



CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS
330 Harbor Drive
Sitka, AK
(907)747-1811

Meeting Agenda

City and Borough Assembly

*Mayor Matthew Hunter
Deputy Mayor Steven Eisenbeisz,
Vice Deputy Mayor Bob Potrzuski,
Aaron Bean, Kevin Knox, Dr. Richard Wein,
Benjamin Miyasato*

*Municipal Administrator: Keith Brady
Municipal Attorney: Brian Hanson
Municipal Clerk: Sara Peterson*

Tuesday, July 24, 2018

6:00 PM

Assembly Chambers

REGULAR MEETING

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

IV. CORRESPONDENCE/AGENDA CHANGES

[18-146](#) Reminders, Calenders and General Correspondence

Attachments: [Reminders and Calendars.pdf](#)

[Public Works Update.pdf](#)

[FY18 Local Purchase Counts Totals.pdf](#)

V. CEREMONIAL MATTERS

[18-140](#) Citation - Honoring U.S. Coast Guard Day

Attachments: [US Coast Guard Day.pdf](#)

VI. SPECIAL REPORTS: Government to Government, Municipal Boards/Commissions/Committees, Sitka Community Hospital, Municipal Departments, School District, Students and Guests (five minute time limit)

VII. PERSONS TO BE HEARD

Public participation on any item off the agenda. All public testimony is not to exceed 3 minutes for any individual, unless the mayor imposes other time constraints at the beginning of the agenda item.

VIII. REPORTS

a. Mayor, b. Administrator, c. Attorney, d. Liaison Representatives, e. Clerk, f. Other

IX. CONSENT AGENDA

All matters under Item IX Consent Agenda are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

- A** [18-142](#) Approve the minutes of the July 10 Assembly meeting

Attachments: [Consent and Minutes.pdf](#)

X. BOARD, COMMISSION, COMMITTEE APPOINTMENTS

- B** [18-143](#) Appoint Dr. Paul Bahna to an unexpired term on the Library Commission

Attachments: [Motion Library Commission.pdf](#)
 [Bahna Application.pdf](#)

XI. UNFINISHED BUSINESS:

- C** [18-138](#) Approve the Extension of Agreement between Seafood Producers Cooperative and the City and Borough of Sitka regarding the Sitka Marine Service Center

Attachments: [Motion and Memo SPC lease extension..pdf](#)
 [2018_Extension Marine Service Center_SPC.pdf](#)
 [SMSC Lease.pdf](#)
 [SPC Extension and Lease Agreement reduced file size.pdf](#)

- D** [ORD 18-30](#) Making supplemental appropriations for Fiscal Year 2019 (E911 Software System Acquisition)

Attachments: [Motion Memo and Ord 2018-30.pdf](#)

- E** [ORD 18-33](#) Amending Title 4 "Revenue and Finance" of the Sitka General Code by modifying Chapter 4.24 "Transient Lodging Tax" and Chapter 4.09 "Sales Tax", by exempting transient lodging rent from sales tax (companion ordinance to Ordinance 2018-34A)

Attachments: [Motion and Ord 2018-33.pdf](#)

XII. NEW BUSINESS:

- F** [ORD 18-34A](#) Amending Title 4 "Revenue and Finance" of the Sitka General Code, by modifying Chapter 4.24 "Transient Lodging Tax", Section 4.24.020 "Imposition of Transient Lodging Tax"; and, submitting the question of such an amendment to the qualified voters at a regular election on October 2, 2018 (1st reading as previously amended - ballot proposition)
Attachments: [Motion and Ord 2018-34A.pdf](#)
- G** [18-145](#) Approve 1) the Extension of Agreement between the City and Borough of Sitka and the Nugget Restaurant regarding Airport Sublease and 2) the Consent To and Approval of Assignment of Sublease between the City and Borough of Sitka and the Nugget Restaurant to DPJT, Inc. (possible executive session)
Attachments: [Motion Nugget Restaurant.pdf](#)
 [Nugget Extension of Airport Lease 2018.pdf](#)
 [Consent To And Approval Of Assignment Sublease between CBS and Nugget](#)
 [Sublease CBS_Nugget 4.1.14-2.28.18.pdf](#)
- H** [RES 18-15](#) Approving submittal and execution of Municipal Harbor Facility Grant applications to the State of Alaska, Department of Transportation and Public Facilities (DOT&PF) in the amounts of \$1,500,000 for the project entitled Eliason Harbor Electrical Replacement, and \$203,000 for the project entitled Thomsen Harbor Corrosion Protection
Attachments: [Motion Memo and Res 2018-15.pdf](#)
- I** [RES 18-16](#) Approving submittal and execution of an application to the Alaska Municipal Bond Bank to issue an amount of Harbor Revenue Bonds in the amount of \$8,025,000 through the Bond Bank to finance the City and Borough of Sitka's portion of Phase 1 of the reconstruction of Crescent Harbor
Attachments: [Motion Memo and Res 2018-16.pdf](#)
 [harbor bond application and no litigation cert.pdf](#)
 [supporting documentation harbor revenue bonds.pdf](#)
- J** [RES 18-17](#) Approving submittal and execution of an application to the Alaska Municipal Bond Bank to issue an amount of Airport Terminal Revenue Bonds up to \$4,025,000 through the Bond Bank to finance the City and Borough of Sitka's portion of the renovation of the Rocky Gutierrez Airport Terminal
Attachments: [Motion Memo and Res 2018-17.pdf](#)
 [airport bond application and no litigation cert.pdf](#)
 [supporting documentation airport terminal.pdf](#)

XIII. PERSONS TO BE HEARD:

Public participation on any item on or off the agenda. Not to exceed 3 minutes for any individual.

XIV. EXECUTIVE SESSION

- K** [18-144](#) Financial Matter: Baranof Island Brewing Company - Forbearance Agreement

Attachments: [Motion BIBCO.pdf](#)

XV. ADJOURNMENT

Note: Detailed information on these agenda items can be found on the City website at <https://sitka.legistar.com/Calendar.aspx> or by contacting the Municipal Clerk's Office at City Hall, 100 Lincoln Street or 747-1811. A hard copy of the Assembly packet is available at the Sitka Public Library. Assembly meetings are aired live on KCAW FM 104.7 and via video streaming from the City's website. To receive Assembly agenda notifications, sign up with GovDelivery on the City website.

*Sara Peterson, MMC, Municipal Clerk
Publish: July 20*



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-146 **Version:** 1 **Name:**
Type: Item **Status:** AGENDA READY
File created: 7/19/2018 **In control:** City and Borough Assembly
On agenda: 7/24/2018 **Final action:**
Title: Reminders, Calenders and General Correspondence
Sponsors:
Indexes:
Code sections:
Attachments: [Reminders and Calendars.pdf](#)
[Public Works Update.pdf](#)
[FY18 Local Purchase Counts Totals.pdf](#)

Date	Ver.	Action By	Action	Result
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REMINDERS

<u>DATE</u>	<u>EVENT</u>	<u>TIME</u>
Tuesday, July 24	Regular Meeting	6:00 PM
Monday, August 13	Work Session <i>Sitka Community Hospital RFP</i>	6:00 PM
Tuesday, August 14	Regular Meeting	6:00 PM



Municipal Election Reminders

Monday, July 16	First day to file candidate petitions
Tuesday, July 24	Last scheduled meeting to <u>introduce</u> ordinance charter changes and ballot measures
Friday, August 3	5:00 p.m. deadline for filing candidate petitions
Tuesday, August 14	Last scheduled meeting to <u>adopt</u> ordinances for charter changes and ballot measures
Tuesday, October 2	Municipal Election

Expiring Terms:

<u>Mayor</u> Matthew Hunter	<u>Assembly</u> Robert Potrzuski Benjamin Miyasato	<u>School Board</u> Cass Pook Eric VanCise
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Assembly Calendar

2017 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2019

July 2018

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1 Jul	2	3	4	5	6	7
			HOLIDAY	12:00pm SEDA Board Meeting		
8	9	10	11	12	13	14
		Potrzuski 12:00pm Parks & Rec 5:00pm Work Session: Hazard Mitigation Plan 6:00pm Regular Assembly Mtg	6:00pm Historic Preservation 6:15pm Port & Harbors Commission	12:00pm LEPC 2:00pm Health Needs & Human Services Commission		
15	16	17	18	19	20	21
	First day to file candidate petitions	12:00pm Tree/Landscape 7:00pm Planning Commission				Eisenbeisz
22	23	24	25	26	27	28
Eisenbeisz	Eisenbeisz	Eisenbeisz 6:00pm Regular Assembly Mtg	Eisenbeisz 6:00pm Police and Fire Commission	Eisenbeisz 6:00pm Hospital Board Meeting 7:00pm Planning Commission	Eisenbeisz	
29	30	31	1 Aug	2	3	4
			6:00pm Library Commission	12:00pm SEDA Board Meeting	5:00pm deadline for filing candidate petitions	

Assembly Calendar

2017 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2019

August 2018

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
29 Jul	30	31	1 Aug	2	3	4
			6:00pm Library Commission	12:00pm SEDA Board Meeting	5:00pm deadline for filing candidate petitions	
5	6	7	8	9	10	11
			6:00pm Historic Preservation 6:15pm Port & Harbors Commission	12:00pm LEPC 2:00pm Health Needs & Human Services Commission 7:00pm Planning Commission		
12	13	14	15	16	17	18
	6:00pm Work Session: SCH RFP Oral Presentations	12:00pm Parks & Rec 6:00pm Regular Assembly Mtg				
19	20	21	22	23	24	25
	Town Hall Meeting: SCH RFP Harrigan Centennial Hall (Time to be determined)	Eisenbeisz 12:00pm Tree/Landscape	Eisenbeisz 6:00pm Police and Fire Commission	6:00pm Hospital Board Meeting Eisenbeisz 7:00pm Planning Commission	Eisenbeisz	Eisenbeisz
26	27	28	29	30	31	1 Sep
Eisenbeisz	Eisenbeisz	Eisenbeisz 6:00pm Regular Assembly Mtg	Eisenbeisz	Eisenbeisz 6:00pm Special Meeting	Eisenbeisz	

PUBLIC WORKS ASSEMBLY UPDATE

WORK COMPLETED THROUGH JUNE 2018

Critical Secondary Water Supply

Milestones This Period

- Consultant submitted draft geotechnical report on suitability of GPIP Lot 17 for proposed water filtration plant.

Future Milestones

- Consultant to submit geotechnical report on proposed water intake located in Sawmill Creek near the new electric power generation building, July 2018.
- Public Works to request Assembly approval for Alaska Department of Environmental Conservation (ADEC) loan to design and construct proposed water filtration plant, July 2018.
- Public Works to procure consultant to design critical secondary water intake and treatment plant, upon receipt of ADEC design loan. Estimated date: September 2018.

Background

The project is for design and construction of a secondary water source, for when the primary water source – Blue Lake water treated with ultraviolet (UV) radiation – is unavailable. Blue Lake water will not be available when the Electric Department inspects and maintains the penstock providing water from the dam to the power plant. Blue Lake water may also require filtration – not just UV treatment – if turbidity levels continue to exceed regulatory thresholds. The budget consists of \$75,000 in working capital. The FY2019 budget authorizes the expenditure of \$10 million in grant funding and \$18.49 million in loan funding, if it is secured. Operating funds have augmented the \$75K in working capital to pay for the consultant's services to date.

Current Contracts: CRW Engineering Group, L.L.C.

\$105,147

Wastewater Treatment Plant (WWTP) Rehabilitation

Milestones This Period

- The Change Order authorizing Professional Services for the design, cost estimating, bidding, and construction administration services for the WWTP Rehabilitation Project was approved June 12, 2018, and the design team began working on the project with the kick-off meeting held June 18, 2018.

Future Milestones

- 50% design and cost estimate anticipated August 2018. Findings to be reported to the Assembly at September 2018 presentation.
- Refine the cost estimates as the design is developed. Identify funding source for completion of project. Existing budget will be insufficient to rehabilitate the building, correct the life safety, code compliance and non-functional existing conditions.
- Bid and begin construction of the WWTP rehabilitation project, assuming sufficient funding is available, Spring 2019.

Background

The Wastewater Treatment Plant was built in the early 1980s and most of the building systems, especially the HVAC (ventilation air) systems have failed or are past their useful life and require replacement. The air quality within the building is inadequate and corrosive and the exposed piping and metal within the building are corroded. The building's envelope leaks air and does not allow for proper pressurization of the office areas and other clean rooms. Corrosive air in these areas results in electronics regularly become dysfunctional within months, in addition to creating an unhealthy air quality for the WWTP operators. It is the intent of Public Works to move this project forward as quickly as possible as there are life safety issues that need to be addressed in the existing facility. Funding for this project is provided by the following sources: \$263,000 in Wastewater fund Working Capital and DEC loans with \$2,832,500 (secured) and \$1,825,000 (approved and pending signed agreement).

Current Contracts: McCool Carlson Green

\$806,321

Nelson Logging Road Upgrades

Milestones This Period

- Existing 50 foot bridge replaced with arch culvert.
- Fish fencing installed and fish removed at existing 100 foot bridge location.
- Existing 100 foot bridge removed and new embankment construction started.

Future Milestones.

- New 90 foot bridge construction planned July 9 – July 15, 2018.
- Range access provided after July 15, 2018, after 7:00 pm daily. (This was achieved)
- Range access provided two weeks before hunting season during the day.
- Substantial Completion is January 2019

Background

The project includes replacing both inadequate bridges, realignment at HPR intersection to raise the road elevation out of the stream floodplain, upgrading Nelson Logging Road to include drainage improvements, resurfacing, pedestrian amenities and widening. Funding for the project is provided by a \$2,343,000 State of Alaska Department of Commerce Community and Economic Development Grant.

Current Contracts: LEI Engineers & Surveying
K&E Alaska, Inc.

\$415,390
\$1,544,280

Lincoln Street & Katlian Street Paving

Milestones This Period

Lincoln Street

- Project design moving to 95% plans
- Developed concepts for pedestrian enhancements near St. Michael's Cathedral in response to comments received at project public meetings. Met with St. Michael's Cathedral Council to discuss enhancements. The Council did not want the major improvements designed in concept, and a much smaller option is being developed.

Katlian Street

- 65% plans reviewed and comments provided to consultant.
- Geotechnical investigation of the road embankment adjacent to the skate park parking lot completed.

Future Milestones**Lincoln Street**

- 95% Lincoln Street plans due July 20, 2018.
- Construction anticipated Fall 2018 – Spring 2019.

Katlian Street

- 65% plans due July 20, 2018.

Background

The project includes replacing non-ADA-compliant curb ramps, failing storm drain, limited curb, gutter and sidewalk and all asphalt pavement on Lincoln Street from Harbor Way to Harbor Drive. Red concrete crosswalks are planned to be bid as an additive alternate. Additional funds are budgeted for FY19 and are required to complete this basic scope of work. Currently, funding for the project is provided by:

Lincoln Street

\$2,250,000 – General Fund

\$105,000 – CPET

\$30,000 – Water Fund

\$30,000 – Sewer Fund

\$2,415,000 – total available project funding

Katlian Street

- \$747,870 2016 – Remainder of General Fund budget Sitka Paving 2016 – 2017 with Brady and Gavin budget set aside.

Current Contracts:	Professional and Technical Services, Inc.	\$225,978
	Anderson Land Planning	\$5,000

East DeGroff Water, Sewer and Street Repairs:**Milestones This Period**

- Installed, flushed, disinfected and tested water mains and services from Hollywood Way to Baranof Street.
- Installed storm mains and structures from Hollywood Way to Monastery Street.

Future Milestones

- Phase II (Baranof to SMC) construction to begin July 2018.
- Substantial Completion date is October 1.

Background

The project includes replacement of aging, failing water, sewer and storm drainage infrastructure in DeGroff Street from Hollywood Way to Sawmill Creek Road. The project will replace all pavement, curb, gutter and sidewalk. Scope will also include utility trenching work in Sawmill Creek Road, ahead of Alaska Department of Transportation project to re-pave SMC in 2019 or 2020. Funding for the project is

provided by the following sources: \$2.24 million from FY2015 ADEC Water and Sewer Loans, \$175,000 from the FY17 Water Enterprise Fund and \$45,000 from the FY17 Wastewater Enterprise Fund and \$300,000 from the FY18 General Fund.

Current Contracts: PND Engineers	\$144,747
K&E Alaska	\$1,812,667

O'Connell Lightering Float Pile Replacement:

Milestones This Period

- Assembly Board of Appeal heard bid protest June 14.
- Assembly approved awarding construction contract to Turnagain Marine Construction Corp.

Future Milestones

- Award construction contract July 2018 for \$483,800.00 to Turnagain Marine
- Permitting completed Fall 2018.
- Substantial Completion anticipated by June 30, 2019.

Background

With lightering traffic reduced due to cruise ships mooring at Old Sitka Dock, and what lightering remains shifting to the Crescent Lightering Facility near Harrigan Centennial Hall, Harbor Staff have found O'Connell to be a popular moorage location for yacht owners. However, the existing pilings at the O'Connell Lightering Float were installed too shallow to support yacht moorage as evidenced by several piles being displaced during a storm event. This project will replace all pilings at the facility with new rock-socketed pilings specifically designed to support large yachts. The Assembly approved an appropriation of \$280,000 from the Harbor Fund Undesignated Working Capital on September 12, 2017, on 2nd reading. This amount was insufficient given regulatory agency feedback and timeframes. An additional \$290,000 appropriation from the Harbor Fund Undesignated Working Capital was approved by the Assembly on March 27, 2018, on 2nd reading.

Current Contracts: PND Engineers	\$35,380
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Sitka Wayfinding Signage

Milestones This Period

- Final approval of shop drawing achieved June 22, 2018. Production of shop drawings is in progress.

Future Milestones

- Fabrication and shipping of signs is anticipated in July and August 2018.
- Substantial Completion of signage installation anticipated late August – early September 2018.

Background

Wayfinding signage was identified as one of the key projects in the 2010 Sitka Passenger Fee Fund Implementation Plan. On June 25, 2013, the Assembly approved a request from the Tourism Commission and Destination Sitka Working Group to move the Wayfinding Signage Project forward by funding the project utilizing Commercial Passenger Excise Tax (CPET) proceeds. The Sitka Convention & Visitors Bureau

(SCVB) was tasked to manage the project at that time. Later, the Sitka Chamber of Commerce managed the project while the Consultant, Great Destinations Strategies (GDS), completed the design intent drawings and general specifications. With these complete, the project management has shifted to Public Works to oversee the fabrication and installation of the signage. The Assembly approved a budget appropriation of \$282,300 from CPET Funds, General Capital Projects Fund, for the purpose of designing and constructing Wayfinding signs.

Current Contracts:	Axia Creative	\$25,910
	CBC Construction	\$166,018

Police Station Planning Study

Milestones This Period

- Consultant developed the draft “Space Standards and Space Needs Assessment” and space diagrams with input from the SPD.
- CBS developed the Smart Map of Sitka with potential new PD locations to coordinate with the site matrix.

Future Milestones

- Core stakeholder meetings anticipated to begin July/August 2018.
- Stakeholder/Public/Assembly meetings anticipated August, September, and October 2018.
- Final report and study completion anticipated December 2018.

Background

The Sitka Police Department and Jail occupies one-third of the first floor in the City/State Court/Office Building. The Sitka Police Offices and jail do not meet current industry standards. It is nonfunctional, unsafe, and severely inhibits the effective delivery of police service to Sitka. The City/State Building was built in 1974-76 in partnership with the State of Alaska. The City owns the land including the parking lot and is joint owner with the State of the building. Expenses for maintenance and operations per agreement December 1993, are split 34% CBS and 66% State based on the occupancy remaining within the building. Maintenance of the facility and its building systems, along with replacement of non-functional and obsolete infrastructure, has not kept pace with facility needs. It is known that repairs to the facility to address its deferred maintenance are conservatively estimated to exceed \$1 million. How these costs are to be shared is to be determined, and is complicated by the shared ownership of the facility with the State of Alaska. Given Alaska’s current fiscal status, reaching a timely cost-sharing agreement is a point of significant concern.

Current Contracts:	Stantec	\$57,558
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Airport Terminal Improvements:

Milestones This Period

- Two days of productive Schematic Design Meetings, attended by Airport Stakeholders including representatives from Alaska Airlines, Delta Air Lines, State of Alaska DOT, and local representatives were held in Sitka to validate the approved concept diagram/plan for schematic design development. Three

options were presented and discussed, one option was unanimously chosen and modified per design meeting comments.

- Collection of Passenger Facility Charges (PFC) began May 1, 2018. Total anticipated revenue collection over the 20-year period of collection is \$6,840,000.00.

Future Milestones

- Funding of roughly \$4 million for design and construction of a portion of the Terminal Improvements Project is anticipated to be part of the CBS Municipal Bond Package expected in Fall 2018. This debt and its debt service fees will be paid with the PFCs referenced above.
- Other funding sources for terminal improvements beyond the PFC/Bonding are actively being developed and sought, including Airport Improvement Program (AIP) funds for improvements that are AIP eligible and seeking funding through the new \$1 billion omnibus federal spending package for rural airport capital improvement projects, user fees, and TSA stakeholder grants for screening/security improvements.
- If bond funds are secured in Fall 2018, it is anticipated that the first phase of construction will be Oct. 2019- April 2020.
- The State of Alaska DOT will be sending information about the upcoming parking lot management changes and options.

Background

The Airport Terminal Improvement Project is intended to remedy some of the existing critical problems identified in the Airport Terminal Master Plan 2008-2011, including working conditions in the baggage make-up area and TSA baggage screening area, as well as problems with congested passenger queuing, screening, baggage, fish boxes, waiting areas and passenger flow. CBS accepted a TSA design grant in the amount of \$158,569.25 to design specific improvements to the TSA Baggage Screening Area. Other areas impacted by these design changes are ineligible for the TSA design funding. The Assembly approved moving forward to the 65% Schematic Design Milestone for the preferred concept plan that was presented in the Assembly work-session August 8, 2017.

Current contracts: MCG Architects

\$449,069

Cross Trail (Granite Creek to Ferry):

Milestones This Period

- Sitka Trail Works submitted application for U.S. Army Corps of Engineers permit for construction in regulated wetlands.

Future Milestones

- Select final alignment and finalize design drawings by August 2018.
- Construction anticipated in early 2019, provided CBS has secured sufficient funds to match 9.03% of the construction fund grant amount. Expect initial response from Rasmuson Foundation grant request in September 2018.

Background

The City and Borough of Sitka was awarded a \$250,000 MAP-21 Federal Lands Access Program (FLAP) Grant for planning, design and permitting of Phase 6 Cross Trail

multimodal pathway – a connector from Kramer Drive to Alaska Marine Ferry Terminal – by Western Federal Lands. The Assembly approved submission of the grant in Resolution 2014-06 in April 2014. Sitka Trail Works is overseeing the design work alongside CBS via a Memorandum of Agreement. Received a \$1.93M construction grant from Western Federal Lands in October 2017, which cannot be spent until CBS and Sitka Trail Works secure the required match funding.

Davidoff & Peterson Storm Sewer Rehabilitation:

Milestones This Period

- Applied for Alaska Sustainable Salmon Fund (ASSF) and Fish Passage Program Grants for replacement of Peterson Street culvert.

Future Milestones

- Finalize design and bid package for Davidoff improvements, August 2018.
- Award Davidoff construction contract, September 2018.
- Rehabilitate or replace where appropriate Davidoff storm infrastructure, January 2019.
- Schedule of design and construction of Peterson Street culvert replacement dependent on two outstanding grant applications.

Background

The project includes rehabilitation and/or replacement of deteriorated storm drain infrastructure to include: a 60" corrugated metal culvert crossing under Peterson Street, and two 30" and two 36" metal culverts and two metal storm structures adjacent to Davidoff Street, between Charteris and HPR. Funding for the project is provided in the FY18 General Fund at \$350,000, and in the FY19 General Fund at \$150,000, for a total of \$500,000.

Current Contracts: Steph Engineering

\$37,500

Gary Paxton Industrial Park Access Ramp:

Milestones This Period

- Contract with PND for first stage planning study approved

Future Milestones

- Stakeholders meeting will be held July 27, 2018.

Background

The project includes planning and design for a multipurpose boat ramp for the Gary Paxton Industrial Park. The ramp is to be associated with the new existing barge ramp constructed adjacent to the Boat Building Lot. Project funding of \$40,000 provided in Gary Paxton Industrial Park Budget.

Current Contracts: PND Engineers Inc.

\$18,550

Eagle Way Lift Station Rehabilitation:

Milestones This Period

- Issued Notice to Proceed to Boreal Controls Inc., for design support.

Future Milestones

- Design lift station upgrade to convert existing wet well/dry well scheme to submersible lift station with a valve vault, September 2018.
- Procure construction contractor, March 2019.
- Procure pumps and control/electrical equipment, March 2019.
- Rehabilitate lift station, May 2019.

Background

The original Eagle Way – Old Harbor Mountain Road project included new pavement, storm drainage, water main and services, and a pedestrian pathway within Eagle Way, and new pavement and storm drain improvements within Old Harbor Mountain Road. Funding for the project consists of a \$1,500,000 State of Alaska Department of Commerce Community and Economic Development Grant, of which \$250,000 remains. DCCED approved these remaining funds being used for the lift station rehabilitation work. This funding was combined with \$135,000 in FY2018 working capital and \$85,000 in FY2019 working capital for a total project budget of \$470,000.

Current Contracts: Boreal Controls, Inc.

\$87,700

Streets

- Grading Roads 87 Man and Equipment Hrs. which =16.1% of total work
- Spray Patching 68.5 Man and Equipment Hrs. (12.7%)
- Crosswalk Painting 50 Man and Equipment Hrs. (9.3%)

Solid Waste

- Scrapyard
- Transfer of 68 55 gal barrels of gasoline and ship 93 Man Hrs. (17.2%)
- Dig landfill material out of Granite Creek 74 Man Hrs. (13.7%)

Grounds

- Summer maintenance rotation A&B as normal
- Maintenance on athletic field per field use schedule
- Moller shed roof replacement
- Kimsham gate installation for stock
- Vilandre Field: peeled back sod growth to allow for parking, retract from mowing
- Brushing maintenance of various sites
- Kimsham field drainage work
- Assist street crew with patching & painting
- Thimbleberry Bridge Repair
- Sitka Community Playground at Crescent Harbor Project support

Buildings

- General programmed maintenance and requested maintenance
- Harrigan Centennial Hall fire panel repairs
- Wastewater Treatment Plant boiler repair
- Airport sprinkler leak line repair
- Prep Senior Center exterior painting project
- Prep work and extinguishers for scrapyard

Future Public Works M&O Milestones

- Upkeep of new Sitka Community Playground
- Write up Specifications for new scale at Transfer Station and Scale Shack Building

Fiscal Year 2018

Local Purchase tracking

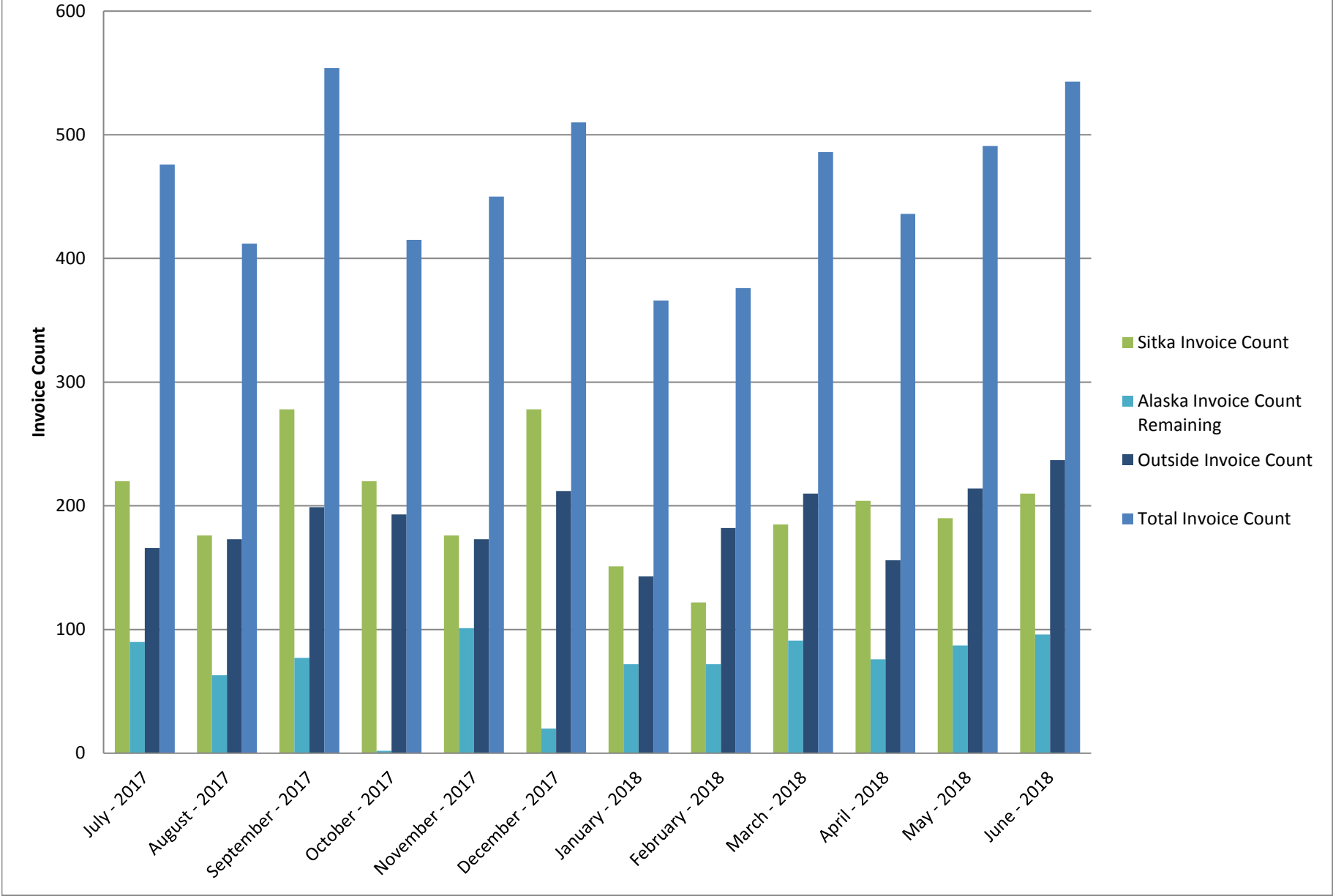
Month	Fiscal Year	Sitka Invoice Count	Alaska Invoice Count Remaining	Outside Invoice Count	Total Invoice Count	Sitka Dollar Amt	Alaska Dollar Amt Remaining	Outside Dollar Amt	Total Dollar Amt	% Sitka Count	% Sitka Dollar
July - 2017	2018	220	90	166	476	2,713,689	705,694	617,644	4,037,027	46%	67%
August - 2017	2018	176	63	173	412	401,644	622,420	336,576	1,360,640	43%	30%
September - 2017	2018	278	77	199	554	1,166,325	1,709,595	1,443,470	4,319,390	50%	27%
October - 2017	2018	220	2	193	415	899,278	1,502,201	832,797	3,234,276	53%	28%
November - 2017	2018	176	101	173	450	1,154,092	1,585,497	2,097,443	4,837,032	39%	24%
December - 2017	2018	278	20	212	510	1,035,726	1,890,205	1,420,186	4,346,117	55%	24%
January - 2018	2018	151	72	143	366	1,018,390	1,314,490	1,124,145	3,457,025	41%	29%
February - 2018	2018	122	72	182	376	748,181	900,490	762,206	2,410,877	32%	31%
March - 2018	2018	185	91	210	486	878,888	1,109,094	783,351	2,771,333	38%	32%
April - 2018	2018	204	76	156	436	1,052,104	581,554	746,345	2,380,003	47%	44%
May - 2018	2018	190	87	214	491	830,458	1,190,181	1,314,970	3,335,609	39%	25%
June - 2018	2018	210	96	237	543	1,233,509	1,871,508	1,977,774	5,082,791	39%	24%
Fiscal Year Total	2018	2410	847	2258	5515	\$13,132,285	\$14,982,928	\$13,456,907	\$41,572,120	44%	32%

Notes:

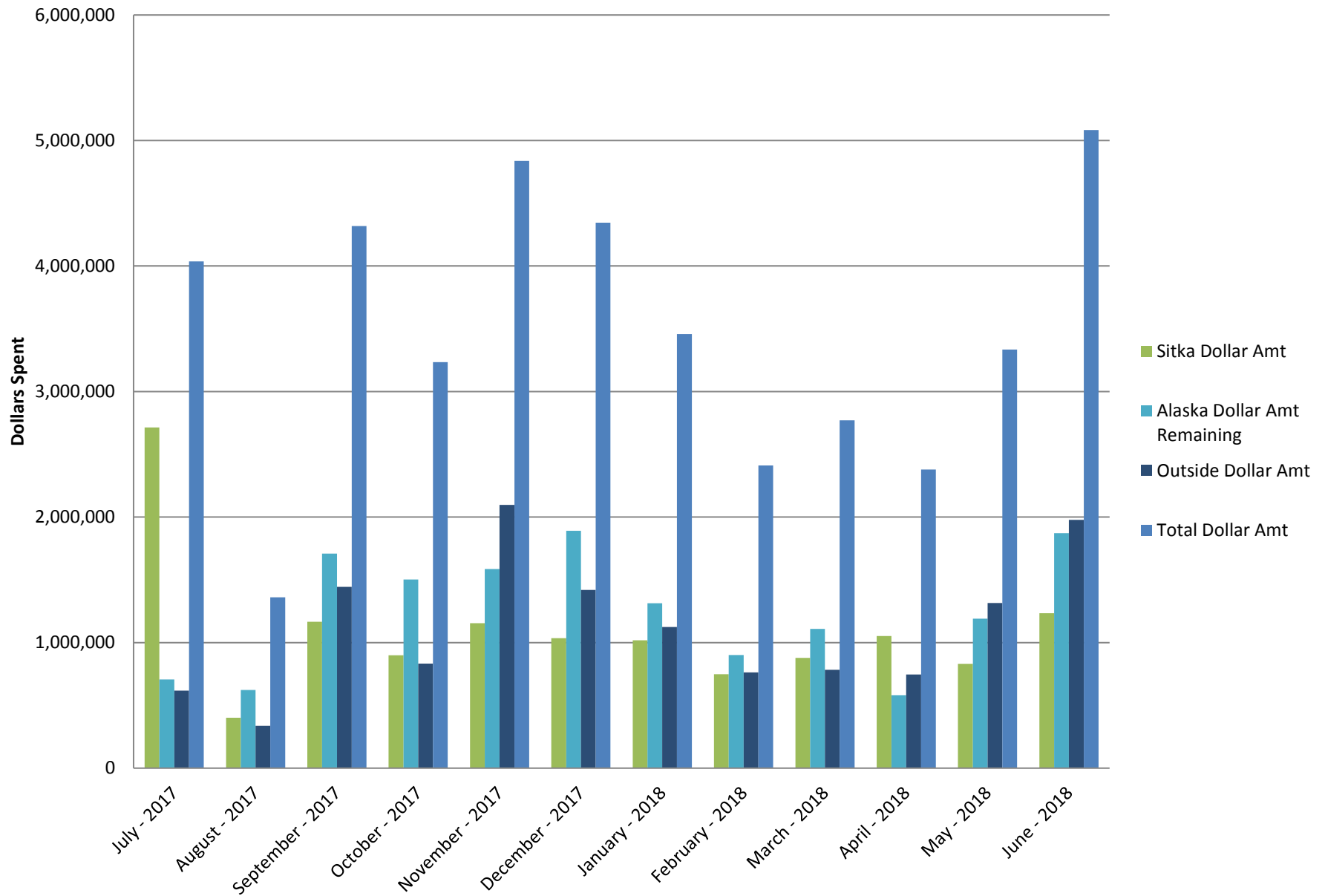
Alaska (Remaining) = Alaska - Sitka

Outside = Total - (Alaska (Remaining) + Sitka)

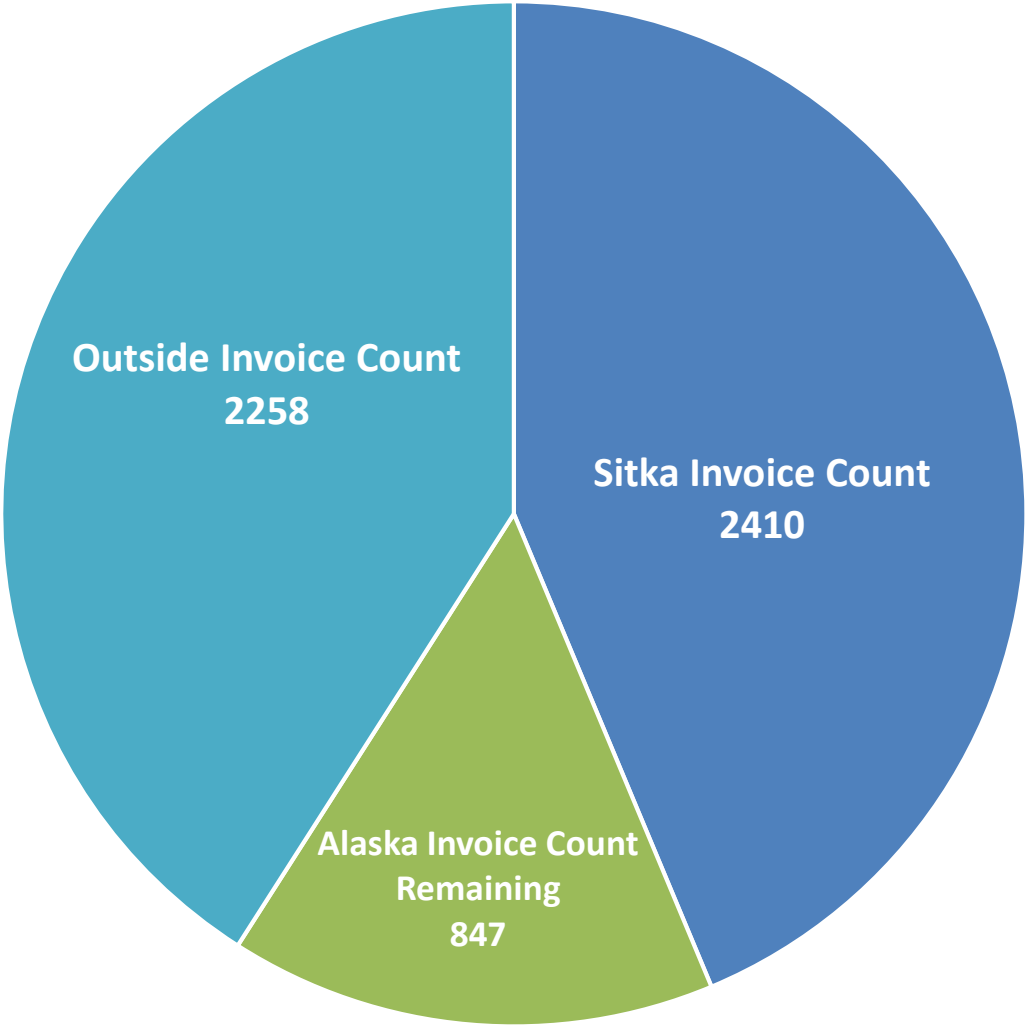
Invoice Count Fiscal Year 2018



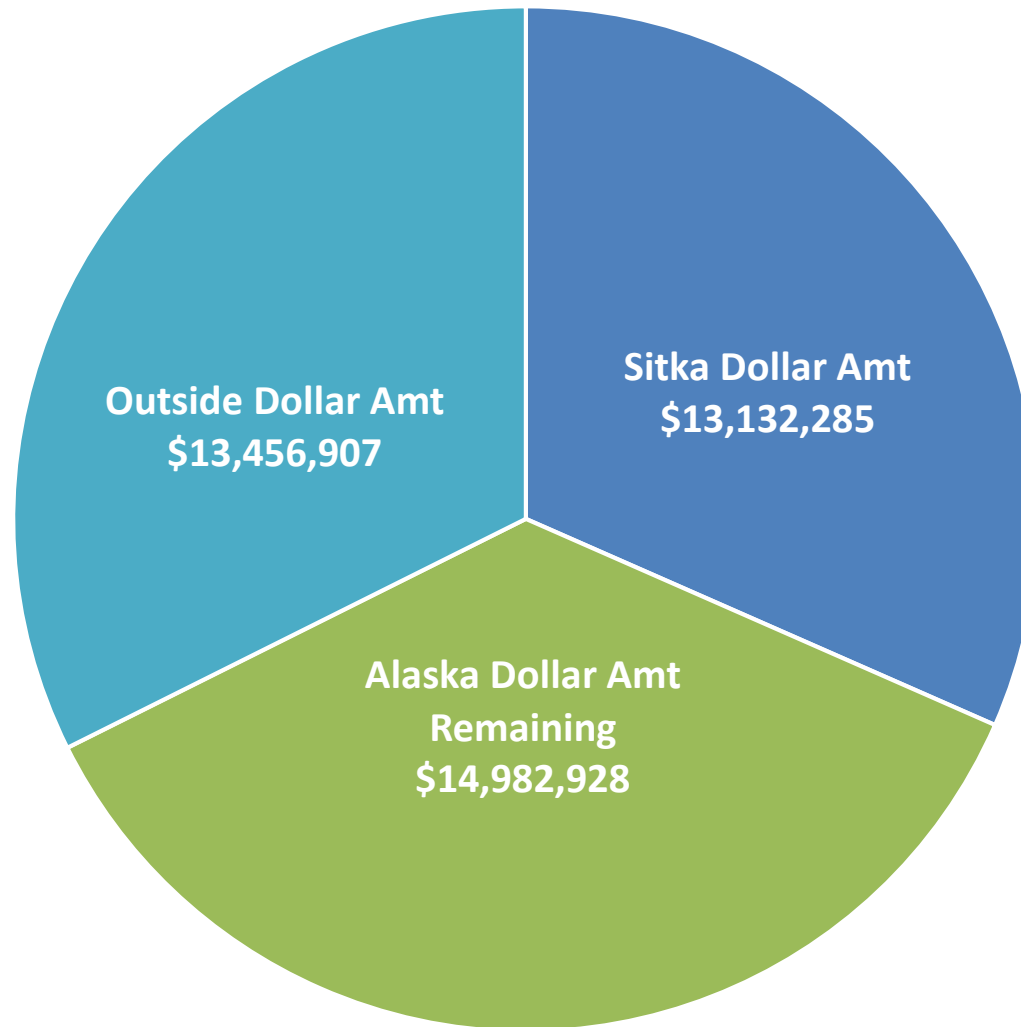
Dollars Spent Fiscal Year 2018



Invoice Count - Total: 5515



Dollars Spent - Total: \$41,572,120





CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-140 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Citation - Honoring U.S. Coast Guard Day

Sponsors:

Indexes:

Code sections:

Attachments: [US Coast Guard Day.pdf](#)

Date	Ver.	Action By	Action	Result
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CITATION

HONORING U.S. COAST GUARD DAY

The City and Borough of Sitka recognizes August 4th as U.S. Coast Guard Day nationwide and especially wishes to honor all Sitka-based personnel of the U.S. Coast Guard.

