slowly. He informed as positions become vacant we will need to look at them on a case by case basis, and we will do the same on the KPU side. He indicated we have the luxury of time and have been recruiting for a number of these positions for many months without any luck, noting we may see additional savings

March 18, 2021

there that haven't been identified. He said he would speak with the finance director to see if there is a way to provide the Council with a monthly savings or impact report on the mitigation plan to try and identify whether we are achieving the desired levels.

Councilmember Flora said he would like to see this report as an agenda item rather than a managers report in case the Council wants to weigh in, offer suggestions or take action.

Councilmember Gass questioned if we proceed with this mitigation plan are those two positions to be cut are people who are actively working, and will they lose their job. He felt it would be prudent as the Council to take a 1/3 cut for a year, which would set a precedence and shows leadership.

In answer to Councilmember Gass, Manager Amylon said that was correct.

Councilmember Zenge questioned if we reduce the hours for our non-essential services, such as the library, the Ted Ferry Civic Center and the museum and keep essential services would we be able to keep the fireman/EMT position. She felt it didn't make sense to cut a fireman/EMT position with domestic violence on the rise.

Mayor Sivertsen said during budget, he thought the fire chief had said he could eliminate two positions, and still manage shifts.

Manager Amylon said in both the Police and Fire Departments staffing was predicated on a reduction of positions. He said in answer to Councilmember Zenge we can program reduction in hours for non-represented employees, but if we are only talking one position he would recommend keeping the position and let staff find the money another way.

Mayor Sivertsen questioned where we are at with parking enforcement.

Manager Amylon said we not enforcing parking downtown because City Hall is not open to the public which allows them to come in and buy parking permits and file parking appeals. He said City Hall would probably open up shortly under the present conditions as set by the Emergency Operations Center (EOC). He indicated from past comments the Council didn't want to add to peoples worries with parking enforcement, and gave direction to staff to suspend parking enforcement.

Councilmember Bradberry questioned if besides parking did the parking enforcement specialist check the stop signs, yellow marks, no parking and loading zones throughout the community. She also asked if the City would consider selling City owned properties.

In answer to Councilmember Bradberry, Manager Amylon indicated that parking enforcement is primarily done in the downtown area and the parking lots on the west end. He said they do not enforce parking in the residential neighborhoods because they don't have the staff.

Manager Amylon stated in regards to selling City property there had been previous discussion with the Council before on this subject, and the Ketchikan Municipal Code requires us to obtain an appraisal for each property the City wants to sell, which would be time consuming and is not at the top of their list, but it is something staff can look at. He didn't feel this would raise enough in terms of revenue mitigation versus the other things in the mitigation plan on the table tonight. He said he can bring this conversation back to Acting Port & Harbors Director Hilson and City Attorney Seaver for their input.

Councilmember Bradberry said yes it is a lot of work for the smaller properties, but have we ever considered selling the Ted Ferry Civic Center, noting she knows people who would be interested in it, as it costs the City \$750,000 to operate it annually. She wondered if we could look at the larger properties that would continue to operate without the City's ownership to try and save on the labor side, and to continue our essential services throughout the pandemic.

March 18, 2021

In answer to Councilmember Bradberry, Manager Amylon said that would be a policy issue the Council would have to discuss and give direction on. He said many years ago he was tasked to try to privatize both the Ted Ferry Civic Center and the Gateway Center for Human Services. He informed we did privatize Gateway, but had no takers on the Civic Center. He felt this would have to be researched before you can make that determination. He said there may be some type of restriction or covenant due to the federal funding that was involved at the time the building was constructed. He indicated if that is the direction the Council, staff could move forward.

Councilmember Bradberry said in terms of the Port Enterprise Fund does that include no reduction or negotiations with Survey Point Holding on reducing our monthly payment with no cruise.

In answer to Councilmember Bradberry, Manager Amylon said no reduction in the Berth IV lease were included in that projection.

Councilmember Flora questioned how close the parking enforcement specialist position and the cost of operations were supported by revenue received. He said if we know how close that position is to revenue neutral, and the Council agreed collectively to take a reduction in salary to preserve the position, he said this was a conversation he was willing to have. He questioned if the projected layoff position on the Fire Department side was currently active.

In answer to Councilmember Flora, Manager Amylon said he didn't know if the revenues collected by parking enforcement specialist covered the employees expenses, but he could get those numbers. He stated the Fire Department position is currently occupied, and he could not respond if that person was currently active because of personnel matters that are pending.

