

POSSIBLE MOTION

I MOVE TO approve Resolution 2012-25 on
first and final reading.

CITY AND BOROUGH OF SITKA
RESOLUTION NO. 2012-25

**A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA,
APPROVING SUBMITTAL AND EXECUTION OF AN APPLICATION TO THE
ALASKA MUNICIPAL BOND BANK TO ISSUE AN AMOUNT OF ELECTRIC
REVENUE BONDS UP TO \$80,500,000 THROUGH THE BOND BANK TO FINANCE
THE CITY AND BOROUGH OF SITKA'S PORTION OF THE BLUE LAKE DAM
HYDROELECTRIC AND DIESEL PLANT UPGRADE PROJECTS**

WHEREAS, The City and Borough of Sitka has recognized a critical need to increase the electric generation capacity of the Blue Lake Dam Hydroelectric Facility by raising the height of the dam and installing additional turbines; and

WHEREAS, The City and Borough of Sitka has also recognized a critical need to increase the electric generation capacity backup diesel generation plant by adding additional diesel generators; and

WHEREAS, an engineer's estimate for the total anticipated combined cost of both projects is \$158,000,000; and

WHEREAS, the State of Alaska, Alaska Energy Authority has awarded the City and Borough of Sitka several grants for the two projects totaling \$56,625,000; and

WHEREAS, the Alaska Energy Authority grants are matching grants requiring financial participation by the City and Borough of Sitka; and

WHEREAS, the City and Borough of Sitka issued electric revenue bonds in December, 2010 which provided partial financing in the amount of \$21,000,000 for the projects, and

WHEREAS, the City and Borough of Sitka has made the obtaining of additional State of Alaska assistance for the project a top legislative priority for fiscal year 2013, and

WHEREAS, the City and Borough of Sitka will ultimately need to borrow a substantial remaining amount to complete both projects, and

WHEREAS, it has been determined that borrowing through bonded indebtedness is the most efficient means of obtaining the funds necessary to provide the City and Borough's portion of the project; and

WHEREAS, it has been determined that utilizing the Alaska Municipal Bond Bank for the issuance of bonded indebtedness is the most efficient and cost-effective method for the Municipality.

47 **NOW, THEREFORE, BE IT RESOLVED** by the Assembly of the City and Borough of Sitka,
48 Alaska that the Administrator is authorized to prepare and submit an application to the Alaska
49 Municipal Bond Bank for the issuance of up to \$80,500,000 in electric revenue bonds through
50 the Bond Bank.

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52 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka,
53 Alaska on this 9th Day of October, 2012.

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Mim McConnell
Mayor

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59 ATTEST

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Colleen Ingman, MMC
Municipal Clerk

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Memorandum

To: Mayor McConnell and Assembly Members
From: Jay Sweeney, Finance Director
Date: 10/3/2012
Re: Application for Electric Revenue Bonds and Associated Resolution

In several previous presentations to the Assembly, Staff has identified the requirement to issue additional electric revenue bonds to both complete the Blue Lake Dam hydroelectric project, and, to raise the required funds to upgrade the stand-by diesel generation facility on Jarvis Street.

The current estimated cost of the Blue Lake Dam hydroelectric project is \$145,000,000 and the estimated cost of the stand-by diesel generation facility project is \$13,125,000, for a total combined cost of \$158,125,000. Of this amount, grants have been received from the State of Alaska in the amount of \$56,625,000. In addition, the 2010 electric revenue bond issue provided \$21,000,000 of new money towards the projects. This leaves a potential shortfall of \$80,500,000.

The City and Borough is approaching the State of Alaska on multiple fronts to try and secure additional funding towards these projects. The hydroelectric project was named as the top legislative priority for fiscal year 2013, and, the Municipality has applied for a renewable energy grant from the Alaska Energy Authority in the amount of \$4,000,000.

The amount of any additional State of Alaska funding will not be known until the Spring of 2013, however, and the City and Borough must have access to significant funding to commence construction on the hydroelectric project as planned. As a result, the Municipality has determined that the optimal course of action is to request bonding authority of up to \$80,500,000, which is the amount which is anticipated that would be required if no additional funding is obtained from the State of Alaska.