WHEREAS, Sitka is a Coast Guard City, one of twenty one communities in the nation to be so designated, and the City and Borough of Sitka and citizens take this responsibility seriously by making special efforts to acknowledge the professional work of the Sitka Coast Guard men and women and reaching out to these personnel and their families and "making them feel at home at their home away from home"; and

WHEREAS, August 4th is national U.S. Coast Guard Day, marking the birthday of the United States Coast Guard, which began in 1790 and received its present name in 1915 when Congress supported providing the nation with a single maritime service dedicated to saving life at sea and enforcing the nation's maritime laws and later added maintaining the country's aids to maritime navigation and other missions; and

WHEREAS, the City and Borough of Sitka and the community of Sitka continue to support and honor the five Sitka Coast Guard units: Air Station Sitka, Cutter Kukui, Aids to Navigation Team Sitka, Marine Safety Detachment Sitka, and Electronic Support Detachment Detail Sitka as America's guardians of the seas.

NOW, THEREFORE, the Assembly of the City and Borough of Sitka, in recognition of the 228th birthday of the U.S. Coast Guard and Sitka's status as a Coast Guard City, does hereby recognize the professionalism, skill, and unwavering devotion to duty of all Sitka Coast Guard personnel to provide Sitka with the safety, security, and stewardship of our oceans in an often dangerous world. We thank you and your families for your service.

Signed and sealed this 24th day of July, 2018.



Matthew Hunter, Mayor

ATTEST:



Sara Peterson, MMC
Municipal Clerk





CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-142 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Approve the minutes of the July 10 Assembly meeting

Sponsors:

Indexes:

Code sections:

Attachments: [Consent and Minutes.pdf](#)

Date	Ver.	Action By	Action	Result
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CONSENT AGENDA

POSSIBLE MOTION

**I MOVE TO APPROVE THE CONSENT AGENDA
CONSISTING OF ITEM A**

I wish to remove Item(s) _____

**REMINDER – Read aloud a portion of each item being
voted on that is included in the consent vote.**

Should this item be pulled from the Consent Agenda the following motion is suggested:

POSSIBLE MOTION

I MOVE TO approve the minutes of the
July 10 Assembly meeting.



CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS
330 Harbor Drive
Sitka, AK
(907)747-1811

Minutes - Draft

City and Borough Assembly

*Mayor Matthew Hunter
Deputy Mayor Steven Eisenbeisz,
Vice Deputy Mayor Bob Potrzuski,
Aaron Bean, Kevin Knox, Dr. Richard Wein,
Benjamin Miyasato*

*Municipal Administrator: Keith Brady
Municipal Attorney: Brian Hanson
Municipal Clerk: Sara Peterson*

Tuesday, July 10, 2018

6:00 PM

Assembly Chambers

WORK SESSION 5:00 PM

18-130

Work Session: Continuation of Sitka local hazard mitigation plan project development (Maegan Bosak and Jill Missal)

Community Affairs Director Maegan Bosak and Jill Missal with Missal LLC., reviewed requirements for the Local Hazard Mitigation plan, the 2010 plan projects, and reviewed and edited the proposed projects of the new version.

REGULAR MEETING

This meeting recessed at 10:29 p.m. on July 10 and reconvened on July 11 at 6:00 p.m.

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

Present: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

IV. CORRESPONDENCE/AGENDA CHANGES

None.

18-135

Reminders, Calendars and General Correspondence

V. CEREMONIAL MATTERS

18-128 Ceremonial - Sitka Community Playground Volunteers

Mayor Hunter read and gave certificates of appreciation to the Sitka Community Playground volunteers. Bridget Hitchcock thanked the volunteers and businesses involved with the four year project.

VI. SPECIAL REPORTS: Government to Government, Municipal Boards/Commissions/Committees, Sitka Community Hospital, Municipal Departments, School District, Students and Guests (five minute time limit)**18-129 Special Reports: 1) Hospital RFP Consultants - Sarah Cave and Steve Huebner and 2) Sitka Community Hospital - Rob Allen**

Sitka Community Hospital CEO Rob Allen gave an update on financials, a new doctor, Cerner, and mentioned there would be a July 26 board meeting. Sarah Cave and Steve Huebner gave a report on the Sitka Community Hospital RFP process and site visits that would take place over the next two days. Ms. Cave told of next steps in the process and of a Town Hall meeting date change to August 20. Wein wondered of the possibility of a local facilitator. Municipal Attorney Brian Hanson told of perception of a conflict by hiring a local facilitator.

VII. PERSONS TO BE HEARD

Alene Henning spoke on the removal of the senior sales tax and asked the Assembly for alternatives. Shirley Robards told of her petition of reinstating the senior sales tax exemption. John Stein gave thanks to Alaska Waste with regards to dealing with garbage and bears in the area of Cedar Beach Road.

VIII. REPORTS**a. Mayor, b. Administrator, c. Attorney, d. Liaison Representatives, e. Clerk, f. Other**

Mayor - Hunter attended the USCG change of command ceremony, thanked Capt. Lewin and welcomed the new commander and others.

Administrator - Brady attended the USCG change of command and many of the 4th of July festivities including the playground ribbon cutting.

Liaisons - Knox reported on the Parks and Recreation Committee meeting. Mayor Hunter told of the upcoming Library Commission meeting.

Clerk - Henshaw mentioned that candidate packets would be available in the clerk's office beginning July 16. The filing period ended August 3rd at 5:00 p.m. and highlighted the recent vacancy for the Planning Commission.

IX. CONSENT AGENDA

A motion was made by Knox that the Consent Agenda consisting of items A and D be APPROVED. The motion PASSED by the following vote.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

- A 18-131** Approve the minutes of the June 26 Assembly meeting

This item was APPROVED ON THE CONSENT AGENDA.

- B 18-132** Approve a standard marijuana cultivation facility license renewal for Michael Daly dba Northern Lights Indoor Gardens, LLC at 1321 Sawmill Creek Road Suite O and P

Eisenbeisz recused himself from the item, noting he was in business with the entity.
Mayor Hunter noted the thorough amount of paperwork from the state.

A motion was made by Knox that this item be APPROVED. The motion PASSED by the following vote.

Yes: 5 - Miyasato, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

Recused: 1 - Eisenbeisz

- C 18-133** Approve a retail marijuana store license renewal for Michael Daly dba Northern Lights Indoor Gardens, LLC at 1321 Sawmill Creek Road Suite O and P

Eisenbeisz recused himself from the item, noting he was in business with the entity.

A motion was made by Knox that this item be APPROVED. The motion PASSED by the following vote.

Yes: 5 - Miyasato, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

Recused: 1 - Eisenbeisz

- D 18-134** Approve a retail marijuana store license renewal for Anna M Cleaver dba Weed Dudes at 1321 Sawmill Creek Road Suite J

This item was APPROVED ON THE CONSENT AGENDA.

X. BOARD, COMMISSION, COMMITTEE APPOINTMENTS

None.

XI. UNFINISHED BUSINESS:

- E 18-126** Discussion / Direction / Decision on the contract with the Greater Sitka

Chamber of Commerce, Inc., provider of Convention and Visitor Bureau Services (*executive session*)

Municipal Attorney Hanson recommended going into executive session to discuss contract negotiations and terms.

John Stein and Ann Bills, wondered why the Greater Sitka Chamber of Commerce and Visit Sitka staff were not invited in.

A motion was made by Miyasato to go into executive session to discuss legal matters affecting the municipality with respect to the municipalities contractual relationship with the Greater Sitka Chamber of Commerce, Inc., the immediate knowledge of which would adversely affect the finances of the municipality, and/or communications with the Municipal Attorney concerning legal matters affecting the municipality or legal consequences of past, present or future municipal actions, and invite in if desired and when ready, Don Kluting and Maegan Bosak.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

The Assembly was in executive session from 6:33 p.m. to 7:33 p.m.

A motion was made by Bean to RECONVENE as the Assembly in regular session. The motion PASSED by unanimous voice vote.

Ann Bills, John Stein, Regional Director of Sales and Marketing for Aspen Hotels of Alaska Carol Fraser, Andrew Thoms, Jim Michener, Executive Director of Alaska Raptor Center Jennifer Cross, Sheila Finkenbinder, Brit Galanin, Kevin Mosher, Lana Petersen were not in support of the month to month contract. Executive Director of the Chamber and Visit Sitka Rachel Roy told of goals, metrics to execute contract, marketing plan, reports provided, the request for proposals, and encouraged current or increased funding. John Dunlap was in support of Visit Sitka and cautioned the assembly to make sure city funds were being used wisely and for the benefit of all. Chris Spivey was in support of the Chamber and Visit Sitka and reminded that the Comprehensive Plan stated the need for strong marketing.

Wein was not in favor of the month to month contract, but that it allowed the opportunity to negotiate a new contract. He noted the budget for tourism needed to be increased and should be a focus. Eisenbeisz expressed that the month to month contract was less than ideal, however with the situation, there was still work to do with regards to the contract. Knox did not disagree that a month to month contract was less than ideal, however the contract needed more work to be long term. Bean indicated that the month to month did not mean that less money should be spent on marketing Sitka, but that there was more negotiating that was needed to make the contract better for the people of Sitka. Miyasato agreed and asked for patience for a better contract to be negotiated. Mayor Hunter thanked the parties involved, noted the remarkable changes in marketing and thanked staff. He stated the contract needed to be done right before signing long term.

A motion was made by Bean to direct the Administrator to negotiate a month to month contract with staff reporting back at the September 11, 2018 regular assembly meeting. The motion PASSED by the following vote.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

A motion was made by Eisenbeisz to appoint an Assembly Liaison for contract negotiations with the Greater Sitka Chamber of Commerce regarding visitor services. The motion PASSED by the following vote.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

F 18-114

Approve a lease agreement between Trident Seafoods Corporation and the City and Borough of Sitka for Block 4, Lot 6 of the Gary Paxton Industrial Park - request to rescind action taken June 26, 2018

Wein was in support to rescind and stated this was a lease that was negotiated and approved by the Gary Paxton Industrial Park Board of Directors. He told of circumstances at the last meeting of time constraints and he had concerns that there was decision fatigue. Bean agreed with the time constraints at the last meeting, however, was still not in support of the lease. He stated storage was not creating jobs which was not the vision and purpose of the park, and commented that Trident would not sell their fish in Sitka. Eisenbeisz and Knox were not in favor of the idea to rescind a motion. Mayor Hunter realized that this storage would be for boats that do not process fish in Sitka, therefore, the raw fish tax money would not stay in Sitka and noted lack of job creation for the purpose of storage. He stated it would take five affirmative votes to rescind. Wein agreed with the short term lease of three years, and said just because they weren't going to process here, didn't mean that they shouldn't have a lease.

A motion was made by Wein to rescind the motion that failed at the June 26 Assembly meeting to approve a lease agreement between Trident Seafoods Corporation and the City and Borough of Sitka for Block 4, Lot 6 of the Gary Paxton Industrial Park. The motion FAILED by the following vote.

Yes: 1 - Wein

No: 5 - Miyasato, Eisenbeisz, Hunter, Knox, and Bean

Absent: 1 - Potrzuski

XII. NEW BUSINESS:

G 18-137

Approve the proposed adjustments to the Gary Paxton Industrial Park Port Tariff No. 1

Eisenbeisz was in support of the proposed adjustments. Garry White, Gary Paxton Industrial Park Director stated that these adjustments were a work in progress, the goal to make the facility user friendly for the community, and to have rules and regulations that benefit users.

A motion was made by Miyasato to approve, as recommended by the Gary Paxton Industrial Park Board, the proposed adjustments to the GPIIP Port Tariff Fee Schedule No. 1. The motion PASSED by the following vote.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

H 18-136 Approve a lease agreement between the Sitka Historical Society, Inc. and the City and Borough of Sitka for a portion of 330 Harbor Drive

Executive Director of the Sitka History Museum Hal Spackman mentioned the July 26 grand opening date for the museum noting the museum had been in existence since 1957. Spackman told of lease amendments he felt the museum needed and several members of the audience showed their support for the museum by raising hands. Amendments included a sign outside of the museum by approval of the assembly, a waiver of utility fees, a waiver of rental fees for foyer use for special events not to conflict with other activities, and a waiver of property tax.

Municipal Attorney Brian Hanson stated the lease came to the legal department many months ago, that it has been challenging to work through as the previous lease was decades old. Don Kluting, Harrigan Centennial Hall (HCH) Director spoke of concerns with the sign amendments in conjunction to the master plan of the entire HCH campus. He told of utility costs and noted if the fees were waived, the overall HCH budget would need to increase. He mentioned concern with use of the foyer since it was the main entrance, that it would need to be coordinated, and HCH staff would be required to be on duty for events which would add additional costs.

Bean had concerns, but thought all parties could get to a place where everyone agreed, or mentioned to shorten the term. Wein wanted more information regarding the sign amendment. Eisenbeisz had concerns with the unlimited utilities and the need to increase the HCH budget to subsidize utilities. He noted that the amendments were shifting the burden back to the city and therefore the public, and wondered if the museum would offer free access to public. Spackman noted that most museums were ran by the city and felt it was a great service provided at less expense to the city. He stated the museum needed time and monetary relief. Knox voiced that a thirty year term was long, and that the Historical Society provided a benefit. He would like to know the cost of the amendments. Mayor Hunter clarified historically they had been charged, however relayed the funding the city paid to the Historical Society had decreased over the years. He thought it was a reasonable expenditure from the Visitor's Enhancement Fund. He mentioned granting the waivers for a period of time in order to know the costs. Miyasato agreed and voiced a one year waiver. He was in support of a long term lease. Wein was in support of the subsidization. Bean agreed with Hunter and Wein, and offered a 24 month term. Knox wished to go forward with the long term lease but on a short term basis for the utilities and property tax waiver to be revisited in 24 months. Mayor Hunter stated he would like to approve the lease and then make amendments. Eisenbeisz reminded that the sign code needed to be followed, was amendable to the waiver of property tax, but thought utilities should be paid.

A motion was made by Miyasato to approve a lease agreement between the Sitka Historical Society, Inc. and the City and Borough of Sitka for a portion of 330 Harbor Drive and authorize the Municipal Administrator to execute this document.

Yes: 4 - Miyasato, Hunter, Knox, and Wein

No: 2 - Eisenbeisz, and Bean

Absent: 1 - Potrzuski

John Stein noted the items were a public trust and the artifacts were irreplaceable.

Eisenbeisz requested a financial review and confirmed with Spackman that the timing of the 24 months coming due in the summer season would not cause concern. Bean

was also in favor of a financial review. Miyasato was in support.

A motion was made by Knox to direct staff to execute within the terms of the lease with the Sitka Historical Society, Inc., a waiver of utilities and property taxes for a period of 24 months at which time it would be revisited.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

I 18-138 Approve the Extension of Agreement between Seafood Producers Cooperative and the City and Borough of Sitka regarding the Sitka Marine Service Center

Municipal Attorney Brian Hanson felt that lease extensions needed to come forward to the Assembly. Eisenbeisz expressed lease extensions should be processed by staff. Wein had concerns of liability for the city with possible lack of general liability insurance. Chief Finance and Administrative Officer Jay Sweeney explained there was approximately a \$2 million balance in the Marine Service Center Fund and noted that the bulk head was owned by the Harbor Fund. Brady stated the lease had expired June 30th, that this was signed by Administration, however needed the assembly to ratify it. Staff had been working internally to changes in the contract. Hanson recommend postponement in order to look at the risk of insurance.

A motion was made by Miyasato to POSTPONE this item to the July 24, 2018 Assembly meeting. The motion PASSED by the following vote.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

J ORD 18-30 Making supplemental appropriations for Fiscal Year 2019 (*E911 Software System Acquisition*)

IT Director Ron Duvall stated this ordinance was moving dedicated E911 funds to MIS funds for the project. He told approval of the contract, not to exceed \$285,000, would be at the next regular meeting. He communicated the reasoning of this ordinance coming prior to the contract was because it took two readings and the second reading of this ordinance and the contract approval would be placed on the agenda for the next meeting together. Duvall noted funds were available, yet no money would be issued until the contract was approved. Bean inquired if the police department would move to a different location that the system could be moved. Duvall confirmed and noted that this system was for both the police department and fire department. Mayor Hunter voiced this was the process that had been done previously, and it was a matter of style yet the effect was the same.

A motion was made by Miyasato that this ordinance be PASSED ON FIRST READING. The motion PASSED by the following vote.

Yes: 5 - Miyasato, Eisenbeisz, Hunter, Knox, and Bean

No: 1 - Wein

Absent: 1 - Potrzuski

K ORD 18-31 Amending Title 4 "Revenue and Finance" of the Sitka General Code by modifying Chapter 4.09 "Sales Tax" at Section 4.09.100 "Exemptions" by including an exemption for sales tax on groceries and residential utilities and

amending Section 4.09.420 "Definitions" by adding a definition for groceries
(1st reading)

Kevin Mosher was not in support of the ordinance. Chris Spivey was not in support but noted revenues were needed.

Knox stated his intent as a sponsor was to address the inequality in the tax code and that two separate ordinances were needed. He thought this would help the lower income level. Wein was disappointed there was not documentation about the revenue change in the packet, he was not in support. Bean stated he was not in support, he noted the previous millage rate increase did not pass at the last election. He stated there were no guarantees that future assemblies wouldn't reinstitute the tax and then the sales tax and property tax would increase. Mayor Hunter explained that according to state law, a ballot initiative could only state one topic which accounted for the separation of this agenda item for removal of the sales tax on groceries and utilities and the following agenda item ordinance of a millage rate increase. His concern was regarding lack of revenues from possible future property value decreases. Knox spoke to the reasoning of the definitions of groceries for simplification. He told of state law with regards to property values and noted that the assembly did not have control over the values.

A motion was made by Miyasato to EXTEND to 11:00 p.m. The motion FAILED by the following vote.

Yes: 4 - Miyasato, Hunter, Knox, and Bean

No: 2 - Eisenbeisz, and Wein

Absent: 1 - Potrzuski

With only a couple minutes remaining until 10:30 p.m., Mayor Hunter called for a recess until 6:00 p.m. July 11 to reconvene and finish the remaining agenda items.

The meeting RECONVENED at 6:00 p.m. on Wednesday, July 11, 2018.

Present: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

Eisenbeisz communicated that retailers point of sale systems should be able to handle the tax or no tax on different items. He expressed concern to see another millage rate increase on the ballot especially with the defeat of the one last year. Wein reiterated the two items should not to be linked. He was not in favor of some of the tax free items, and thought to craft a healthier way. He voiced that any millage rate increase would be passed along to those that have the most difficulty to pay, for example the trailer court tenants. He was not in support of this ordinance. Knox stated the tax system was regressive and this would shift the burden by reducing the taxes on the utilities to help low and middle income people. Mayor Hunter thought that necessities should not be taxed and reiterated his concerns with housing uncertainty in regards to landslide mapping. He commented that Sitka had the lowest millage rate in southeast and stated he was in support. Municipal Administrator Keith Brady estimated the sales tax revenue on utilities at \$1 million and on non prepared foods the estimate was \$2 million in revenue. Knox offered the idea of amendments to non exempt items like soda, soft drinks, or other similiar beverages, heated and prepared meals, food and beverage sold on site for consumption, candy, and confectioners. Wein was in

agreement to the non exempt items, however due to the linkage to the millage rate, he would not be in support.

A motion was made by Miyasato that this ordinance be APPROVED on FIRST READING. The motion FAILED by the following vote.

Yes: 2 - Hunter, and Knox

No: 4 - Miyasato, Eisenbeisz, Bean, and Wein

Absent: 1 - Potrzuski

L ORD 18-32

Amending Article XIII "Taxation", Section 13.03 "Property Tax Limit", of the Home Rule Charter of the City and Borough of Sitka, by increasing the property tax levy limit by two tenths of one percent (2 mills), from six tenths of one percent (6 mills) to eight tenths of one percent (8 mills) of the assessed valuation of the property to be taxed; and, submitting the question of such an amendment to the qualified voters at a regular election on October 2, 2018 *(1st reading - ballot proposition)*

A motion was made by Eisenbeisz that this ordinance be POSTPONED INDEFINITELY. The motion PASSED by the following vote.

Yes: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

M ORD 18-33

Amending Title 4 "Revenue and Finance" of the Sitka General Code by modifying Chapter 4.24 "Transient Lodging Tax" and Chapter 4.09 "Sales Tax", by exempting transient lodging rent from sales tax

Carol Fraser representing Aspen Hotel stated the need to work together to bring more visitors to Sitka. She expressed that at 14%, it would be the highest rate of bed tax in the state. She felt if Sitka become more expensive, less tourists would come.

Mayor Hunter stated this was in conjunction with the following ordinance on the agenda noting if the sales tax was removed and the bed tax increased, it would set the highest rate of tax in order for future assemblies to increase the alcohol tax. Eisenbeisz wondered how to make up the lost revenue in the General Fund. He was not in agreement of the purpose to raise this in order to raise the tax on alcohol. Mayor Hunter stated his intent was for half of the revenue of lodging tax go into the General Fund, and the other to the Visitor's Enhancement Fund to market Sitka. Wein would have liked to have financials laid out to know where funds would be lost and what would be gained. He stated he did not like the linkage of the two ordinances and that the citizens needed to know the motivation would be to raise the alcohol tax. He told of concerns that he did not want to stop any movement towards tourism and he was not in support. Bean was not in support and noted that Alaska had the highest alcohol tax in the nation. Knox felt there was not enough public trust in the assembly, so it was necessary to have them linked to show intent, and then go to the voters.

Municipal Attorney Brian Hanson communicated that the sponsors could put the intent in the purpose and that an informational note could be placed on the ballot. He did not feel it was a material change, since it was background information. Knox expressed that this could be a way to grow the fund. Bean stated instead to not to spend as

much in order to not tax as much. He spoke of letting businesses be independent, and let the market be what it was. Wein believed that bed taxes would affect businesses. Miyasato was not in support of being the highest bed tax in the state and felt the timing was not good. Mayor Hunter mentioned the timing was in order to place this on the ballot, and noted the effective date. Knox wondered if the taxes were to be amended to 12% if it would change the discussion.

Fraser stated their company was against targeting one industry by giving an example of the cruise industry tax of \$50 per head where there were other places giving free water, and utilities to collect revenue.

A motion was made by Knox that this ordinance be APPROVED on FIRST READING. The motion PASSED by the following vote. (Note: Section 3.02 of the Home Rule Charter states the only way an ordinance fails on first reading is if there are four votes in opposition.)

Yes: 3 - Miyasato, Hunter, and Knox

No: 3 - Eisenbeisz, Bean, and Wein

Absent: 1 - Potrzuski

N ORD 18-34A

Amending Title 4 "Revenue and Finance" of the Sitka General Code, by modifying Chapter 4.24 "Transient Lodging Tax", Section 4.24.020 "Imposition of Transient Lodging Tax"; and, submitting the question of such an amendment to the qualified voters at a regular election on October 2, 2018 *(1st reading as previously amended - ballot proposition)*

Rachel Roy Executive Director for Greater Sitka Chamber of Commerce had concerns with Sitka being the highest tax, she told of the need to support and grow the number of tourists and asked for full funding for visitor marketing. Larry Crews was not in support and had concerns of over charging visitors. Kevin Mosher was not in support of increasing taxes and/or targeting taxes. Carol Fraser told that increasing taxes and targeting taxes was not the answer and encouraged everyone to invest in the industry and community. Sheila Finkenbinder was not in support of increasing the bed tax to 14%. Sherry Aitken Executive Director of Tourism for the Greater Sitka Chamber of Commerce echoed Ms. Roy's comments. She stated the alcohol industry should be here to represent if the intent was to increase the alcohol tax. She wondered if there was a way to grow the base rather than to raise the taxes.

Knox gave statistics of the police and fire calls involving alcohol and stated he was in support of moving this forward to put on the ballot for the October election.

A motion was made by Knox that this ordinance be APPROVED on FIRST READING.

Wein appreciated bringing the percentage down to 12%, however it opened the door for future assemblies to raise other taxes, he was not in favor. Eisenbeisz and Bean were not in support overall, however, were in support of the amendment.

A motion was made by Knox to AMEND the transient lodging tax from 14% to 12%. The motion PASSED by the following vote.

Yes: 5 - Miyasato, Eisenbeisz, Hunter, Knox, and Bean

No: 1 - Wein

Absent: 1 - Potrzuski

Eisenbeisz wondered if it was possible to allocate funds on the ballot. Wein thought that all revenue for the tax should go to the Visitor Enhancement Fund. Hunter gave an estimated amount of 1% of bed taxes totaled approximately \$100,000, and estimated \$25,000 for a 1% increase in the winter months per fund. Eisenbeisz thought that by contributing to the Visitor Enhancement Fund it would leave a gap in the General Fund. Municipal Attorney Brian Hanson noted Sitka General Code Section 4.24.070 B stated all bed tax must go to the Visitor Enhancement Fund. He said that code provision would need to be changed, in order to designate funds 50/50.

A motion was made by Knox to AMEND the ordinance to split the transient lodging tax revenue to be split equally between the General Fund and Visitor Enhancement Fund. The motion FAILED by the following vote.

No: 6 - Miyasato, Eisenbeisz, Hunter, Knox, Bean, and Wein

Absent: 1 - Potrzuski

The MAIN MOTION AS AMENDED to change the percentage from 14% to 12% PASSED by the following vote. (Note: Section 3.02 of the Home Rule Charter states the only way an ordinance fails on first reading is if there are four votes in opposition.)

Yes: 3 - Miyasato, Hunter, and Knox

No: 3 - Eisenbeisz, Bean, and Wein

Absent: 1 - Potrzuski

XIII. PERSONS TO BE HEARD:

Chris Spivey stated his concerns of property tax getting passed to the lower income folks through rentals and concerns of homeowners leaving town. Larry Crews suggested to collaborate with legislators for a state sales tax, and told of home value increases in the recent past. He was in agreement with the assembly decision of not placing a 2 mill increase on the ballot. Steven Courtright thanked the assembly for the difficult discussions and tough decisions. He stated his concerns of Dr. Wein's recent comments in an interview as a candidate for state office in which he also identified himself as a member of the assembly. Kevin Mosher clarified that raising property values was administered by the assessor, not the assembly.

XIV. EXECUTIVE SESSION

Executive session was held under item E.

XV. ADJOURNMENT

July 11 (meeting continuation)

A motion was made by Miyasato to ADJOURN. Hearing no objections, the meeting ADJOURNED at 8:12 p.m.

ATTEST: _____
Melissa Henshaw, CMC
Acting Municipal Clerk



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-143 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Appoint Dr. Paul Bahna to an unexpired term on the Library Commission

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Library Commission.pdf](#)
[Bahna Application.pdf](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO appoint Dr. Paul Bahna to an unexpired term on the Library Commission.



Application for Appointment to Boards, Committees, and Commissions
City and Borough of Sitka

Board/Commission/Committee: Public Library Commission

Name: Paul Bohna Daytime Phone: [REDACTED]

Address: [REDACTED] Evening Phone: [REDACTED]

Email Address: [REDACTED] Fax Number: [REDACTED]

Length of Residence in Sitka: five years (+) Registered to vote in Sitka? ☒ Yes ☐ No

Employer: University of Alaska Southeast (UAS)

Organizations you belong to or participate in:

- ① American Medical Technologists (AMT)
- ② Human Anatomy & Physiology Society (HAPS)
- ③ American Society of Microbiology (ASM)

Explain your main reason for applying:

To join the great efforts in Sitka Public library as a Community servant.

What background, experience or credentials will you bring to the board, commission, or committee membership?

My academic background as a doctor and professor of Biology
I also bring a rich diversity, being an Emigrant from Egypt married to a Chinese Emigrant

Please disclose any potential conflicts of interest that may arise from your appointment. These may include but are not limited to:

- A substantial financial interest of \$1000 annually that could be influenced by your appointment.
- An immediate family member employed within the scope of this appointment.

None

Please attach a letter of interest, outline, or resume which includes your education, work, and volunteer experience that will enhance your membership.

→ (To be considered, your application must be complete AND be accompanied by one of the above supporting documents.)

Date: 7/12/2018 Signature: Paul Bohna

Your complete application and resume should be returned to the Municipal Clerk's Office by noon on the Wednesday prior to an advertised Assembly meeting.

Please note: all information submitted will be made public and published online. Appointments are normally made during open session of an Assembly meeting, however, Assembly members may vote to discuss applicant(s) in closed executive session. In this case, do you wish to be present when your application is discussed? ☐ Yes ☐ No

Return to:

Melissa Henshaw, Deputy Clerk/Records Specialist, 100 Lincoln Street
Fax: 907-747-7403 Email: melissa.henshaw@cityofsitka.org

Paul Bahna, MD, DPH

Email: [REDACTED]

OBJECTIVE

Establishing a strong position/career as a Professor of Biological Sciences in an academic environment (online/on Campus) where technological growth potential, medical management skills and community services are valued at a premium.

QUALIFICATIONS

Multilingual Physician with exceptional and varied positions as follows: Health Care Officer, Family Medicine Practitioner, Medical Project Coordinator, Medical Consultant, Clinical Research Coordinator, Postdoctoral Fellow, Researcher, and recently Medical Director& Instructor of Medical Sciences, Professor of Biology/HIM

PROFESSIONAL EXPERIENCE

TEACHING EXPERIENCE:

- | | |
|--|------------------|
| Assistant Professor of Biology | 11/2012- present |
| University of Alaska Southeast- Sitka campus, AK | |
| Providing online classes in Anatomy& Physiology and Microbiology to variety of college students who are seeking basic academic knowledge/courses as pre-requisites for nursing and medical/Health care programs/certification. Also, taught pathophysiology and Pharmacology course for HIM program students. Finally, developed and taught curriculum for Fundamentals of Anatomy& physiology course for newly established Medical Assisting program. | |
| • Instructor; Online pre-recorded Healthful Living Education course, recorded 30 sessions to be taught to international children.
Lumina Academy, Wilmington, NC | 03/2012- 12/2012 |
| • Instructor; Human Resources Development Courses
Cape Fear Community College, Wilmington, NC, | 02/2012- 10/2012 |
| • Instructor& Medical Assisting Program director
Miller-Motte Technical College, Wilmington, NC, | 07/2008-12/2011 |

Worked as an Instructor of Medical Sciences and was appointed as the program Chair in 01/19/2011. Among classes taught were Med. Terminology, Anatomy& Physiology, Pathology, Pharmacology, Medical Laboratory, Medical Procedures, Emergency Procedures, Medical Insurance, Medical Office systems, Medical Law& Ethics and Phlebotomy. Also supervised externship program and other administrative duties as needed.

CLINICAL AND ACADEMIC RESEARCH:

- | | |
|--|-------------------|
| • Clinical Data Associate II
PPD; Wilmington, North Carolina
~ Performed advanced aspects of the data cleaning process, with a high degree | 02/2007 – 03/2008 |
|--|-------------------|

of accuracy and in accordance with GCPs and SOPs/WPDs. Data Listing reviews, and reconciliation of Serious Adverse Events and Third Party Vendor data. Completed Clinical Modules necessary for CRA position.

- Clinical Research Coordinator 11/2005 – 01/2007
Global Clinical Trial Link, LLC; Birmingham, Alabama
~ Coordinated four Clinical studies, enrolled qualified Subjects, submitted essential documents for IRB approval, reported SAEs, and Recruited Investigators.
- Postdoctoral Fellow & Researcher 06/2003 – 08/2005
Infectious Disease Department, M.D. Anderson Cancer Center; Houston, Texas
~ Engaged in In-vitro studies of antiseptic coated device against different organisms; retrospective studies data collection and entry including animal studies. Also participated in grand rounds, core curriculum, seminars and conferences; and reviewed articles and abstracts in a highly academic research environment.

CLINICAL EXPERIENCE:

- Medical Director 1996 - 1997
Sadat City Medical Center; Sadat City, Egypt
~ Managed a multi-specialty clinic including Family Practice, Pediatrics, Gynecology and Obstetrics and Surgery. Treated emergency cases, performed emergency surgery on patients with traumatic injuries and treated outpatients on daily basis.
- Medical Consultant 1993 - 1996
Community Health Program; Kano, Nigeria
~ Conducted outreach program, supervising medical services in 15 clinics located in Kano and Jigawa States. Supervised Expanded Program on Immunization (EPI) for those clinics.
 - * Conducted primary health seminars for local health workers.
 - * Directed U.S. AID project to improve health services and equip clinics operated by the ECWA Community Health Program.
 - * Performed outpatient surgery, prenatal and postnatal care including deliveries.

CLINICAL TRIAL COORDINATION EXPERIENCE:

- * Efficacy of XXXXX in Pediatric Ulcerative Colitis,
- * Use of XXXX therapy in management of Breakthrough Pain in Cancer Patients,
- * Effect of Infant formula in Dietary Intolerance,
- * Effect of XXXXX in Cancer associated anorexia,
- * Actively engaged in Investigators' meetings sharing experience in Subjects' enrollment,
- * Management and review of Site Data and Data Listings.

EDUCATION

Postdoctoral Fellowship, June 2003 – August 2005
Infectious Diseases Department, M.D. Anderson Cancer Center, University of Texas.

Postgraduate Diploma in Public Health and Community Medicine (issued by WHO), April 1990
School of Medicine, Ain Shams University, Cairo, Egypt

MB.BCh (MD equivalent), December 1982
School of Medicine, Ain Shams University, Cairo, Egypt

LICENSES & CERTIFICATIONS

- Human Biomedical Research- CITI program- (March 2018).
- Human Social& Behavioral Research- CITI program- (March 2018).
- 21st Century Executive Leadership workshop (September through November 2016)
- Offered an opportunity to take online science lab workshop (Feb.20-April 17, 2015)
- Applying Quality Matters Rubric workshop (Peer Review certificate) (November 2014)
- Academic Leadership Seminar (10/2014-2/2015)
- United States Medical Licensing Exam (USMLE) Certificate: June 2001(ECFMG)
- Certified Allied Health Instructor: since March 2011(AMT)
- USA Medical Assistant Certificate: since June 2000
- Certified BLS Instructor (AHA) (To be renewed)

PUBLICATIONS

- Antiseptic effect of a novel alcohol-free mouthwash for cancer patients. (First Author)
- XXXXX coated orthopedic metal devices to inhibit Bacterial Infections. (First Author)
- XXXX as an adjunct antifungal therapy in the treatment of Invasive in Murine model. (Second Author);
- Risk factors in MRSA surgical site infections. (Second Author);
- Sources and Outcomes of Bloodstream Infections (BSI) in Cancer Patients: The Role of Quantitative Blood Cultures and the Central Venous Catheter. (Third Author);
- Developed a XXXX alcohol-free mouthwash for cancer patients, and joined the ICAAC conference as a participant in October 2004.

PRESENTATIONS

- Seven Wonders of our Heart- power point community presentation- 2016
 - Do Microbes communicate?- A power point community presentation- 2016
 - “How are your Telomeres doing?” a lecture presented at the Integrative Health Seminar for Sitka community- April 2016.
 - “Hazards of Third Hand Smoke” power point presentation at Sitka Assembly meeting- 2014
- “The value of quantitative blood culture collected through CVC in establishing the diagnosis of bloodstream infections.” (Presented a poster at Internal Medicine Conference that was sponsored by M.D. Anderson Cancer Center, University of Texas.) - 2005

Awards

Faculty Excellence Nomination- 2018
Outstanding Faculty Award- Sitka campus- 2015
The President’s Volunteer Service Award- 2012

Grants

Mentored a student who received a grant for a study on Mental Health Stigma among high school students in Alaska- 2018
Received a grant from BLaST- Fairbanks under Curriculum Development to conduct a new module on catheter-related infections for undergraduate Microbiology students- 2016

Academic Organizations Membership

American Society for Microbiology (ASM)
Human Anatomy and Physiology Society (HAPS)
American Medical Technologists (AMT)
American Association of Medical Assistants (AAMA)

Community Services

Sitka community hospital- Former Board Member
Home-Health Advisory Board Member
Health Commission- Sitka- Former Chair

References

Available upon request



LIBRARY COMMISSION

NAME	CONTACT NUMBERS	TERM STARTS	EXPIRES	CATEGORY
JOSHUA THOMAS PO Box 473	817-471-6054 Josh0417@att.net	9/13/16	9/13/19	Chair
DANIEL GUNN 204 Marine Street	738-0738 danielforestgunn@gmail.com	1/23/18	1/12/19	Vice Chair
NICOLE FILIPEK PO Box 251	206-769-3685 nicolefilipek@gmail.com	2/14/17	2/14/20	Secretary
ALICE JOHNSTONE 213 Shotgun Alley	747-3931 johnstone@ak.net	7/22/03 7/11/06 7/14/09 7/24/12 7/14/15	7/22/06 7/11/09 7/14/12 7/24/15 7/14/18	
DARRYL REHKOPF 210 Observatory Street	738-5629 darrylrehkopf@hotmail.com	8/22/17	4/12/19	<i>Lil's term</i>
<i>CINDY LITMAN 209 Observatory Street</i>	<i>530-574-3468 cindylitman@gmail.com</i>	<i>1/9/18</i>	<i>6/13/20</i>	<i>Eidler's term Resigned 5/3/18</i>
STEPHEN MORSE 314 Tilson street	509-607-7327 stephen_morse@hotmail.com	4/24/18	1/26/19	<i>Bingham's term</i>
Matthew Hunter 102 Remington Way	738-6851 assemblyhunter@cityofsitka.org			Assembly Liaison
Elizabeth O'Donnell 214 Observatory	747-8014			Emeritus Member

7 Members from Public 3-year terms

Established by Ordinance 72-50, Ord. 03-1730 added 2 more members

First Wednesday of the Month, 6:00 p.m. at the Sitka Public Library, 320 Harbor Drive

OATH OF OFFICE REQUIRED

Revised: June 20, 2018



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-138 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 7/3/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Approve the Extension of Agreement between Seafood Producers Cooperative and the City and Borough of Sitka regarding the Sitka Marine Service Center

Sponsors:

Indexes:

Code sections:

Attachments: [Motion and Memo SPC lease extension..pdf](#)
[2018_ Extension Marine Service Center _SPC.pdf](#)
[SMSC Lease.pdf](#)
[SPC Extension and Lease Agreement reduced file size.pdf](#)

Date	Ver.	Action By	Action	Result
7/10/2018	1	City and Borough Assembly		

POSSIBLE MOTION

I MOVE TO approve the extension of agreement between Seafood Producers Cooperative and the City and Borough of Sitka regarding the Sitka Marine Service Center and authorize the Municipal Administrator to execute this document.

Note: this item was postponed at the July 10 meeting



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members

From: Keith Brady, Municipal Administrator

Date: 7-3-18

Subject: Approval of the renewal of the lease agreement with Seafood Producers Cooperative

Summary

The Marine Service Center (MSC) has been leased to Seafood Producers Cooperative and North Pacific Seafoods for the last 10 years. Both parties have split the MSC building for their operations. The 5 year lease started in 2008, with an option to extend twice for additional five-year terms. North Pacific Seafoods has notified us within the contracted time frame that they will not extend their lease.

We have had conversations with Seafood Producers Cooperative on possible changes to their contract, however due to timing of the lease expiration and the need to extend we thought it prudent to renew the contract with them without changes. Any changes to the contract will come before the assembly for approval.

Fiscal Note

This lease generates revenue for CBS. The current rate, adjusted for CPI, is at \$10,157.86/month (\$121,894.32 annually). Sales tax is to be paid in addition to stated rent.

Recommendation

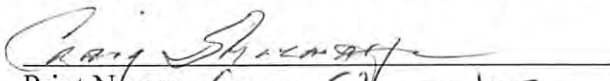
Approve a five-year lease extension with Seafood Producers Cooperative.

**EXTENSION OF AGREEMENT BETWEEN
CITY AND BOROUGH OF SITKA AND
SEAFOOD PRODUCERS COOPERATIVE
REGARDING SITKA MARINE SERVICE CENTER**

The City and Borough of Sitka ("CBS"), 100 Lincoln Street, Sitka, Alaska 99835, and Seafood Producers Cooperative of 2875 Roeder Avenue, Bellingham, Washington 98225 ("SPC") agree to extend the Agreement Between The City and Borough of Sitka and Seafood Producers Cooperative ("Agreement") dated October 28, 2008. The Parties agree to extend the Agreement for the second of two five-year extension periods allowed by Section 1.2 and will expire on June 30, 2023. All terms and conditions set out in the Agreement remains in effect during this extension period.

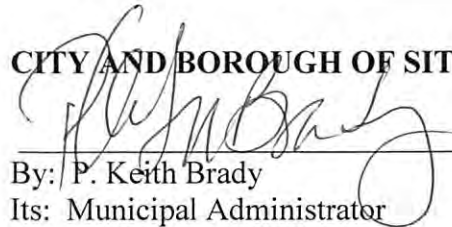
This Amendment was approved by the City and Borough Assembly on _____.

SEAFOOD PRODUCERS COOPERATIVE

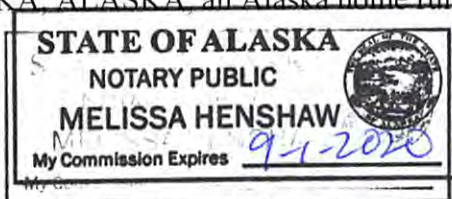

Print Name: Craig Shermaker


STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

CITY AND BOROUGH OF SITKA, ALASKA


By: P. Keith Brady
Its: Municipal Administrator

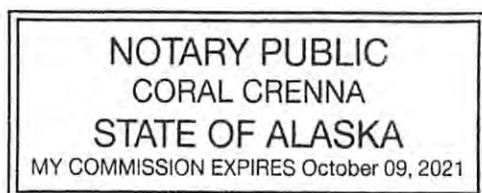
The foregoing instrument was acknowledged before me this 29th day of June, 2018, by P. Keith Brady, Municipal Administrator of the CITY AND BOROUGH OF SITKA, ALASKA, an Alaska home rule municipality, on behalf of the municipality.