Councilmember Gage said she brought this up last year, and has no problem with reducing Council salary as Councilmember Gass commented on, however with all of us combined the savings is only \$79,000. She felt if we are going down this road and we want to talk about taking one for team our management positions should also, and suggested a 20% temporary salary reduction. She indicated if we continue to layoff our work force we will only have management, and felt this should be revisited.

Councilmember Gass said he had three points, one in reference to comments made by Councilmember Zenge. He said he has heard this a lot from various organizations who have reduced their work hours in similar situations. He said he agreed with Councilmember Gage that the City seems to be a little top heavy, and felt it would be worth looking at. He questioned why City Hall is still closed to the public, since three quarters of our seniors are vaccinated and vaccinating is open to everyone. He felt that our community is in a safer situation, and City Hall should be open.

In answer to Councilmember Gass, Manager Amylon stated the decision to close City Hall was made in conjunction with direction from the EOC. He indicated he would discuss this with the EOC Incident Commander to see what his present direction is, and would bring it back to the Council.

Councilmember Flora said he agreed with comments made by Councilmember Zenge in regards to a reduced work week. He felt this could possibly be our next step, and is one of the reasons he asked for monthly mitigation updates from staff.

Councilmember Gage agreed and felt it is something we should look into. She stated the State implemented closure of their offices to close at noon on Fridays, and it is working for them.

March 18, 2021

Mayor Sivertsen informed we have contracts in place for 40-hour work weeks that we would have to reopen and negotiate. He said with the reduction in hours we need to make sure we can still get the work done to provide the services the City offers. He indicated as we all heard we are scrambling through a lot of stuff, and a lot of departments are short staffed already. He said it puts a lot of strain on everyone else to try and make up the difference.

Manager Amylon clarified you are talking about a variety of measures as he understands it to avoid the layoff of two people, one of which may be a non-issue if the revenue projections outweighs the expenditures or if Council wants to continue parking enforcement for the rest of the year. He said if you want to continue parking enforcement for the rest of the year then the layoff isn't an issue, and then we are down to one position within the Fire Department. He said from his perspective the measures that everyone is talking about represent a more significant problem. He pointed out if you are accepting the figures as presented, as sufficient to mitigate the revenue losses from the cruise ships season then you are only talking about the elimination of one position. He indicated he would rather go back through the General Government budgets and come up with savings somewhere else to save that one position, but if the Council wants to go down that road than staff can do it.

Mayor Sivertsen said as he recalls the parking enforcement position doesn't pay for itself from the revenue collected. He felt these are mitigations we talked about at budget time and he didn't see any reason not to continue with them.

Councilmember Zenge said she didn't see why the reluctance to approach the employees at the Civic Center, Library and Museum to ask them if they would be interested in working a reduced work week. She said she knows of other organizations that this has worked for them, opposed to laying off people. She felt there are folks who may be interested in a four day work week. She said they have done it at the State level and it didn't end up affecting them as much as they thought it would.

Manager Amylon said he would be glad to have those conversations with the non-represented employees.

Councilmember Gass said with an unforeseeable future we should be looking at the least painful areas to make significant cuts. He didn't see anything negative by putting this option out there to see who is interested. He said he would support this measure.

Councilmember Bradberry questioned if this plan has taken into account our reserves for the 2022 season.

In answer to Councilmember Bradberry, Manager Amylon said they have not predicated anything or made any assumptions for 2022. He stated this analysis was to get us through 2021 and establish reserves in the various funds where Council can have a reasonable discussion in the 2022 budget deliberations for General Government and KPU. He said in regards to the unions we are more than able to bring up shorter work weeks as part of the negotiations. He said both contracts for I.B.E.W. have expired. He informed Council has approved an extension contract with the firefighters that would have to be reopened. He would suggest an executive session before going into the negotiations. He said he has one meeting scheduled for KPU I.B.E.W., and have not scheduled anything with General Government I.B.E.W. He said if the Council wants staff to look into reduction of hours either voluntary or mandatory it will have to be done in the contracts too. He said from past experience he would conclude that the unions will not let an individual employee do something different from the others in the bargaining unit, but we can have those discussions as well.

Motion passed with Bergeron, Gass, Kiffer, Gage, Zenge, Bradberry and Flora voting yea.