The Municipality plans to issue bonds in stages, however, with an initial issuance of approximately \$30,000,000 in February, 2013. Subsequent issuances would be determined by the amount of any additional funding received from the State of Alaska.

To begin the process of coordinating a bond issuance through the Alaska Municipal Bond Bank, an application is required. Staff is asking the Assembly to pass the attached resolution authorizing the Administrator to complete the bonding request.

October 3, 2012

Please note that, to save on duplication and printing costs, some of the attachments which will be included with the signed application, such as the 2013 Budget, have not been included in your packets.

Per the Charter of the Sitka and Borough of Sitka, an election is not required to approve the issuance of revenue bonds.



Application for Bonds

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

I. General Information

A. Name of Governmental Unit (Applicant):
 City and Borough of Sitka, Alaska

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

C. Contact Person for the government:

Name: John P. Sweeney III		Title: Finance Director	
Address: 100 Lincoln Street		City: Sitka	State: AK
Phone: (907)-747-1836	Fax: (907)-747-0536	E-mail: jay@cityofsitka.com	
		City: Sitka	Zip: 99835

D. Applicant's Bond Counsel:

Name: David Thompson		Title: Attorney, K&L Gates, LLP	
Address: 925 Fourth Avenue, Suite 2900		City: Seattle	State: WA
Phone: (206)-370-6191	Fax: (206)-370-6191	E-mail: david.thompson@kigates.com	
		City: Seattle	Zip: 98104

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

Name: Alan Dashen		Title: President, A. Dashen & Associates	
Address: 800 Bellevue Way NE, Suite 400		City: Bellevue	State: WA
Phone: (425)-452-9550	Fax: (425)-452-9552	E-mail: alan@adashen.com	
		City: Bellevue	Zip: 98004

II. Issue Information

A. Total amount of bond purchase request:
 \$80,500,000

B. Total term of requested loan: 35 years

C. Preferred principal and interest payment months: Aug ^{principle} / ^{interest} Feb ^{only}

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

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

Yes:	No:	Percent of registered voters casting ballots: _____ %
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Does the municipality intend to pledge any specific assets or taxes in addition to property tax? Provide details.

The Municipality intends to use revenue from the sale of electricity as the primary source of repayment of the bonds

E. Will you need interim financing? Anticipate 2 or 3 issues Through the AMBBA

1. If applicable, provide interim financing information:
 Amount: _____ Maturity: _____ Rate: _____ Lender: _____

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. Attached

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

1. Are engineering and specifications completed? Yes No

2. If not, when are they projected for completion? _____

3. Have construction bids been awarded? Yes No

4. Are there additional state or local approvals required? Yes No

5. Describe timing/scheduling plan: _____

6. What is the projected completion date? June, 2015

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$80,500,000	Construction	\$127,062,000
Federal Funds*	\$ _____	Engineering	\$18,975,000
State Funds*	\$56,625,000	Contingency	\$5,128,000
Applicant's Funds	\$21,000,000	Cost of Issuance	\$3,500,000
Other (specify)	\$ _____	Other	\$3,460,000
Total:	\$158,125,000	Total:	\$ _____

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

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:
 Approximately 64% of all costs.

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds. Attached All outstanding bonds are currently issued through the AMBBA.

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? Yes No See Attached
 If yes, provide amount of financed, purpose and principal amount outstanding. \$ _____

C. Are any of the above referenced issues supported by special assessments on benefited property, revenues, user fees or state reimbursement for school construction projects? Yes No
 If yes, please attach details. Attached School bond debt reimbursement for general obligation bonds.

D. Has your government ever failed to meet its debt service coverage requirements or other covenants on general obligation, revenue, or special assessment bonds? Yes No
 If yes, please attach an explanation. Attached

E. Has your government ever defaulted on any of its general obligation, revenue, or special assessment bonds? Yes No
 If yes, please attach an explanation. Attached

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

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

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

Are any of the community's major employers expected to make changes in work force or operations?
 Yes No
 If yes, provide an explanations. Attached No.