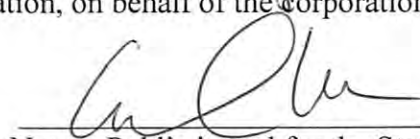


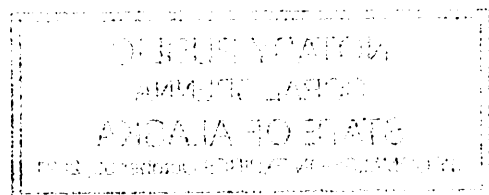
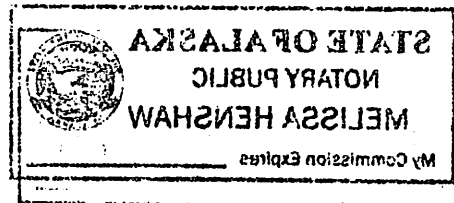

Notary Public in and for the State of Alaska
My commission expires: 9-1-2020

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this 29 day of June, 2018, by Craig Shermaker, its V.P. Operations Manager for the SEAFOODS PRODUCERS COOPERATIVE, an Alaska corporation, on behalf of the corporation.




Notary Public in and for the State of Alaska
My commission expires: 10/9/21





SEAFOOD PRODUCERS COOPERATIVE

PRODUCERS, PROCESSORS & MARKETERS OF PREMIUM QUALITY SEAFOODS

To: Mr. Michael Harmon, Public Works Director
City and Borough of Sitka
Date: December 20, 2017
From: Craig Shoemaker, SPC VP Operations
Subject: Notification of intent to Renew SMSC Lease

Mr. Michael Harmon;

Seafood Producers Cooperative would like to renew its lease on the SMSC for the second 5-year extension from June 2018 out to June 2023.

Please advise us regarding a convenient time to meet and discuss the renewal at your convenience.

Thank you,



Craig Shoemaker VP Operations

Seafood Producers Cooperative

**EXTENSION OF AGREEMENT BETWEEN
CITY AND BOROUGH OF SITKA AND
SEAFOOD PRODUCERS COOPERATIVE
REGARDING SITKA MARINE SERVICE CENTER**


The City and Borough of Sitka (“CBS”), 100 Lincoln Street, Sitka, Alaska 99835, and Seafood Producers Cooperative of 2875 Roeder Avenue, Bellingham, Washington 98225 (“SPC”) agree to extend the Agreement Between The City and Borough of Sitka and Seafood Producers Cooperative (“Agreement”) dated October 28, 2008. The Parties agree to extend the Agreement for the first of two five-year extension periods allowed by Section 1.2 and will expire on June 30, 2018. All terms and conditions set out in the Agreement remains in effect during this extension period.

This Amendment was approved by the City and Borough Assembly on May 14, 2013.

SEAFOOD PRODUCERS COOPERATIVE

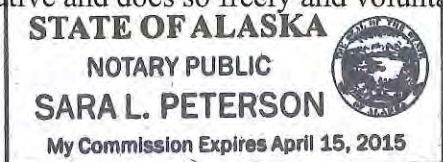
CITY AND BOROUGH OF SITKA

Thomas M. McLaughlin
Print Name: THOMAS M. MCLAUGHLIN


John P. Sweeney, III
Interim Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

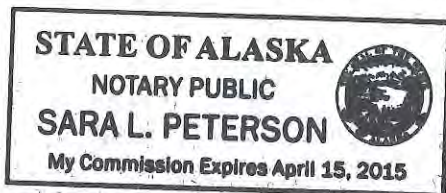
On this 5 day of June, 2013, Thomas McLaughlin, Corporate officer of Seafood Producers Cooperative, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, signs this document on behalf of Seafood Producers Cooperative and affirms by signing this document to be authorized to sign on behalf of the Seafood Producers Cooperative and does so freely and voluntarily.



Sara Peterson
Notary Public for Alaska
My Commission Expires: 4-15-2015

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

On this 12 day of June, 2013, John P. Sweeney, III, Interim Municipal Administrator of the City and Borough of Sitka, Alaska, a municipal corporation organized under the laws of the State of Alaska, signs this Lease Agreement on its behalf, and affirms by signing this document to be authorized to sign on its behalf, and does so freely and voluntarily.



Sara L Peterson
Notary Public for Alaska
My Commission Expires: 4-15-2015



LEASE AGREEMENT

Between

THE CITY AND BOROUGH OF SITKA

AND

**SEAFOOD PRODUCERS
COOPERATIVE**

SITKA MARINE SERVICE CENTER

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Exhibits

Exhibit A – Diagram of Lease Area

Exhibit B – Rental and Maintenance of Marine Services Center Bulk Cold Storage Space

Exhibit C – Property Description

LEASE AGREEMENT

PREAMBLE

This Lease Agreement is made as of July 1, 2008, between the City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 ("Sitka," "the City," or "Lessor") and Seafood Producers Cooperative of 2875 Roeder Avenue, Bellingham, Washington 98225, ("SPC" or "Tenant"), hereafter referred to as Lessee, Agreement or Lease, or Tenant. This Lease Agreement consists of the Special Provisions, the General Provisions, and the attached Exhibits A, B, and C. Exhibit A is a pictorial representation of the areas leased in the Sitka Marine Service Center ("MSC" or "Lessee") at 611 Katlian Street, Sitka, Alaska 99835. Exhibit B describes the rental and maintenance of the MSC bulk cold storage space. Exhibit C further describes the property on Exhibit A.

SPECIAL PROVISIONS

ARTICLE I: LEASE, TERM OF LEASE, AND TERMINATION OF LEASE

Section 1.1 Conveyance of Estate in Lease.

Lessor, for and in consideration of the rents received and of the covenants and agreements made by Lessee, does lease to Lessee, and Lessee leases from Lessor, the "Subject Property" or "Premises" as shown on Exhibit A. Exhibit A shows an approximately 8,400-square of cold storage space. The term is five (5) years, and commences on the first day of the month immediately after the month that includes the date set out in the Preamble and ends five years later. An example of the operation of the provision in the previous sentence is that if the date set out in the Preamble is July 1, 2008, the end of the original 5-year term of the Lease Agreement is June 30, 2013.

Section 1.2 Options to Renew.

Provided there does not then exist a continuing material default by Lessee under this Lease at the time of exercise of this right or at commencement of any extended term, Lessee shall have the right to exercise options for two successive terms of five (5) years each upon the same terms and conditions as this Lease Agreement (except Section 1.2) with the lease payments as described in Article II. Each of these options is effective only if (a) SPC makes a written request to exercise such option not more than one year or less than six months from the end of the immediately preceding term; and (b) SPC is in compliance with law and this Lease Agreement and is not in default under this Lease Agreement. Options to renew must be approved by the Assembly of the City and Borough of Sitka.

Section 1.3 Option to Purchase. ~~DELETED~~

~~Provided there does not then exist a continuing material default by Lessee under this Lease at the time of exercise of this right or at commencement of any extended term, Lessee shall have the right to exercise options for purchase during the first year of this Lease Agreement. This option~~

to purchase is for any or all of the MSC facility, the land it occupies and the adjacent recycling yard center. This option is effective only if (a) SPC makes a written request to exercise such option not less than thirty (30) days prior to the end of the first year; and (b) SPC is in compliance with law and this Lease Agreement and is not in default under this Lease Agreement. The price of the subject is to be at market value, as supported by current real estate appraisals, provided by either party, plus any outstanding balances from previous grants and loans on the facility. Option to purchase must be approved by the Assembly of the City and Borough of Sitka, and subject to the Sitka General Code enforcements. Terms of sale will be negotiated separate from this Lease Agreement.

Section 1.4 Disposition of Improvements and Lessee's Personal Property Following Term of Lease Agreement.

With the exception of such improvements described in the next sentence, Lessee shall remove from the Subject Property any personal property or improvements constructed, installed, or deposited on the Subject Property at the termination of this Lease Agreement or any extension thereof unless Lessee makes a separate written agreement with Sitka to do otherwise. Subject to the provisions of the next sentence, SPC shall leave behind at no cost to Sitka improvements including: bollards, ladders, drains and drain lines; toilets; bathroom sinks; building systems and their components such as plumbing, piping, and fixtures; building structural components; non-structural improvements such as walls and ceilings; devices not used for processing or manufacturing such as but not limited to electrical service entrance equipment, electrical distribution panels, electrical cables, feeders, branch circuit wiring, and appurtenances such as light fixtures, switches, and other devices; portable fire extinguishers, smoke detectors, and fire and life safety equipment attached or fastened in ways integral to the building in which Subject Property is located. Any improvements or personal property not removed after thirty (30) days have passed after termination of this Lease Agreement shall be deemed abandoned and at Lessor's option shall become the property of Lessor, and SPC shall repay to Sitka any costs of removing such improvements or personal property from the Subject Property if Sitka does not exercise such option. Any holes that may be left in walls, ceilings, or floors as a result of removal of improvements shall be repaired by SPC in a manner that meets all existing requirements of local, state, and federal law and matches the existing materials of Subject Property. Subject to Sitka's obligations under Subsection 3.1(a) below, SPC agrees to leave Subject Property in a neat, clean, and weather-tight condition at the end of the term of the Lease Agreement.

Section 1.5 Covenants to Perform.

This Lease Agreement is made upon the above and the following terms and conditions, each of which the party bound by such covenants and conditions agrees to perform, irrespective of whether the particular provision is in the form of a covenant, an agreement, a condition, a direction, or otherwise, and each party agrees to provide the other party with documents or further assurances as may be required to carry out the expressed intentions.

ARTICLE II RENT

Section 2.1 Calculation & Method of Payment of Rent During the Initial Five-Year Term of the Lease.

The first year of the Lease begins on the date for commencement of this Lease Agreement set out in Article I. Each successive year of the lease begins on the corresponding anniversary of the lease. Notwithstanding any other provision of this Lease Agreement, on the term start date set out in Article I, Lessee shall pay the full rent. Subject to the provision in the previous sentence, Lessee shall pay the lease payments for each month in advance upon the first day of each and every month for which rent is due throughout the term of the Lease Agreement without the necessity of any billing by Lessor. SPC will lease the space as shown in Exhibit A for \$110,880/year payable at a rate of \$9,240/month, plus yearly CPI. Sales tax is to be paid in addition to stated rent.

Section 2.2 Cost of Living Adjustment to Lease Rate:

Beginning with the second year of the lease and annually thereafter, the lease payment will be increased by the percentage increase of the Consumer Price Index from the previous year's increase. The index used will be the All Urban Consumers U.S. City Average, all items.

Section 2.3 Calculation and Method of Payment of Rent During Successive Optional Five-Year Renewals of the Lease.

If Lessee decides to exercise the option to renew for successive five-year terms under Section 1.2, the Lessee must notify the City of their intent no less than six (6) months before the end of the current term of the lease. Sitka may commission a professional market appraisal of the lease property in its "as is" condition. The appraisal will not take into consideration improvements made to the property by SPC but may take into consideration improvements made by the City. Subject to the provision of the next sentence, the rental rate for each month of the successive five-year terms (also known as the Sixth and Tenth Years) shall be equal to one-twelfth of ten percent (10%) of the appraised value as determined by the appraisal described in this subsection.

Section 2.4 Property Tax Responsibility

Beginning with the term of this lease and each calendar year thereafter, the Lessee will be responsible to pay property taxes to the City and Borough of Sitka for its possessory interest in the building, land, and equipment to the extent taxable as determined by the Tax Assessor.

ARTICLE III: RESTRICTIONS UPON USE OF SUBJECT PROPERTY

Section 3.1 Lessee's Obligations as to Construction, Maintenance, Repair and Safety

(a) Except as provided herein, SPC acknowledges the leasehold is in an "as is" condition and includes the building, fixtures, appurtenances and City-provided equipment. At the sole cost and expense of SPC and in compliance with all legal requirements, SPC may purchase, construct, develop, repair, and/or maintain any improvements, personal property, fixtures, and other items

on the interior Subject Property in a first-class manner using materials of good quality. Any protrusions, extensions, doors, drains through the roof, walls or floor of the building for the purpose of drains, access, venting equipment or space within the SPC leasehold shall be the responsibility of SPC including any water leaks or blockages caused by those protrusions, extensions or drains.

Sitka shall maintain the subject property and City-provided equipment. Sitka reserves the right to expand or modify the facility. In that event, the City and SPC will work together to complete such expansion or modification in a manner that minimizes disruption to SPC's use of the facility. Some anticipated disruptions could be the use of space for construction activities, the interruption in facility utilities, i.e. power, water and were, and operational disturbances from noise, dust and other construction activities.

(b) Lessee acknowledges that Lessor has made no representation or warranty with respect to Lessee's ability to obtain any permit, license, or approval.

(c) Lessee shall also use the Subject Property and any improvements placed thereon only for lawful uses.

(d) Lessee shall confine their equipment, storage and operation to the leasehold area. An exception to this is the use of common spaces. SPC will cooperate with other lease holders in the facility with regards to use of common spaces which includes coordination and timing of using unloading and loading areas, battery charging and use of other common areas in the building and grounds. The City Facilities Manager will act as arbitrator between leaseholders on questions on cooperative use.

(e) Lessee shall not permit the accumulation of waste or refuse matter on the Subject Property, and Lessee shall not obstruct or permit the obstruction of the streets, sidewalks, access ways, or alleys adjoining the Subject Property except as may be permitted by Lessor or other municipal authorities having jurisdiction. Lessee shall do all things necessary during the term of this Lease Agreement to remove any dangerous condition from time to time existing on the Subject Property as the result of the use by Lessee thereof.

(f) Lessee may erect outdoor signage at its expense with the permission of the City Building Official and the Public Works Director. The style, size and physical placement location of the sign will be approved on a case-by-case basis.

Section 3.2 Lessor's Approval of Certain Alterations or Improvements.

Lessee shall not make or permit to be made any alteration of, addition to, or change in, structures and improvements, nor demolish all or any part of the structures or improvements without the prior written consent of the Lessor, which consent shall not be unreasonably withheld. The phrase "structures and improvements" in the previous sentence includes water and wastewater systems and electrical systems. In requesting consent Lessee shall comply with all applicable laws and ordinances, and shall submit to the Public Works Director of the City and Borough of Sitka or his or her written designee detailed plans and specifications of proposed work, an explanation of the needs and reasons for the work, and a plan of full payment of the costs of the

work. Lessor shall notify Lessee of its approval or objections no later than 30 days after receiving the information described in the previous sentence. In approving or objecting Lessor shall be acting in its proprietary function and not its regulatory function, any such approval in this proprietary function does not relieve SPC of any obligation to obey the law. Nothing in this Section shall be interpreted to prevent SPC from removing at the termination of this Lease Agreement any improvements or personal property as described in Section 1.4.

Section 3.3 Rights of Access to Property

(a) Lessor reserves for itself and any public utility company the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of opening, inspecting, repairing, replacing, reconstructing, maintaining, or servicing the public utilities, if any, located on the Subject Property, as well as for the purposes of constructing or installing new public utilities. Lessor also reserves for itself and the Alaska Department of Environmental Conservation the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of regulation and enforcement of this Lease Agreement. Sitka also reserves for itself the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of (1) inspection of all work being performed in connection with the construction of improvements; (2) showing Subject Property for exhibiting Subject Property in connection with renting or leasing Subject Property in a matter that will not unreasonably interfere with Lessee's business; and (3) placing "For Sale" or "For Rent" signs on Subject Property. Lessee shall not charge for any of the access allowed in the situations described in this subsection.

(b) Lessee shall not construct any permanent improvements over or within the boundary lines of any easement for public utilities without receiving the written prior consent of Lessor and any applicable utility company.

(c) Lessee acknowledges that the Subject Property is or shall be subject to agreements for ingress and egress, utilities, parking, and maintenance of common areas as described on Exhibit A attached hereto. Lessee agrees that it shall comply with the terms of said cooperative agreements, in accordance with the terms of said agreements, those portions of such maintenance expenses that are attributable to the Subject Property, as more fully set forth therein.

Section 3.4 Additional Conditions of Leasing.

Lessee recognizes and shall cause all beneficiaries of Lessee and all permitted successors in interest in or to any part of the Subject Property to recognize that:

(a) SPC will cooperate with the City and Borough of Sitka's Facilities Manager and City's maintenance contractor and will notify the City of any maintenance deficiencies or of any equipment failures that require maintenance or repair. SPC will be provided a 24 hour telephone number to notify the City of any event that requires immediate response by the City.

(b) SPC shall provide a summary record of all cold storage activity by customer. All product into and out of the facility will be weighed and cold storage services and charts documented by customer. These records are to be retained for a minimum of three years, and are to be made

available to the City at a reasonable time and location so that City can verify public use according to the terms of this agreement. An annual report of this business is required and is due by 31 July of each year.

(c) Lease payments will be made in monthly installments in advance in cash or by check, bank draft or money order made available to the City and Borough of Sitka. Installments to be delivered or mailed to 100 Lincoln Street, Sitka, Alaska 99835, by or on the first day of each calendar month.

(d) Lease payments shall become delinquent if not paid within ten (10) days after the due date. Delinquent payments are subject to a late charge of \$25 and interest accrued from the due date at 12% annum.

(e) The charges and fees paid by Lessee to Lessor must be separated according to the City and Borough of Sitka accounting standards.

(f) The City will only invoice if lease payments are delinquent. The City will only invoice if failure to make lease payment within 30 days of due date. The City at its option can terminate the lease in accordance with this Lease Agreement.

(g) SPC will charge cold storage customers rates currently in use at the time. Rates will be clearly posted and will be uniformly charged for all cold storage service provided at the facility. Rate changes will require prior approval of the City. Rate adjustments can be proposed by either SPC or the City. Adjustments will be made to keep rates current with prevailing rates in the Puget Sound area.

(h) SPC covenants and agrees that as it relates to use of the facility, it will not, on the grounds of race, color or national origin, discriminate or permit discrimination against any person or group of person in any manner prohibited by Federal, State or Local laws or regulations promulgated thereunder, and SPC further grants the City the right to take such action to enforce such local covenant as it deems necessary or as it is directed pursuant to any Federal, State or Local law or regulation.

(i) Subject to the storage rights granted to SPC, cold storage will be made available to the public without discrimination to all customers that meet operating requirements of the facility.

(j) Sitka may sell the building in the future and all agreements regarding the Subject Property, including this Lease Agreement, new owner shall be completely transferable to new owner. A transfer of the property to any new owner shall not create any restrictions upon use of the Subject Property in addition to those hereunder.

(k) Lessor may, upon at least 20 days prior notice to Lessee, temporarily suspend the supply of water, wastewater service, the supply of electric power, the use of pipelines, the use of waterfront structures or the use of the Improvements in order to perform routine maintenance and, in all events, subject to unavoidable delays, as provided in Section 4.4. Such interruptions shall be of as short duration as necessary to perform such maintenance, and Sitka shall not be responsible for any such costs or expenses as a result of suspending such utilities. Lessor shall

make their best effort to perform maintenance between November and March of each year.

(l) Lessee will pay the City and Borough of Sitka Fire Marshal fees and other building permit fees and shall also pay all applicable property taxes, sales taxes, utilities and assessments when due.

(m) SPC is responsible for taking any measures that SPC deems necessary to provide security for its property. Sitka is not responsible for theft or vandalism.

(n) City and Borough of Sitka sales tax will apply to lease payments. Sales taxes will also apply to utility services and will be calculated into each monthly billing from the City. Sales tax rates, limits, exemptions, and exclusions are subject to change by the Assembly of the City and Borough of Sitka.

Section 3.5 Control of Rodents and Other Creatures on Subject Property.

Lessee shall take reasonable affirmative measures to ensure that its operations do not attract to Subject Property or any portion of the MSC any of the following creatures: rodents, vermin, insects, eagles, crows, ravens, seagulls, or bears.

ARTICLE IV UTILITY SERVICES & RATES

Section 4.1 Provision of Utility Services.

SPC will pay for an apportioned share of the utilities based on its share of occupancy.

Section 4.2 Rates for Utility Services Provided by Lessor.

Utility rates charged by Lessor for utility services Lessor provides shall be those set forth in the City and Borough of Sitka's Ordinances and General Code. SPC acknowledges the requirements of Section 9.4 as to utility lines. The Assembly of the City and Borough may change utility rates from time to time by amending the Sitka General Code.

Section 4.3 Lessee to Pay for Utility Services.

Lessee will pay, or cause to be paid, all proper charges which shall be used by or supplied to the Subject Property at any time during the term of this Lease Agreement including the following for electricity and solid waste; for sewer and water; for telephone and other communication services; and for all other public or private utility services. In the event that any charge, cost, or expense for any of the above-mentioned utility services or for any of the other above-mentioned services shall not be paid when due and payable, Lessor shall have the right, but shall not be obligated, to pay it, with the understanding that amounts paid by Lessor shall constitute additional rent due and payable under this Lease Agreement and shall be repaid to Lessor by Lessee immediately on rendition of a bill by the Lessor. Interest at the highest rate allowable by law shall be added as a charge for unpaid utility bills paid by Sitka on behalf of Lessee. Sitka reserves the right to suspend utility services if Tenant does not pay for utility services.

Section 4.4 Lessor Not Liable for Failure of Utilities or Building.

Except to the extent that any such failure, injury, or other casualty is due to Lessor's negligence or breach of any obligation under this Lease, Lessor shall not be liable for any failure of building roof, water supply, sewer, or electric current, or for any injury or damages to person or property's caused by or resulting from any natural disaster, natural condition, gasoline, oil, steam, gas, electricity, or hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain, or snows which may leak or flow from the street, sewer, or from any part of the building or the Subject Property, or leakage of gasoline or gas from pipes, appliances, sewer, or plumbing works therein, or from any other place, or for sewer or plumbing works therein, or from any other place. Lessor shall not be held responsible or liable for any claim or action due to or arising from any suspension of operation, breakage, unavoidable accident or injury of any kind occurring to, or caused by the sewer mains by an Act of God, beyond Lessor's control, or caused by the elements, strikes, riots, or a terrorist or terrorists.

Section 4.5. Requirement Regarding Potable Water Services.

All potable water services will be metered and protected by approved backflow prevention in accordance with Section 15.05.400 of the Sitka General Code.

ARTICLE V INDEMNIFICATION

Section 5.1 General Indemnification of Lessor Without Limitation of Any Other Indemnity Given.

Lessee agrees to indemnify, defend, and save harmless Lessor against and from any and all claims by or on behalf of any person, firm, or corporation arising, other than due to acts or omissions of Lessor, from the conduct or management of or from any work or thing whatsoever done in or about the Subject Property and structures and improvements, including liability arising from products produced on the property. Lessee also agrees to indemnify, defend, and save Lessor harmless against and from any and all claims and damages arising, other than due to acts or omissions of Lessor, during the term of this Lease Agreement from: (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of the Lessee regarding any act or duty to be performed by Lessee pursuant to the terms of this Lease Agreement; (c) any act or negligence of Lessee or any of its agents, contractors, servants, employees or licensees; and (d) any accident, injury, death or damage caused to any person occurring during the Term of this Lease Agreement in or on the Subject Property. Lessee agrees to indemnify, defend, and save harmless Lessor from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Lessor, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Lease Agreement to indemnify the Lessor. The agreements of indemnity by the Lessee do not apply to any claims of damage arising out of the failure of the Lessor to perform acts or render services in its municipal capacity.

Section 5.2 Indemnification of Lessee.

Except to the extent of liabilities arising from Lessee's acts or omissions, Lessor indemnifies, defends, and holds Lessee harmless for liabilities to the extent that they were incurred by reason of conditions existing on the site as of the date of execution of this Lease Agreement or by reasons of Lessor's acts or omissions. Lessor also agrees to indemnify, defend, and save Lessee harmless against and from any and all claims and damages arising, other than due to acts or omissions of Lessee, during the term of this Lease Agreement from (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of the Lessor regarding any act or duty to be performed by Lessor pursuant to the terms of the Lease Agreement; (c) any act or negligence of Lessor or any of its agents, contractors, servants, employees, or licensees; and (d) any accident, injury, death, or damage caused to any person occurring during the term of this Lease Agreement in or on the Subject Property. Lessor agrees to indemnify, defend, and save harmless Lessee from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Lessee, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Lease Agreement to indemnify the Lessee.

Section 5.3 Reimbursement of Costs of Obtaining Possession.

Each Party agrees to pay and to indemnify the other party prevailing in any dispute hereunder against, all costs and charges, including but not limited to, full reasonable counsel and legal fees lawfully and reasonably incurred in enforcing any provision of this Lease Agreement including obtaining possession of the Subject Property and establishing the Lessor's title free and clear of this Lease Agreement upon expiration or earlier termination of this Lease Agreement.

GENERAL PROVISIONS

ARTICLE VI DEFINITIONS

Section 6.1 Defined Terms.

For the purposes of this Lease Agreement, the following words shall have the meanings attributed to them in this Section:

(a) "Event of Default" means the occurrence of any action specified in Section 14.1.

(b) "Imposition" means all of the taxes, assessments, utility rates or charges, levies and other governmental charges, levied or assessed against the Subject Property, any part thereof, any right or interest or penalty therein or any rent and income received therefrom as well as sales taxes on rent.

(c) "Improvement" or "improvements" means all buildings, structures and improvements of any nature now or hereafter located upon the Land, as well as all apparatus and equipment necessary for the complete and comfortable use, occupancy, enjoyment and operation of the Subject

Property, including fittings, appliances, machinery, garage equipment, heating equipment, lighting equipment, cooling equipment, air conditioning and ventilating equipment, wiring, controls, communications equipment, plumbing, switchboards, antennae, elevators, escalators, floor coverings, refrigerating equipment, hot water heating and all other appliances and equipment; excepting only in each case articles of personal property appurtenances and fixtures (including trade fixtures) owned by Lessee, Sublessees, or others, which can be removed without defacing or materially injuring the improvements remaining on the property, from the property with the portion of the property from which such items are removed being returned to a condition at least as good as that existing on the date of this lease.

(d) "Personal Property" means tangible personal property owned or leased and used by the Lessee or any sublessee of the Lessee, in connection with and located upon the Subject Property.

(e) "Premises" means the "Subject Property."

(f) "Rent" means the lease rate, which is the amount Lessee periodically owes and is obligated to pay Lessor as lease payments under this Lease Agreement for the use of the Subject Property.

(g) "Subject Property" is the area leased as shown on Exhibit A.

(h) "Sublessee" and "Sublease" -- any reference to "sublessee" shall mean any subtenant, concessionaire, licensee, or occupant of space in or on the Subject Property holding by or through the Lessee; the term "sublease" shall mean any lease, license, concession or other agreement for the use and occupancy of any part of the Subject Property made by any Person holding by or through the Lessee.

(i) "Term" means the period of time Lessee rents or leases the Subject Property from Lessor.

ARTICLE VII INSURANCE

Section 7.1 Insurance.

The City shall maintain property damage and comprehensive general liability insurance in the amount of one million dollars (\$1,000,000), including direct damage boiler and machinery insurance. The City shall maintain on the building and other City improvements on which the premises are located a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, to the extent of at least the actual cash value.

Section 7.2 Notification of Claim, Loss, or Adjustment.

Lessee shall advise Lessor of any claim, loss, adjustment, or negotiations and settlements involving any loss under all policies of the character described in this Section 7.

Section 7.3 Waiver of Subrogation.

Whenever: (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the parties to this Lease Agreement, or anyone claiming under it in connection with the Subject Property or Improvements; and (ii) the party is then covered in whole or in part by insurance with respect to loss, cost, damage or expense or is required under this Lease Agreement to be so insured, then the party so insured (or so required) releases the other party from any liability the other party may have on account of the loss, cost, damage or expense to the extent of any amount recoverable by reason of insurance and waives any right of subrogation which might otherwise exist in or accrue to any person on account of it, provided that the release of liability and waiver of the right of subrogation shall not be operative in any case where the effect is to invalidate the insurance coverage or increase its cost (provided that, in the case of increased cost, the other party shall have the right, within thirty (30) days following written notice, to pay the increased cost keeping the release and waiver in full force and effect).

ARTICLE VIII RESTRICTIONS REGARDING ASSIGNMENT, SUBLEASES, AND TRANSFERS OF SUBJECT PROPERTY

Section 8.1 Lessee Without Power to Assign Lease or Transfer or Encumber Subject Property.

Lessee has no power under this Lease Agreement to assign the Lease Agreement. Lessee has no power under this Lease Agreement to transfer the Subject Property. Lessee has no power to encumber Subject Property or pledge its interest in Subject Property as collateral for a loan or mortgage.

Section 8.2 Limitations on Subleases.

Lessee shall not sublease the Subject Property or any portion of it without the prior written approval of the Assembly of the City and Borough of Sitka. All Subleases entered into demising all or any part of the Improvements or the Subject Property shall be expressly subject and subordinate to this Lease Agreement, including Exhibits B and C. Lessor's consent to a sublease of the Subject Property shall not release SPC from its obligations under the Lease Agreement. Lessor's consent to a sublease shall not be deemed to give any consent to any subsequent subletting.

ARTICLE IX USE AND PROTECTION OF THE SUBJECT PROPERTY

Section 9.1 Property As Is - Repairs.

The Lessee acknowledges that it has examined the Subject Property and the present improvements including any public improvements presently located there and knows the condition of them and accepts them in their present condition and without any representations or warranties of any kind or nature whatsoever by the Lessor as to their condition or as to the use or occupancy which may be made of them. The Lessee assumes the sole responsibility for the Lease Agreement Between City and Borough of Sitka

And Seafood Producers Cooperative

condition of the improvements located on the Subject Property. Nothing in the foregoing shall relieve the Lessor of its general municipal obligations.

Section 9.2 Compliance with Laws.

Lessee shall throughout any term of this Lease Agreement, at Lessee's sole expense, promptly comply with all the laws and ordinances and the orders, rules, regulations, and requirements of all federal, state, and municipal governments and appropriate departments, commissions, boards, and officers (whether or not the same require structural repairs or alterations) and all other legal requirements that may be applicable to the use of the Subject Property.

Section 9.3 Notification of City and Borough of Sitka's Public Works Director of Discovery of Contamination.

Lessee shall promptly notify the Public Works Director of the City and Borough of Sitka within 24 hours if any contaminated soils or other materials that require special handling are encountered during construction activities or during the terms of this Lease Agreement.

Section 9.4 Use of Utility Lines.

Lessee shall connect or otherwise discharge to such utility lines as are approved by the Director of Public Works and/or Electric Director, and shall obtain any permits and comply with any conditions specified by the Director of Public Works for such connections.

Section 9.5 Permits and Approvals for Activities.

Lessee shall be responsible for obtaining all necessary permits and approvals including food processing/purveying for its activities unless otherwise specifically allowed by Lessor. Not less than ten (10) days in advance of applying for permits to any public entity other than the City and Borough of Sitka, Lessee shall provide copies of all permit applications and associated plans and specifications to the Director of Public Works of the City and Borough of Sitka to facilitate review by departments of the City and Borough of Sitka. The City and Borough of Sitka is not obligated to comment on the permit applications and plans, and the result of any review by the City and Borough of Sitka does not affect Lessee's obligation to comply any applicable laws.

ARTICLE X LESSOR'S RIGHT TO PERFORM LESSEE'S COVENANTS; REIMBURSEMENT OF LESSOR FOR AMOUNTS SO EXPENDED

Section 10.1 Performance of Lessee's Covenants To Pay Money.

The Lessee covenants that if it shall at any time default or shall fail to make any other payment (other than Rent) due and the failure shall continue for ten (10) days after written notice to the Lessee, then the Lessor may, but shall not be obligated so to do, and without further notice to or demand upon the Lessee and without releasing the Lessee from any obligations of the Lessee under this Lease Agreement, make any other payment in a manner and extent that the Lessor may deem desirable.

Section 10.2 Lessor's Right To Cure Lessee's Default.

If there is a default involving the failure of the Lessee to keep the lease area in good condition and repair in accordance with the provisions of this Lease Agreement, to make any necessary renewals or replacements or to remove any dangerous condition in accordance with the requirements of this Lease Agreement or to take any other action required by the terms of this Lease Agreement, then the Lessor shall have the right, but shall not be required, to make good any default of the Lessee. The Lessor shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of or to the Lessee by reason of bringing materials, supplies and equipment into or through the building during the course of the work required to be done to make good such default, and the obligations of the Lessee under this Lease Agreement shall remain unaffected by such work, provided that the Lessor uses reasonable care under the circumstances prevailing to avoid unnecessary inconvenience, annoyance, disturbance, loss of business, or other damage to the Lessee.

Section 10.3 Reimbursement of Lessor and Lessee.

All sums advanced by the Lessor pursuant to this Article and all necessary and incidental costs, expenses and attorney fees in connection with the performance of any acts, together with interest at the highest rate of interest allowed by law from the date of the making of advancements, shall be promptly payable by the Lessee, in the respective amounts so advanced, to the Lessor. This reimbursement shall be made on demand, or, at the option of the Lessor, may be added to any rent then due or becoming due under this Lease Agreement and the Lessee covenants to pay the sum or sums with interest, and the Lessor shall have (in addition to any other right or remedy) the same rights and remedies in the event of the nonpayment by the Lessee as in the case of default by the Lessee in the payment of any installment of rent. Conversely, the Lessee shall be entitled to receive from the Lessor prompt payment or reimbursement on any sums due and owing from the Lessor to the Lessee, together with interest at the highest rate allowed by law. However, nothing contained in this Lease Agreement shall entitle the Lessee to withhold any Rent due to the Lessor or to offset or credit any sums against rent, except with respect to unpaid rental due from the Lessor to the Lessee under any sublease of building space to the Lessor.

ARTICLE XI DAMAGE OR DESTRUCTION

Section 11.1 Repair and Replacement of Structures and Improvements Following Damage.

(a) If the Premises shall be destroyed or so injured by any cause as to be unfit, in whole or in part, for occupancy and such destruction or injury could reasonably be repaired within ninety (90) days from the date of such damage or destruction, then Tenant shall not be entitled to surrender possession of the Premises, nor shall Tenant's liability to pay rent under this Lease cease, without the mutual consent of the parties hereto; in case of any such destruction or injury, Lessor shall repair the same with all reasonable speed and shall complete such repairs within ninety (90) days from the date of such damage or destruction. If during such period Tenant shall be unable to use all or any portion of the Premises, a proportionate allowance shall be made to Tenant from the rent corresponding to the time during which and to the portion of the Premises of which Tenant shall be so deprived of the use on account thereof.

(b) If such destruction or injury cannot reasonably be repaired within ninety (90) days from the date of such damage or destruction, Lessor shall notify Tenant in writing within fifteen (15) days after the determination that restoration cannot be made in 90 days. If Lessor elects not to repair or rebuild, this Lease shall be terminated. If Lessor elects to repair or rebuild, Lessor shall specify the time within which such repairs or reconstruction will be complete, and Tenant shall have the option, to be exercised within thirty (30) days after the receipt of such notice, to elect either to terminate this Lease and further liability hereunder, or to extend the term by written notice to Lessor of this Lease by a period of time equivalent to the time from the happening of such destruction or injury until the Premises are restored to their former condition. In the event Tenant elects to extend the term of this Lease, Lessor shall restore the Premises to the former condition within the time specified in the notice, and Tenant shall not be liable to pay rent for the period from the time of such destruction or injury until the Premises are so restored to the former condition.

(c) In addition to all rights to cancel or terminate this Lease set forth in Subsections 11.1(a) and 11.1(b), if the Premises and or the MSC building of which the Premises and a part are destroyed or damaged during the last two (2) years of the renewal term of this Lease or any extension or renewal thereof to the extent of fifty per cent (50%) or more of the value of the Premises and/or the MSC building of which the Premises are a part, then Lessor shall have the right to cancel and terminate this Lease as of the date of such damage or destruction by giving Tenant written notice thereof within ninety (90) days after the date of said damage or destruction.

ARTICLE XII MECHANIC'S LIENS

Section 12.1 Discharge of Mechanics' Liens.

The Lessee shall neither suffer nor permit any mechanics' liens to be filed against the title to the Subject Property, nor against the Lessee's interest in the property, nor against the improvements by reason of work, labor, services or materials supplied or claimed to have been supplied to the Lessee or anyone having a right to possession of the Subject Property or improvements as a result of an agreement with or the assent of the Lessee. If any mechanics' lien shall at the time be filed against the Subject Property including the Improvements, the Lessee shall cause it to be discharged of record within 30 days after the date that Lessee has knowledge of its filing.

ARTICLE XIII LIEN FOR RENT AND OTHER CHARGES

Section 13.1 Lien for Rent.

The whole amount of the rent and each and every installment, and the amount of all taxes, assessments, water rates, insurance premiums and other charges and impositions paid by the Lessor under the provisions of this Lease Agreement, and all costs, attorney's fees and other expenses which may be incurred by the Lessor in enforcing the provisions of this Lease Agreement or on account of any delinquency of the Lessee in carrying out any of the provisions of this Lease Agreement, shall be and they are declared to constitute a valid and prior lien upon the Subject Property and any improvements, and upon the Lessee's leasehold estate, and may be enforced by equitable remedies including the appointment of a receiver.

ARTICLE XIV DEFAULT PROVISIONS

Section 14.1 Events of Default.

Each of the following events is defined as an "Event of Default":

(a) The failure of the Lessee to pay any installment of rent, or any other payments or deposits of money, or furnish receipts for deposits as required, when due and the continuance of the failure for a period of ten (10) days after notice in writing from the Lessor to the Lessee.

(b) The failure of the Lessee to perform any of the other covenants, conditions and agreements of this Lease Agreement including payment of taxes on the part of the Lessee to be performed, and the continuance of the failure for a period of thirty (30) days after notice in writing (which notice shall specify the respects in which the Lessor contends that the Lessee has failed to perform any of the covenants, conditions and agreements) from the Lessor to the Lessee unless, with respect to any default which cannot be cured within thirty (30) days, the Lessee, or any person holding by, through or under the Lessee, in good faith, promptly after receipt of written notice, shall have commenced and shall continue diligently and reasonably to prosecute all action necessary to cure the default within an additional 60 days.

(c) The filing of an application by the Lessee (the term, for this purpose, to include any approved transferee other than a sublessee of the Lessee's interest in this Lease Agreement): (i) for a consent to the appointment of a receiver, trustee or liquidator of itself or all its assets; (ii) of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing of its inability to pay its debts as they come due; (iii) of a general assignment for the benefit of creditors; (iv) of an answer admitting the material allegations of, or its consenting to, or defaulting in answering, a petition filed against it in any bankruptcy proceeding.

(d) The entry of an order, judgment or decree by any court of competent jurisdiction, adjudicating the Lessee a bankrupt, or appointing a receiver, trustee or liquidator of it or of its assets, and this order, judgment or decree continuing unstayed and in effect for any period of 60 consecutive days, or if this Lease Agreement is taken under a writ of execution.

Section 14.2 Assumption or Assignment of Lease to Bankruptcy Trustee.

In the event that this Lease Agreement is assumed by or assigned to a trustee pursuant to the provisions of the Bankruptcy Reform Act of 1978 (referred to as "Bankruptcy Code") (11 U.S.C. § 101 et seq.), and the trustee shall cure any default under this Lease Agreement and shall provide adequate assurances of future performance of this Lease Agreement as are required by the Bankruptcy Code (including but not limited to, the requirement of Code § 365(b)(1)) (referred to as "Adequate Assurances"), and if the trustee does not cure such defaults and provide such adequate assurances under the Bankruptcy Code within the applicable time periods provided by the Bankruptcy Code, then this Lease Agreement shall be deemed rejected automatically and the Lessor shall have the right immediately to possession of the Subject Property immediately and shall be entitled to all remedies provided by the Bankruptcy Code for damages for breach or termination of this Lease Agreement.

Section 14.3 Remedies in Event of Default.

The Lessor may treat any one or more of the Events of Default as a breach of this Lease Agreement and at its option, by serving written notice on the Lessee and each Secured Party and Leasehold Mortgagee of whom Lessor has notice (such notice not to be effective unless served on each such person) of the Event of Default of which the Lessor shall have received notice in writing, the Lessor shall have, in addition to other remedies provided by law, one or more of the following remedies:

(a) The Lessor may terminate this Lease Agreement and the term created, in which event the Lessor may repossess the entire Subject Property and any improvements, and be entitled to recover as damages a sum of money equal to the value, as of the date of termination of this Lease Agreement, of the rent provided to be paid by the Lessee for the balance of the stated term of this Lease Agreement less the fair rental value as of the date of termination of this Lease Agreement of the fee interest in the Subject Property and any improvements for the period, and any other sum of money and damages due under the terms of this Lease Agreement to the Lessor and the Lessee. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(b) The Lessor may terminate the Lessee's right of possession and may repossess the entire Subject Property and any improvements by forcible entry and detainer suit or otherwise, without demand or notice of any kind to the Lessee (except as above expressly provided for) and without terminating this Lease Agreement, in which event the Lessor may, but shall be under no obligation to do so, relet all or any part of the Subject Property for rent and upon terms as shall be satisfactory in the judgment reasonably exercised by the Lessor (including the right to relet the Subject Property and building for a term greater or lesser than that remaining under the stated term of this Lease Agreement and the right to relet the Subject Property and building as a part of a larger area and the right to change the use made of the Subject Property). For the purpose of reletting, the Lessor may make any repairs, changes, alterations or additions in or to the Subject Property and improvements that may be reasonably necessary or convenient in the Lessor's judgment reasonably exercised; and if the Lessor shall be unable, after a reasonable effort to do so, to relet the Subject Property, or if the Subject Property and building are relet and a sufficient sum shall not be realized from reletting after paying all of the costs and expenses of repairs, change, alterations and additions and the expense of reletting and the collection of the rent accruing from it, to satisfy the rent above provided to be paid, then the Lessee shall pay to the Lessor as damages a sum equal to the amount of the rent reserved in this Lease Agreement for the period or periods as and when payable pursuant to this Lease Agreement, or, if the Subject Property or any part of it has been relet, the Lessee shall satisfy and pay any deficiency upon demand from time to time; and the Lessee acknowledges that the Lessor may file suit to recover any sums falling due under the terms of this Section from time to time and that any suit or recovery of any portion due the Lessee shall be no defense to any subsequent action brought for any amount not reduced to judgment in favor of the Lessor. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(c) In the event of any breach or threatened breach by the Lessee of any of the terms, covenants, agreements, provisions or conditions in this Lease Agreement, the Lessor shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as through

reentry, summary proceedings, and other remedies were not provided for in this Lease Agreement.

(d) Upon the termination of this Lease Agreement and the term created, or upon the termination of the Lessee's right of possession, whether by lapse of time or at the option of the Lessor, the Lessee will at once surrender possession of the Subject Property and dispose of personal property and improvements as described in Section 1.4. If possession is not immediately surrendered, the Lessor may reenter the Subject Property and Improvements and repossess itself of it as of its former estate and remove all persons and their personal property, using force as may be necessary without being deemed guilty of any manner of trespass or forcible entry or detainer. Lessor may at its option seek expedited consideration to obtain possession if Lessor determines that the Lease Agreement has terminated as described in the first sentence of this paragraph, and Lessee agrees not to oppose such expedited consideration.

(e) In the event that the Lessee shall fail to make any payment required to be made provided for in this Lease Agreement or defaults in the performance of any other covenant or agreement which the Lessee is required to perform under this Lease Agreement during the period when work provided for in this Lease Agreement shall be in process or shall be required by the terms of this Lease Agreement to commence, the Lessor may treat the default as a breach of this Lease Agreement and, in addition to the rights and remedies provided in this Article, but subject to the requirements of service of notice pursuant to this Lease Agreement, the Lessor shall have the right to carry out or complete the work on behalf of the Lessee without terminating this Lease Agreement.

Section 14.4 Waivers and Surrenders To Be In Writing.

No covenant or condition of this Lease Agreement shall be deemed to have been waived by the Lessor unless the waiver be in writing, signed by the Lessor or the Lessor's agent duly authorized in writing and shall apply only with respect to the particular act or matter to which the consent is given and shall not relieve the Lessee from the obligation, wherever required under this Lease Agreement, to obtain the consent of the Lessor to any other act or matter.

ARTICLE XV LESSOR'S TITLE AND LIEN

Section 15.1 Lessor's Title and Lien Paramount.

The Lessor shall have title to the Land and building, and the Lessor's lien for rent and other charges shall be paramount to all other liens on the Subject Property.

Section 15.2 Lessee Not To Encumber Lessor's Interest.

The Lessee shall have no right or power to and shall not in any way encumber the title of the Lessor in and to the property. The fee-simple estate of the Lessor in the property shall not be in any way subject to any claim by way of lien or otherwise, whether claimed by operation of law or by virtue of any express or implied lease or contract or other instrument made by the Lessee, and any claim to the lien or otherwise upon the Land arising from any act or omission of the Lessee shall accrue only against the leasehold estate of the Lessee in the Subject Property and the

Lessee's interest in any improvements, and shall in all respects be subject to the paramount rights of the Lessor in the property.

ARTICLE XVI REMEDIES CUMULATIVE

Section 16.1 Remedies Cumulative.

No remedy conferred upon or reserved to the Lessor shall be considered exclusive of any other remedy, but shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or existing at law or in equity or by statute. Every power and remedy given by this Lease Agreement to the Lessor may be exercised from time to time and as often as occasion may arise or as may be deemed expedient by the Lessor. No delay or omission of Lessor to exercise any right or power arising from any default shall impair any right or power, nor shall it be construed to be a waiver of any default or any acquiescence in it.

Section 16.2 Waiver of Remedies Not To Be Inferred.

No waiver of any breach of any of the covenants or conditions of this Lease Agreement shall be construed to be a waiver of any other breach or to be a waiver of, acquiescence in, or consent to any further or succeeding breach of it or similar covenant or condition.

Section 16.3 Right to Terminate Not Waived.

Neither the rights given to receive, sue for or distrain from any rent, moneys or other payments, or to enforce any of the terms of this Lease Agreement, or to prevent the breach or nonobservance of it, nor the exercise of any right or of any other right or remedy shall in any way impair or toll the right or power of the Lessor to declare ended the term granted and to terminate this Lease Agreement because of any event of default.

ARTICLE XVII SURRENDER AND HOLDING OVER

Section 17.1 Surrender at End of Term.

On the last day of the last Lease year of the original term, or on the earlier termination of the term, the Lessee shall peaceably and quietly leave, surrender and deliver the entire Subject Property to the Lessor, subject to the provisions of Section 1.4, in good repair, order, and condition, reasonable use, wear and tear excepted, free and clear of any and all mortgages, liens, encumbrances, and claims. At the time of the surrender, the Lessee shall also surrender any and all security deposits and rent advances of Sublessees to the extent of any amounts owing from the Lessee to the Lessor. If the Subject Property is not so surrendered, the Lessee shall repay the Lessor for all expenses which the Lessor shall incur by reason of it, and in addition, the Lessee shall indemnify, defend and hold harmless the Lessor from and against all claims made by any succeeding lessee against the Lessor, founded upon delay occasioned by the failure of the Lessee to surrender the Subject Property.

Section 17.2 Rights Upon Holding Over.

At the termination of this Lease Agreement, by lapse of time or otherwise, the Lessee shall yield up immediately possession of the Land to the Lessor and, failing to do so, agrees, at the option of the Lessor, to pay to the Lessor for the whole time such possession is withheld, a sum per day equal to one hundred and seventy-five percent (175%) times 1/30th of the aggregate of the rent paid or payable to Lessor during the last month of the term of the Lease Agreement the day before the termination of the Lease Agreement. The provisions of this Article shall not be held to be a waiver by the Lessor of any right or reentry as set forth in this Lease Agreement, nor shall the receipt of a sum, or any other act in apparent affirmance of the tenancy, operate as a waiver of the right to terminate this Lease Agreement and the Term granted for the period still unexpired for any breach of the Lessee under this Lease Agreement.

ARTICLE XVIII MODIFICATION

Section 18.1 Modification.

None of the covenants, terms or conditions of this Lease Agreement to be kept and performed by either party to this Lease Agreement shall in any manner be waived, modified, changed or abandoned except by a written instrument duly signed, acknowledged, and delivered by both Lessor and Lessee.

ARTICLE XIX INVALIDITY OF PARTICULAR PROVISIONS

Section 19.1 Invalidity of Provisions.

If any provision of this Lease Agreement or the application of it to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease Agreement, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Lease Agreement shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE XX APPLICABLE LAW AND VENUE

Section 20.1 Applicable Law.

This Lease Agreement shall be construed and enforced in accordance with the laws of the State of Alaska. The forum and venue for any action seeking to interpret, construe, or enforce this Lease Agreement shall be only in the Superior Court for the State of Alaska at Sitka, Alaska.

ARTICLE XXI NOTICES

Section 21.1 Manner of Mailing Notices.

In every case where under any of the provisions of this Lease Agreement or otherwise it shall or may become necessary or desirable to make or give any declaration or notice of any kind to the Lessor or the Lessee, it shall be sufficient if a copy of any declaration or notice is sent by United

States mail, postage prepaid, return receipt requested, addressed: If to Lessor at: Municipal Administrator, City and Borough of Sitka, of 100 Lincoln Street, Sitka, Alaska 99835, with a copy to: Municipal Clerk at address listed above; and if to Lessee, at: the address set out in the Preamble. Each party from time to time may change its address for purposes of receiving declarations or notices by giving notice of the changed address, to become effective seven days following the giving of notice.

Section 21.2 Notice to Leasehold Mortgagee and Secured Parties.

The Lessor shall provide each Leasehold Mortgagee and Secured Party, who has so requested, copies of all notices from Lessor to Lessee relating to existing or potential default under, or other noncompliance with the terms of, this Lease Agreement. All notices, demands or requests which may be required to be given by the Lessor or the Lessee to any Leasehold Mortgagee and Secured Parties shall be sent in writing, by United States registered or certified mail or express mail, postage prepaid, addressed to the Leasehold Mortgagee at a place as the Leasehold Mortgagee may from time to time designate in a written notice to the Lessor and Lessee. Copies of all notices shall simultaneously be sent to the other of the Lessor or the Lessee, as the case may be.

Section 21.3 Sufficiency of Service.

Service of any demand or notice as in this Article provided shall be sufficient for all purposes.

Section 21.4 When Notice Deemed Given or Received.

Whenever a notice is required by this Lease Agreement to be given by any party to the other party or by any party to a Leasehold Mortgagee, the notice shall be considered as having been given when a registered or certified notice is placed in the United States Post Office mail as provided by this Article and shall be deemed received on the third business day thereafter and for all purposes under this Lease Agreement of starting any time period after notice, the time period shall be conclusively deemed to have commenced three business days after the giving of notice and whether or not it is provided that a time period commences after notice is given or after notice is received.

ARTICLE XXII MISCELLANEOUS PROVISIONS

Section 22.1 Captions.

The captions of this Lease Agreement and the index preceding it are for convenience and reference only and in no way define, limit or describe the scope or intent of this Lease Agreement, nor in any way affect this Lease Agreement.

Section 22.2 Conditions and Covenants.

All the provisions of this Lease Agreement shall be deemed and construed to be "conditions" as well as "covenants," as though the words specifically expressing or importing covenants and conditions were used in each separate provision.

Section 22.3 Entire Agreement.

This Lease Agreement contains the entire agreement between the parties and shall not be modified in any manner except by an instrument in writing executed by the parties or their respective successors or assigns in interest.

Section 22.4 Time of Essence as to Covenants of Lease Agreement.

Time is of the essence as to the covenants in this Lease Agreement.

ARTICLE XXIII COVENANTS TO BIND AND BENEFIT RESPECTIVE PARTIES AND TO RUN WITH THE SUBJECT PROPERTY

Section 23.1 Covenants to Run with the Subject Property.

All covenants, agreements, conditions and undertakings in this Lease Agreement shall extend and inure to the benefit of and be binding upon the successors and assigns of each of the parties, the same as if they were in every case named and expressed, and they shall be construed as covenants running with the Subject Property. Wherever in this Lease Agreement reference is made to any of the parties, it shall be held to include and apply to, wherever applicable, also the officers, directors, successors and assigns of each party, the same as if in each and every case so expressed.

Section 23.2 Interest in Deposits Automatically Transferred.

The sale, conveyance or assignment of the interest of the Lessee (pursuant to the terms of this Lease Agreement) or of the Lessor in and to this Lease Agreement shall act automatically as a transfer to the assignee of the Lessor or of the Lessee, as the case may be, of its respective interest in any funds on deposit with and held by any Construction Lender and the Lessor, and every subsequent sale, conveyance or assignment by any assignee of the Lessor or of the Lessee also shall act automatically as a transfer of their respective rights to the deposits with such Construction Lender and the Lessor to the subsequent assignee.

ARTICLE XXIV ADDITIONAL GENERAL PROVISIONS

Section 24.1 Absence of Personal Liability.

No member, official, or employee of the Lessor shall be personally liable to the Lessee, its successors and assigns, or anyone claiming by, through or under the Lessee or any successor in interest to the Subject Property, in the event of any default or breach by the Lessor or for any amount which may become due to the Lessee, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Lease Agreement. No member, official, or employee of the Lessee shall be personally liable to the Lessor, its successors and assigns, or anyone claiming by, through, or under the Lessor or any successor in interest to the Subject Property, in the event of any default or breach by the Lessee or for any amount which become due to the Lessor, its successors and assigns, or any successor in interest

to the Subject Property, or on any obligation under the terms of this Lease Agreement.

Section 24.2 Lease Agreement Only Effective As Against Lessor Upon Assembly Approval.

This Lease Agreement is effective as against Lessor only upon the approval of such Lease Agreement by the Assembly of the City and Borough of Sitka.

Section 24.3 Binding Effects and Attorneys Fees.

This Lease Agreement shall be binding up and inure to the benefit of the respective successors and assigns of the parties hereto. In the event of litigation over this Lease Agreement, the parties agree that the prevailing party shall receive full reasonable attorneys' fees.

Section 24.4 Duplicate Originals.

This Lease Agreement may be executed in any number of copies, each of which shall constitute an original of this Lease Agreement. The warranties, representations, agreements and undertakings shall not be deemed to have been made for the benefit of any person or entity, other than the parties.

Section 24.5 Declaration of Termination.

With respect to Lessor's rights to obtain possession of the Subject Property or to revest title in itself with respect to the leasehold estate of the Lessee in the Subject Property, the Lessor shall have the right to institute such actions or proceedings as it may deem desirable to effectuate its rights including, without limitation, the right to execute and record or file with the Recorder of Sitka Recording District, a written declaration of the termination of all rights and title of Lessee in the Subject Property, and the revesting of any title in the Lessor as specifically provided in this Lease Agreement.

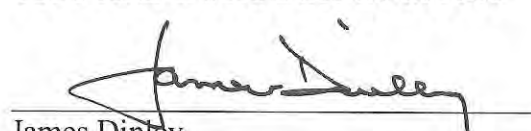
Section 24.6 Authority.

The Lessor and Lessee represent to each other that each has, and has exercised, the required corporate power and authority and has complied with all applicable legal requirements necessary to adopt, execute and deliver this Lease Agreement and perform its obligations. Both parties also represent that this Lease Agreement has been duly executed and delivered by each and constitutes a valid and binding obligation of each enforceable in accordance with its terms, conditions, and provisions.

SEAFOOD PRODUCERS COOPERATIVE



CITY AND BOROUGH OF SITKA


James Dinley
Municipal Administrator

STATE OF ALASKA

)

)ss: **CORPORATE ACKNOWLEDGMENT**

FIRST JUDICIAL DISTRICT

)

On this ~~28~~ day of ~~September~~ ^{October}, 2008, personally appeared before me _____, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, and who by me duly sworn, did say that he is the _____ of SEAFOOD PRODUCERS COOPERATIVE and acknowledged that said LEASE AGREEMENT was signed by him freely and voluntarily and on behalf of said corporation by authority of its bylaws.

Notary Public for Alaska
My Commission Expires:

STATE OF ALASKA

)

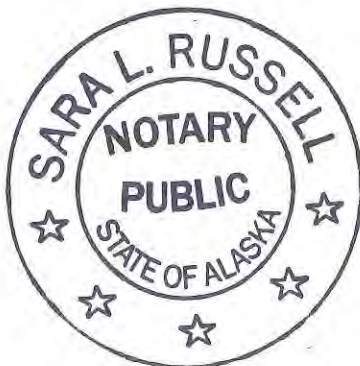
)ss. **MUNICIPAL ACKNOWLEDGMENT**


FIRST JUDICIAL DISTRICT

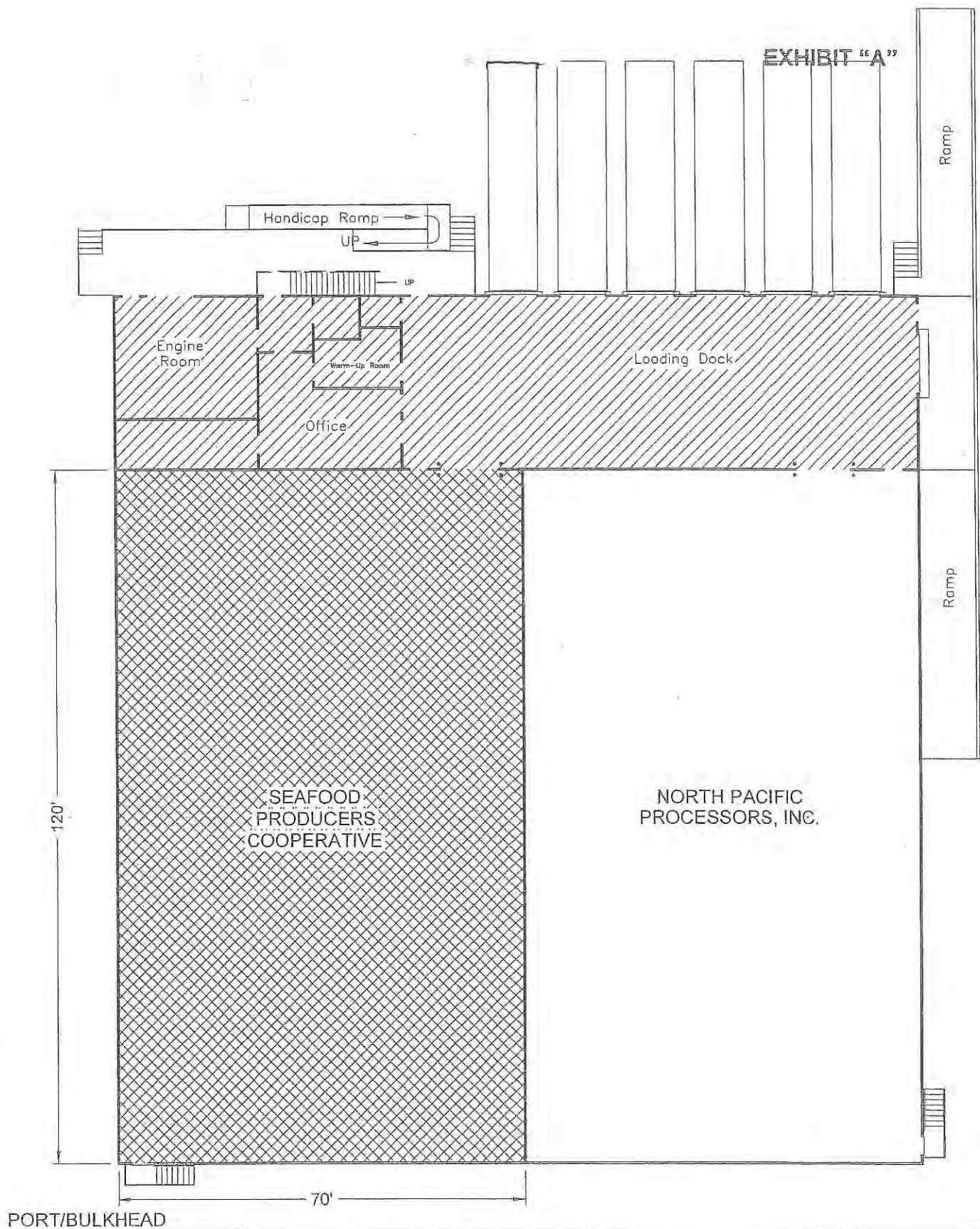
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

THIS CERTIFIES that on this ~~28~~ day of ~~September~~ ^{October}, 2008, before me, a Notary Public in and for the State of Alaska, personally appeared JAMES E. DINLEY, Municipal Administrator to me known and known to me to be the person whose name is subscribed to the foregoing LEASE AGREEMENT, a Municipal corporation organized under the laws of the State of Alaska, that he has been authorized to execute the foregoing LEASE AGREEMENT on its behalf and he executed the same freely and voluntarily as the free act and deed.

WITNESS my hand and official seal the day and year in this certificate first above written.




Notary Public for Alaska
My Commission Expires: 4-15-2011



-  COMMON AREAS
-  LEASED PREMISES

MARINE SERVICES CENTER



EXHIBIT "B"

RENTAL AND MAINTENANCE OF MARINE SERVICES CENTER BULK COLD STORAGE SPACE

This lease is for rental of space to **SPC** to meet their cold storage needs and to provide cold storage service to the seafood processing interests in the community.

Description of Facilities

The **CITY** will make available 8,400 square feet of refrigerated cold storage for exclusive use by **SPC** for cold storage of products related to their business. Major components of this exclusive use space will include:

- Cold storage space with the capability to store approximately 1,800,000 pounds of seafood at -10°F to -20°F.
- Shared office space and warm-up room for cold storage staff.
- Refrigeration, lighting, heating and other utility services required for use.

In addition, the lessee will have access and use of common spaces in the building and at the site for the following uses:

- Restrooms for employees.
- Access to building for delivery of project to the facility for cold storage.
- Access to the building for van loading frozen project for off-site delivery.
- Covered receiving area to accommodate receiving and handling of seafood from the processors main plant into cold storage.
- Loading dock for placing frozen product into vans for shipment.
- Electrical service for charging fork truck batteries.

Excluded Uses at the Site

The following uses are specifically prohibited at the site or as a part of the lessees use of the common spaces or exclusive use spaces:

- Primary processing of seafood.
- Delivery or handling of unprocessed seafood.
- Secondary processing of seafood.

- Retail sales. The term "retail sales" means direct retail sales to customers coming to the site to view and purchase a product. Examples would be a marine chandlery, sales of equipment, provisions and supplies, and sales of seafood products similar to a grocery or convenience store operation.
- Equipment storage or any other activity not directly related to the lessees exclusive use cold storage activities at the site.

Items to be Provided by the Lessee

- All equipment for handling the lessees seafood products for cold storage including electric fork trucks and electric charging equipment.
- Racks or stacking aids for cold storage.
- Totes, boxes or other supplies related to lessee's cold storage service activities.
- Telephone, garbage collection or any other utility required for operations that are not provided by the **CITY**.
- All permits or licenses required for **SPC** operations.
- All utilities to be the responsibility of the lessee.

Items to be Provided by the CITY

- Common building and site space for use by **SPC**.
- Building maintenance of cold storage equipment and common areas at no charge to **SPC**.
- Management of individual lease agreements at the site.
- Janitorial services in the office, warm-up room, bathrooms and entry. These areas will be cleaned weekly.

****See next page at ****

General Provisions of the Lease Agreement - See Lease Agreement

As a condition of the lease, **SPC** shall provide property damage and comprehensive general liability insurance in the amount of one million dollars. The insurance will include coverage for loss or spoilage for **SPC** products stored. The CITY and Borough of Sitka shall be named as an additional insured on the policy for all activities related to the lessee or the lessees activities on the site.

The lessee shall carry Worker's Compensation Insurance covering all its employees working at the site.

If one lease is terminated, the other tenant has the first right to lease the vacated area. This right expires 30 days after the termination.

Handwritten signature

The term of the lease will be five years. The lease shall terminate June 30, 2013. The lessee may not assign its rights without prior written approval of the **CITY**, but such approval will not be unreasonably withheld. The lease may be extended on a year by year basis on mutual agreement of the parties. No extensions are guaranteed. **SPC** shall request extensions 60 days prior to the term date of the original lease or subsequent extended date. The **CITY** will act on the request within 30 days from receipt of the request.

Prior to the approval of any assignment or sublease, the **CITY** shall be provided with all of the terms of the proposed transaction. Approval of assignment or sublease will only be made if it is in the best interests of the **CITY**.

No alterations will be made to the building without prior approval of the **CITY**. All alterations for the benefit of **SPC** will be at the expense of **SPC** and will be installed to comply with all applicable codes and regulations.

The lease area will be open to inspection by the **CITY** at all times.

The lease may be terminated by the **CITY** for breach of the lease agreement. In this event, **SPC** will be provided notice and will have 30 days to correct the breach prior to termination.

The lease may be terminated at any time by mutual agreement of both parties.

Upon termination or completion of this lease agreement, all **SPC** equipment or stored items will be removed and the leased space returned to its original condition less normal wear and tear.

Any repairs done to damage done to the facility by **SPC** forklift operation will be paid for by **SPC**. This includes but is not limited to overhead doors and tracks, plumbing and dock levelers. Normal wear and tear will be considered.

****CITY** will not be held liable for temperature variation in MSC Cold Storage due to improperly handled (above 5°F in temperature and/or wet cardboard boxes) product being introduced to the cold storage vault by **SPC**.

EXHIBIT "C"

The premises leased are portions of the building as shown in Exhibit "A" located on the following property:

A portion of Alaska Tidelands Survey No. 15, Sitka, Alaska, said portion commonly referred to as the Port Development Facility and more particularly described as follows: Beginning at the witness corner to meander Corner No. 11 of U.S. Survey 2542, Sitka Indian Village, Sitka, Alaska; thence N 39°59'56" W a distance of 433.22 feet to a point on the Southerly right-of-way of Katlian Avenue henceforth to be known as Corner No. 1 of this description and the true point of beginning; thence S 44°53'41" W a distance of 2.54 feet to Corner No. 2 of Parcel #4 of the property leased to Halibut Producers Cooperative by the CITY and Borough of Sitka, and Corner No. 2 of this description; thence S 44°53'41" W for 206.76 feet to Corner No. 3; thence S 45°06'49" E a distance of 40.00 feet to Corner No. 4; thence S 43°15'43" W for 16.00 feet to Corner No. 5; thence S 45°06'19" E a distance of 5.00 feet to Corner No. 6; thence S 44°53'41" W for 9.00 feet to Corner No. 7; thence N 45°32'30" W a distance of 356.66 feet to Corner No. 8; thence N 44°19'08" E a distance of 237.34 feet to a point on the Southerly right-of-way of Katlian Avenue as Corner No. 9; thence along the right-of-way of Katlian Avenue in a southeasterly direction along a curve to the Left, whose delta angle is 27°57'49" and whose radius is 507.46 feet for a distance of 247.67 feet to Corner No. 10; thence S 57°00' E a distance of 3.00 feet to Corner No. 11, a point on a curve to the Right whose delta angel is 7°56'07" and whose radius is 477.46 feet, a distance of 66.13 feet to Corner No. 1 and the True Point of Beginning. Sitka Recording District, First Judicial District, State of Alaska.



CITY AND BOROUGH OF SITKA

Legislation Details

File #: ORD 18-30 Version: 1 Name:
Type: Ordinance Status: AGENDA READY
File created: 7/3/2018 In control: City and Borough Assembly
On agenda: 7/24/2018 Final action:
Title: Making supplemental appropriations for Fiscal Year 2019 (E911 Software System Acquisition)
Sponsors:
Indexes:
Code sections:
Attachments: [Motion Memo and Ord 2018-30.pdf](#)

Date	Ver.	Action By	Action	Result
7/10/2018	1	City and Borough Assembly		

POSSIBLE MOTION

I MOVE TO approve Ordinance 2018-30 on
second and final reading.



City and Borough of Sitka

Information Technology Department

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Ron Duvall, Information Technology Director *RAD*

Cc: Jay Sweeney, Chief Finance and Administrative Officer,
Jeff Ankerfelt, Chief of Police,
Dave Miller, Fire Chief

Date: July 5, 2018

SUBJECT: E911 SYSTEM REPLACEMENT – SUPPLEMENTAL APPROPRIATION

Background

The City and Borough of Sitka (CBS) Information Technology and Police Department have been continuously evaluating our Emergency Management Systems (EMS). We currently have identified three critical points of failure.

1. E911 Call Taker System
2. Dispatch Radio Consoles
3. Records Management System / Computer Aided Dispatch

The purpose of this process is to address one of the three critical areas. In 2012 CBS installed our current E911 Call Taker System, Sentinel Patriot 3.1, with a primary location located at the Sitka Police Department and a secondary location at the Sitka Fire Department. The call taker receives 911 calls with Automatic Number Identification and Automatic Location Identifier (ANI/ALI), which is imported into the current GIS data to a system called LG Dispatch and the CBS AS 400 RMS/CAD.

Evaluation Process:

There are several factors that are involved in evaluating any IT system. During the evaluation of these critical systems, we focused on these criteria:

1. Purpose and function for the continuity of emergency services
2. The current status of system support by the manufacturer
3. Current software and hardware maintenance costs
4. Future software and hardware maintenance costs
5. Funding sources available to pay for system upgrades

Goals of the E911 System Replacement Project:

1. Provide a commercially supported E911 system for servicing CBS Emergency Services
2. Upgrade the E911 Call Taker and peripheral systems to current industry standards
3. Streamline the call taking process between the E911 Call Taker System and the RMS/CAD systems

Analysis

The best and most effective way of replacing the E911 system was to go out to bid with a request for proposal (RFP). We received three bids from companies to implement a new E911 system.

The anticipated cost models from most upfront cost to highest recurring cost:

1. Purchase, house, and maintain all hardware and software
2. Purchase hardware and software; house in vendor location
3. E911 as a service

During this analysis the bid review team determined the best, most cost effective solution presented is to purchase, house, and maintain all hardware and software with vendor support through maintenance agreements. The CBS has select Arcticom LLC and the Zetron solution they presented in their RFP.

NOTE: The selection process, Professional Service Contract, project scope of work, project schedule, and all bid documentation will be presented at the July 24th Assembly meeting during the agenda item to approve the contract.

Fiscal Note

Unique to this project from many other CBS projects is the funding source. Every telephone within the City and Borough of Sitka is levied an E911 tax. These funds are federally mandated to be used for 911 services and currently has a balance of \$449,004. During the 2012 upgrade, a loan from the Southeast Economic Development Fund was issued, there is a remaining balance of \$200,575. Each year the E911 Fund realized between \$60,000 and \$80,000 in surplus revenue, helping the fund maintain a healthy balance. Expenses the E911 fund are minimal and include the telecommunications required, as well as, hardware and software maintenance.

The CBS has finalized the scope of work and equipment needed to successfully replace the aging E911 system and have come to an agreement of a Not to Exceed (NTE) amount of \$285,000.

Recommendation

Considering the E911 Fund balance of \$449,000 and estimated yearly surplus in revenue of \$70,000, I recommend the Assembly appropriate \$285,000 from the designated E911 fund to the MIS fund to purchase a new CBS E911 System. Additionally, I recommend the balance of the loan be paid off as scheduled for the next 4 years.

CITY AND BOROUGH OF SITKA

**ORDINANCE NO. 2018-30
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA
MAKING SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 2019
(E911 SOFTWARE SYSTEM ACQUISITION)**

BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to adjust the FY19 budgets for known changes.

4. **ENACTMENT.** The Assembly of the City and Borough of Sitka makes supplemental appropriations in the General Fund and Data Processing Fund for the acquisition of E911 system software and equipment. In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the following supplemental appropriations are hereby made:

<u>FISCAL YEAR 2019 EXPENDITURE BUDGETS</u>
GENERAL FUND
Transfers to other Funds: A supplemental appropriation is hereby made in the General Fund to transfer the amount of \$285,000 from the committed fund balance for E911 surcharges to the Data Processing Fund.
CAPITAL PROJECTS
Fund 300 – Management Information Systems Fund: A supplemental appropriation is hereby made in the amount of \$285,000 for the acquisition of an E911 software system consisting of software, software licenses, and equipment.

EXPLANATION

The Administrator, acting upon the recommendation of the Information Technology Director, has determined that acquisition of a new E911 system is essential to maintaining public safety and emergency response capability within the Municipality.

The Municipality levies a surcharge on all telephone and cellular telephone charges within the municipality to specifically accrue funding to pay for E911 emergency response software. The funds accrued through the surcharge are not comingled with other general governmental revenues and are retained in a committed fund balance within the General Fund. At the end of FY2018, the amount of the committed fund balance in the General Fund for E911 services was \$449,000 plus any additional surcharges collected, estimated to be an additional \$80,000. Thus, funding exists to pay for a new E911 system, and, the funding can't be used for any other purpose.

41 **5. EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

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43 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka, Alaska this
44 **24th Day of July, 2018.**

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47 **ATTEST:**

Matthew Hunter, Mayor

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51 _____
52 **Sara Peterson, MMC**
53 **Municipal Clerk**

54 **1st reading 7/10/18**
55 **2nd reading 7/24/18**

56
57 **Sponsor: Administrator**



CITY AND BOROUGH OF SITKA

Legislation Details

File #: ORD 18-33 Version: 1 Name:

Type: Ordinance Status: AGENDA READY

File created: 7/3/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Amending Title 4 "Revenue and Finance" of the Sitka General Code by modifying Chapter 4.24 "Transient Lodging Tax" and Chapter 4.09 "Sales Tax", by exempting transient lodging rent from sales tax (companion ordinance to Ordinance 2018-34A)

Sponsors:

Indexes:

Code sections:

Attachments: [Motion and Ord 2018-33.pdf](#)

Date	Ver.	Action By	Action	Result
7/10/2018	1	City and Borough Assembly		

POSSIBLE MOTION

I MOVE TO approve Ordinance 2018-33 on
second and final reading.

**CITY AND BOROUGH OF SITKA
ORDINANCE NO. 2018-33**

**AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING TITLE 4 "REVENUE
AND FINANCE" OF THE SITKA GENERAL CODE BY MODIFYING CHAPTER 4.24
"TRANSIENT LODGING TAX" AND CHAPTER 4.09 "SALES TAX", BY EXEMPTING
TRANSIENT LODGING RENT FROM SALES TAX**

1. CLASSIFICATION. This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code.

2. SEVERABILITY. If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. PURPOSE. The purpose of this ordinance is to exempt transient lodging rent from sales tax if the ballot proposition increasing the transient lodging tax to twelve percent is approved by the voters. The net effect of approval of the ballot proposition increasing the transient lodging tax and passage of the ordinance exempting transient lodging rent from sales tax would be a zero or one percent increase in taxes, depending on the applicable sales tax rate, on transient lodging rent. An additional purpose is to correct a related incorrect code reference.

4. ENACTMENT. NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that the Sitka General Code section 4.24.010 "Definitions", at subsection M, section 4.24.020 "Imposition of transient lodging tax", at subsection D, and section 4.09.100 "Exemptions", at subsection AA and adding subsection AC, are amended to read as follows (new language underlined; deleted language stricken):

**TITLE 4
REVENUE AND FINANCE**

*** * ***

**Chapter 4.24
TRANSIENT LODGING TAX**

Sections:

- 4.24.010** Definitions.
- 4.24.020** Imposition of transient lodging tax.
- 4.24.030** Collection and accrual.
- 4.24.040** Transient lodging tax audits.
- 4.24.050** Youth camps.
- 4.24.060** Confidential and nonconfidential tax information.
- 4.24.070** Visitor activities enhancement fund.

*** * ***

4.24.010 Definitions.

* * *

M. Residential Rent. Rent paid for residential housing for thirty or more consecutive days or an entire calendar month by a person or persons for a room, set of rooms, structure, or suite is exempt from sales taxes. ~~This exemption does not apply to any transaction taxable under Chapter 4.24 regarding the hotel, motel, and bed and breakfast transient room tax;~~

* * *

4.24.020 Imposition of transient lodging tax.

* * *

D. ~~The tax shall be in addition to the general sales tax of the municipality. The tax imposed in this chapter shall be levied on lodging rent charged. the municipal sales tax portion of a rental bill. Neither shall the general sales tax be levied on this tax. Both taxes shall be computed individually on the room rent. Lodging rent shall be exempt from sales tax.~~

* * *

Chapter 4.09 SALES TAX

Sections:

* * *

4.09.100 Exemptions.

* * *

AA. Residential Rent. Rent paid for residential housing for thirty or more consecutive days or an entire calendar month by a person or persons for a room, set of rooms, structure, or suite is exempt from sales taxes. ~~This exemption does not apply to any transaction taxable under Chapter 4.24 regarding the hotel, motel, and bed and breakfast transient room tax.~~

AB. Sale of Service Costs or Commission. That part of the sales price paid by the buyer for Sitka travel and adventure services purchased outside the city and borough of Sitka which is not remitted, directly or indirectly, to the person providing or performing the service, and which is a selling cost or commission or similar charge.

AC. Transient Lodging Rent. Rent paid for transient lodging under Chapter 4.24 is exempt from sales tax.

* * *

5. EFFECTIVE DATE. This Ordinance shall become effective on January 1, 2019, but only if the amendment to the transient lodging tax, set forth in Ordinance 2018-34, is approved by voters at the regular election held on October 2, 2018.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of
Sitka, Alaska, this 24th day of July, 2018.

Matthew Hunter, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st reading 7/10/18

2nd reading 7/24/18

Sponsors: Hunter / Knox



CITY AND BOROUGH OF SITKA

Legislation Details

File #: ORD 18-34A Version: 1 Name:

Type: Ordinance Status: AGENDA READY

File created: 7/3/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Amending Title 4 "Revenue and Finance" of the Sitka General Code, by modifying Chapter 4.24 "Transient Lodging Tax", Section 4.24.020 "Imposition of Transient Lodging Tax"; and, submitting the question of such an amendment to the qualified voters at a regular election on October 2, 2018 (1st reading as previously amended - ballot proposition)

Sponsors:

Indexes:

Code sections:

Attachments: [Motion and Ord 2018-34A.pdf](#)

Date	Ver.	Action By	Action	Result
7/10/2018	1	City and Borough Assembly		
7/10/2018	1	City and Borough Assembly		
7/10/2018	1	City and Borough Assembly		
7/10/2018	1	City and Borough Assembly		

Sponsors: Hunter / Knox

POSSIBLE MOTION

I MOVE TO approve Ordinance 2018-34A on first reading as previously amended.

CITY AND BOROUGH OF SITKA
ORDINANCE NO. 2018-34A

BALLOT PROPOSITION OCTOBER 2018

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING TITLE 4 "REVENUE AND FINANCE" OF THE SITKA GENERAL CODE, BY MODIFYING CHAPTER 4.24 "TRANSIENT LODGING TAX", SECTION 4.24.020 "IMPOSITION OF TRANSIENT LODGING TAX"; AND, SUBMITTING THE QUESTION OF SUCH AN AMENDMENT TO THE QUALIFIED VOTERS AT A REGULAR ELECTION ON OCTOBER 2, 2018

1. CLASSIFICATION. All sections of this ordinance, except section 5 regarding the ballot proposition, are of a permanent nature, with section 4 intended to become a part of the Sitka General Code, if approved by the qualified voters at the October 2, 2018, regular election.

2. SEVERABILITY. If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. PURPOSE. The purpose of this ordinance is to raise revenue for the City and Borough of Sitka by increasing the transient lodging tax from six percent to twelve percent of the lodging rent charged. This ordinance must be approved by the voters in a ballot proposition. The Assembly will contemporaneously consider an ordinance which exempts transient lodging rent from sales tax, but only if the aforementioned ballot proposition is approved by the voters. The net effect of approval of the ballot proposition increasing the transient lodging tax and passage of the ordinance exempting transient lodging rent from sales tax would be a zero or one percent increase in taxes, depending on the applicable sales tax rate, on transient lodging rent.

4. ENACTMENT. NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that the Sitka General Code section 4.24.020, entitled "Imposition of transient lodging tax", at subsection C, is amended to read as follows (new language underlined; deleted language stricken):

**TITLE 4
REVENUE AND FINANCE**

* * *

**Chapter 4.24
TRANSIENT LODGING TAX**

Sections:

- 4.24.010 Definitions.
- 4.24.020 Imposition of transient lodging tax.
- 4.24.030 Collection and accrual.
- 4.24.040 Transient lodging tax audits.
- 4.24.050 Youth camps.

4.24.060 Confidential and nonconfidential tax information.
4.24.070 Visitor activities enhancement fund.

* * *

4.24.020 Imposition of transient lodging tax.

* * *

C. The tax shall be ~~six~~ twelve percent of the lodging rent charged.

5. BALLOT PROPOSITION. The following question shall be placed before the voters at the general election to be held on October 2, 2018:

Proposition No. ____

Shall the Sitka General Code be amended to increase the tax on transient lodging rent, previously known as "bed tax", from 6 percent to 12 percent?

☐ YES

☐ NO

Informational: An affirmative vote on this ballot proposition would amend the Sitka General Code section 4.24.020, entitled "Imposition of transient lodging tax", at subsection C, by increasing the transient lodging tax to twelve percent. If approved by the qualified voters, this amendment will become effective January 1, 2019.

Furthermore, on the same date this ballot proposition was brought before the Assembly, Ordinance No. 2018-33 was brought before the Assembly. The purpose of that ordinance is to exempt the transient lodging rent from sales tax should this ballot proposition be approved by the voters. The net effect of approval of the ballot proposition increasing the transient lodging tax and passage of the ordinance exempting transient lodging rent from sales tax would be a zero or one percent increase in taxes, depending on the applicable sales tax rate, on transient lodging rent.

6. EFFECTIVE DATE. This ordinance shall become effective on the day after the date of its passage.

The amendment to the Sitka General Code set forth in Section 4 hereof shall only become effective if the ballot proposition set forth in Section 5 hereof is approved by a majority of the qualified voters at the regular election held on October 2, 2018. Subject to the foregoing, the effective date of this amendment shall be January 1, 2019.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska, this 14th day of August, 2018.

Matthew Hunter, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st reading 7/10/18

1st reading amended 7/24/18

2nd reading 8/14/18

Sponsors: Hunter / Knox



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-145 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Approve 1) the Extension of Agreement between the City and Borough of Sitka and the Nugget Restaurant regarding Airport Sublease and 2) the Consent To and Approval of Assignment of Sublease between the City and Borough of Sitka and the Nugget Restaurant to DPJT, Inc. (possible executive session)

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Nugget Restaurant.pdf](#)
[Nugget Extension of Airport Lease 2018.pdf](#)
[Consent To And Approval Of Assignment Sublease between CBS and Nugget_Final.pdf](#)
[Sublease CBS Nugget 4.1.14-2.28.18.pdf](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTIONS

Step 1

EXECUTIVE SESSION

I MOVE to go into executive session* with the Municipal Attorney to discuss legal matters affecting the municipality with respect to the Nugget Restaurant sublease at the Sitka Rocky Gutierrez Airport, the immediate knowledge of which would adversely affect the finances of the municipality.

Step 2

I MOVE to reconvene as the Assembly in regular session

Step 3

I MOVE to approve the Extension of Agreement between the City and Borough of Sitka and the Nugget Restaurant regarding Airport Sublease and approve the Consent To and Approval of Assignment of Sublease between the City and Borough of Sitka and the Nugget Restaurant to DPJT, Inc.

*Sitka General Code 2.04.020 Meetings

- D. All meetings shall be open to the public except that the following may be discussed in closed executive session:
1. Matters, the immediate knowledge of which would adversely affect the finances of the municipality;
 2. Subjects that tend to prejudice the reputation and character of any person, provided the person may request a public discussion;
 3. Matters which by law, municipal Charter or ordinances are required to be confidential;
 4. Communications with the municipal attorney or other legal advisors concerning legal matters affecting the municipality or legal consequences of past, present or future municipal actions.

**EXTENSION OF AGREEMENT BETWEEN
CITY AND BOROUGH OF SITKA AND
NUGGET RESTAURANT
REGARDING AIRPORT SUBLEASE**

The City and Borough of Sitka ("CBS"), 100 Lincoln Street, Sitka, Alaska 99835, and Nugget Restaurant of 600 Airport Road, Sitka, Alaska 99835 ("Tenant") agree to extend the ("Sublease"), dated March 5, 2014, on a temporary basis. As required by Sitka General Code ("SGC"), subsection 18.12.010.D, to be "temporary" in nature, during the extended term the Sublease shall be terminable at the will of CBS by giving Tenant no more than thirty (30) days prior written notice of intent to terminate. Rent during the extended term of the Sublease shall continue to be \$4,515.20 per month as provided in the Sublease, plus applicable cost of living adjustments referred to in Section 2.2 for the initial term of the Sublease and plus applicable sales tax.

All other terms and conditions of the Sublease remain in full force and effect during the extended term of the Sublease until terminated by CBS or by mutual agreement of the Parties.

As required by Section 24.2 of the Sublease and SGC 18.12.010.D this Sublease term extension was approved, upon motion of the CBS Assembly, on _____.

NUGGET RESTAURANT

CITY AND BOROUGH OF SITKA, ALASKA

By: Tim Holder
Its: President

By: P. Keith Brady
Its: Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2018, by P. Keith Brady, Municipal Administrator of the CITY AND BOROUGH OF SITKA, ALASKA, an Alaska home rule municipality, on behalf of the municipality.

Notary Public in and for the State of Alaska
My commission expires: _____

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2018, by Tim Holder, President of the NUGGET RESTAURANT, an Alaska corporation, on behalf of the corporation.

Notary Public in and for the State of Alaska
My commission expires: _____

**CONSENT TO AND APPROVAL OF ASSIGNMENT
OF SUBLEASE BETWEEN CBS AND
NUGGET RESTAURANT TO DPJT, INC.**

City and Borough of Sitka, Alaska ("CBS"), of 100 Lincoln Street, Sitka, Alaska 99835, entered into a sublease, entitled "Sublease Agreement between the City and Borough of Sitka and Nugget Restaurant" dated March 5, 2014 ("Sublease"), with Nugget Restaurant ("Tenant"), of PO Box 797, Sitka, Alaska 99835.