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

Year	Population	Source
2011	8,985	State of Alaska, Dept. of Labor
2010	8,881	State of Alaska, Dept. of Labor
2009	8,730	State of Alaska, Dept. of Labor
2008	8,698	State of Alaska, Dept. of Labor
2007	8,678	State of Alaska, Dept. of Labor

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

M. Provide your audited financial statements from the last two years (provide your unaudited statement if audit hasn't been performed). Attached

N. Provide your current year's budget. Attached

O. Provide your capital improvement plan. Attached

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

IV. Legal Information

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

1. affecting the corporate existence of your government, or the titles of officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the bonds, or the right of the applicant to levy and collect taxes pledged or to be pledged to pay the principal of and interest on the bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the bonds or the loan agreement between the applicant and the Bond Bank, or contesting the power of your government or your authority with respect to the bonds; or
2. against your government or involving any of the property or assets of or under the control of your government, which, whether individually or in the aggregate involves the possibility of any judgement or uninsured liability which may result in any material change in the revenues properties, or assets, or in the condition, financial or otherwise, of your government.

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

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

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

James Dinley

Name (print)

Municipal Administrator

Title

Signature

September 26, 2012

Date of Application

Please return all applications to:
 Deven Mitchell
 Alaska Municipal Bond Bank Authority
 Department of Revenue
 PO Box 110405
 Juneau, AK 99811-0405
 (907)465-2388 phone
 (907)465-2389 fax
 deven_mitchell@revenue.state.ak.us

**Alaska Municipal Bond Bank Authority
Application for Bonds
City and Borough of Sitka, Alaska**

Additional information, Items F and G

The City and Borough of Sitka is anticipating the issuance of up to \$4,250,000 in additional harbor moorage revenue bonds within the fiscal year in order to fund the completion of the ANB Harbor Replacement Project.

The City and Borough of Sitka has approached the Alaska Municipal Bond Bank separately in regards to the issuance of these harbor moorage revenue bonds through the Alaska Municipal Bond Bank.

It is anticipated that these harbor moorage revenue bonds will be issued in the Spring of 2013.

**Alaska Municipal Bond Bank Authority
Application for Bonds
City and Borough of Sitka, Alaska**

Additional information, Items A, B, and C

The City and Borough of Sitka currently has \$32,790,000 in general obligation bonds outstanding as of September 18, 2012. These bonds were issued in six separate series through the Alaska Municipal Bond Bank and all of the proceeds were used to construct, repair, or renovate Municipal school facilities.

The City and Borough of Sitka annually receives school bond debt reimbursement payments from the State of Alaska equal to 70% of the total debt service paid on these general obligation bonds.



SITKA ECONOMIC DEVELOPMENT ASSOCIATION

329 Harbor Drive, Suite 212 * Sitka, Alaska 99835 * (907) 747-2660 * fax (907) 747-7688 * www.sitka.net

Sitka's economy is relatively diverse with the top four sectors for employment being: health care, commercial seafood, government, and tourism.

The Alaska Department of Labor employment payroll numbers, excluding self-employed are as follows for 2011:

Payroll Employment By Industry 2011 – 4355 (Based on total average monthly payroll)

- Government = 1,201 (27.58%)
- Educational and Health Services = 769 (17.66%)
- Trade, Transportation and Utilities = 705 (16.19%)
- Leisure and Hospitality = 409 (9.40%)
- Manufacturing = 480 (11.02%)
- Construction = 95 (2.18%)
- Professional and Business Services = 182 (4.18%)
- Financial Activities = 134 (3.08%)
- Information = 44 (1.01%)
- Other Services = 183 (4.20%)
- Unclassified = 153 (3.51%)

(Source: Alaska Department of Labor)

Seafood Industry/Maritime Industry

Seafood harvesting plays a large role in Sitka's economy, however most of the jobs in this sector are not "payroll jobs" and are not included in data collected by the Alaska Department of Labor. In 2010, Sitka ranked as the 10th largest port by value and the 18th largest by volume for seafood harvested in the United States (Source: *Fisheries of the United States - 2010*, NOAA.). There were 563 resident commercial fishing permit holders and 552 resident commercial fishing crew reported for Sitka in 2010 (Source: Alaska Commercial Fisheries Entry Commission.). The Seafood Industry in Sitka is stable to growing dependent on the health of the biomass.