Pursuant to Section 8.1 of the Sublease, Tenant has requested CBS's consent to and approval of assignment of the Sublease to DPJT, INC. ("Assignee"), of 600 Airport Road, Sitka, Alaska 99835, an Alaska corporation in good standing (Entity # 80462D) with Tim Holder the President, Shareholder, Treasurer, Vice President and 100% owner of all shares, which owns Tenant in its entirety with Tenant being licensed to do business in Alaska (License # 908617).

CBS hereby consents to and approves the assignment of the Sublease to Assignee in accordance with Section 8.1 of the Sublease, with all rights, title, interest, obligations, and liabilities. Assignee shall be subject to all terms and conditions of the Sublease, including any amendments and/or extensions.

The purpose of this Consent is to consent to and approve the assignment which, consequently, recognizes the entity form changes the Tenant has undergone during the initial and holdover terms of the Sublease. Ultimately, the assignment is necessary so tenant may renew its liquor license with the Alaska Alcoholic Beverage Control Board which has recently been denied because the applicant, DPJT, INC., is not the named Tenant for the applicable premises.

CBS has been provided with all of the terms of the assignment, including a copy of the

written instrument effectuating the assignment (if any), and CBS hereby approves the assignment. Tenant and Assignee warrant that the agreed upon assignment makes no changes to the Sublease.

This Sublease is contingent upon the following provisions occurring before any execution of this document:

1. Assignee shall provide documented proof of insurance as required by the Sublease; and,
2. Assignee shall provide in writing the name and address of the official contact of Assignee, who shall receive all future notices required by the Sublease.

This Consent is also based on the Assignee providing the following assurances by signing this Consent:

1. Assignee will be liable under the Sublease in accordance with this Assignment;
2. Assignee affirms that it is legally bound by the Sublease and that it will comply with all the terms and conditions contained in the Sublease;
3. Assignee agrees that it is liable to defend, indemnify and hold harmless CBS pursuant to indemnity obligations set forth in the Sublease; and,
4. Assignee agrees that it is liable to defend, indemnify and hold harmless CBS pursuant to any claims, actions, or damages arising from this Sublease.

This Consent was approved by the CBS Assembly on _____.

This Consent is conditioned upon the approval of Alaska DOT&PF.

[SIGNATURES AND ACKNOWLEDGMENTS ON FOLLOWING PAGES]

CITY AND BOROUGH OF SITKA, ALASKA

Date

By: Keith Brady
Its: Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2018, by Keith Brady, Municipal Administrator of the CITY AND BOROUGH OF SITKA, ALASKA, an Alaska home rule municipality, on behalf of the municipality.

Notary Public in and for the State of Alaska
My commission expires: _____

NUGGET RESTAURANT

Date

By: Tim Holder
Its: Manager

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

The foregoing instrument was acknowledged before me this _____ day of _____, 2018, by Tim Holder Manager of the NUGGET RESTAURANT, a business licensed in Alaska , on behalf of the business.

Notary Public in and for the State of Alaska
My commission expires: _____

**Consent To And Approval Of Assignment Of Contract between CBS
and Nugget Restaurant to DPJT, INC.**

DPJT, INC.

Date

By: Tim Holder
Its: President

STATE OF ALASKA)
) ss.
First JUDICIAL DISTRICT)

The foregoing instrument was acknowledges before me this _____ day of _____, 2018, by Tim Holder, President of DPJT, INC., an Alaska corporation, on behalf of the corporation.

Notary in and for the State of Alaska
My commission expires: _____



SUBLEASE AGREEMENT

BETWEEN

**THE
CITY AND BOROUGH OF SITKA**

AND

NUGGET RESTAURANT

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SUBLEASE AGREEMENT

PREAMBLE

City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835 ("CBS") and Nugget Restaurant, ("Tenant"), P.O. Box 797, Sitka, Alaska 99835, enter into this Sublease Agreement ("Sublease"). This Sublease is subject to all requirements and conditions of CBS's prime lease ADA-50103 with the State of Alaska, Department of Transportation and Public Facilities ("DOT&PF") and consists of the Special Provisions, the General Provisions, and the following attached Exhibits:

- Exhibit A - Pictorial representation of the areas subleased in the Sitka Rocky Gutierrez Airport terminal building, ("Terminal Building"), including sublease area consisting of 2,656 square feet, at 600 Airport Road, Sitka, Alaska 99835 ("Subject Property").
- Exhibit B - Lease between CBS and DOT&PF of the Terminal Building at Lot 3, Block 600.
- Exhibit C - DOT&PF document authorizing CBS to sublease any Terminal Building area.
- Exhibit D - Sublease Guidelines For Tenants, required by DOT&PF.

SPECIAL PROVISIONS

ARTICLE I: SUBLEASE, TERM OF SUBLEASE, AND TERMINATION OF SUBLEASE

Section 1.1 Conveyance of Estate in Sublease.

CBS, for and in consideration of the Rents received and of the covenants and agreements made by Tenant, does sublease to Tenant, and Tenant subleases from CBS, the Subject Property as shown on Exhibit A. Exhibit A shows an approximately 2,656 square feet of Terminal Building space for purposes of a restaurant and cocktail lounge.

Section 1.2 Sublease Term.

The Sublease commences on April 1, 2014, and ends on February 28, 2018, unless sooner terminated or extended as hereinafter provided. The Sublease Term may be extended, based on the Options to Renew in Section 1.3.

Section 1.3 Options to Renew.

Provided there does not then exist a continuing material default by Tenant under this Sublease at the time of exercise of this right or at commencement of any extended term, Tenant shall have the right to exercise options for two successive terms of three (3) years each upon the same terms and conditions as this Sublease (except Section 1.2), with the Sublease payments during the extension terms as described in Article II. Each of these options is effective only if (a) Tenant makes a written request to exercise such option not more than one year or less than six months from the end of the immediately preceding term; and (b) Tenant is in compliance with law and

this Sublease and is not in default under this Sublease. Options to renew must be approved by the CBS Assembly and DOT&PF.

Section 1.4 Disposition of Improvements and Tenant's Personal Property Following Term of Sublease.

With the exception of such improvements described in the next sentence, Tenant shall remove from the Subject Property any personal property or improvements constructed, installed, or deposited on the Subject Property at the termination of this Sublease or any extension unless Tenant makes a separate written agreement with CBS to do otherwise. Subject to the provisions of the next sentence, Tenant shall leave behind at no cost to CBS improvements including: bollards, ladders, drains and drain lines; toilets; bathroom sinks; building systems and their components such as plumbing, piping, and fixtures; building structural components; non-structural improvements such as walls and ceilings; devices not used for processing or manufacturing such as but not limited to electrical service entrance equipment, electrical distribution panels; electrical cables, feeders, branch circuit wiring, and appurtenances such as light fixtures, switches, and other devices; portable fire extinguishers, smoke detectors, and fire and life safety equipment attached or fastened in ways integral to the building in which Subject Property is located. Any improvements or personal property not removed after thirty (30) days have passed after termination of this Sublease shall be deemed abandoned and at CBS's option shall become the property of CBS, and Tenant shall repay to CBS any costs of removing such improvements or personal property from the Subject Property if CBS does not exercise such option. Any holes that may be left in walls, ceilings, or floors as a result of removal of improvements shall be repaired by Tenant in a manner that meets all existing requirements of local, state, and federal law and matches the existing materials of Subject Property. Subject to CBS's obligations under Subsection 3.1 below, Tenant agrees to leave Subject Property in a neat, clean, and weather-tight condition at the end of the term of the Sublease.

Section 1.5 Covenants to Perform.

This Sublease is made upon the above and the following terms and conditions, each of which the Party bound by such covenants and conditions agrees to perform, irrespective of whether the particular provision is in the form of a covenant, an agreement, a condition, a direction, or otherwise, and each Party agrees to provide the other Party with documents or further assurances as may be required to carry out the expressed intentions.

ARTICLE II RENT

Section 2.1 Calculation & Method of Payment of Rent During the Initial Term of the Sublease.

The first year of the Sublease begins on the commencement date of this Sublease set out in Article I. Each successive year of the Sublease begins on the corresponding anniversary commencement date of the Sublease. Subject to the provision in the previous sentence, Tenant shall pay the Sublease payments for subsequent years each month in advance on the first day of each and every month for which Rent is due throughout the term of the Sublease without the necessity of any billing by CBS. Tenant will sublease the space as shown in Exhibit A for \$54,182.40/year payable at a rate of \$4,515.20/month plus applicable cost of living adjustments referred to in Section 2.2 and extension option adjustments in Section 2.3.

Section 2.2 Cost of Living Adjustment to Sublease Rate.

The Sublease rate will be adjusted annually based on the percentage difference between the "All Items" figure for Anchorage, Alaska in the "Consumer Price Index for All Urban Consumers," beginning with the edition published the soonest after January 1. The adjustment shall occur annually on March 1, and shall apply to all subsequent month's sublease payments. The adjustment shall be determined by dividing the most recent CPI by the preceding year CPI, and multiplying the result times the monthly sublease payment and add the result to current sublease payments. Tenant is required to make such adjustments on its own each year.

Section 2.3 Calculation and Method of Payment of Rent During Successive Optional Three-Year Renewal Periods of the Sublease.

If Tenant decides to exercise the option to renew for successive three-year terms under Section 1.3, Tenant must notify CBS of their intent no less than six (6) months before the end of the current term of the Sublease. CBS may commission a professional market appraisal of the Subject Property in its "as is" condition. The appraisal will not take into consideration improvements made to the property by Tenant but may take into consideration improvements made by CBS.

Section 2.4 Property Tax Responsibility.

Beginning with the term of this Sublease and each calendar year after, Tenant will be responsible to pay CBS property taxes for its possessory interest in the building, land, and equipment to the extent taxable as determined by the Municipal Assessor.

ARTICLE III: RESTRICTIONS UPON USE OF SUBJECT PROPERTY**Section 3.1 Tenant's Obligations as to Construction, Maintenance, Repair and Safety.**

(a) Except as provided in this Section, Tenant acknowledges the Subleasehold is in an "as is" condition and includes the building, fixtures, appurtenances and municipal-provided equipment. At the sole cost and expense of Tenant and in compliance with all legal requirements, Tenant may purchase, construct, develop, repair, and/or maintain any improvements, personal property, fixtures, and other items on the interior Subject Property in a first-class manner using materials of good quality. Any protrusions, extensions, doors, drains through the roof, walls or floor of the building for the purpose of drains, access, venting equipment or space within Tenant Subleasehold shall be the responsibility of Tenant including any water leaks or blockages caused by those protrusions, extensions or drains.

(b) CBS shall repair and maintain the subject property and CBS-provided equipment. Tenant shall repair and maintain its areas of use at its sole expense including interior improvements, fixtures appendages and facilities constructed by the Tenant in its use area. This shall include but is not limited to such items as counters, painting, floor coverings and decorations. CBS reserves the right to expand or modify the facility. In that event, the CBS and Tenant will work together to complete such expansion or modification in a manner that minimizes disruption to Tenant's use of the facility. Some anticipated disruptions could be the use of space for construction activities, the interruption in facility utilities (i.e., power, water and sewer and operational disturbances from noise, dust and other construction activities).

(c) Tenant acknowledges that CBS has made no representation or warranty with respect to Tenant's ability to obtain any permit, license, or approval.

(d) Tenant shall also use the Subject Property and any improvements placed thereon only for lawful uses.

(e) Tenant shall confine its equipment, storage and operation to the Subleasehold area. An exception to this is the use of common spaces. Tenant will cooperate with other Subleaseholders in the facility with regards to use of common spaces in the building and grounds. CBS Facilities Manager will act as arbitrator between Subleaseholders on questions on cooperative use.

(f) Tenant shall not permit the accumulation of waste or refuse matter on the Subject Property, and Tenant shall not obstruct or permit the obstruction of the streets, sidewalks, access ways, or alleys adjoining the Subject Property except as may be permitted by CBS or other municipal authorities having jurisdiction. Tenant shall do all things necessary during the term of this Sublease to remove any dangerous condition from time to time existing on the Subject Property as the result of the use by Tenant.

(g) Tenant may erect outdoor signage at its expense with the permission of the CBS Public Works Director and which is in compliance with applicable zoning laws. The style, size and physical placement location of the sign will be approved on a case-by-case basis.

Section 3.2 CBS's Approval of Certain Alterations or Improvements.

Tenant shall not make or permit to be made any alteration of, addition to, or change in, structures and improvements, nor demolish all or any part of the structures or improvements without the prior written consent of CBS, which consent shall not be unreasonably withheld. The phrase "structures and improvements" in the previous sentence includes water and wastewater systems and electrical systems. In requesting consent Tenant shall comply with all applicable laws and ordinances, and shall submit to the CBS Public Works Director or his or her written designee detailed plans and specifications of proposed work, an explanation of the needs and reasons for the work, and a plan of full payment of the costs of the work. CBS shall notify Tenant of its approval or objections no later than 30 days after receiving the information described in the previous sentence. In approving or objecting CBS shall be acting in its proprietary function and not its regulatory function. Any such approval in this proprietary function does not relieve Tenant of any obligation to obey the law, including obtaining any required building permits. Nothing in this Section shall be interpreted to prevent Tenant from removing at the termination of this Sublease any improvements or personal property as described in Section 1.4.

Section 3.3 Rights of Access to Subject Property.

(a) CBS reserves for itself and any public utility company the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of opening, inspecting, repairing, replacing, reconstructing, maintaining, or servicing the public utilities, if any, located on the Subject Property, as well as for the purposes of constructing or installing new public utilities. CBS also reserves for itself and the Alaska Department of Environmental Conservation the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of

regulation and enforcement of this Sublease. CBS also reserves for itself the right to access the Subject Property at all reasonable times in a reasonable manner for the purposes of (1) inspection of all work being performed in connection with the construction of improvements; (2) showing Subject Property for exhibiting Subject Property in connection with renting or subleasing Subject Property in a matter that will not unreasonably interfere with Tenant's business; and (3) placing "For Sale" or "For Rent" signs on Subject Property. Tenant shall not charge for any of the access allowed in the situations described in this subsection.

(b) Tenant shall not construct any permanent improvements over or within the boundary lines of any easement for public utilities without receiving the written prior consent of CBS and any applicable utility company.

(c) Tenant acknowledges that the Subject Property is or shall be subject to agreements for ingress and egress, utilities, parking, and maintenance of common areas as described on attached Exhibit A. Tenant agrees that it shall comply with the terms of such cooperative agreements, in accordance with the terms of such agreements, those portions of such maintenance expenses that are attributable to the Subject Property, as more fully set forth in this Agreement and its exhibits.

Section 3.4 Additional Conditions of Subleasing.

Tenant recognizes and shall cause all beneficiaries of Tenant and all permitted successors in interest in or to any part of the Subject Property to recognize that:

(a) Tenant will cooperate with CBS equipment and building maintenance contractor and will notify CBS of any maintenance deficiencies or of any equipment failures that require maintenance or repair. Tenant will be provided a 24 hour telephone number to notify CBS of any event that requires immediate response by CBS.

(b) Sublease payments will be made in monthly installments in advance in cash or by check, bank draft or money order made available to the City and Borough of Sitka. Installments to be delivered or mailed to 100 Lincoln Street, Sitka, Alaska 99835, by or on the first day of each calendar month.

(c) Sublease payments shall become delinquent if not paid within ten (10) days after the due date. Delinquent payments are subject to a late charge of \$25 and interest accrued from the due date at 12% annum.

(d) The charges and fees paid by Tenant to CBS must be separated according to the CBS accounting standards.

(e) CBS at their option can terminate the Sublease for Tenant's failure to make payment, and in accordance with this Sublease.

(f) Tenant covenants and agrees that as it relates to use of the Subject Property, it will not, on the grounds of race, color or national origin, sex, religion, age, physical handicap, marital status, pregnancy or parenthood, discriminate or permit discrimination against any person or group of person in any manner prohibited by Federal or State laws and Tenant further grants CBS the

right to take such action to enforce such covenant as it deems necessary or as it is directed pursuant to any Federal or State law or regulation.

(g) CBS may sell the Terminal Building in the future and all agreements regarding the Subject Property, including this Sublease between CBS and Tenant, shall be completely transferable to the new owner. A transfer of the Terminal Building to any such entity shall not create any restrictions upon use of the Subject Property in addition to those stated in this Sublease.

(h) CBS may, upon at least 10 days prior written notice to Tenant, temporarily suspend the supply of water, wastewater service, the supply of electric power, the use of pipelines, or the use of the Improvements in order to perform routine maintenance and, in all events, subject to unavoidable delays, as provided in Section 4.2. Such interruptions shall be of as short duration as necessary to perform such maintenance, and CBS shall not be responsible for any such costs or expenses as a result of suspending such utilities.

(i) Tenant shall pay the CBS Fire Marshal or Building Inspector fees and other building permit fees, and shall also pay all applicable property taxes and assessments when due. These include any Local Improvement District costs that may be assessed.

(j) Tenant shall be responsible for taking any measures that Tenant deems necessary to provide security for their property. CBS is not responsible for theft or vandalism.

(k) CBS sales tax applies to Sublease payments. Sales tax rates, limits, exemptions, and exclusions are subject to change by the CBS Assembly.

(l) CBS shall have the authority to allow vending machines to be placed in the Terminal Building. All commissions from vending machines shall be deposited by CBS in the Terminal Building account. Any vending machines proposed to be placed in an area under sublease to the Tenant shall be with the concurrence of the Tenant.

(m) CBS acknowledges that the Nugget Restaurant shall have a right of first refusal with regard to any other limited food or drink sales operations proposed within the Terminal Building and that no other restaurant or lounge business shall be allowed in the Terminal Building. This provision is based on the current sublease with Nugget Restaurant, which expires on March 31, 2014, unless terminated or extended sooner.

(n) Tenant agrees not to install any radio transmitting equipment without the written approval of CBS Facilities Manager and to discontinue upon request of CBS Facilities Manager use of any machinery or installation causing interference to City, State, or Federal government radio receiving or transmitting equipment until the cause of such interference has been eliminated.

(o) Tenant agrees that CBS may modify this Sublease to meet revised requirements for Federal or State grants, regulations or laws, or to conform to the requirements of any CBS revenue bond requirements. However, this agreement to modify the Sublease to conform to the requirements of any revenue bond requirements shall not reduce the rights or privileges granted the Tenant by this Sublease, nor cause the Tenant financial loss in its Sublease options.

(p) FAA requires CBS to file an annual concessionaires' report with the FAA, including a list of individual concessionaires' gross revenues. Tenant grants permission to CBS Finance Director to release this information from sales tax returns in order to comply with FAA reporting requirements.

(q) Tenant agrees that the first priority use of the Terminal Building is to accommodate aircraft for passenger use. Tenant agrees to relocate to comparable space within the Terminal Building or expanded Terminal Building, if required to accommodate this priority at no cost to CBS.

(r) Tenant shall submit a non-refundable \$55 processing fee payable to the State of Alaska upon execution of this Sublease.

Section 3.5 Control of Rodents and Other Creatures on Subject Property.

Tenant shall take reasonable affirmative measures to ensure that its operations do not attract to Subject Property or any portion of the Terminal Building any of the following creatures: rodents, vermin, insects, eagles, crows, ravens, seagulls, mink, otters, or bears.

ARTICLE IV UTILITY SERVICES & RATES.

Section 4.1 Provision of Utility Services.

Tenant is responsible to pay utility bills which Tenant may become liable to pay. Water and sewer services will be provided by CBS in other sections of the Terminal Building.

Section 4.2 CBS Not Liable for Failure of Utilities or Building.

Except to the extent that any such failure, injury, or other casualty is due to CBS's negligence or breach of any obligation under this Sublease, CBS shall not be liable for any failure of building roof, water supply, sewer, or electric current, or for any injury or damages to person or property caused by or resulting from any natural disaster, natural condition, gasoline, oil, steam, gas, electricity, or hurricane, tornado, flood, wind or similar storms or disturbances, or water, rain, or snows which may leak or flow from the street, sewer, or from any part of the Terminal Building or the Subject Property, or leakage of gasoline or gas from pipes, appliances, sewer, or plumbing works therein, or from any other place, or for sewer or plumbing works therein, or from any other place. CBS shall not be held responsible or liable for any claim or action due to or arising from any suspension of operation, breakage, unavoidable accident or injury of any kind occurring to, or caused by the sewer mains by an act of God, beyond CBS's control, or caused by the elements, strikes, riots, or a terrorist or terrorists.

Section 4.3 Janitorial

Janitorial for common areas in the Terminal Building is provided by CBS. Tenant will provide janitorial for its Subject Property.

ARTICLE V INDEMNIFICATION

Section 5.1 Liability of and Indemnification by Tenant.

Tenant agrees to indemnify, defend, and save harmless CBS against and from any and all claims by or on behalf of any person, firm, or corporation arising, other than due to acts or omissions of CBS, from the conduct or management of or from any work or thing whatsoever done in or about the Subject Property and structures and improvements, including liability arising from products produced on the property. Tenant also agrees to indemnify, defend, and save CBS harmless against and from any and all claims and damages arising, other than due to acts or omissions of CBS, during the term of this Sublease from: (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of Tenant regarding any act or duty to be performed by Tenant pursuant to the terms of this Sublease; (c) any act or negligence of Tenant or any of its agents, contractors, servants, employees or licensees; and (d) any accident, injury, death or damage caused to any person occurring during the Term of this Sublease in or on the Subject Property. Tenant agrees to indemnify, defend, and save harmless CBS from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of CBS, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Sublease to indemnify CBS. The agreements of indemnity by Tenant do not apply to any claims of damage arising out of the failure of CBS to perform acts or render services in its municipal capacity.

Section 5.2 Liability of and Indemnification by CBS.

Except to the extent of liabilities arising from Contractor's acts or omissions, CBS indemnifies, defends, and holds Tenant harmless for liabilities to the extent that they were incurred by reason of conditions existing on the site as of the date of execution of this Sublease or by reasons of CBS's acts or omissions. CBS also agrees to indemnify, defend, and save Tenant harmless against and from any and all claims and damages arising, other than due to acts or omissions of Tenant, during the Sublease Term from (a) any condition of the Subject Property or improvements placed on it; (b) any breach or default on the part of the CBS regarding any act or duty to be performed by CBS pursuant to the terms of the Sublease; (c) any act or negligence of CBS or any of its agents, contractors, servants, employees, or licensees; and (d) any accident, injury, death, or damage caused to any person occurring during the Sublease Term in or on the Subject Property. CBS agrees to indemnify, defend, and save harmless Tenant from and against all costs, counsel and legal fees, expenses, and liabilities incurred, other than due to acts or omissions of Tenant, in any claim or action or proceeding brought asserting claims of or asserting damages for any alleged act, negligence, omission, conduct, management, work, thing, breach, default, accident, injury, or damage described in the previous two sentences. The above agreements of indemnity are in addition to and not by way of limitation of any other covenants in this Sublease to indemnify the Tenant.

Section 5.3 Reimbursement of Costs of Obtaining Possession.

Each Party agrees to pay and to indemnify the other Party prevailing in any dispute under this Sublease against all costs and charges, including full reasonable counsel and legal fees lawfully

and reasonably incurred in enforcing any provision of this Sublease including obtaining possession of the Subject Property and establishing CBS's title free and clear of this Sublease upon expiration or earlier termination of this Sublease.

GENERAL PROVISIONS

ARTICLE VI DEFINITIONS

Section 6.1 Defined Terms.

For the purposes of this Sublease, the following words shall have the meanings attributed to them in this Section:

- (a) "Event of Default" means the occurrence of any action specified in Section 14.1.
- (b) "Imposition" means all of the taxes, assessments, utility rates or charges, levies and other governmental charges, levied or assessed against the Subject Property or on any part of the Subject Property, any right or interest regarding the Subject Property, or any Rent and income received from the Subject Property, including sales taxes on Rent.
- (c) "Improvements" means all buildings, structures and improvements of any nature now or hereafter located upon the Subject Property by Tenant, as well as all of the Tenant's apparatus and equipment necessary for the complete and comfortable use, occupancy, enjoyment and operation of the Subject Property, including fittings, appliances, machinery, garage equipment, heating equipment, lighting equipment, cooling equipment, air conditioning and ventilating equipment, wiring, controls, communications equipment, plumbing, switchboards, antennae, floor coverings, refrigerating equipment, hot water heating and all other appliances and equipment; excepting only in each case articles of personal property appurtenances and fixtures (including trade fixtures) owned by Tenant, sublessees, or others, which can be removed without defacing or materially injuring the improvements remaining on the Subject Property, from the property with the portion of the property from which such items are removed being returned to a condition at least as good as that existing on the date of this Sublease. "Improvements" also includes fill, grading, asphalt, and other non-building land improvements.
- (d) "Personal Property" means tangible personal property owned or leased and used by Tenant or any subtenant, in connection with and located upon the Subject Property.
- (e) "Premises" means the "Subject Property."
- (f) "Rent" means the Sublease rate, which is the amount Tenant periodically owes and is obligated to pay CBS as Sublease payments under this Sublease for the use of the Subject Property.
- (g) "Subject Property" is the area Subleased as shown on Exhibit A.
- (h) "Subtenant" shall mean any subtenant, concessionaire, licensee, or occupant of space in or on the Subject Property holding by or through Tenant.

(i) "Term" means the period of time Tenant Rents or Subleases the Subject Property from CBS.

ARTICLE VII INSURANCE

Section 7.1 Insurance.

Tenant shall maintain property damage and comprehensive general liability insurance in the amount of one million dollars (\$1,000,000), including for Subleasehold improvements. CBS shall be named as an additional insured. Tenant shall maintain Workmen's Compensation insurance as required by state and federal regulations. CBS shall maintain for the Terminal Building a policy of standard fire and extended coverage insurance.

Section 7.2 Notification of Claim, Loss, or Adjustment.

Tenant shall advise CBS of any claim, loss, adjustment, or negotiations and settlements involving any loss under all policies of the character described in Section 7.1.

Section 7.3 Waiver of Subrogation.

Whenever: (i) any loss, cost, damage or expense resulting from fire, explosion or any other casualty or occurrence is incurred by either of the Parties to this Sublease, or anyone claiming under it in connection with the Subject Property or Improvements; and (ii) the Party is then covered in whole or in part by insurance with respect to loss, cost, damage or expense or is required under this Sublease to be so insured, then the Party so insured (or so required) releases the other Party from any liability the other Party may have on account of the loss, cost, damage or expense to the extent of any amount recoverable by reason of insurance and waives any right of subrogation which might otherwise exist in or accrue to any person on account of it, provided that the release of liability and waiver of the right of subrogation shall not be operative in any case where the effect is to invalidate the insurance coverage or increase its cost (provided that, in the case of increased cost, the other Party shall have the right, within thirty (30) days following written notice, to pay the increased cost keeping the release and waiver in full force and effect.

ARTICLE VIII RESTRICTIONS REGARDING ASSIGNMENT, SUBLEASES, AND TRANSFERS OF SUBJECT PROPERTY

Section 8.1 Tenant Without Power to Assign Sublease or Transfer or Encumber Subject Property.

Tenant has no power under this Sublease to assign the Sublease, except with approval of the CBS Assembly and DOT&PF. Tenant has no power under this Sublease to transfer the Subject Property, except with approval of the CBS Assembly and DOT&PF. Tenant has no power to encumber Subject Property or pledge its interest in Subject Property as collateral for a loan or mortgage.

Section 8.2 Limitations on Subleases.

Tenant shall not sublease the Subject Property or any portion of it without the prior written approval of the CBS Assembly and DOT&PF. All subleases entered into demising all or any part of the Improvements or the Subject Property shall expressly state that it is subject to and subordinate to this Sublease. CBS's and DOT&PF's consent to a sublease of the Subject

Property shall not release Tenant from its obligations under this Sublease. CBS's and DOT&PF's consent to a sublease shall not be deemed to give any consent to any subsequent subletting.

ARTICLE IX USE AND PROTECTION OF THE SUBJECT PROPERTY

Section 9.1 Subject Property As Is - Repairs.

Tenant acknowledges that it has examined the Subject Property and the present improvements including any public improvements presently located there and knows the condition of them and accepts them in the present condition and without any representations or warranties of any kind or nature whatsoever by CBS as to their condition or as to the use or occupancy which may be made of them. Tenant assumes the sole responsibility for the condition of the improvements located on the Subject Property. The foregoing shall not be deemed to relieve CBS of its general municipal obligations, or of its obligations under Section 3.1 above.

Section 9.2 Compliance with Laws.

Tenant shall throughout any term of this Sublease, at Tenant's sole expense, promptly comply with all the laws and ordinances and the orders, rules, regulations, and requirements of all federal, state, and municipal governments and appropriate departments, commissions, boards, and officers (whether or not the same require structural repairs or alterations) and all other legal requirements that may be applicable to the use of the Subject Property. Nothing in the foregoing sentence shall be deemed to relieve CBS of its general obligations required in its municipal capacity.

Section 9.3 Notification of CBS Public Works Director of Discovery of Contamination.

Tenant shall promptly notify the CBS Public Works Director within 24 hours if any contaminated soils or other media that require special handling are encountered during construction activities or at any other time.

Tenant shall be responsible for all clean-up costs associated with contamination of soils of subject property, adjoining property, and/or buildings. In the event of Tenant's failure to clean-up to applicable regulatory standards or to the satisfaction of the CBS Public Works Director, CBS may perform clean-up or contract for clean-up, and all charges for such work shall be payable by Tenant.

Section 9.4 Use of Utility Lines.

Tenant shall connect or otherwise discharge to such utility lines as are approved by the CBS Directors of Public Works and/or Electric Department, and shall obtain any permits and comply with any conditions specified by the Directors of Public Works and/or Electric Department for such connections.

Section 9.5 Permits and Approvals for Activities.

Tenant shall be responsible for obtaining all necessary permits and approvals for its activities unless otherwise specifically allowed by CBS. Not less than ten (10) days in advance of applying for permits to any public entity other than the CBS, Tenant shall provide copies of all permit applications and associated plans and specifications to the CBS Public Works Director to

facilitate review by departments of the CBS. CBS is not obligated to comment on the permit applications and plans, and the result of any review by the CBS does not affect Tenant's obligation to comply with any applicable laws.

ARTICLE X CBS'S RIGHT TO PERFORM TENANT'S COVENANTS; REIMBURSEMENT OF CBS FOR AMOUNTS SO EXPENDED

Section 10.1 Performance of Tenant's Covenants To Pay Money.

Tenant covenants that if it shall at any time default or shall fail to make any other payment (other than Rent) due and the failure shall continue for ten (10) days after written notice to Tenant, then CBS may, but shall not be obligated so to do, and without further notice to or demand upon Tenant and without releasing Tenant from any obligations of Tenant under this Sublease, make any other payment in a manner and extent that CBS may deem desirable.

Section 10.2 CBS's Right To Cure Tenant's Default.

If there is a default involving the failure of Tenant to keep the Subject Property in good condition and repair in accordance with the provisions of this Sublease, to make any necessary renewals or replacements or to remove any dangerous condition in accordance with the requirements of this Sublease or to take any other action required by the terms of this Sublease, then CBS shall have the right, but shall not be required, to make good any default of Tenant. CBS shall not in any event be liable for inconvenience, annoyance, disturbance, loss of business, or other damage of or to Tenant by reason of bringing materials, supplies and equipment into or through the Terminal Building during the course of the work required to be done to make good such default, and the obligations of Tenant under this Sublease shall remain unaffected by such work, provided that CBS uses reasonable care under the circumstances prevailing to avoid unnecessary inconvenience, annoyance, disturbance, loss of business, or other damage to Tenant.

Section 10.3 Reimbursement of CBS and Tenant.

All sums advanced by CBS pursuant to this Article and all necessary and incidental costs, expenses and attorney fees in connection with the performance of any acts, together with interest at the highest rate of interest allowed by law from the date of the making of advancements, shall be promptly payable by Tenant, in the respective amounts so advanced, to CBS. This reimbursement shall be made on demand, or, at the option of CBS, may be added to any Rent then due or becoming due under this Sublease and Tenant covenants to pay the sum or sums with interest, and CBS shall have (in addition to any other right or remedy) the same rights and remedies in the event of the nonpayment by Tenant as in the case of default by Tenant in the payment of any installment of Rent. Conversely, Tenant shall be entitled to receive from CBS prompt payment or reimbursement on any sums due and owing from CBS to Tenant, together with interest at the highest rate allowed by law. However, nothing contained in this Sublease shall entitle Tenant to withhold any Rent due to CBS or to offset or credit any sums against Rent, except with respect to unpaid Rental due from CBS to Tenant under any Sublease of Terminal Building space to CBS.

ARTICLE XI DAMAGE OR DESTRUCTION

Section 11.1 Repair and Replacement of Structures and Improvements Following Damage.

(a) If the Subject Property shall be destroyed or so injured by any cause as to be unfit, in whole or in part, for occupancy and such destruction or injury could reasonably be repaired within ninety (90) days from the date of such damage or destruction, then Tenant shall not be entitled to surrender possession of the Subject Property, nor shall Tenant's liability to pay Rent under this Sublease cease, without the mutual consent of the Parties. In case of any such destruction or injury, CBS shall repair the same with all reasonable speed and shall complete such repairs within ninety (90) days from the date of such damage or destruction. If during such period Tenant shall be unable to use all or any portion of the Subject Property, a proportionate allowance shall be made to Tenant from the Rent corresponding to the time during which and to the portion of the Subject Property of which Tenant shall be so deprived of its use.

(b) If such destruction or injury cannot reasonably be repaired within ninety (90) days from the date of such damage or destruction, CBS shall notify Tenant within fifteen (15) days after the determination that restoration cannot be made in ninety (90) days. If CBS elects not to repair or rebuild, this Sublease shall be terminated. If CBS elects to repair or rebuild, CBS shall specify the time within which such repairs or reconstruction will be complete, and Tenant shall have the option, to be exercised within thirty (30) days after the receipt of such written notice, to elect either to terminate the Sublease and further liability, or to extend the Sublease Term by a period of time equivalent to the time from the happening of such destruction or injury until the Subject Property is restored to its former condition. In the event Tenant elects to extend the Sublease Term, CBS shall restore the Subject Property to its former condition within the time specified in the written notice, and Tenant shall not be liable to pay Rent for the period from the time of such destruction or injury until the Subject Property is so restored to its former condition.

(c) In addition to all rights to cancel or terminate this Sublease set forth in Subsections 11.1(a) and 11.1(b), if the Subject Property or a part are destroyed or damaged during the last two (2) years of the Sublease Term or any extension(s) to the extent of fifty per cent (50%) or more of the value of the Subject Property, then CBS shall have the right to cancel and terminate this Sublease as of the date of such damage or destruction by giving Tenant written notice within ninety (90) days after the date of such damage or destruction.

(d) The timeframes in this article may be modified by mutual agreement of the Parties.

ARTICLE XII LIENS

Section 12.1 Discharge of Mechanics' and Other Liens.

Tenant shall not permit any mechanics' liens or other liens to be filed against the title to the Subject Property against Tenant's interest in the property, or against the improvements by reason of work, labor, services or materials supplied to Tenant or anyone having a right to possession of the Subject Property or improvements as a result of an agreement with Tenant. If any mechanics' lien or other liens are filed against the Subject Property, including the Improvements, Tenant shall discharge lien within 30 days after the date that Tenant has knowledge of its filing, or take action sufficient to the satisfaction of the CBS.

ARTICLE XIII LIEN FOR RENT AND OTHER CHARGES

Section 13.1 Lien for Rent.

The contents of this entire leasehold contract shall be declared to constitute a valid and prior lien upon the Subject Property and the Improvements, and upon Tenant's Subleasehold estate, and may be enforced by equitable remedies including the appointment of a receiver.

ARTICLE XIV DEFAULT PROVISIONS

Section 14.1 Events of Default.

Each of the following events is defined as an "Event of Default":

(a) The failure of Tenant to pay any Rent, or any other payments or deposits of money, or furnish receipts for deposits as required, when due and the continuance of the failure for a period of ten (10) days after notice in writing from CBS to Tenant.

(b) The failure of Tenant to perform any of the other covenants, conditions and agreements of this Sublease including payment of taxes on the part of Tenant to be performed, and the continuance of the failure for a period of thirty (30) days after notice in writing (which notice shall specify the respects in which CBS contends that Tenant has failed to perform any of the covenants, conditions and agreements) from CBS to Tenant unless, with respect to any default which cannot be cured within thirty (30) days, Tenant, or any person holding by, through or under Tenant, in good faith, promptly after receipt of written notice, shall have commenced and shall continue diligently and reasonably to prosecute all action necessary to cure the default within an additional 60 days.

(c) The filing of an application by Tenant (the term, for this purpose, to include any approved transferee other than a CBS of Tenant's interest in this Sublease): (i) for a consent to the appointment of a receiver, trustee or liquidator of itself or all its assets; (ii) of a voluntary petition in bankruptcy or the filing of a pleading in any court of record admitting in writing of its inability to pay its debts as they come due; (iii) of a general assignment for the benefit of creditors; (iv) of an answer admitting the material allegations of, or its consenting to, or defaulting in answering, a petition filed against it in any bankruptcy proceeding.

(d) The entry of an order, judgment or decree by any court of competent jurisdiction, adjudicating Tenant a bankrupt, or appointing a receiver, trustee or liquidator of it or of its assets, and this order, judgment or decree continuing unstayed and in effect for any period of 60 consecutive days, or if this Sublease is taken under a writ of execution.

Section 14.2 Assumption or Assignment of Sublease to Bankruptcy Trustee.

In the event that this Sublease is assumed by or assigned to a trustee pursuant to the provisions of the bankruptcy reform Act of 1978 (referred to as "Bankruptcy Code") (11 U.S.C. § 101 et seq.), and the trustee shall cure any default under this Sublease and shall provide adequate assurances of future performance of this Sublease as are required by the Bankruptcy Code (including the requirement of Code § 365(b)(1)) (referred to as "Adequate Assurances"), and if the trustee does

not cure such defaults and provide such adequate assurances under the Bankruptcy Code within the applicable time periods provided by the Bankruptcy Code, then this Sublease shall be deemed rejected automatically and CBS shall have the right to possession of the Subject Property immediately and shall be entitled to all remedies provided by the Bankruptcy Code for damages for breach or termination of this Sublease.

Section 14.3 Remedies in Event of Default.

CBS may treat any one or more of the Events of Default as a breach of this Sublease and at its option, by serving written notice on Tenant and each Secured Party and Subleasehold Mortgagee of whom CBS has notice (such notice not to be effective unless served on each such person) of the Event of Default of which CBS shall have received notice in writing, CBS shall have, in addition to other remedies provided by law, one or more of the following remedies:

(a) CBS may terminate this Sublease and the Term created, in which event CBS may repossess the entire Subject Property and Improvements, and be entitled to recover as damages a sum of money equal to the value, as of the date of termination of this Sublease, of the Rent provided to be paid by Tenant for the balance of the stated term of this Sublease less the fair rental value as of the date of termination of this Sublease of the fee interest in the Subject Property and Improvements for the period, and any other sum of money and damages due under the terms of this Sublease to CBS and Tenant. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(b) CBS may terminate Tenant's right of possession and may repossess the entire Subject Property and Improvements by forcible entry and detainer suit or otherwise, without demand or notice of any kind to Tenant (except as above expressly provided for) and without terminating this Sublease, in which event CBS may, but shall be under no obligation to do so, relet all or any part of the Subject Property for Rent and upon terms as shall be satisfactory in the judgment reasonably exercised by CBS (including the right to relet the Subject Property and Terminal Building for a term greater or lesser than that remaining under the stated term of this Sublease and the right to relet the Subject Property and Terminal Building as a part of a larger area and the right to change the use made of the Subject Property). For the purpose of reletting, CBS may make any repairs, changes, alterations or additions in or to the Subject Property and improvements that may be reasonably necessary or convenient in CBS's judgment reasonably exercised; and if CBS shall be unable, after a reasonable effort to do so, to relet the Subject Property, or if the Subject Property and Terminal Building are relet and a sufficient sum shall not be realized from reletting after paying all of the costs and expenses of repairs, change, alterations and additions and the expense of reletting and the collection of the Rent accruing from it, to satisfy the Rent above provided to be paid, then Tenant shall pay to CBS as damages a sum equal to the amount of the Rent reserved in this Sublease for the period or periods as and when payable pursuant to this Sublease, or, if the Subject Property or any part of it has been relet, Tenant shall satisfy and pay any deficiency upon demand from time to time; and Tenant acknowledges that CBS may file suit to recover any sums falling due under the terms of this Section from time to time and that any suit or recovery of any portion due Tenant shall be no defense to any subsequent action brought for any amount not reduced to judgment in favor of CBS. Any personal property not removed after such termination shall be addressed as provided for in Section 1.4 above.

(c) In the event of any breach or threatened breach by Tenant of any of the terms, covenants, agreements, provisions or conditions in this Sublease, CBS shall have the right to invoke any right and remedy allowed at law or in equity or by statute or otherwise as through reentry, summary proceedings, and other remedies were not provided for in this Sublease.

(d) Upon the termination of this Sublease and the Term created, or upon the termination of Tenant's right of possession, whether by lapse of time or at the option of CBS, Tenant will at once surrender possession of the Subject Property and dispose of personal property and improvements as described in Section 1.4. If possession is not immediately surrendered, CBS may reenter the Subject Property and Improvements and repossess itself of it as of its former estate and remove all persons and their personal property, using force as may be necessary without being deemed guilty of any manner of trespass or forcible entry or detainer. CBS may at its option seek expedited consideration to obtain possession if CBS determines that the Sublease has terminated as described in the first sentence of this paragraph, and Tenant agrees not to oppose such expedited consideration.

(e) In the event that Tenant shall fail to make any payment required to be made provided for in this Sublease or defaults in the performance of any other covenant or agreement which Tenant is required to perform under this Sublease during the period when work provided for in this Sublease shall be in process or shall be required by the terms of this Sublease to commence, CBS may treat the default as a breach of this Sublease and, in addition to the rights and remedies provided in this Article, but subject to the requirements of service of notice pursuant to this Sublease, CBS shall have the right to carry out or complete the work on behalf of Tenant without terminating this Sublease.

Section 14.4 Waivers and Surrenders To Be In Writing.

No covenant or condition of this Sublease shall be deemed to have been waived by CBS unless the waiver be in writing, signed by CBS or CBS's agent duly authorized in writing and shall apply only with respect to the particular act or matter to which the consent is given and shall not relieve Tenant from the obligation, wherever required under this Sublease, to obtain the consent of CBS to any other act or matter.

ARTICLE XV CBS'S TITLE AND LIEN

Section 15.1 CBS's Title and Lien Paramount.

CBS has title to the Terminal Building, and CBS's lien for Rent of the Terminal Building and other CBS charges shall be paramount to all other liens on the Subject Property.

Section 15.2 Tenant Not To Encumber CBS's Interest.

Tenant shall have no right or power to and shall not in any way encumber the title of CBS in and to the land and building of the Subject Property. The leasehold estate of CBS in the Land and its ownership of the Terminal Building in which the Subject Property is sublet shall not be in any way subject to any claim by way of lien or otherwise, whether claimed by operation of law or by virtue of any express or implied lease or contract or other instrument made by Tenant, and any claim to the lien or otherwise upon the Land arising from any act or omission of Tenant shall

accrue only against the Subleasehold estate of Tenant in the Subject Property and Tenant's interest in the Improvements, and shall in all respects be subject to the paramount rights of CBS in the Land.

ARTICLE XVI REMEDIES CUMULATIVE

Section 16.1 Remedies Cumulative.

No remedy conferred upon or reserved to CBS shall be considered exclusive of any other remedy, but shall be cumulative to every other remedy given under this Sublease, existing law, equity or by statute. Every power and remedy given by this Sublease to CBS may be exercised as may be deemed necessary by CBS. No delay or omission of CBS to exercise any right or power shall be construed to be a waiver of any default or any agreement in it.

Section 16.2 Waiver of Remedies Not To Be Inferred.

No waiver of any breach of any of the covenants or conditions of this Sublease shall be construed to be a waiver of any other breach or to be a waiver of, agreement in, or consent to any further or succeeding breach of it or similar covenant or condition.

Section 16.3 Right to Terminate Not Waived.

Neither the rights given to receive, sue for or distrain from any Rent, moneys or other payments, or to enforce any of the terms of this Sublease, or to prevent the breach or nonobservance of it, nor the exercise of any right or of any other right or remedy shall in any way impair or toll the right or power of CBS to declare ended the term granted and to terminate this Sublease because of any event of default.

ARTICLE XVII SURRENDER AND HOLDING OVER

Section 17.1 Surrender at End of Term.

On the last day of the last Sublease year of the original term, or on the earlier termination of the Sublease term, Tenant shall peaceably and quietly leave, surrender and deliver the entire Subject Property to CBS, subject to the provisions of Section 1.4, in good repair, order, and condition, reasonable use, wear and tear excepted, free and clear of any and all mortgages, liens, encumbrances, and claims. At the time of the surrender, Tenant shall also surrender any and all security deposits and Rent advances of sublessees to the extent of any amounts owing from Tenant to CBS. If the Subject Property is not so surrendered, Tenant shall repay CBS for all expenses which CBS shall incur by reason of it, and in addition, Tenant shall indemnify, defend and hold harmless CBS from and against all claims made by any succeeding Tenant against CBS, founded upon delay occasioned by the failure of Tenant to surrender the Subject Property.

Section 17.2 Rights Upon Holding Over.

At the termination of this Sublease, by lapse of time or otherwise, Tenant shall yield up immediately possession of the Subject Property to CBS and, failing to do so, agrees, at the option of CBS, to pay to CBS for the whole time such possession is withheld, a sum per day equal to one hundred and seventy-five percent (175%) times 1/30th of the aggregate of the Rent paid or payable to CBS during the last month of the term of the Sublease the day before the termination of the Sublease. The provisions of this Article shall not be held to be a waiver by CBS of any

right or reentry as set forth in this Sublease, nor shall the receipt of a sum, or any other act in apparent affirmance of the tenancy, operate as a waiver of the right to terminate this Sublease and the Term granted for the period still unexpired for any breach of Tenant under this Sublease.

ARTICLE XVIII MODIFICATION

Section 18.1 Modification.

None of the covenants, terms or conditions of this Sublease to be kept and performed by either Party to this Sublease shall in any manner be waived, modified, changed or abandoned except by a written instrument duly signed, acknowledged, and delivered by both CBS and Tenant.

ARTICLE XIX INVALIDITY OF PARTICULAR PROVISIONS

Section 19.1 Invalidity of Provisions.

If any provision of this Sublease or the application of it to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Sublease, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected, and each provision of this Sublease shall be valid and be enforced to the fullest extent permitted by law.

ARTICLE XX APPLICABLE LAW AND VENUE

Section 20.1 Applicable Law.

This Sublease shall be construed and enforced in accordance with the laws of the State of Alaska. The forum and venue for any action seeking to interpret, construe, or enforce this Sublease shall be only in the Superior Court for the State of Alaska at Sitka, Alaska.

ARTICLE XXI NOTICES

Section 21.1 Manner of Mailing Notices.

In every case where it shall or may become necessary to give notice of any kind to CBS or Tenant, it shall be sufficient if a copy of any declaration or notice is sent by United States mail, postage prepaid, return receipt requested, addressed:

Mark Gorman, Municipal Administrator
City and Borough of Sitka
100 Lincoln Street
Sitka, Alaska 99835
Phone: (907) 747-1808
Fax: (907) 747-7403
Email: markgorman@cityofsitka.com

Nugget Restaurant
P.O. Box 797
Sitka, Alaska 99835
Phone: (907) 966-2480
Fax: (907) _____
Email: _____

with a copy to: Municipal Clerk at address listed above. Each Party shall give timely notice of change of address.

Section 21.2 Notice to Subleasehold Mortgagee and Secured Parties.

CBS shall provide each Subleasehold Mortgagee and Secured Party, who has so requested, copies of all notices from CBS to Tenant relating to existing or potential default under, or other noncompliance with the terms of, this Sublease. All notices, demands or requests which may be required to be given by CBS or Tenant to any Subleasehold Mortgagee and Secured Parties shall be sent in writing, by United States registered or certified mail or express mail, postage prepaid, addressed to the Subleasehold Mortgagee at a place as the Subleasehold Mortgagee may from time to time designate in a written notice to CBS and Tenant. Copies of all notices shall simultaneously be sent to the other of CBS or Tenant, as the case may be.

Section 21.3 Sufficiency of Service.

Service of any demand or notice as in this Article provided shall be sufficient for all purposes.

Section 21.4 When Notice Deemed Given or Received.

Whenever a notice is required by this Sublease to be given by any Party to the other Party or by any Party to a Subleasehold Mortgagee, the notice shall be considered as having been given when a registered or certified notice is mailed and shall be deemed received on the third business day after proof of mailing.

ARTICLE XXII MISCELLANEOUS PROVISIONS**Section 22.1 Captions.**

The captions of this Sublease and the index preceding it are for convenience and reference only and in no way define, limit or describe the scope or intent of this Sublease, nor in any way affect this Sublease.

Section 22.2 Conditions and Covenants.

All the provisions of this Sublease shall be deemed and construed to be "conditions" as well as "covenants," as though the words specifically expressing or importing covenants and conditions were used in each separate provision.

Section 22.3 Entire Agreement.

This Sublease contains the entire agreement between the Parties and shall not be modified in any manner except by an instrument in writing executed by the Parties or their respective successors or assigns in interest.

Section 22.4 Time of Essence as to Covenants of Sublease.

Time is of the essence as to the covenants in this Sublease.

ARTICLE XXIII COVENANTS TO BIND AND BENEFIT RESPECTIVE PARTIES AND TO RUN WITH THE SUBJECT PROPERTY**Section 23.1 Covenants to Run with the Subject Property.**

All covenants, agreements, conditions and undertakings in this Sublease shall be binding upon the successors and assigns of each of the Parties and they shall be construed as covenants running with the Subject Property. Wherever in this Sublease reference is made to any of the

Parties, it shall be held to include and apply to, wherever applicable, also the officers, directors, successors and assigns of each Party, the same as if in each and every case so expressed.

Section 23.2 Interest in Deposits Automatically Transferred.

The sale, conveyance or assignment of the interest of Tenant (pursuant to the terms of this Sublease) or of CBS in and to this Sublease shall act automatically as a transfer to the assignee of CBS or of Tenant, as the case may be, of its respective interest in any funds on deposit with and held by any Construction Lender and CBS, and every subsequent sale, conveyance or assignment by any assignee of CBS or of Tenant also shall act automatically as a transfer of their respective rights to the deposits with such Construction Lender and CBS to the subsequent assignee.

ARTICLE XXIV ADDITIONAL GENERAL PROVISIONS

Section 24.1 Absence of Personal Liability.

No member, official, or employee of CBS shall be personally liable to Tenant, its successors and assigns, or anyone claiming by, through or under Tenant or any successor in interest to the Subject Property, in the event of any default or breach by CBS or for any amount which may become due to Tenant, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Sublease. No member, official, or employee of Tenant shall be personally liable to CBS, its successors and assigns, or anyone claiming by, through, or under CBS or any successor in interest to the Subject Property, in the event of any default or breach by Tenant or for any amount which become due to CBS, its successors and assigns, or any successor in interest to the Subject Property, or on any obligation under the terms of this Sublease.

Section 24.2 Sublease Only Effective As Against CBS Upon Approval of Assembly and DOT&PF.

This Sublease and any renewals are effective against CBS only upon the approval of such Sublease and any renewals by the CBS Assembly and DOT&PF.

Section 24.3 Binding Effects and Attorneys Fees.

This Sublease shall be binding to the respective successors and assigns of the Parties. In the event of litigation over this Sublease, the Parties agree that the prevailing Party shall receive full reasonable attorneys' fees.

Section 24.4 Duplicate Originals.

Three signed and notarized originals of this Sublease shall be executed. The warranties, representations, agreements and undertakings shall not be deemed to have been made for the benefit of any person or entity, other than the Parties.

Section 24.5 Declaration of Termination.


With respect to CBS's rights to obtain possession of the Subject Property or to revest title in itself with respect to the Subleasehold estate of Tenant in the Subject Property, CBS shall have the right to institute such actions or proceedings as it may deem desirable to effectuate its rights including, without limitation, the right to execute and record or file with the Recorder of Sitka

Recording District, a written declaration of the termination of all rights and title of Tenant in the Subject Property, and the revesting of any title in CBS as specifically provided in this Sublease.

Section 24.6 Authority.

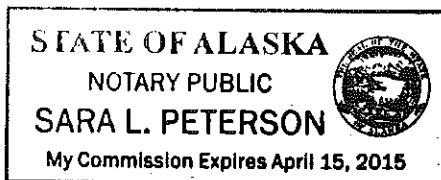
CBS and Tenant represent to each other that each have exercised the required corporate power and authority and have complied with all applicable legal requirements necessary to adopt, execute and deliver this Sublease and perform its obligations. Both Parties also represent that this Sublease has been duly executed and delivered by each, and constitutes a valid and binding obligation of each enforceable in accordance with its terms, conditions, and provisions.

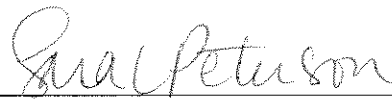
NUGGET RESTAURANT


Print Name Tim Holder
Its owner/manager (Title)


STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

On this 5 day of march, 2014, personally appeared before me Tim Holder, whose identity is personally known to me or proved to me on the basis of satisfactory evidence, and who by signing this agreement, swears or affirms that he/she is the owner/manager of Nugget Restaurant and is authorized to sign this document on behalf of the Tenant, and does so freely and voluntarily.



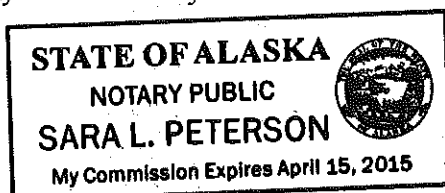

Notary Public for Alaska
My Commission Expires: 4-15-2015

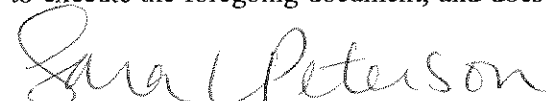
CITY AND BOROUGH OF SITKA

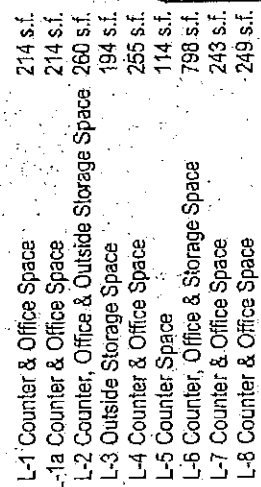

Mark Gorman, Municipal Administrator

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS CERTIFIES that on this 5 day of march, 2014, before me, a Notary Public in and for the State of Alaska, personally appeared Mark Gorman, who is the Municipal Administrator of the City and Borough of Sitka, Alaska, a municipal corporation organized under the laws of the State of Alaska, that he has been authorized by to execute the foregoing document, and does so freely and voluntarily.




Notary Public for Alaska
My Commission Expires: 4-15-2015



TEL (907) 747-1804 FAX (907) 747-3158

DRAWN: PAR/TAD	SCALE: N.T.S.
CHECKED: RAR	DATE: 10Feb05
DRAWING NAME: Leases Feb 05	
SHEET NO. 1	1

EXH. A

Airport

Exhibit E

Paula

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES

SITKA AIRPORT

LEASE NO. ADA-50103

LEASE AGREEMENT

THIS lease is made and entered into this 1st day of June, 1997, between the STATE OF ALASKA, acting through the DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, whose address is 6860 Glacier Highway, Juneau, Alaska 99801-7999, ("LESSOR"), and the CITY AND BOROUGH OF SITKA, ALASKA, whose address is 100 Lincoln Street, Sitka, Alaska 99835 ("LESSEE").

7461 7005

RECITALS

- (1) LESSOR owns the Sitka Airport ("Airport") at Sitka, Alaska;
- (2) LESSOR has constructed the runway and related facilities for the airport at Sitka, Alaska;
- (3) Lessor and Lessee entered into Lease Agreement ADA-01571, dated July 1, 1967, under which Lessee operated the Airport;
- (4) Under Lease Agreement ADA-01571, LESSEE constructed, expanded, and operated an airport terminal ("Terminal") building on the Airport;
- (5) July 1, 1994 Lessee terminated Lease Agreement ADA-01571. On October 11, 1995, Lessor and Lessee executed a Settlement Agreement setting out the conditions for resolution of financial disputes and other matters that resulted from Lessee's termination of Lease ADA-01571. Under the terms of the Settlement Agreement, the Lessor and Lessee agreed to enter into a lease of the Terminal site to permit the Lessee to continue operating the Terminal; and
- (6) LESSEE has operated the Terminal continuously since July 1, 1994;

THEREFORE, for and in consideration of the terms and conditions, set forth below, the parties agree as follows:

1. Leased Premises

LESSOR hereby leases to LESSEE, and LESSEE hereby leases from the LESSOR, the following real property located on Japonski Island, Sitka Recording District, First Judicial District, Alaska, described as follows ("Premises"):

Lot 3A, Block 600, Sitka Airport consisting of 65,445 square feet as described on attached Exhibit A.

2. Term

In consideration of Lessee's construction, maintenance, operation, and ownership of the Terminal, the term of this lease is 30 years beginning on July 1, 1994, and expiring on June 30, 2024.

EXH. B

3. Authorized Uses

Lessee is authorized to use the premises for operation of a public airline terminal building and for purposes commonly associated with a public airline terminal at airports in the United States, including aircraft parking, loading, servicing, and unloading; baggage and cargo processing; passenger ticketing, screening, and waiting; and concession services.

4. Rent

- (a) Beginning on July 1, 1995, the annual rental for the Premises is \$6,806.28 (65,445 square feet @ \$.104 per square foot). Rent for the period of July 1, 1995 to June 30, 1997 (\$13,612.56) is due upon execution of this lease by the Lessor and Lessee. After June 30, 1997, the rent shall be payable in advance of the first day of each year of the term specified in Covenant No. 3. The rent shall be prorated for any partial year in the term. All payments required by this lease must be made in U.S. currency.
- (b) Checks, bank drafts, or postal money orders are to be made payable to the State of Alaska and delivered to Accounting Section, Department of Transportation and Public Facilities, 6860 Glacier Highway, Juneau, Alaska 99801-7999, or any other address which the Lessor may designate in writing.
- (c) Any payment due from the Lessee and not received by the Lessor accrues interest from the due date until paid in full at the highest allowable lawful contract rate in Alaska, as defined AS 45.45.010 or as amended. Interest on disputed amounts will not be charged to the Lessee if the dispute is resolved in the Lessee's favor.
- (d) Any rent, charge, fee or other consideration which is due and unpaid at the expiration, termination, or cancellation of this lease will be a charge against Lessee and Lessee's property, real or personal.
- (e) Lessor may increase or decrease the rents or fees payable under this lease. During the first five years of the term stated in Covenant No. 2 of this lease, Lessor may neither increase nor decrease the rent fees payable under this lease. At any time after the end of the fifth year of the lease term, Lessor may, in its sole discretion, increase or decrease the rents or fees, provided that Lessor may neither increase nor decrease the rents or fees more than once in any 12 months period. Any change in rent is effective upon written notice to the Lessee.

Any rent increase or decrease must be consistent with applicable statutes or regulations, including AS 02.15.090 and 17 AAC 40.340(a), and any amendments. It is Lessor's intent that any rent established under this basic provision not exceed fair market rental as determined by a qualified real estate appraiser in an appraisal approved by Lessor. However, Lessor is under no obligation to appraise the Premises under any circumstances.

- (f) If Lessee believes that a change under (e) of this Covenant No. 4 rent exceeds the fair market rent for the Premises, Lessee may appeal to Lessor according to the following procedures:
 - (i) Lessee must pay the changed rent beginning on the effective date stated in Lessor's rent change notice and continue paying the changed rent throughout the appeal process.

- (ii) Within 30 days after the date of Lessor's written notice of the rent increase or decrease, Lessee must submit a written appeal to Lessor. The appeal must include the name, address, telephone number and professional qualifications of the real estate appraiser Lessee intends to retain to perform a fair market rent appraisal of the Premises.
- (iii) Lessor will review the appraiser's qualifications and approve or disapprove the appraiser in writing to Lessee. If Lessor disapproves the appraiser, Lessee will have 30 days from the date of Lessor's written disapproval to continue the appeal by submitting the name, address, phone number, and professional qualifications of another appraiser.
- (iv) If Lessor approves Lessee's appraiser, Lessee shall, at Lessee's sole expense, cause the Premises to be appraised according to appraisal instructions furnished by Lessor. The written appraisal must be received by Lessor within 90 days following the date of Lessor's written approval of Lessee's appraiser.
- (v) Lessor will review the appraisal for conformance with the appraisal instructions and issue a written approval or rejection to Lessee. Upon approval of the appraisal, the fair market rent determined by the appraisal will be the rent for the Premises, retroactive to the effective date of Lessor's rent change notice issued under (e) of this Covenant No. 4. Rejection of the appraisal by Lessor will constitute a denial of Lessee's appeal.

5. Operation As A Public Air Terminal

LESSEE agrees to operate the Terminal for the use and benefit of the public. Lessee shall make available, the Terminal and related facilities and services to the public, subject to reasonable fees and needs, on fair and reasonable terms and conditions and without discrimination. Lessee agrees to provide space in the terminal, to all qualified persons, firms, and corporations desiring to conduct airline operations in the Terminal. Nothing in this lease grants or authorizes the Lessee to grant any exclusive right prohibited by AS 02.15.210 or Section 308 of the Federal Aviation Act.

6. Economic Non-Discrimination

Each air carrier using the Terminal (whether as a tenant, nontenant, or subtenant of another air carrier tenant) shall be subject to nondiscriminatory and substantially comparable rates, fees, rentals, and charges with respect to facilities directly or substantially relating to providing air transportation and other nondiscriminatory and substantially comparable rules, regulations and conditions as are applicable to all such air carriers which make similar use of the Terminal.

7. Inspection of Lessee Records

During Lessee's normal business hours, Lessor shall have the right to inspect and copy the Lessee's files, books, and records related to this lease, the Premises, or the Terminal.

8. Continuous Operations

Except as provided in Covenant No. 13 of this lease, Lessee agrees to continuously operate an airline terminal building on the premises for use by the public throughout the term of this lease.

9. Existing Improvements

- (a) Lessor and Lessee acknowledge the presence on the Premises of the Terminal, sidewalks, and landscaped areas owned by Lessee, and security fencing and paved surface aircraft parking apron owned by Lessor. As of the date on which this lease is executed, Lessor and Lessee find the condition of these improvements to be acceptable for the purposes contemplated in this lease.
- (b) By no later than September 1, 1997, Lessee shall furnish to Lessor one complete set of as-built drawings showing the dimensions and construction of the Terminal.

10. Survey

Lessee agrees to cause the Premises to be surveyed by a land surveyor registered in the State of Alaska. The survey must be conducted at no expense to the Lessor and must establish the boundaries of the Premises, placing permanent markers at the corners. Lessee agrees to submit a plat of the survey, signed and stamped by the surveyor, to the Lessor on or before September 1, 1997. The survey plat must conform to the Lessor's reasonable requirements, must use the centerline of the airport runway as the basis of bearings and must show survey monuments recovered, survey monuments set, and bearings and distances between monuments. Following approval of the plat by the Lessor, the Lessor and Lessee will execute a supplement to this lease which will modify the Premises description as necessary to conform to the survey.

11. Construction

- (a) Before placing fill material or beginning construction of any improvements or additions on the Premises, Lessee must first obtain the written approval of Lessor in the form of an approved building permit. Detailed drawings of the proposed improvements or additions on the Premises must be submitted to Lessor. If a building or building addition is contemplated, Lessee must also submit comprehensive structural drawings showing front and side elevation views and floor plan, materials to be used, dimensions, elevations, the location of all proposed utility lines, and any additional data requested by Lessor. Lessor will review and approve or disapprove the proposed construction. Approval will not be withheld except where proposed construction does not comply with valid engineering principles, fire or building codes, generally recognized principles of sound airport development, or the proposed construction is inconsistent with the purposes of this lease. Lessee shall submit to Lessor evidence of Lessee's compliance with the Federal Aviation Regulations, 14 CFR Part 77, and all other municipal, state, or federal regulations governing construction of improvements on the airport.
- (b) Lessee, within thirty (30) days after completion of construction or placement of improvements upon the Premises, shall deliver to Lessor an as-built drawing showing the location and dimensions of the location and

dimensions of the improvements, giving bearings and distances to an established survey point. Furthermore, if Lessee constructs underground improvements, Lessee shall appropriately mark the surface of the land with adequate surface markers.

12. Maintenance

- (a) Lessee shall keep the Premises and all improvements neat and presentable at Lessee's own expense. Lessee shall not strip, waste, or remove any material from the Premises without the prior written permission of Lessor.
- (b) At no cost to Lessor, Lessee shall provide for all utilities, services, and maintenance, including snow removal, as is necessary to facilitate Lessee's use of the Premises.
- (c) The disposal on the airport of waste materials generated by Lessee, including slash, overburden, and construction waste, is prohibited, unless authorized in writing by Lessor.
- (d) Lessee agrees to coordinate the Lessee's snow removal and maintenance activities on the Airport with Lessor's Airport personnel. Lessee further agrees to comply with all reasonable decisions and directions of Lessor's airport management personnel regarding snow removal, maintenance, and general use of the airport by Lessee.

13. Damage or Destruction of the Terminal

- (a) Except as provided in (b) of this Covenant No. 13, if the Terminal is damaged or destroyed by fire, explosion, wind, or other events, Lessee shall cause the Terminal to be repaired or rebuilt, and restored to normal function as promptly as possible.
- (b) If the Terminal is damaged to the extent that more than 50% of the space in the Terminal is unusable and the damage occurs within five years of the expiration of the term of this lease, Lessee may terminate this lease, remove the damaged Terminal, and restore the Premises.

14. Lessor Obligations

- (a) Subject to the appropriation of sufficient funds, Lessor agrees to operate and maintain the Airport for the use and benefit of the public. Lessor's operation and maintenance of the Airport include:
 - (i) Maintenance of the runway and taxiway systems;
 - (ii) Maintenance of the road systems within the airport boundaries;
 - (iii) Maintenance of the public parking lot on the Airport; and
 - (iv) Comply with Federal Aviation Administration requirements for an airport served by commercial air carriers.
- (b) Lessor is responsible for the maintenance, operation, and management of the security lock system controlling points of access from the Terminal to the aircraft parking apron on the Premises. Lessee shall obtain Lessor's prior approval for any proposed change in the points of access. If Lessee installs additional points of access in the Terminal, the devices securing

the access shall be compatible with Lessor's system, installed at the Lessee's sole expense, and maintained and operated by Lessor.

15. Hazardous Substances

- (a) If fuel or any other hazardous substances are handled by Lessee on the Premises, Lessee agrees to have properly trained personnel and adequate procedures for safely storing, dispensing, and otherwise handling fuel or hazardous substances in accordance with 13 AAC 50 and other applicable federal, state, and local laws.
- (b) In the event of a hazardous substance spill on the Premises, Lessee shall immediately notify Lessor and act promptly to contain the spill, repair any damage, absorb and clean up the spill area, and restore the Premises to a condition satisfactory to Lessor and otherwise comply with the applicable portions of Title 17 and Title 18 of the Alaska Administrative Code.
- (c) Unless otherwise stipulated by this lease or amendment thereto, all bulk fuel on the Premises must be stored in fuel storage tanks installed and plumbed in accordance with 13 AAC 50 and other applicable federal, state, and local laws.

16. Environmental Indemnification by Lessee.

- (a) Except for environmental contamination demonstrated to have been caused by Lessor, or by third party prior to July 1, 1994, or to have originated before July 1, 1967, Lessee will be liable for any contamination on the Premises or for the presence of any hazardous substance on the Premises. To that extent only, Lessee shall defend and save harmless Lessor from all suits, claims, damages, judgments, penalties, fines, costs, and liabilities, including sums paid in settlement of claims, attorney's fees, and consultant fees, which arise as a result of contamination of the Premises by a hazardous substance, or of adjacent property if the contamination is demonstrated to have migrated from the Premises.
- (b) Nothing in this Covenant No. 16 shall bar or prevent Lessor or Lessee from seeking and obtaining cleanup efforts, costs, or damages from potentially responsible parties for contamination of the Premises or of adjacent properties.
- (c) Upon the cancellation, termination or expiration of this lease, Lessor will, in its discretion, require Lessee to perform an Environmental Site Assessment of the Premises. Lessee assumes financial responsibility to Lessor for any contamination or presence of hazardous substance in, on, and under the surface of the Premises, or adjacent property if the contamination migrated from the Premises, except for contamination or presence of hazardous substance that is determined to have been caused by Lessor, or by third party prior to July 1, 1994, or to have originated before July 1, 1967. This is without prejudice to Lessee's right to seek contribution or indemnity either from prior occupant's properties adjacent to the Premises or other potentially responsible parties except Lessor.

17. Environmental Definition

- (a) For the purposes of this lease the following terms are defined:

- (i) Environmental Site Assessment - An assessment of property, consistent with generally accepted professional practices, that determines the environmental condition and is supported by reports and tests which determine the environmental condition and the present, type, concentration, and extent of hazardous substances in, on, and under the surface of the property.
- (ii) Hazardous Substance - Any substance designated pursuant to section 311(b) (2) (A) of the Clean Water Act; any element, compound, mixture, solution, or substance designated pursuant to section 102 of CERCLA; and hazardous waste having the characteristics identified under or listed pursuant to section 3001 of the Solid Waste Disposal Act; any toxic pollutant listed under section 307(a) of the Clean Water Act; any hazardous air pollutant listed under section 112 of the Clean Air Act; and any imminently hazardous chemical substance or mixture with respect to which the EPA Administrator has taken action pursuant to section 7 of the Toxic Substance Control Act.

18. Fuel Sales Prohibited

Unless specifically authorized by this lease or amendment thereto, the sale of aviation fuel or lubricating oil by Lessee or a sublessee on the Premises is prohibited.

19. Liability

Except for Lessor's own negligence, the Lessee shall indemnify, defend, and hold the Lessor harmless from any liability, action, claim, suit, loss property damage or personal injury of whatever kind resulting from or arising out of any act of commission or omission by the Lessee, or Lessee's agents, employees, sublessees or customers, or arising from or connected with the Lessee's use and occupation of the Premises, or the exercise of the rights and privileges granted by this lease.

20. Insurance

- (a) At no expense to Lessor, Lessee shall secure and keep in force during the term of this lease adequate insurance to protect both Lessor and Lessee against comprehensive public liability and property damage in no less than the following amounts:
 - (i) property damage arising from one occurrence in the amount of not less than \$1,000,000; and
 - (ii) personal injury or death in an amount of not less than \$1,000,000.
- (b) Lessee shall provide Lessor with proof of insurance coverage in the form of an insurance policy or a certificate of insurance. All insurance required by this covenant must:
 - (i) name Lessor as an additional assured;
 - (ii) provide that Lessor be notified at least thirty (30) days prior to any termination, cancellation, or material change in the insurance coverage; and

- (iii) include a waiver of subrogation by which the insurer waives all rights of subrogation against Lessor for payments made under the policy.
- (c) The requirement of insurance coverage does not relieve Lessee of any other obligations under this agreement.
- (d) With thirty (30) days advance written notice to Lessee, Lessor may increase or decrease the coverage limits for the insurance required by this Covenant No. 20 when Lessor reasonably determines that the increase or decrease is justified by changes in the potential risks involved in the use of the Premises by Lessee or the users of the Terminal.

21. Cancellation

- (a) Lessor may cancel this lease and recover possession of the Premises by giving Lessee 30 days prior written notice upon the happening of any of the events listed below, unless the breach is cured within the 30-day notice period:
 - (i) Lessee's failure to pay when due the rents or fees specified in this lease, including any increases made pursuant to this lease;
 - (ii) the return for insufficient funds of checks for payment of rents or fees;
 - (iii) the use of the Premises by Lessee for any purpose not authorized by this lease;
 - (iv) the filing of a petition in bankruptcy by or against Lessee;
 - (v) the entry by any court of a judgment of insolvency against Lessee;
 - (vi) the appointment of a trustee or receiver for Lessee's assets in a proceeding brought by or against Lessee;
 - (vii) the failure of Lessee to perform any provision or covenant in this lease.
- (b) If Lessee disputes Lessor's stated reasons for a cancellation, Lessee may appeal to Lessor for reconsideration if Lessee submits a written appeal to Lessor before the end of the 30-day notice period in (a) of this Covenant No. 21. Upon Lessor's timely receipt of an appeal, Lessor will suspend action on the cancellation until a decision is made on Lessee's appeal. If the appeal is successful, Lessor's notice of cancellation will be void. If the appeal is denied, the cancellation will be effective 30 days after the date of Lessor's written denial issued to Lessee.

22. Survival of Lessee Obligations

If this lease is terminated or cancelled by Lessor pursuant to this lease, or if Lessor reenters, regains or resumes possession of the Premises pursuant to this Lease, all of Lessee's obligations under this Lease except those obligations involving liability which evolves to an occupant based upon maintenance, hazardous conditions and hazardous waste occurring during the Lessor's possession of the premises, shall survive and shall remain in full force and effect for the full term of this Lease. Subject to the Lessor's obligation to mitigate

damages, the amount of the rents, fees, and charges shall become due and payable to Lessor to the same extent, at the same time, and in the same manner as if no termination, cancellation, reentry, regaining, or resumption of possession had taken place. Without limiting the foregoing, Lessee's duties, obligations, and responsibilities under this Lease shall survive the cancellation, termination, or expiration of this lease.

23. Disposition of Improvements and Personal Property

- (a) Within sixty (60) days following the effective date of the expiration, termination, or cancellation of this lease, improvements or personal property or other property, real or personal, owned by Lessee on the Premises must either:
 - (i) be removed by Lessee if required by Lessor or desired by Lessee and if Lessor determines that removal will not cause injury or damage to the Premises; or
 - (ii) with Lessor's consent, be sold to the succeeding Lessee.
- (b) Lessor may grant additional time for the removal of improvements if hardship is established by Lessee.
- (c) If Lessee fails to timely remove or sell the improvements or personal property under (a) or (b) of this covenant, title to the improvements or personal property vests in Lessor, and Lessor will, in its discretion, sell, lease, demolish, dispose, remove, or retain for its own use the improvements or personal property. Lessee shall reimburse Lessor for all costs incurred by the department, including legal costs, in the selling, leasing, demolishing, disposing, removing, or retaining of unremoved improvements or personal property.

24. Holding Over

If Lessee holds over and remains in possession of the Premises after the expiration of this agreement without a written renewal, the holding over will not operate as a renewal or extension of the term of this agreement but only creates a tenancy from month to month, regardless of any rent payments accepted by Lessor. Lessee's obligations for performance under this lease will continue until the month-to-month tenancy is terminated by Lessor. Lessor may terminate the tenancy at any time by giving the Lessee at least ten (10) days prior written notice.

25. Assignment or Sublease by Lessee

- (a) Except as provided in (b) of this Covenant No. 25, Lessee may not assign or sublet, either by grant or implication, the whole or any part of the Premises or the whole or any part of the Terminal without the written consent of Lessor. Any proposed assignment, lease, or sublease must be submitted to Lessor for approval in five (5), each bearing the original notarized signature of all parties.
- (b) Lessee may sublet portions of the Premises or space in the Terminal without Lessor's written consent, if the sublease term, including options, renewals, or extensions, does not exceed one year and the purpose of the sublease is consistent with the authorized uses in Covenant No. 3 of

this lease. Lessee shall deliver to Lessor a copy of the sublease within 30 days of the date on which the sublease is signed by Lessee.

- (c) Except as provided in (b) of this Covenant No. 24, an assignment or sublease is void without Lessor's written consent.
- (d) All covenants and provisions in this agreement extend to and bind the legal representatives, successors, and assigns of the parties in any assignment or sublease.
- (e) By no later than September 1, 1996, Lessee shall deliver to Lessor one copy of each sublease of space on the Premises that is in force on July 1, 1996.

26. Assignment By Lessor

Without the consent of Lessee, the Lessor may assign the Lessor's interest in this lease to any government agency, company, or person to whom the Lessor conveys, leases, or sells the Airport. No such assignment will operate to increase Lessee's obligations, or reduce Lessee's rights, under this lease.

27. Condemnation

If the Premises are condemned by any proper authority, the term of this lease will end on the date Lessee is required to surrender possession of the Premises. Lessor is entitled to all the condemnation proceeds except Lessee will be paid the portion of the proceeds attributable to the fair market value of any improvements placed on the Premises by Lessee according to the provisions of 17 AAC 40.330, amended. Rent will also be adjusted according to the provisions of 17 AAC 40.330, as amended.

28. Vacation

At the expiration, cancellation or termination of this lease, Lessee must peaceably and quietly vacate the Premises and return possession to Lessor. The Premises must be left in a clean, neat, and presentable condition to the satisfaction of Lessor.

29. Easements

Lessor reserves the right to make grants to third parties or reserve to Lessor easements or rights-of-way through, on, or above the Premises, provided that no such easements or rights-of-way may be granted or reserved which unreasonably interferes with Lessee's use of the Premises.

30. Quiet Enjoyment

Lessor covenants that upon Lessee's payment of the rent and performing and observing all of Lessee's other obligations under this lease, Lessee may peaceably and quietly have, hold, and enjoy the Premises for the lease term, subject and subordinate to all provisions of this lease.

31. Warranties and Title Representations

The interests transferred or conveyed by this lease are subject to any and all of the covenants, terms, and conditions that are contained in the instruments conveying title or other interests or improvements to Lessor or contained in the public records recorded in the District Recorder's Office, Sitka, Alaska.

The Lessor makes no specific warranties, express or implied, concerning the title or condition of the property, including survey, access, or suitability for any use, including those uses authorized by this lease.

32. Reservation of Rights

Rights and privileges granted to Lessee in this lease are the only rights and privileges granted to Lessee by this lease. Lessee has no easements, rights or privileges, express or implied, other than those specifically granted by this lease.

33. Discrimination

Lessee covenants and agrees that discrimination on the grounds of race, color, religion, national origin, ancestry, age, or sex will not be permitted against any patron, employee, applicant for employment, or other person or group of persons in any manner prohibited by federal or state law. Lessee recognizes the right of Lessor to take any action necessary to enforce this covenant, including actions required pursuant to any federal or state law.

34. Affirmative Action

Lessee agrees to undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person will be excluded from participating in any employment activities covered by 14 CFR Part 152, Subpart E on the grounds of race, creed, color, national origin, or sex. Lessee hereby agrees that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by Subpart E.

35. Radio Interference

At Lessor's request, Lessee shall discontinue the use of any transmitter, machine, or device which may interfere with any government operated transmitter, receiver, or navigation aid until the cause of the interference is eliminated.

36. Laws and Taxes

- (a) This lease is issued subject to all requirements of the laws and regulations of the State of Alaska relating to the leasing of lands and facilities and the granting of privileges at State airports.
- (b) At no expense to Lessor, Lessee will conduct all activities or business authorized by this lease in compliance with all federal, state, and local laws, ordinances, rules and regulations now or hereafter in force which apply to the activities or business authorized by this lease or to the use, care, operation, maintenance, and protection of the Airport, including but not limited to matters of health, safety, sanitation, and pollution. Lessee

must obtain all necessary licenses and permits, pay all taxes and special assessments lawfully imposed upon the Premises, and pay any other fees and charges assessed under applicable public statutes or ordinances.

- (c) Lessee shall abide by the rules and procedures, applicable to the operation and use of the Terminal, in the Federal Aviation Administration approved airport security program and airport certification manual adopted for the Airport by Lessor to comply with 14 C.F.R. Parts 107 and 139. If the Federal Aviation Administration assesses a fine against Lessor for a breach by Lessee of the airport security program or the airport certification manual, Lessee shall reimburse Lessor for the amount of the fine and legal costs upon receipt of a written demand for reimbursement issued by Lessor.
- (d) In any dispute between the parties, the laws of the State of Alaska will govern and any lawsuit must be brought in the courts of the State of Alaska. The Lessee agrees to notify Lessor of any claim, demand, or lawsuit arising out of Lessee's occupation or use of the Premises. Upon the Lessor's request Lessee will cooperate and assist in the investigation and litigation of any claim, demand, or lawsuit affecting the Premises.

37. Liens

Lessee shall keep the Premises free of all liens, pay all costs for labor and materials arising out of any construction or improvements by Lessee on the Premises, and hold Lessor harmless from liability for any liens, including costs and attorney fees. By this provision, Lessor does not recognize that it is in any way liable for any liens on the Premises.

38. No Waiver

Failure of Lessor to insist in any one or more instances upon the strict performance by Lessee of any provision or covenant in this lease may not be considered as a waiver or relinquishment for the future, but the provision or covenant will continue in full force. A waiver by Lessor of any provision or covenant in this lease cannot be enforced or relied upon unless the waiver is in writing signed on behalf of Lessor.

39. Modification

Lessor may modify this lease to meet the revised requirements of federal or state grants or to conform to the requirements of any revenue bond covenant to which the State of Alaska is a party, provided that a modification may not act to reduce the rights or privileges granted Lessee by this lease nor act to cause Lessee financial loss.

40. Validity of Parts

If any provision or covenant of this lease is declared to be invalid by a court of competent jurisdiction, the remaining covenants and provisions will continue in full force.

41. Interrelationship Of Provisions

The provisions, amendments, supplements, and exhibits are essential parts of this lease and are intended to be co-operative, to provide for the use of the Premises, and to describe the respective rights and obligations of the parties to this agreement. In case of a discrepancy, figured dimensions govern over scaled dimensions unless obviously incorrect.

42. Natural Disasters

In the event any cause which is not due to the fault or negligence of either Lessee or Lessor renders the Airport or the Premises unusable and makes the performance of this lease impossible, this agreement may be terminated by either party upon written notice to the other party. Causes include acts of God, acts of public enemy, acts of the United States, fires, floods, epidemics, quarantine restrictions.

43. Notices

Any written notice required by this agreement must be hand delivered or sent by registered or certified mail to the appropriate party at the address set forth on page one of this lease or to any other address which the parties subsequently designate in writing.

44. Integration and Merger

This agreement sets forth all the terms, conditions, and agreements of the parties and supersedes any previous understandings or agreements regarding the Premises whether oral or written. No modification or amendment of this lease is effective unless in writing and signed by both the parties.

45. National Emergency

In case of any national emergency declared by the federal government, Lessee may not hold Lessor liable for any inability to perform any part of this agreement as a result of the national emergency.

46. Approval By Lessor

Any approvals required of Lessor by this lease will not be unreasonably withheld.

47. Lessor Ingress and Egress for Inspection, Repair, and Construction

- (a) Lessor reserves the right of ingress to and egress from the Premises and the right to enter any part of the Premises, including the Terminal, for the purpose of inspection at any reasonable time. Lessor shall also have the right to enter the Premises, including the terminal, for the purpose of posting public notices required by 14 C.F.R. Parts 107 and 139.
- (b) Lessor reserves the right of ingress to and egress from the aircraft parking apron on the Premises for the purpose of inspecting, repairing,

constructing, or reconstructing the apron surface and related improvements.

- (c) Except in the case of an emergency, Lessor will coordinate all repairs, construction, inspections, and notice posting with Lessee in order to minimize interference with Lessee's activities on the Premises.

48. Execution by Lessor

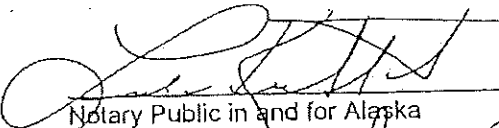
This lease is of no effect until it has been signed by the Commissioner of the Department of Transportation and Public Facilities or his designated representative.

STATE OF ALASKA)
(SEAL)

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on the 8 day of September, ¹⁹⁹⁷~~1995~~, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared JAMES H. Merrill, known to me and to me know to be the Acting Regional Director Department of Transportation and Public Facilities, and he acknowledged to me that he executed the foregoing instrument freely and voluntarily on behalf of the State of Alaska, Department of Transportation and Public Facilities, for the uses and purposes therein set forth and that he is authorized by said State of Alaska so to do.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year first written above.


Notary Public in and for Alaska
My Commission Expires: June 24, 2001

WHEREFORE, the parties have entered into this lease the date and year first above written at the City of Sitka, Alaska.

LESSEE:

CITY AND BOROUGH OF SITKA
ALASKA

By: *Mary L. Hall*

ATTEST:

Kathy Hope Erickson
Borough Clerk

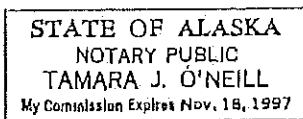
APPROVED AS TO FORM:

Robert Cole
Municipal Attorney

STATE OF ALASKA)
) ss:
FIRST JUDICIAL DISTRICT)

On this 27th day of August, 1997, before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared Gary L. Paxton, Borough Manager, and Kathy Hope Erickson, Borough Clerk, to me known to be the persons whose names are subscribed to the foregoing Lease as officers of the CITY AND BOROUGH OF SITKA, and acknowledged that they and each of them executed said instrument as their knowing and voluntary act and deed; as the voluntary act and deed of the CITY AND BOROUGH OF SITKA; and that they and each of them were duly authorized to sign said Lease by authority of the Assembly of the CITY AND BOROUGH OF SITKA.