Sitka has the largest small boat harbor system in Alaska, yet the demand for moorage space exceeds supply. As of July 2012 there were 257 vessels on the waiting list for permanent slip assignments (Source: City and Borough of Sitka Harbor Department). Due to the number of commercial fishing vessels and recreational boats in the area, there is potential for development of additional marine industry services and possibly another commercial moorage facility. The City and Borough is in the process of conducting feasibility studies to determine the viability of increasing its marine services industries.

Health Care Industry

Sitka enjoys two hospitals in the community as well as several senior residential care facilities, physical therapy operations, health clinics, and other related health care businesses. Southeast Alaska Regional Health Consortium (SEARHC) is Sitka's largest payroll employer. The health

care industry saw a slight decrease of payroll jobs from 2002- 2005 of 66 jobs, but has remained stable since with roughly 722 payroll employees in 2011(Source: Alaska Department of Labor). The health care industry in Sitka is anticipated to grow based of changing demographics. By 2035 residents aged 60+ are projected to make up 28% of Sitka's population (the current estimate is 17%). (Source: Alaska Department of Labor).

Government

Sitka has a large government work sector. Federal agencies providing significant employment include the United States Coast Guard and the United States Forest Services (USFS). The federal government sector has seen a drop of 39 jobs from 190 in 2002 to 151 in 2011 (Source: Alaska Department of Labor). This drop is attributed to losses in the USFS, mainly due to decreased timber harvest in the Tongass National Forest.

The University of Alaska-Sitka Campus and Mt. Edgecumbe High School are among the top State of Alaska employers in Sitka. Both educational institutes are stable to growing. State government payroll jobs increased from 368 in 2002 to 385 in 2011 according the State Department of Labor.

Local government payroll jobs, including the City and Borough of Sitka, the Sitka School District, and the Sitka Tribe of Alaska have seen a growth of 46 jobs over the past decade. (Source: Alaska Department of Labor)

Sitka has two large tribal organizations in the community, the Sitka Tribe of Alaska and Shee Atika Corporation Inc. Both groups provide employment for tribal citizens and are implementing business models to increase employment and business opportunities.

Tourism

Sitka's tourism industry has two main sectors; cruise ship passengers and independent tourist. Cruise ship passenger numbers have significantly decreased over the past few years, falling from approximately 289,000 passengers in the summer of 2008 to roughly 108,000 anticipated for the 2012 summer season. The drop in passenger volume is mainly attributed to the recession and changes in cruise tour operator schedules. The independent tourism passenger volume also saw a slight decrease over the same time period as evidenced by a drop in City and Borough of Sitka bed tax receipts. The recession and changes in the sport fishing regulations are attributed to the drop in independent tourist. The drop in the tourism industry overall has resulted in the loss of 77 seasonal payroll jobs from 2008-2011 in the Leisure and Hospitality sector. The retail sector reports a drop of 63 payroll jobs in the same time frame. (Source: Alaska Department of Labor).

The City and Borough of Sitka has increased its marketing efforts to help reverse this trend. Additionally, a local private business entity has recently constructed a deep water dock that has started to accommodate a small number of cruise ships and hopes to attract more in the future. A collaborative group of independent tour operators have also started working with Federal, State, and Local agencies to implement strategies to increase the independent tourist market.

NO LITIGATION CERTIFICATE

I, THERESA HILLHOUSE, the duly appointed, qualified and acting City and Borough Attorney of the City and Borough of Sitka, Alaska ("Sitka"), in connection with Sitka's application to the Alaska Municipal Bond Bank relating to Sitka's issuance of revenue bonds (the "Bonds") to finance a portion of the cost of certain improvements for Sitka's Blue Lake Hydroelectric Project, DO HEREBY CERTIFY that as of the date hereof, to my knowledge, there is no litigation pending or threatened in any court in any way:

1. affecting the corporate existence of Sitka, or the titles of Sitka officers to their offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Bonds, or the right of Sitka to establish and collect rates and charges for Sitka's Blue Lake Hydroelectric Project pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds or the loan agreement proposed to be entered into between the applicant and the Bond Bank, or contesting the power of Sitka with respect to the Bonds; or

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

DATED this _____ day of _____, 2012.

CITY AND BOROUGH OF SITKA,
ALASKA

By _____
Theresa Hillhouse, Municipal Attorney