WITNESS my hand and official seal the day and year in this certificate above written.



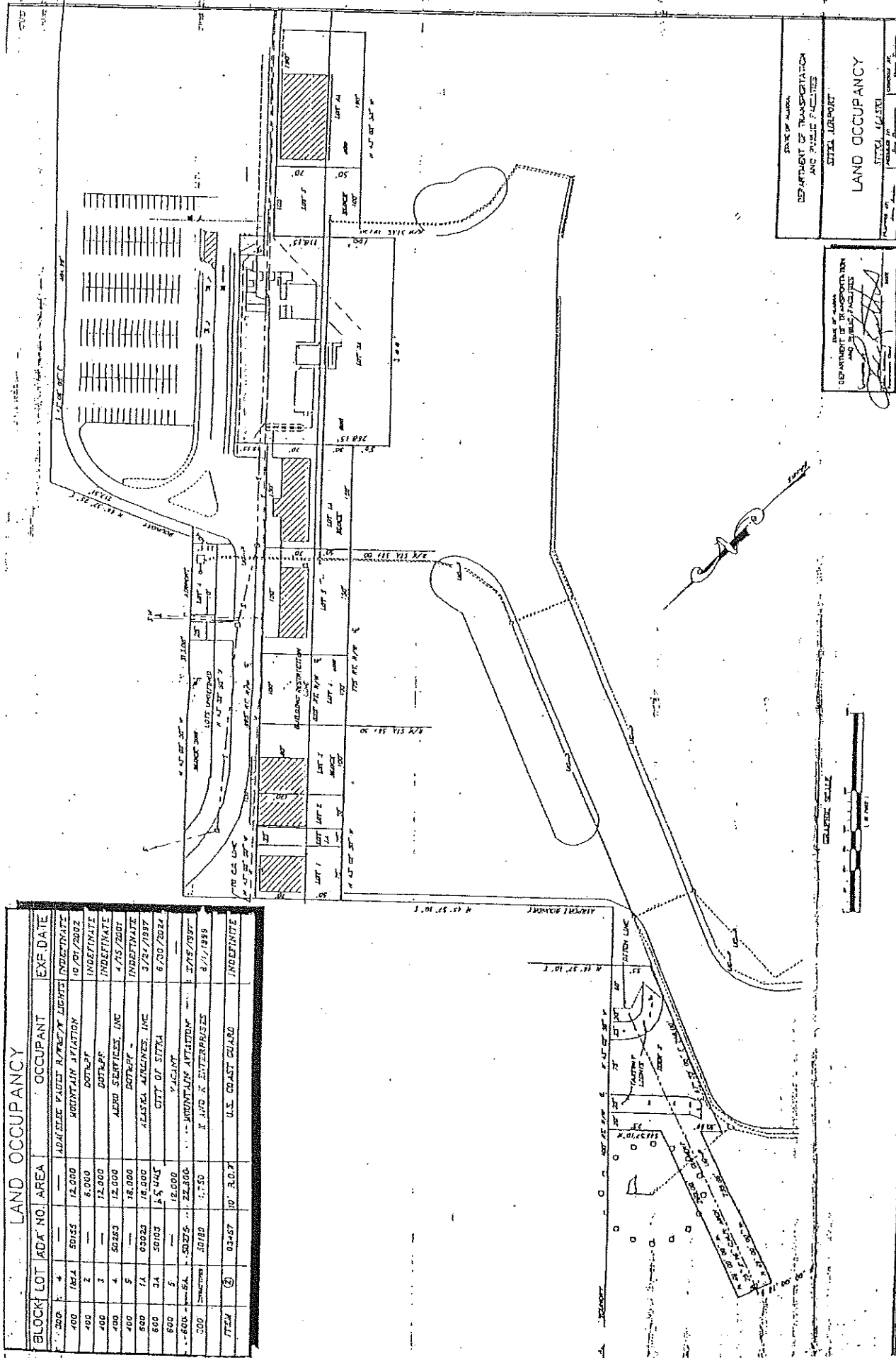
Tamara J. O'Neill
NOTARY PUBLIC FOR ALASKA
My Commission Expires: 11/18/97

LESSOR:

STATE OF ALASKA, by and through the
DEPARTMENT OF TRANSPORTATION AND
PUBLIC FACILITIES

BY: *J. McNeill*
Acting Regional Director
9/2/97

LAND OCCUPANCY				
BLOCK	LOT	ADJ. NO.	AREA	EXP. DATE
300	4	ADAMS FIELD AIRPORT LIGHTS	—	INDEFINITE
400	1024	MOUNTAIN AVIATION	12,000	10/01/2002
400	2	DOT/RF	6,000	INDEFINITE
400	3	DOT/RF	12,000	INDEFINITE
400	4	ALCO SERVICES, INC.	12,000	4/15/2001
400	5	DOT/RF	18,000	INDEFINITE
400	11	ALASKA AIRLINES, INC.	18,000	3/21/1987
400	34	CITY OF SITKA	15,445	6/00/2004
400	5	YACINT	12,000	—
400	54	MOUNTAIN AVIATION	22,800	7/15/1997
200	50183	K AND K ENTERPRISES	1,750	8/1/1995
ITEM	③	U.S. COAST GUARD	30.7	INDEFINITE



STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
SITKA AIRPORT

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
SITKA AIRPORT

CONSENT TO SUBLEASE

The State of Alaska, Department of Transportation and Public Facilities, Southeast Region Airport Leasing/Property Management, Lessor in Lease Agreement **ADA-50103** (Prime Lease), acknowledges a sublease dated _____, between the **City and Borough of Sitka**, the lessee under said prime lease, and _____, the Sublessee for the use of operating _____, at the **Sitka Airport**. The term of the sublease begins _____ and ends _____.

The Lessor consents to the lessee entering into said sublease provided that the Lessee shall remain responsible to the Lessor for compliance with all the terms of said Prime Lease.

This consent is given subject to the following conditions:

1. If there is a conflict between the above referenced Prime State Lease Agreement and the sublease or its underlying documents, the terms of the Prime State Lease govern.
2. The Sublessee is prohibited from subleasing without the prior written consent of both the Lessee and the Lessor. Further a Sublessee may not assign or hypothecate a subleasehold.

Dated this _____ day of _____, 20____.

STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION AND
PUBLIC FACILITIES

Chief, Juneau Office, Aviation Leasing and Airport
Land Development

STATE OF ALASKA)
) ss.
First Judicial District)

THIS IS TO CERTIFY that on the _____ day of _____, 20____ before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared _____, known to me and to me known to be the Chief, Leasing and Property Management, Southeast Region, Department of Transportation and Public Facilities, and s/he acknowledged to me that s/he executed the foregoing instrument freely and voluntarily on behalf of the State of Alaska, Department of Transportation and Public Facilities, for the uses and purposes therein set forth and that s/he is authorized by said State of Alaska to do so.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the date and year first written above.

Notary Public in and for Alaska
My Commission Expires: _____

EXH.C

SUBLEASE GUIDELINES FOR TENANTS

17 AAC 45.990(80): "sublease' means a transaction or agreement under which a lessee, permittee or concessionaire leases, rents or otherwise grants occupancy rights to all or a portion of a premises or improvements on a premises to another person; 'sublease' does not include the assignment of a lease, permit or concession"

17 AAC 45.270(a): "...a lessee, permittee, or concessionaire may not sublease all or a portion of a lease, permit or concession premises without the prior written consent of the department under 17 AAC 17.275. A sublease made contrary to the requirements of this section and 17 AAC 45.275 is void."

17 AAC 45.270(d): "A sublessee of a lease, permit or concession may not occupy the premises before the department consents to the sublease in writing."

A request for a consent to a sublease must be submitted in writing and must include:

A. SUBLEASE. The following items must be included in all subleases. Failure to provide these items may result in the State/Lessor withholding its consent to a sublease.

17 AAC 45.270(B)

1. The name, address, and telephone contact number (including a fax number) of the proposed sublessee and the existing lessee. The sublease should name DOT&PF as the Lessor, DOT&PF's tenant as the Lessee, and Lessee's tenant as the Sublessee. Appropriate e-mail addresses should be provided.
2. Emergency contact names and telephone numbers (including fax numbers) for both parties; one of these needs to be for a person located at or near the airport where the sublease is located. Also please include e-mail addresses, if available.
3. A description of property to be subleased (e.g.: "portion of Lot 1, Block 1, as shown on Exhibit A attached"). Attach exhibit showing the specific area being subleased (whether a portion of a building, land, or any combination thereof). If areas of the land or in the building are used in common with the Lessee or other Sublessees, the sublease must so state, and the exhibit must clearly show the common use areas.
4. A description of the proposed sublessee's intended use of the premises. Authorized uses must be specific and cannot authorize more than the original lease. If food, beverage, liquor or hotel/lodging sales will occur, the lease must contain related concession fee language or a sublease for these purposes will not receive DOT&PF's consent.
5. The expiration date of the sublease. The term of a sublease cannot extend past the original (prime) lease expiration date. The beginning date of a sublease must also be included. All renewals or extensions of subleases must be submitted for review and approval, and shall be treated the same as new sublease approvals.
6. A statement of the proposed sublease rent to be paid per month of occupancy.
7. A guarantee of indemnification by the Sublessee under which the Sublessee provides to the State the same level of indemnity that the Sublessee would provide to the State if the Sublessee were a direct Lessee under the lease.

8. A statement identifying the party/ies (Lessee or Sublessee) responsible for providing the State with proof of premises liability and/or products insurance coverage (as applicable per the lease requirements). Depending upon the subleased area, all parties (State, Lessee and Sublessee) may be required to be named as co-insured. Unless a sublease is for the entire premises, including all facilities maintenance, both the Lessee and the Sublessee will be required to maintain the insurance required by the lease, with both naming the State of Alaska as additional insured.

9. A statement acknowledging that the prime State lease governs over the sublease and that the Sublessee agrees to abide by all provisions and covenants of the State lease.

*Example: Mars Airlines, Inc., Lessee, and John Doe, dba Jupiter Air, Sublessee, enter into this sublease dated _____. This sublease is subject to all requirements and conditions of the Lessee's prime lease ADA-_____ with the State of Alaska, DOT&PF, Lessor. The Sublessee agrees to abide by all provisions and covenants of the prime lease.

10. A statement acknowledging that Sublessees are prohibited from subleasing without the prior written consent of both the Lessee and the Lessor. Further, a Sublessee may not assign or hypothecate a subleasehold.

11. A provision that no improvements, grading, fill, construction, etc. may take place until the Sublessee and Lessee have obtained the Lessor's approval.

12. Three originals of the executed sublease documents with notarized signatures of the Sublessee and the Sublessor.

13. If either party is a corporation, the corporate seal must be applied to the sublease, or a corporate resolution submitted; also a copy of the Certificate of Incorporation must be submitted. If an LLC, copies of the Certificate of Organization, Articles of Organization and Operating Agreement (if applicable) must be submitted.

B. INSURANCE. A binder for, or certificate of, insurance covering the operations and activities of the Sublessee to the same extent that the Sublessee would be required to maintain insurance if the Sublessee were a direct Lessee under the lease.

C. FEE. A non-refundable \$55 sublease processing fee, made payable to the State of Alaska.

17 AAC 45.275:

(c) The department will approve or deny a request under this section in writing. If the department denies the request, the department will state the reasons for the denial in writing. The department will make a determination on a request for consent to assignment, assignment for security purposes, or sublease within 60 days after the assignor or sublessor has submitted a complete request.

(d) An applicant may protest a denial of an assignment, assignment for security purposes, or sublease in accordance with 17 AAC 45.910.

CONSENT TO SUBLEASE

The State of Alaska, Department of Transportation and Public Facilities, Lessor in Lease Agreement ADA-50103 (Prime Lease), acknowledges a sublease dated March 5, 2014, between the City and Borough of Sitka, the Lessee under said Prime Lease, and Nugget Restaurant, the Sublessee, for the use of space located at Lot 3A, Block 600, at the Sitka Airport. The term of the sublease begins April 1, 2014 and ends February 28, 2018.

The Lessor consents to the Lessee entering into said sublease provided that the Lessee shall remain responsible to the Lessor for compliance with all the terms of said Prime Lease.

This consent is given subject to the following conditions:

1. If there is a conflict between the above referenced Prime State Lease Agreement and the sublease or its underlying documents, the terms of the Prime State Lease govern.
2. The Sublessee is prohibited from subleasing without the prior written consent of both the Lessee and the Lessor. Further, a Sublessee may not assign or hypothecate a subleasehold.
3. No improvements, grading, fill, construction, etc. may take place until the Sublessee and Lessee have obtained the Lessor's approval.

Dated this 24th day of March, 2014.

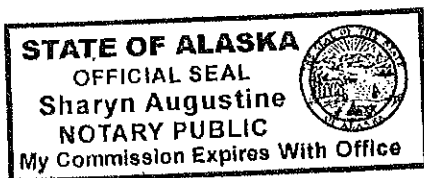
STATE OF ALASKA
DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES

Lynette Campbell
Lynette Campbell
Chief, Southeast Region, Statewide Aviation Leasing

STATE OF ALASKA)
)ss
First Judicial District)

THIS IS TO CERTIFY that on this 24th day of March, 2014, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared Lynette Campbell, known to me and to me known to be the Chief, Southeast Region, Statewide Aviation Leasing, Department of Transportation and Public Facilities, and she acknowledged to me that she executed the foregoing instrument freely and voluntarily on behalf of the State of Alaska, Department of Transportation and Public Facilities, for the uses and purposes therein set forth and that she is authorized by said State of Alaska so to do.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the date and year first written above.



Sharyn Augustine
Notary Public in and for Alaska
My Commission Expires: w/office



CITY AND BOROUGH OF SITKA

Legislation Details

File #: RES 18-15 Version: 1 Name:

Type: Resolution Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Approving submittal and execution of Municipal Harbor Facility Grant applications to the State of Alaska, Department of Transportation and Public Facilities (DOT&PF) in the amounts of \$1,500,000 for the project entitled Eliason Harbor Electrical Replacement, and \$203,000 for the project entitled Thomsen Harbor Corrosion Protection

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Memo and Res 2018-15.pdf](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO approve Resolution 2018-15 on
first and final reading.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Stan Eliason, Harbormaster

Reviewed: Michael Harmon, P.E., Public Works Director

Date: July 18, 2018

Subject: ADOT&PF Municipal Harbor Facility Tier II Grant Applications:
- Eliason Harbor Electrical Replacement
- Thomsen Harbor Corrosion Protection

Background

Eliason Harbor, once referred to as New Thomsen Harbor, was designed by the State of Alaska, Department of Transportation and Public Facilities (ADOT&PF) and constructed in two phases. Phase I construction began in 1996 and Phase II construction was completed in 1999.

Eliason Harbor was evaluated as a part of the Harbor System Master Plan in late 2011. While the overall harbor facility was deemed in good condition with a remaining safe and useable life of approximately 20 years, the consultants noted that the electrical system required substantial rehabilitation within the next five years. Significant issues within the Eliason electrical system include feeder cable abrasion/failure and rusting panels and load centers to the point of structural failure. In addition, new electrical code requirements mandate ground fault protection be provided when any significant work is done to the system.

Thomsen Harbor was originally designed by the Alaska Department of Transportation and Public Facilities in 1976 and deeded to the City and Borough of Sitka in 2004. The harbor was reconfigured and replaced entirely in 2006. The project was partially funded by the State of Alaska Municipal Harbor Matching Grant Program, as a Tier I project. Sacrificial anodes were not installed on moorage float and access dock pilings as part of that project, leaving that infrastructure vulnerable to corrosion.

Analysis

The Alaska Legislature established the State of Alaska Municipal Harbor Facility 50/50 Grant Program in 2006 to provide financial assistance up to \$5,000,000 per project for municipally-owned harbor facilities. The grant program is funded on an annual basis at the discretion of the

Governor and Legislature. Applications for the grant program are competitively scored based on 10 weighted criteria.

The 50/50 Grant Program is comprised of two Tiers: Tier I applications are for repair/replacement of formerly State-owned facilities and Tier II applications are for expansion, new construction, or repair/replacement of facilities whether formerly State-owned or not. Since Eliason Harbor was never State-owned, the Eliason Harbor Electrical Replacement project would fall under a Tier II grant application. Each harbor facility is only eligible for one Tier I grant. Since the 2006 Thomsen Harbor project was funded with a Tier I grant, the Corrosion Protection application would be for a Tier II grant.

Harbor, Electric, and Public Works Staff have worked to develop a scope of work for Eliason Harbor that includes the replacement of the components of the harbor electrical system which are in the worst condition: main service equipment, main distribution panelboard and load centers on the floats, and the main cables between these components. Also included are new pedestals and light poles. The cables that feed the pedestals and lights are being reused. The total estimated cost of this scope is approximately \$3,800,000 to include construction, design, permitting, management and contingencies. Per the Harbor Master Plan, the expected service life of the electric components of Eliason Harbor is 20 years, which means that without replacements we can expect components to begin to fail.

The Thomsen Harbor scope of work is to install sacrificial anodes on all moorage float and access dock piles. Without installing these anodes, it is unlikely that we will be able to achieve the 40-year life expectancy for this harbor. The seaplane base pilings were not provided with anodes, and they failed prematurely. The total estimated cost of this scope is approximately \$406,000 to include construction, design, permitting, management and contingencies.

For each of these projects, any State grant would cover 50% of construction costs, not to exceed \$1,500,000.

Securing Tier II grant funding for these projects would allow the City and Borough to complete the required work with State of Alaska cost-sharing, thereby reducing the burden on the local rate payers. Both of these projects will need to be done, regardless of whether we receive grant funding or not.

Fiscal Note

The Eliason Harbor Electrical Replacement project is a scheduled improvement contained within the Sitka Harbor Master Plan (2012). This project is included in the capital improvement plan, though delays in implementing the project as well as a more in-depth understanding of the scope of work, have increased the projected cost. The installation of sacrificial anodes at Thomsen Harbor, while not included in the capital improvement plan, is of relatively low cost and is an investment that will maximize the life of the harbor. Obtaining matching grant funding for both projects minimizes the burden that harbor users will have to bear to undertake these critical projects. The local matching funding of this project will come from working capital that the fund has generated.

In order to maintain the financial health of the fund and to ensure future access to debt for significant renovations of the harbor system in the future, implementation of multi-year moorage rate increase is necessary. Based on the current fiscal model, future rate increases that have been discussed over the last few years will not see significant change based on these projects

and funding them through the State's matching grant program. Rate increases of 6.3% are necessary through 2035 to generate enough working capital to be able to support key infrastructure renovation or replacement. Should we not obtain grant funding, it is likely that future rate increase would be slightly higher. The revised fiscal model for the Harbor Fund accompanies this memo.

Recommendation

Approve Resolution 2018-15 and authorize the Administrator to submit ADOT&PF Municipal Harbor Facility Tier II Grant Applications for the Eliason Harbor Electrical Replacement and Thomsen Harbor Corrosion Protection projects, and execute the grants if received.

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2018-15

A RESOLUTION OF THE CITY AND BOROUGH OF SITKA APPROVING SUBMITTAL AND EXECUTION OF MUNICIPAL HARBOR FACILITY GRANT APPLICATIONS TO THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOT&PF) IN THE AMOUNTS OF \$1,500,000 FOR THE PROJECT ENTITLED ELIASON HARBOR ELECTRICAL REPLACEMENT, AND \$203,000 FOR THE PROJECT ENTITLED THOMSEN HARBOR CORROSION PROTECTION

WHEREAS, the State of Alaska, Department of Transportation and Public Facilities administers the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka owns and maintains Eliason and Thomsen Harbors and said harbors are eligible for Municipal Harbor Facility Grants which, if awarded, will pay 50 percent of the eligible construction costs (\$1.5 million limit) of these projects; and

WHEREAS, the City and Borough of Sitka will provide the required 50 percent in local matching funds for construction of the projects per the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka is capable of completing the projects within eighteen (18) months after award of any Municipal Harbor Facility Grant; and

WHEREAS, Eliason and Thomsen Harbors are critical to the City and Borough of Sitka.

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka that the City and Borough of Sitka supports the projects entitled Eliason Harbor Electrical Replacement and Thomsen Harbor Corrosion Protection, and agrees, subject to available Alaska Legislative funding and selection by DOT&PF, to enter into grant agreements with the State of Alaska, Department of Transportation and Public Facilities for Municipal Harbor Facility Grants;

BE IT FURTHER RESOLVED by the Assembly that the Administrator is authorized to apply for the grants and to execute the grants if received.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 24th day of July, 2018.

Matthew Hunter, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st and final reading 7/24/18

Sponsor: Administrator



CITY AND BOROUGH OF SITKA

Legislation Details

File #: RES 18-16 Version: 1 Name:

Type: Resolution Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Approving submittal and execution of an application to the Alaska Municipal Bond Bank to issue an amount of Harbor Revenue Bonds in the amount of \$8,025,000 through the Bond Bank to finance the City and Borough of Sitka's portion of Phase 1 of the reconstruction of Crescent Harbor

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Memo and Res 2018-16.pdf](#)
[harbor bond application and no litigation cert.pdf](#)
[supporting documentation harbor revenue bonds.pdf](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO approve Resolution 2018-16 on
first and final reading.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: 7/18/2018

Subject: Application for Harbor Revenue Bonds and Associated Resolution

Background

In previous communications to the Assembly, as well as in the FY2019 Consolidated Operating Budget, Staff has identified a need to issue additional harbor revenue bonds to finance the reconstruction of Crescent Harbor.

The first phase of Crescent Harbor was completed by the State of Alaska in 1965, with additional floats added in 1966, 1969, and 1970. Major repairs to finger floats were completed in 2002 and an electrical upgrade was completed in 2005. As is the case with other older municipal harbors, ownership of Crescent Harbor was transferred from the State of Alaska to the Municipality in an as-is state, without provision for repair or renovation.

The physical condition of Crescent Harbor has deteriorated to the point where in-house repairs are no longer sufficient to adequately maintain the facility. Harbor Department staff and Public Works Department engineers have determined that the harbor now presents an operational and safety risk due to floats sinking, decay of wooden beams, corrosion of metal fixtures, and failure of walk-down ramps to meet ADA accessibility requirements.

The Municipality plans to reconstruct Crescent Harbor in two phases: Phase 1 will entail the replacement of wooden floats 1, 2, 3, and 4 and the two walk-down ramps. Phase 2 will entail the reconstruction of the remainder of the Harbor (the concrete floats).

Fiscal Note

The current estimated cost of Phase 1 of renovating Crescent Harbor is \$14,025,000. Of this amount, the State of Alaska has awarded a Municipal Harbor Matching Grant to the Municipality in the amount of \$5,000,000. The remaining \$9,025,000 of the amount is planned to be provided through a combination of \$8,025,000 in harbor revenue bond proceeds, and the use of Harbor Fund working capital in the amount of \$1,000,000 (which has already been appropriated). It is important to note that the Municipal Harbor Matching Grant must be expended by December 31, 2019 (an 18-month period).

As of March 31, 2018, the Harbor Fund had total working capital of \$7,168,904 and undesignated working capital of \$4,975,583, with the remaining \$2,193,321 previously appropriated for capital purposes and unspent, and, in a modest repair reserve of \$324,307. Thus, Harbor Fund working capital is insufficient to provide the amount necessary to pay for the Municipal portion of the project, even if every available dollar was put towards the project. Bonding proceeds are necessary if reconstruction is going to occur within the time period for the Municipal Harbor Matching Grant.

The Municipal staff has also prepared a comprehensive fiscal model for the Harbor Fund, which was presented to the Assembly during the Fiscal Year 2019 budget process. The fiscal model represents the financial plan for the Harbor Fund. The fiscal model provides for the issuance of harbor revenue bonds to provide all but \$1,000,000 of the required municipal proceeds for the project. Recommended moorage rates and planned future capital improvements, including the reconstruction of other Municipal harbors, are predicated on the fiscal model. Substantial deviation from the financial plan for the harbor system, by changing the financing plan for Crescent Harbor, will affect all future capital improvement funding plans.

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 Consolidated Operating Budget and the CAFR, have not been included in your packets. All of the required supplemental information requested on the bond application can be found in these two official documents. In addition, the aforementioned Harbor Fund fiscal model can be found on the Municipal website, as it is too large to effectively print on paper.

Analysis

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

If the Assembly approves the accompanying Resolution staff will proceed to submit an Application to the AMBBA to issue harbor revenue bonds. Neither submission of the application, nor possible approval by the AMBBA, will bind the Assembly and Municipality to firmly issuing harbor revenue bonds. Approval of an additional ordinance will be required before the Municipality firmly commits to bonding.

The sequence of bond issuance events which would follow approval of the accompanying Resolution would be as follows:

- (1) The Municipality submits the attached bonding application and accompanying Resolution to the AMBBA;
- (2) The AMBBA approves or disapproves the application;
- (3) If the application is approved, both the AMBBA and the Municipality begin legal and administrative work to draft bonding documents. The legal work for the Municipality will be completed by its outside Bond Counsel. The key document produced by outside bond counsel is a bonding ordinance. The key document produced by the AMBBA's bond counsel in conjunction with the Municipality's bond counsel is a loan agreement from the AMBBA.
- (4) The bonding ordinance is considered and approved/disapproved by the Assembly. A key provision of the bonding ordinance is permission/authority of the Municipality to enter into a loan agreement with the AMBBA which is secured by the issuance of a

revenue bond to the AMBBA (as security). If the Assembly does not pass the ordinance, the entire bonding process stops.

- (5) If the Assembly passes the ordinance, outside bond counsel prepares multiple legal documents and certificates necessary to complete the bonding. The Municipal Clerk also prepares and certifies documents, obtains necessary signatures, and transmits original documents to the outside bond counsel.
- (6) While legal documents are being prepared, the AMBBA works with an underwriter (a major investment bank in New York City) to sell its bond issue to the public. Sitka's bonding needs will be combined with other Alaskan Municipalities to comprise an overall AMBBA general obligation bond issuance. The proceeds from AMBBA's bond issuance are what are loaned to Sitka, through the aforementioned loan agreement, which is secured by Sitka's single revenue bond. Actual underwriting takes place over a 2-day period in New York; this is the event which legally binds Sitka to bonding. The pricing of the bonds, and determination of any issuance discounts and premiums, occurs at this underwriting event.
- (7) The bond issuance culminates in a bond closing, in Seattle, approximately 2-3 weeks after underwriting. At closing, bond counsel for the AMBBA, and, the various bond counsels for all of the participating Alaskan communities (of which Sitka would be one), all ensure that every required legal document is signed, sealed, and acceptable. Once all bond counsels affirm that everything is ready, the underwriting investment bank wires bonding proceeds to the various banks used by all of the participating communities.

Once bond closing has taken place, the Municipality will be legally committed to making pre-determined, semi-annual interest and principal payments to a trustee bank, usually the Bank of New York. The role of the Bank of New York is to consolidate all of the semi-annual payments from various participating Alaskan communities and use the payments to make interest and principal payments to AMBBA general obligation bonds. Sitka does not ever sell its own separate bonds to the general public; its interest and principal payments are part of its loan agreement to the AMBBA and are necessary for the AMBBA to make its own over-arching debt service payments. This is how a bond bank works.

Finally, the ultimate amount of bond proceeds that will be obtained, and, the final total of bond principal and interest that will need to be repaid, will not be precisely determined until underwriting occurs. When bonds are underwritten and sold by an investment bank, they are issued at either a premium, par, or a discount. Par means that an issuer gets proceeds exactly equal to the principal amount issued. A discount or premium occurs when the market rate of interest differs from the stated rate of interest on a bond; depending on interest rate differences, a borrower may get a greater amount of proceeds (a premium) or smaller amount of proceeds (a discount) than the premium amount issued. If discounted proceeds are received, it is because the borrower is paying a lower rate of interest than that in the financial market as a whole; vice, versa, a premium occurs when a borrower is paying a higher rate of interest. The expertise role of the underwriter is determining what stated interest rates on bonds, premiums, and discounts are required to sell the issuance to the public.

Recommendation

Staff is recommending the Assembly approve a Resolution to submit an application to the Alaska Municipal Bond Bank Authority to issue a harbor revenue bonds in the amount of \$8,025,000.

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2018-16

A RESOLUTION BY THE CITY AND BOROUGH OF SITKA APPROVING SUBMITTAL AND EXECUTION OF AN APPLICATION TO THE ALASKA MUNICIPAL BOND BANK TO ISSUE AN AMOUNT OF HARBOR REVENUE BONDS IN THE AMOUNT OF \$8,025,000 THROUGH THE BOND BANK TO FINANCE THE CITY AND BOROUGH OF SITKA'S PORTION OF PHASE 1 OF THE RECONSTRUCTION OF CRESCENT HARBOR

- WHEREAS,** the City and Borough of Sitka has recognized that the physical condition of Crescent Harbor has deteriorated to the point where in-house repairs are no longer sufficient to adequately maintain the facility; and
- WHEREAS,** the City and Borough of Sitka recognizes that Crescent Harbor is essential to vibrant commercial and sport fishing industries which are, in turn, vital to the overall economy of Sitka; and
- WHEREAS,** keeping Crescent Harbor functional will be best accomplished by reconstruction of the harbor in two phases; and
- WHEREAS,** the projected overall cost of Phase 1 of Crescent Harbor reconstruction is estimated to cost \$14,025,000; and
- WHEREAS,** the City and Borough of Sitka applied for, and has been awarded, a Municipal Harbor Matching Grant by the State of Alaska for the reconstruction of Crescent Harbor in the amount of \$5,000,000; and
- WHEREAS,** the Municipal Harbor Matching Grant must be utilized within 18 months, and, insufficient working capital exists to provide the required match within the time period for the grant; and
- WHEREAS,** issuing revenue bonds is the most efficient and effective option for raising the proceeds necessary to pay for the Municipality's portion of the project.

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka that the Administrator is authorized to prepare and submit an application to the Alaska Municipal Bond Bank for the issuance of up to \$8,025,000 in harbor revenue bonds through the Alaska Municipal Bond Bank Authority.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 24th day of July, 2018.

Matthew Hunter, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st and final reading 7/24/18
Sponsor: Administrator



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:		Title:	
John P. (Jay) Sweeney		Chief Financial & Administrative Officer	
Address:		City:	State: Zip:
100 Lincoln Street		Sitka	AK 99835
Phone:	Fax:	E-mail:	
(907)-747-1836	(907)-747-7403	jay.sweeney@cityofsitka.org	
D. Applicant's Bond Counsel:			
Name:		Title:	
David Thompsen		Attorney, Stradling Yocca Carlson & Rauth	
Address:		City:	State: Zip:
999 Third Avenue, Suite 3610		Seattle	WA 98104
Phone:	Fax:	E-mail:	
(206)-829-3006	(206)-299-4117	DThompson@SYCR.com	
E. Applicant's Financial Advisor or Underwriter (if applicable):			
Name:		Title:	
Address:		City:	State: Zip:
Phone:	Fax:	E-mail:	

II. Issue Information

A. Total amount of bond purchase request:

\$8,000,000 in Net Project Proceeds

B. Total term of requested loan: 20 years

C. Preferred principal and interest payment months: Aug/Feb principal /interest Aug interest 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:
		%

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

The Municipality will pledge harbor proprietary fund revenues.

E. Will you need interim financing?

1. If applicable, provide interim financing information:

Amount:	Maturity:	Rate:	Lender:

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

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

- Are engineering and specifications completed? ☐ Yes ☒ No
- If not, when are they projected for completion? 1/1/2019
- Have construction bids been awarded? ☐ Yes ☒ No
- Are there additional state or local approvals required? ☒ Yes ☐ No
- Describe timing/scheduling plan: Design 7/18 - 1/19, bid 2/19, permitting 3/19 - 4/19, construction 10/19 - 3/20

6. What is the projected completion date? 3/20

The Crescent Harbor Reconstruction Phase 1 (Float Replacement) project is planned to replace the deteriorated infrastructure of Crescent Harbor. Crescent Harbor was constructed in 1965 with additional floats added over the next 5 years. Major repairs were undertaken in 2002 and 2005. The infrastructure built between 1965 and 1970 has reached the end of its service life and has deteriorated to the point wherein in-house repairs are no longer sufficient to adequately maintain the facility. In addition, portions of the facility do not meet ADA accessibility

requirements.

Bonding proceeds will be utilized to most of the Municipality's portion of the overall project cost not provided by a State of Alaska Municipal Harbor Matching Grant. The Municipality will contribute \$1,000,000 of Harbor Fund working capital to the project.

The scope of Phase 1 of the project will involve replacement of existing wooden floats 1, 2, 3, and 4. In addition, the floats used to moor boats, headwalk floats, and walk-down ramps will be replaced. Also included in the project scope is the replacement of the existing potable water, fire protection, electrical infrastructure, and lighting fixtures. Slip sizes may be adjusted to accommodate current and future vessel requirements.

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$ 8,025,000	Construction	\$ 10,250,000
Federal Funds*	\$	Engineering	\$ 1,100,000
State Funds*	\$ 5,000,000	Contingency	\$ 1,600,000
Applicant's Funds	\$ 1,000,000	Cost of Issuance	\$ 25,000
Other (specify)	\$	Other	\$
Total: \$ 14,025,000		Total: \$ 14,025,000	

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

* State of Alaska Municipal Harbor Matching Grant

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

Bond proceeds would be used to pay for costs of construction, contingencies, and costs of issuance.

Working capital will be used predominantly to pay for engineering costs.

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds.

All outstanding bonds have been issued through the AMBBA.

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☐ Yes ☒ No

If yes, provide amount of financed, purpose and principal amount outstanding. \$

The Municipality is applying to issue proprietry fund revenue bonds.

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

Harbor revenue bonds (AMBBA 2013, Series 1) are supported by harbor moorage fees and State of Alaska Fisheries Resource Landing Tax Proceeds ("Raw Fish Tax")

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.

Sitka does not have any bonds authorized by the voters but not yet issued.

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

**Attached long-range fiscal plans detail proposed future revenue bond financings.
The attached fiscal plans HAVE NOT been approved by the Assembly, however, and
do not constitute a commitment to future debt issuance.**

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 (In CAFR)

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

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

Year	Population	Source
	In CAFR	

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

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

N. Provide your current year's budget. ☒ Attached *(BUDGET)*

O. Provide your capital improvement plan. ☒ Attached *(In BUDGET)*

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 way:

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

Name (print)

Title

Signature

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

NO LITIGATION CERTIFICATE

I, BRIAN E. HANSON, the duly appointed, qualified and acting Municipal Attorney of the City and Borough of Sitka, Alaska ("CBS"), in connection with CBS's application to the Alaska Municipal Bond Bank (the "Bond Bank") relating to CBS's proposed issuance of revenue bonds ("Bonds") to finance a portion of the cost of certain improvements for CBS's Crescent Harbor renovation 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 CBS, or the titles of CBS officers to their offices, or seeking to restrain or enjoin CBS's application to the Bond Bank, the proposed issuance of the Bonds, or the right of CBS to establish and collect rates and charges for CBS's Crescent Harbor renovation project to be pledged to pay the principal of the interest on the Bonds, or in any way contesting the power of CBS with respect to the Bonds; or

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


DATED this _____ day of _____, 2018

CITY AND BOROUGH OF SITKA, ALASKA

By: Brian E. Hanson
Its: Municipal Attorney

MEMORANDUM

To: Jay Sweeney, Chief Finance and Administrative Officer
Stan Eliason, Harbormaster

From: Michael Harmon, P.E., Public Works Director
Stephen Weatherman P.E. Senior Engineer 

Date: July 17, 2018

Subject: Bond Authorization
Crescent Harbor Float Replacement – Phase I

Project Background

Crescent Harbor was designed and constructed by the State of Alaska, Department of Transportation and Public Facilities (ADOT&PF) in several phases, beginning in 1965 and completed in 1970.

Crescent Harbor has undergone numerous repair projects in the past 50 years. Supplemental floatation has been added at least three times over the past 27 years to increase the freeboard of the floats in an effort to get the structural members and fasteners out of the water. Numerous failing timber piling were replaced over the past several years. Approximately 50 percent of the timber finger floats on floats 1, 2 and 3 were replaced in 2002 and the electrical system was renovated in 2005. In spite of these repair projects, the facility is near the end of its safe and useable life. Float structural stringers are rotten such that multiple fasteners are required in each deck board in order to secure them down. Harbor staff have been forced to recently switch from deck nails to 6" long screws for this same reason. (see attached pictures and Text Extract of the Harbor Grant Application)

Current Project Status

The Alaska Legislature has approved A State of Alaska Municipal Harbor Facility Grant for \$5,000,000 to the City and Borough of Sitka for the municipally-owned Crescent Harbor facilities. (see attached Harbor Grant Application)

The updated cost estimate puts the replacement cost of the entire facility to be approximately \$18,000,000 (2017 dollars). This includes wooden floats 1 - 4 and concrete floats 5 and 6. The level of deterioration of the existing wood floats means the wooden floats have a higher priority for replacement. While supplemental floatation can be added to the concrete floats to extend their service life, once the timbers floats rot, the addition of supplemental floatation can force the floatation up through the rotten timber damaging the float and electrical cable tray. Following that line of thinking, Public Works and Harbor Staff have prepared a project to include a more robust Crescent Harbor project for 2019 to include replacement of the timber floats or as much scope as can be accomplished for \$14,025,000 total project cost. A \$14,025,000 project will fully use the value of the one-time Tier I grant. Since the program covers only up to \$5,000,000 in eligible construction costs, the City and Borough cost of the project would be \$8,250,000 to cover the remainder of construction and design, permitting, management and contingencies. It is assumed that a future Phase II project will replace the remainder of the harbor (i.e. concrete floats) in 2026.

Moffatt and Nichol in their condition assessment (attached) stated. "This visual inspection confirmed that findings and recommendations of the aforementioned inventories: In general, that the entire float system, associated gangways and timber access trestles have reached the end of their useful life and should be replaced in their entirety, in the near future."

Condition Assessment

Memorandum

To: Mayor Hunter and Assembly Members
From: Jay Sweeney, CFAO
Date: 7/17/2018
Re: Application for Harbor Revenue Bonds and Associated Resolution

In previous communications to the Assembly, as well as in the FY2019 Consolidated Operating Budget, Staff has identified a need to issue additional harbor revenue bonds to finance the reconstruction of Crescent Harbor. Accordingly, staff is requesting that the Assembly approve a Resolution to submit an application to the Alaska Municipal Bond Bank Authority to issue a harbor revenue bonds in the amount of \$8,025,000.

The first phase of Crescent Harbor was completed by the State of Alaska in 1965, with additional floats added in 1966, 1969, and 1970. Major repairs to finger floats was completed in 2002 and an electrical upgrade was completed in 2005. As is the case with other older municipal harbors, ownership of Crescent Harbor was transferred from the State of Alaska to the Municipality in an as-is state, without provision for repair or renovation.

The physical condition of Crescent Harbor has deteriorated to the point where in-house repairs are no longer sufficient to adequately maintain the facility. Harbor Department staff and Public Works Department engineers have determined that the harbor now presents an operational and safety risk due to floats sinking, decay of wooden beams, corrosion of metal fixtures, and failure of walk-down ramps to meet ADA accessibility requirements..

The Municipality plans to reconstruct Crescent Harbor in two phases: Phase 1 will entail the replacement of wooden floats 1, 2, 3, and 4 and the two walk-down ramps. Phase 2 will entail the reconstruction of the remainder of the Harbor (the concrete floats).

The current estimated cost of Phase 1 of renovating Crescent Harbor is \$14,025,000. Of this amount, the State of Alaska has awarded a Municipal Harbor Matching Grant to the Municipality in the amount of \$5,000,000. The remaining \$9,025,000 of the amount is planned to be provided through a combination of \$8,025,000 in harbor revenue bond proceeds, and the use of Harbor Fund working capital in the amount of \$1,000,000 (which has already been appropriated). It is important to note that the Municipal Harbor Matching Grant must be expended by December 31, 2019 (an 18-month period).

As of March 31, 2018, the Harbor Fund had total working capital of \$7,168,904 and undesignated working capital of \$4,975,583, with the remaining \$2,193,321 previously appropriated for capital purposes and unspent, and, in a modest repair reserve of \$324,307. Thus, Harbor Fund working capital is insufficient to provide the amount necessary to pay for the Municipal portion of the project, even if every available dollar was put towards the project. Bonding proceeds are necessary if reconstruction is going to occur within the time period for the Municipal Harbor Matching Grant.

The Municipal staff has also prepared a comprehensive fiscal model for the Harbor Fund, which was presented to the Assembly during the Fiscal Year 2019 budget process. The fiscal model represents the financial plan for the Harbor Fund. The fiscal model provides for the issuance of harbor revenue bonds to provide all but \$1,000,000 of the required municipal proceeds for the project.

Recommended moorage rates and planned future capital improvements, including the reconstruction of other Municipal harbors, are predicated on the fiscal model. Substantial deviation from the financial plan for the harbor system, by changing the financing plan for Crescent Harbor, will affect all future capital improvement funding plans.

To begin the process of coordinating a revenue 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.

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 Consolidated Operating Budget and the CAFR, have not been included in your packets. All of the required supplemental information requested on the bond application can be found in these two official documents. In addition, the aforementioned Harbor Fund fiscal model can be found on the Municipal web site, as it is too large to effectively print on paper.

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



880 H Street, Suite 208
Anchorage, AK 99501
(907) 677-7500 Fax (907) 677-7577
www.moffattnichol.com

July 22, 2014

Mr. Dan Tadic, PE, Municipal Engineer
City & Borough of Sitka
100 Lincoln Street
Sitka, AK 99835

Re: Crescent Harbor Condition Assessment & Replacement Cost Update

Dear Mr. Tadic:

On June 20, 2014 Moffatt & Nichol performed a routine topside visual inspection of Crescent Harbor, including: the Marginal Float; timber Floats 1 through 4; concrete Floats 5 through 7; two timber access trestles leading to paved parking areas along Lincoln Street; and three (3) gangways leading to these access trestles, and to the Heavy Load Dock. At your request, the Lightering Float and its dual ADA-accessible gangway landing system, the Heavy Load Dock, and two (2) paved parking areas along Lincoln Street were omitted from this assessment. The purpose of this inspection was twofold:

1. Review and confirm, or update the findings of two detailed condition assessment reports conducted over the past 11 years.^{1,2} As you know, I served as Project Manager and Engineer of Record for the 2002 Crescent Harbor Improvements (Phase I), and subsequently authored the 2003 condition assessment² including Floats 5-7 in Crescent Harbor (Phase II.)
2. Prepare updated Opinions of Probable Construction Cost (OPCC) and Estimated Total Project Cost for phased, in-kind harbor replacement to FY2015 capital dollars.

We understand the City & Borough of Sitka (CBS) is applying for a 2015 State of Alaska Harbor Matching Funds Grant, administered by the Alaska Department of Transportation and Public Facilities (ADOT&PF) to begin the phased replacement of the inner harbor structures and associated gangways and access trestles at Crescent Harbor. As a formerly State-owned harbor, this project qualifies for a Tier 1 grant. CBS intends to proceed with the first phase of the harbor's reconstruction in 2016, subject to receipt of these matching funds.

This visual inspection confirmed the findings and recommendations of the aforementioned inventories: in general, that the entire float system, associated gangways and timber access trestles have reached the end of their useful service life and should be replaced in their entirety, in the near future. A series of upgrades completed throughout Floats 1-4 in 2002,

¹ *Sitka Harbor System Master Plan: Condition Inventory & Moorage Rate Recommendations*, PND Engineers, May 2012.

² *Condition and Needs Assessment: Old Thomsen Harbor, Crescent Harbor (Phase II) and Sealing Cove Harbor*, Reid Middleton, Inc., October 2003.

intended to extend the service life of the timber float system by an additional 10-12 years, have served their purpose. Observations throughout the harbor substantiating the recommendation for total replacement include:

- Overall loss of freeboard (a.k.a. "hogging" of floats), indicating deteriorated and/or waterlogged flotation.
- Acute, isolated loss of freeboard and float stability in certain areas, notably the ends of fingers where torsional stiffness and mainwalk-to-finger hinge integrity has deteriorated by timber deterioration, hardware loosening and wear from cyclic loading over time.
- General wear of deck boards (Marginal Float and Floats 1-4) and concrete panels (Floats 5-7) consistent with their 30-year-plus service life; due to pedestrian traffic, snow removal equipment, fungal attack and accumulated vegetative growth.
- Damage to bullrails and cleats associated with impact, occasional overload and general day-to-day use.
- Aging and loss of integrity of structural timbers, fascia and rub strips where lost flotation led to submersion and susceptibility to accelerated decay.
- General looseness and wear of modular float connections, creating trip hazards and differential movement between mainwalk modules.
- Loss of section of both original and replacement piling due to corrosion and wear.
- General wear and deterioration of gangways, transition plates and landing floats due to age and wear (and noting that the current gangways are not ADA-accessible.³)
- Loss of timber bearing pile section and associated structural timber integrity for the access trestles, due to marine borer growth, fungal attack, dry rot and general decay.
- An electrical and harbor lighting system that is functional but which does not meet all current harbor users' needs, and which is not compliant with current electrical code⁴.

Although CBS will use the opportunity to revise the float geometry to better serve the recreational and commercial fishing fleet in the present and foreseeable future, the approach used for this cost evaluation assumes "in-kind replacement", with the following exceptions:

- Replacement gangways (3) will be ADA-accessible (i.e., 80-feet in length); longer than those currently in service.
- New floats will be of modular timber construction with galvanized steel guide piling.
- New access trestles will be of timber construction on galvanized steel bearing piles and pile bents.

³ Americans with Disabilities Act Accessibility Guidelines (ADAAG), 2010.

⁴ National Electrical Code (NEC) or NFPA 70, 2014.



- Replacement shore power pedestals, lighting and water systems (potable and fire water) will meet current code requirements.

Project cost items followed those developed in the 2012 condition assessment¹, with unit costs updated to 2013 figures based on bid tabulations from the recently completed ANB Harbor Float Replacement project. A generally accepted construction cost escalation factor of 2.5-percent annually⁵ was then applied to convert estimates to FY2015 dollars. A 15-percent level of contingency; an additional 10-percent to cover Professional Planning, Permitting and Design Services and Project Management; and a further 5-percent to cover Construction Administration were included for budgetary purposes.

We have estimated the total in-kind replacement costs (FY2015 dollars) for Crescent Harbor as follows, with further detail summarized in the attached, phased OPCC:

- Phase 1 – Floats 1-4, Marginal Float, 3 gangways and 2 access trestles: \$12.1 Million
- Phase 2 – Floats 5-7 and Marginal Float: \$4.1 Million

We understand CBS intends to apply for a Tier 1 Matching Funds Grant through ADOT&PF with a desired project budget of \$11 Million (i.e., \$6 Million CBS; \$5 Million State of Alaska.) The estimated \$12.1 Million project may be developed with deductive bid alternates to control the harbor's construction within available project funding. It is quite conceivable that given a favorable bid climate and cost-effective Professional Services, all of the planned Phase 1 improvements may be completed within a budget of \$11 Million.

In summary, and consistent with the recommendations in the referenced condition assessment reports^{1,2} we recommend and endorse the phased reconstruction of Crescent Harbor floats, gangways and access trestles as soon as funds can be secured for their replacement. Please contact me if you have any questions concerning this visual inspection or these findings.

Sincerely,

MOFFATT & NICHOL



Shaun McFarlane, PE
Business Unit Leader



Attachment: Phased Opinion of Probable Construction Cost

⁵ <http://www.iciinc.com/blog/construction-cost-escalation-trends-predictions/>



Crescent Harbor - Sitka, AK
Opinion of Probable Construction Cost (OPCC)
Phase 1

Item No.	Description	Approx. Quantity	Unit	Unit Cost	Extended Cost (Rounded)
1	MOBILIZATION/ DEMOBILIZATION	1	LS	\$ 735,000	\$ 735,000
2	DEMOLITION AND DISPOSAL	1	LS	\$ 305,000	\$ 305,000
3	DOMESTIC WATER AND FIRE SYSTEM	1	LS	\$ 445,000	\$ 445,000
4	CONSTRUCTION SURVEYING	1	LS	\$ 21,000	\$ 21,000
5	TIMBER APPROACH DOCK	2	EA	\$ 53,000	\$ 106,000
6	80' COVERED ALUMINUM GANGWAY	3	EA	\$ 126,000	\$ 378,000
7	SIGNAGE	1	LS	\$ 7,400	\$ 7,000
8	HEADWALK FLOAT 10' x 820'	8200	SF	\$ 85	\$ 697,000
9	WEST HEADWALK FLOAT 10' x 80'	800	SF	\$ 85	\$ 68,000
10	FLOAT 1, 10' x 412.5	4125	SF	\$ 85	\$ 351,000
11	FLOAT 2, 10' x 425'	4,250	SF	\$ 85	\$ 361,000
12	FLOAT 3, 10' x 400'	4,000	SF	\$ 85	\$ 340,000
13	FLOAT 4, 10' x 385'	3875	SF	\$ 85	\$ 329,000
14	8' x 75' END FLOAT	1	EA	\$ 63,000	\$ 63,000
15	GANGWAY LANDING FLOAT, 16' x 20'	2	EA	\$ 33,500	\$ 67,000
16	3' x 17' FINGER FLOAT	40	EA	\$ 5,400	\$ 216,000
17	4' x 32' FINGER FLOAT	9	EA	\$ 13,400	\$ 121,000
18	4' x 34' FINGER FLOAT	4	EA	\$ 14,300	\$ 57,000
19	5' x 40' FINGER FLOAT	10	EA	\$ 21,000	\$ 210,000
20	5' x 42' FINGER FLOAT	9	EA	\$ 22,100	\$ 199,000
21	6' x 50' FINGER FLOAT	21	EA	\$ 31,500	\$ 662,000
22	8' x 75' FINGER FLOAT	11	EA	\$ 63,000	\$ 693,000
23	10' x 10' TRANSFORMER FLOAT	3	EA	\$ 10,500	\$ 32,000
24	STEEL PIPE PILE, 12-3/4 DIA x 0.5"	137	EA	\$ 7,900	\$ 1,082,000
25	PREDRILLED PILE SOCKETS	69	EA	\$ 4,700	\$ 324,000
26	ANODES	274	EA	\$ 1,600	\$ 438,000
27	FURNISH LEVELING BILLET	50	EA	\$ 160	\$ 8,000
28	INSTALL LEVELING BILLET	50	EA	\$ 320	\$ 16,000
29	LIFE RING AND CABINET	11	EA	\$ 1,050	\$ 12,000
30	FIRE EXTINGUISHER AND CABINET	11	EA	\$ 1,250	\$ 14,000
31	SAFETY LADDERS	20	EA	\$ 650	\$ 13,000
32	ELECTRICAL SYSTEM	1	LS	\$ 932,000	\$ 932,000
33	SPARE ELECTRICAL EQUIPMENT	1	LS	\$ 26,000	\$ 26,000
Estimated Bid Price					\$ 9,328,000
Contingency				(15%)	\$ 1,399,000
Opinion of Probable Construction Cost					\$ 10,727,000
Planning, Permitting, Design and Bid Documents				(10%)	\$ 933,000
Contract Administration, Construction Inspection & Other Indirect Costs				(5%)	\$ 466,000
Estimated Total Project Cost (Phase 1)					\$ 12,126,000
<i>Note: All estimates are in 2015 USD and rounded to the nearest thousand dollars. Estimates are based on Sitka Harbors Master Plan (2012 USD); modified per recent ANB Harbor OPCC & bid results, and annual construction cost escalation.</i>					

Crescent Harbor - Sitka, AK
Opinion of Probable Construction Cost (OPCC)
Phase 2

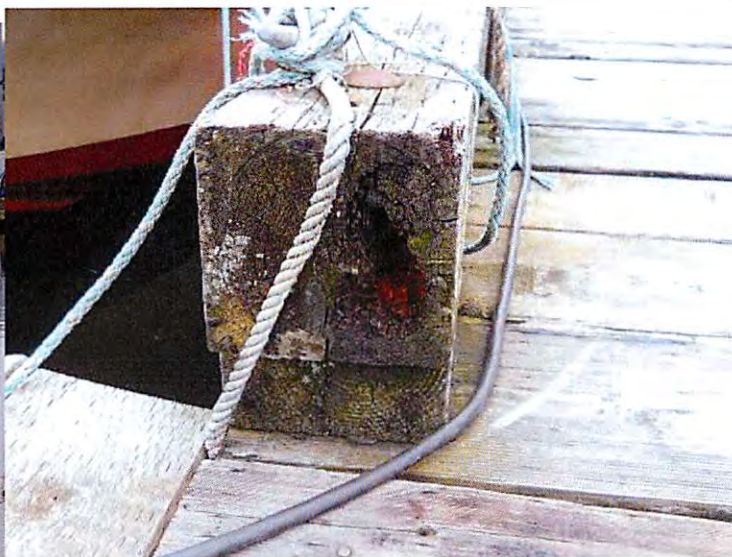
Item No.	Description	Approx. Quantity	Unit	Unit Cost	Extended Cost (Rounded)
1	MOBILIZATION/ DEMOBILIZATION	1	LS	\$ 420,000	\$ 420,000
2	DEMOLITION AND DISPOSAL	1	LS	\$ 116,000	\$ 116,000
3	DOMESTIC WATER AND FIRE SYSTEM	1	LS	\$ 143,000	\$ 143,000
4	CONSTRUCTION SURVEYING	1	LS	\$ 16,000	\$ 16,000
5	SIGNAGE	1	LS	\$ 5,300	\$ 5,000
6	HEADWALK FLOAT 10' x 270'	2,700	SF	\$ 85	\$ 230,000
7	EAST HEADWALK FLOAT 10' x 112'	1120	SF	\$ 100	\$ 112,000
8	FLOAT 5, 10' x 318'	3180	SF	\$ 85	\$ 270,000
9	FLOAT 6, 10' x 304'	3040	SF	\$ 85	\$ 258,000
10	FLOAT 7, 10' x 192'	1920	SF	\$ 85	\$ 163,000
11	3' x 17' FINGER FLOAT	15	EA	\$ 5,400	\$ 81,000
12	4' x 24' FINGER FLOAT	36	EA	\$ 10,100	\$ 364,000
13	10' x 10' TRANSFORMER FLOAT	1	EA	\$ 10,500	\$ 11,000
14	STEEL PIPE PILE, 12-3/4 DIA x 0.5"	38	EA	\$ 7,900	\$ 300,000
15	PREDRILLED PILE SOCKETS	19	EA	\$ 4,700	\$ 89,000
16	ANODES	76	EA	\$ 1,600	\$ 122,000
17	FURNISH LEVELING BILLET	25	EA	\$ 160	\$ 4,000
18	INSTALL LEVELING BILLET	25	EA	\$ 320	\$ 8,000
19	LIFE RING AND CABINET	5	EA	\$ 1,050	\$ 5,000
20	FIRE EXTINGUISHER AND CABINET	5	EA	\$ 1,250	\$ 6,000
21	SAFETY LADDERS	8	EA	\$ 650	\$ 5,000
22	ELECTRICAL SYSTEM	1	LS	\$ 433,000	\$ 433,000
23	SPARE ELECTRICAL EQUIPMENT	1	LS	\$ 16,000	\$ 16,000
Estimated Bid Price					\$ 3,177,000
Contingency (15%)					\$ 477,000
Opinion of Probable Construction Cost					\$ 3,654,000
Planning, Permitting, Design and Bid Documents (10%)					\$ 318,000
Contract Administration, Construction Inspection & Other Indirect Costs (5%)					\$ 159,000
Estimated Total Project Cost (Phase 2)					\$ 4,131,000
<i>Note: All estimates are in 2015 USD and rounded to the nearest thousand dollars. Estimates are based on Sitka Harbors Master Plan (2012 USD); modified per recent ANB Harbor OPCC & bid results, and annual construction cost escalation.</i>					

Pictures of Harbor Decay

Showing finger float listing



Showing rot in bull rail



Showing rot in bull rail

*



Showing loss of flotation in finger float, wood frame in contact with water



Showing finger float loss of flotation

Typical design standard is 1' 8" of freeboard from top of deck



Showing float frame below water level

This is due to loss of flotation



Showing float frame below water level

This is due to loss of flotation

This situation accelerates decay of float.



Showing float frame almost into water

Typical design standard is 1' 8" of freeboard from top of deck



Showing float frame below water level

This is due to loss of flotation. Marine growth accelerates the rotting of the wood frame



Text Excerpt of Harbor Grant Application

APPENDIX A

BLOCK 1—PROJECT SUMMARY

The City and Borough of Sitka (City) is requesting a Tier I harbor grant in the amount of \$5,000,000. The grant will be used to assist with the replacement of a portion of the existing rapidly aging and failing infrastructure at Crescent Harbor. The City plans to provide matching grant funds from the proceeds of bonding. The grant project includes the first phase of an anticipated two phase complete replacement of the existing facility.

Crescent Harbor was originally designed by the State of Alaska Department of Transportation and Public Facilities (ADOT&PF) and constructed in several phases. The initial construction occurred in 1965, and over the past 50+ years the facility has undergone numerous expansion and repair projects.

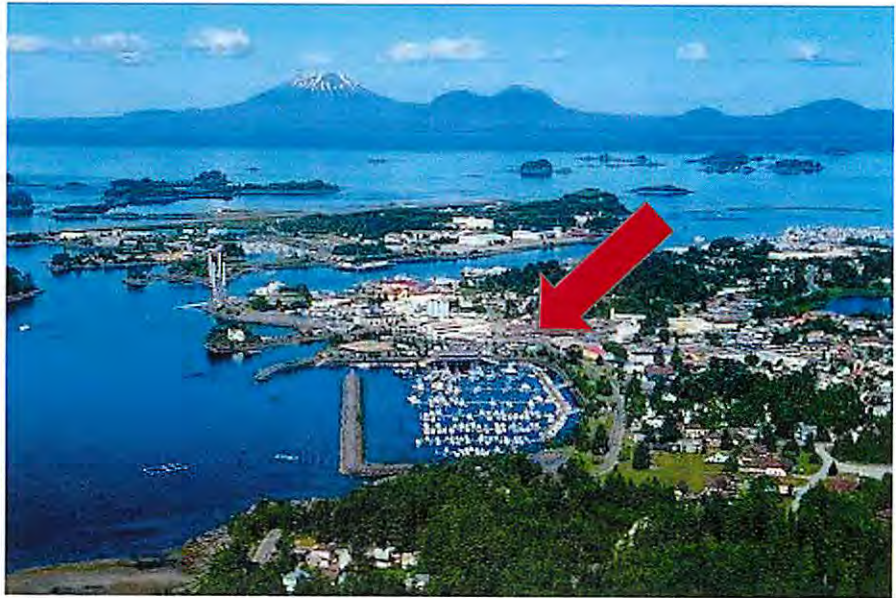
The first phase of construction in 1965 consisted of construction of floats 1 and 2 and the headwalk. Also constructed under this phase was the gangway and access float from the high load dock. A second construction phase occurred in 1966 which included construction of floats 3 and 4 and additional headwalk. In 1969 the third phase of construction occurred which included installation of gangway access to float 4 and construction of concrete floats 5 and 6 and additional concrete headwalk. In 1970 the final expansion phase of the harbor occurred, which included installation of float 7 and its access from float 6. A repair project occurred in 2002 which replaced approximately 50 percent of the timber finger floats on floats 1, 2 and 3. The electrical system was renovated in 2005.

Crescent Harbor provides moorage for 365 vessels ranging in length from approximately 17-ft to 75-ft. The makeup of the fleet includes both commercial and charter fishing vessels as well as pleasure craft. Access to the float system is



Extreme rot exhibited in timber piling. CBS has been methodically replacing timber piling as funding allows.

provided by three 50-ft long steel gangways which are significantly shorter than is required to meet Americans with Disabilities Act (ADA) requirements. The harbor consists of both concrete and timber floats. The 10-ft wide headwalk gives access to seven mainwalk floats, each supporting finger floats of varying lengths. The float system is anchored in place by both steel and timber piles. The floats are equipped with water, fire, electrical, and lighting utilities.



An overall view of downtown Sitka with Crescent Harbor indicated by the arrow.

The facility is at the end of its useful life. Freeboard has dropped to as little as 7 inches across the harbor which has resulted in significant rot of structural timber and corrosion of metal fasteners. Float structural timbers are so rotten that multiple fasteners are required in each deck board in order to secure them. Harbor staff have been forced to recently switch from deck nails to 6" screws for this reason. Hinge connection assemblies are extremely worn due to constant steel-on-steel wearing resulting in section loss and reduced capacity of the connection hardware. In addition, the harbor electrical system does not meet the requirements of National Electric Code which requires ground fault protection of all circuits. An Inspection Report completed in 2014 by Moffatt & Nichol confirms that the facility has reached the end of its useful life and must be replaced in its entirety. Due to the high estimated replacement cost, it is anticipated that the replacement will be broken into two phases.

The City and Borough of Sitka plans to work with the US Army Corps of Engineers to undergo an expedited permitting process. The City plans to complete work associated with replacement of the float system under a US Army Corps of Engineers Nationwide Permit 3—Maintenance.

APPENDIX B

BLOCK 4—SCOPE, SCHEDULE, AND COST ESTIMATE

Scope:

The Crescent Harbor Float Replacement—Phase I project will replace as much of the existing deteriorated infrastructure as the budget will allow. The City and Borough of Sitka anticipates that the first phase of the project will include the following upgrades and modifications:

- Replace timber floats 1-4 and associated fingers and headwalk float
- New 7' x 80' ADA compliant gangways (3)
- Reconstruct approach trestles to accommodate increased gangway length (2)
- Replace existing potable water, fire, electrical and lighting utilities with upgraded systems which meet current code requirements
- Revise slip sizes as required to accommodate current and future vessel requirements

Please see the attached conceptual design drawing.

Schedule:

The construction schedule will depend on the City and Borough of Sitka's ability to acquire State matching grant funding. The City and Borough of Sitka plans to utilize match funding from some the proceeds of bonding. Assuming a Letter of Award is received no later than August 1, 2018 and an agreement is signed by October 15, 2018, estimated construction completion would be March 15, 2020. A copy of the proposed schedule is attached.

Cost Estimate:

Enclosed please find the project cost estimate. The estimate provides cost summaries for estimated construction bids, indirect costs, and a total recommended project budget.

APPENDIX C

BLOCK 6—BILL OF SALE

BLOCK 12—BILL OF SALE

On the following pages, please find supporting documentation detailing the ownership of Crescent Harbor by the City and Borough of Sitka. Note: Crescent Harbor (Floats A-D, 1-4), High Load Dock, Lightering Float, and Boat Launch were deeded to the City in 2001. Crescent Harbor (Floats E-F, 5-7) was deeded to the City, along with Thomsen Harbor and Sealing Cove Harbor, in 2004.



Failure of hinge assembly



Timber pile rot

APPENDIX D

BLOCK 7—CAPITAL IMPROVEMENT PROJECT

On the following pages, please find supporting documentation demonstrating that the Crescent Harbor Float Replacement project is identified in the Sitka Harbor System Master Plan (2012) and is a high priority for the City and Borough of Sitka. Since development of the Master Plan, the City has updated its Capital Plan to include a more robust first phase of the Crescent Harbor Float Replacement project due to the advanced deterioration of the facility and the desire to maximize the use of a one-time Tier I grant. The entire Harbor Master Plan, as well as other supporting documentation, are provided on a CD within the front sleeve of the application binder.

As evidence of a proactive approach to maintaining its harbor system, the City and Borough of Sitka developed the Sitka Harbor System Master Plan in 2012. The Master Plan helps prioritize and budget for maintaining and replacing harbor infrastructure over the full life cycle of the harbor system. The planning process was conducted in two parts and is reported in that manner. Part I provides a comprehensive condition inventory, estimation of remaining service life and replacement costs for all harbor related



Damaged glulam

marine and upland facilities operated by the CBS Port and Harbors Department. Part II provides guidance on the moorage rates required to fund the full life cycle costs of the harbor system's operations, maintenance, and replacement needs. The Sitka Port and Harbors Commission unanimously approved the rate increases recommended in the Master Plan in 2012. The Sitka Assembly has also approved annual rate increases in each year since.

The following Inspection Report completed by Moffatt & Nichol (2014) further presents the need for immediate reconstruction of this critical infrastructure.

APPENDIX E

BLOCK 8—50% MATCH FUNDING

The City and Borough of Sitka anticipates funding the match required for the Municipal Harbor Facility Grant with proceeds from bonding. As was the case for the Municipal Harbor Facility Grant-funded ANB Harbor Float Replacement project, a revenue bond (which does not require a vote of the general public) will not be pursued until a grant has been awarded.

Please see the following statements detailing funding availability. Full copies of all supporting documentation are provided on a CD within the front sleeve of the application binder.

A Moorage Rate Recommendation for the Sitka Harbor System was prepared by Northern Economics and City Finance Department Staff as part of the Harbor System Master Plan in 2012. The rate study report provides guidance on the moorage rates required to fund the full life cycle costs of the harbor system's operations, maintenance and replacement needs. Given today's low interest rates, borrowing plays a significant role in the overall rate plan for the Sitka Harbor System and will be utilized to help fund this project.

The Sitka Port and Harbor Commission unanimously supported the proposed rate increases recommended in the Harbor Master Plan in 2012 (see attached letter from Commission Chair, Grant Miller). The Sitka Assembly has supported annual rate increases each year since.

APPENDIX F

BLOCK 9—PROPERTY LOSS INSURANCE

On the following pages, please find supporting documentation detailing that the City and Borough of Sitka holds adequate liability insurance. The policy is underwritten by Venneberg Insurance, Inc. The City and Borough of Sitka is self-insured for risks associated with property loss.

Please see attached sheets for further information detailing the insurance held by the City and Borough of Sitka.



Loss of freeboard



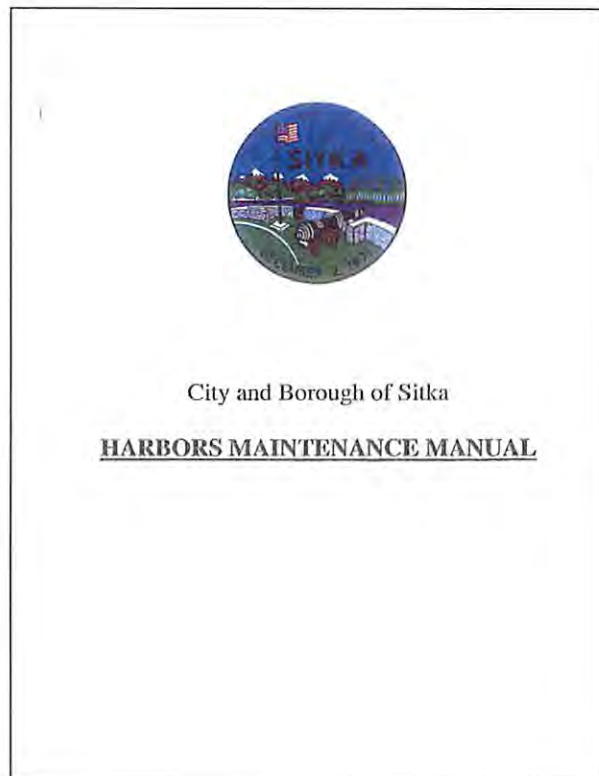
Staff have been forced to utilize multiple fasteners and ultimately transition from deck nails to screws to secure deck boards as a result of the rotten timbers sills and stringers

APPENDIX G

BLOCK 10—PREVENTATIVE MAINTENANCE PLAN

The City and Borough of Sitka Port and Harbors Department has developed a *Harbor Maintenance Manual* to assist Staff in the maintenance and operation of the City-owned harbor facilities. This manual was developed by the Sitka Harbor Department for the purpose of establishing guidelines for ongoing harbor maintenance and operations. The document serves as a guide to systematically developing, monitoring, and evaluating the condition of the harbor facilities. The manual is attached in its full form.

The City and Borough of Sitka understands the importance of a preventative maintenance program and its effect on the quality and safety of their public harbor facilities.



The City and Borough of Sitka's proactive approach to harbor maintenance was noted prominently by PND in the Harbor Master Plan document (2012)

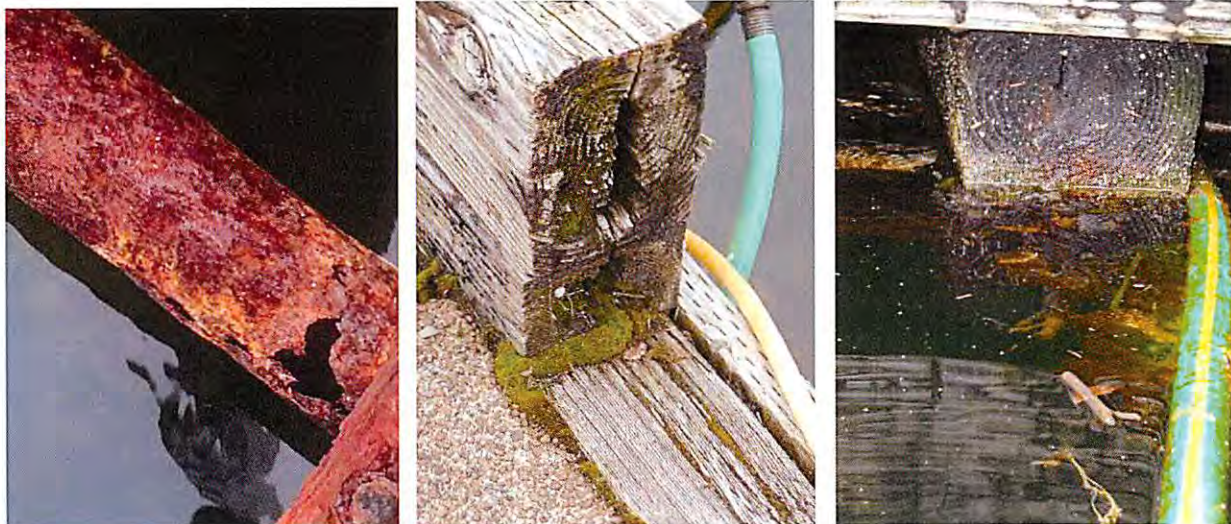
APPENDIX H

BLOCK 14—FINANCE PLAN

On the following pages, please find the City and Borough of Sitka's Harbor Fund Operating Budget for FY18.

The attached Chapter 13.06 of the Sitka General Code establishes moorage fees and related revenues collected by the Harbor Fund.

The Harbor Master Plan, which was completed in 2012, provides moorage rate recommendations required to fund the full life-cycle cost of all Sitka Municipal Harbor infrastructure. The Sitka Port and Harbor Commission unanimously approved the moorage rate recommendations from the Master Plan in 2012. The Sitka Assembly has unanimously approved annual rate increases in recent years with another rate increase appearing on the upcoming Assembly agenda.



Loss of freeboard and advanced stages of rot and corrosion are evident throughout the harbor.

APPENDIX I

BLOCK 15—SAFETY ISSUES

In spite of the best efforts by CBS to maintain the facility, Crescent Harbor is riddled with safety issues and potential dangers to patrons due to its age. The City and Borough of Sitka Harbor Department maintains a daily Sitka Harbor Maintenance File and takes a proactive approach to maintaining infrastructure to ensure public safety, however the facility has reached the end of its useful life and that goal is becoming more difficult to achieve.

Replace Floats—

The floats are in poor condition exhibiting corroded hinge connections, loss of freeboard, rotting structural timber, and spalling/cracking concrete. The float system has reached the end of its safe and useful life. Significant efforts have been taken to keep the floats in service until funds are available to reconstruct the facility. It is imperative that this important facility be replaced immediately before a catastrophic failure occurs.

New Covered Aluminum Gangways—

Currently, the transition plates between the gangway and trestles pose a tripping hazard. New covered gangways will protect the walking surfaces from accumulation of rain, snow, etc. improving safety for users. The new gangways will also be ADA compliant.



Trip hazard at gangway transition plate

Electrical System—

Faulty electrical equipment can lead to fires and this risk increases as the infrastructure at Crescent Harbor ages and deteriorates. The proposed project will update electrical wiring and electrical components to current NFPA standards. The proposed project will include a fire suppression system as well as new fire extinguishers on the floats. Furthermore, the entire electrical system will be installed to new NEC requirements to include ground fault protection to reduce the risk of electrocution drowning death.

Provide Adequate Water System—

The float water system consists of a float supported HDPE water main which feeds float mounted pedestals. The pedestals are equipped with two 3/4" garden hose type bibs and one 2" fire hose connection. Numerous leaks have been repaired over the past several years. The proposed project will replace the water system in its entirety to decrease the risk of unnecessary leaks and ice that could lead to slip/fall incidents.

Provide Adequate Float Lighting—

The existing bollard level lighting on the floats is insufficient. The proposed project will replace existing light fixtures and improve light fixture spacing to maintain safe illumination levels to lower the risk of slip/fall incidents, decrease the risk of theft and vandalism, and aid in year-round operational safety.

Provide Adequate Water Rescue Equipment—

The City will provide adequate water rescue equipment including life rings and safety ladders.

Improve Public Safety and Threat to Marine Mammals—

The City and Borough of Sitka will continue to participate in NOAA's "Don't Feed the Sea Lions" program and plans to place signage within the harbor reminding users not to feed sea lions. Sea lions have been known to bite Alaskan harbor users. Sea lions hauling out on aging docks can pose safety risk to pedestrians causing uneven walking surfaces, lower freeboard, etc.

No-wake Zones—

Crescent Harbor will continue to operate as a no-wake zone. Signs will be placed at the harbor entrance. Harbor personnel will continue to inform and enforce no-wake zones in an effort to maintain slow operation within the limits of the facility.

Kids Don't Float—

The City and Borough of Sitka will continue to work with a local non-profit organization to participate in the Kids Don't Float program. Signage and spare personal flotation devices will be available at the harbor.

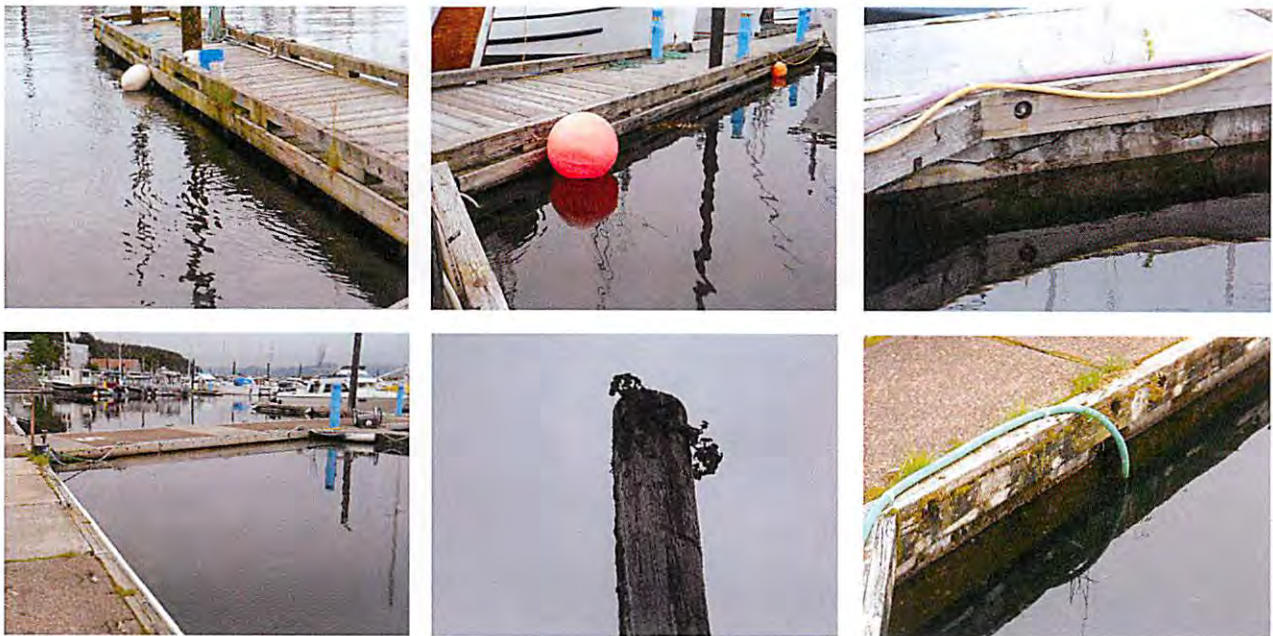
APPENDIX J

BLOCK 11—MAINTENANCE ACTIVITY LOG

BLOCK 16—PAST MAINTENANCE EXPENDITURES

On the following pages, please find supporting documentation detailing the past maintenance activities and expenditures of the City and Borough of Sitka for Crescent Harbor.

The CBS Harbor Department takes a proactive approach to harbor maintenance and recently spent over \$100,000 to complete replacement of rotted timber piles and a severely corroded water service to the harbor. In total, CBS has expended over \$400,000 in the past 5 years to keep Crescent Harbor safe and usable. In spite of these significant recent expenditures, the facility has exceeded its remaining safe and usable life and must be replaced in its entirety.



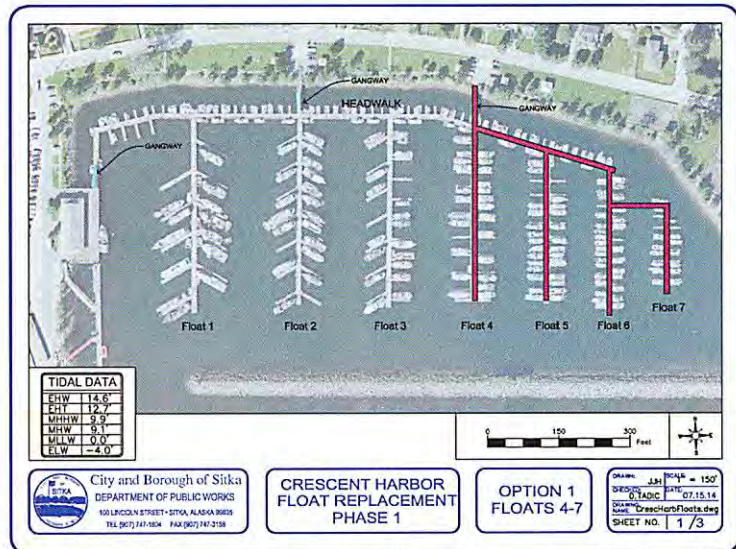
Advanced stages of rot are evident throughout the Crescent Harbor. The facility has exceeded its useful life and must be replaced . Obtaining State of Alaska matching funds is critical to the community to maintain a sustainable harbor system.

APPENDIX K

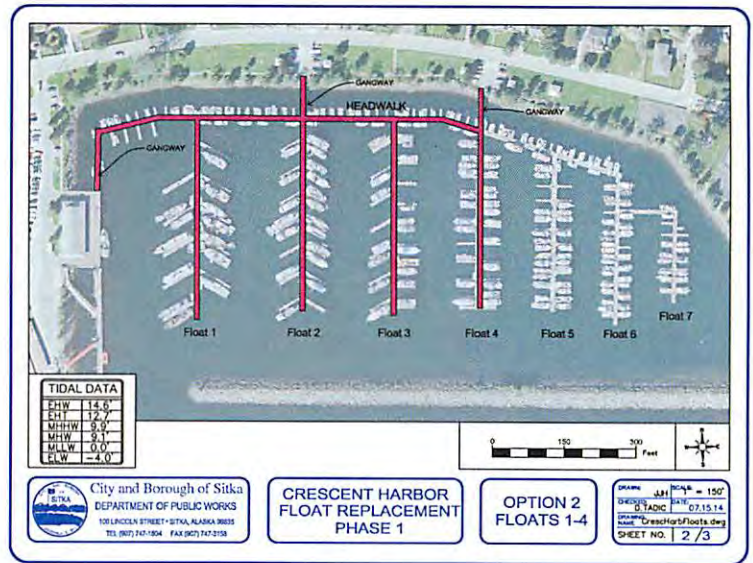
BLOCK 17—RANGE OF OPTIONS

The City and Borough of Sitka considered three options for replacement of the Crescent Harbor: Option 1, replace concrete floats 5-7 and timber float 4 immediately with a future second phase to include the remainder of the timber float replacement; Option 2, replace timber floats 1-4 with a future second phase to include concrete float replacement; and Option 3, a no-build option. See attached meeting minutes from a discussion of options between Public Works and Harbor Staff.

Option 1—This option would follow the Master Plan (2012) recommendation. Concrete floats 5-7, timber float 4, and associated headwalk float would be replaced immediately with a future second phase to include the remainder of the timber float replacement. Domestic water and fire protection systems would be upgraded and a modern electrical system would be provided. New galvanized steel pipe piles with anodes would be included. The floats would be equipped with safety features such as life ring cabinets and self rescue ladders.



Option 2—This option would prioritize the timber float replacement to include the associated headwalk float with a future second phase to include the concrete floats. Domestic water and fire protection systems would be upgraded and a modern electrical system would be provided. New galvanized steel pipe piles with anodes would be included. The floats would be equipped with safety features such as life ring cabinets and self rescue ladders. This is the preferred option.



No-Build Option— Sitka maintains the largest and most vibrant public small boat harbor system in the Pacific Northwest. A no-build option would force the City and Borough of Sitka to decommission the facility due to safety concerns thereby resulting in further congestion in an already over-crowded harbor system. A no-build option would not meet the needs of the CBS Harbor Department or the Southeast Alaska boating community.



APPENDIX L

BLOCK 18—RESOLUTION OF SUPPORT

On the following pages, please find Resolutions of Support from the Assembly of the City and Borough of Sitka for the Crescent Harbor Float Replacement—Phase I project. Crescent Harbor scored in 2nd place last year after scoring 3rd in two consecutive grant cycles falling just short of funding each time.



Rotting timber piles, worn bullrail and decking and loss of free-board on a typical Crescent Harbor finger float

CITY AND BOROUGH OF SITKA
RESOLUTION NO. 2017-14

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA,
APPROVING SUBMITTAL AND EXECUTION OF A MUNICIPAL HARBOR FACILITY GRANT
APPLICATION TO THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND
PUBLIC FACILITIES (DOT&PF) IN THE AMOUNT OF \$5,000,000 FOR THE PROJECT
ENTITLED CRESCENT HARBOR FLOAT REPLACEMENT - PHASE I

WHEREAS, the State of Alaska, Department of Transportation and Public Facilities administers the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka owns and maintains Crescent Harbor and Crescent Harbor is eligible for a Municipal Harbor Facility Grant which, if awarded, will pay 50 percent of the eligible construction costs of this project; and

WHEREAS, the City and Borough of Sitka will provide the required 50 percent in local matching funds for construction of the Crescent Harbor Float Replacement – Phase I project per the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka is capable of completing the Crescent Harbor Float Replacement – Phase I project within eighteen (18) months after award of a Municipal Harbor Facility Grant; and

WHEREAS, Crescent Harbor is critical to the City and Borough of Sitka.

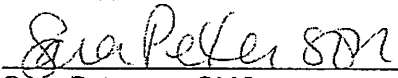
NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka that the City and Borough of Sitka supports the project entitled Crescent Harbor Float Replacement – Phase I and agrees, subject to available Alaska Legislative funding and selection by DOT&PF, to enter into a grant agreement with the State of Alaska, Department of Transportation and Public Facilities for a Municipal Harbor Facility Grant;

BE IT FURTHER RESOLVED that the Administrator is authorized to apply for the grant and to execute the grant if received.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 11th day of July, 2017.


Matthew Hunter, Mayor

ATTEST:


Sara Peterson, CMC
Municipal Clerk

1st and final reading 7/11/17

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2016-11

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA, APPROVING SUBMITTAL AND EXECUTION OF A MUNICIPAL HARBOR FACILITY GRANT APPLICATION TO THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (ADOT&PF) IN THE AMOUNT OF \$5,000,000 FOR THE PROJECT ENTITLED CRESCENT HARBOR FLOAT REPLACEMENT - PHASE I

WHEREAS, the State of Alaska, Department of Transportation and Public Facilities administers the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka owns and maintains Crescent Harbor and Crescent Harbor is eligible for a Municipal Harbor Facility Grant which, if awarded, will pay 50 percent of the eligible construction costs of this project; and

WHEREAS, the City and Borough of Sitka will provide the required 50 percent in local matching funds for construction of the Crescent Harbor Float Replacement – Phase I project per the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka is capable of completing the Crescent Harbor Float Replacement – Phase I project within eighteen (18) months after award of a Municipal Harbor Facility Grant; and

WHEREAS, Crescent Harbor is critical to the City and Borough of Sitka;


NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka that the City and Borough of Sitka supports the project entitled Crescent Harbor Float Replacement – Phase I and agrees, subject to available Alaska Legislative funding and selection by ADOT&PF, to enter into a grant agreement with the State of Alaska, Department of Transportation and Public Facilities for a Municipal Harbor Facility Grant;

BE IT FURTHER RESOLVED by the Assembly that the Administrator is authorized to apply for the grant and to execute the grant if received.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 12th day of July, 2016.


Mim McConnell, Mayor

ATTEST:


Sara Peterson, CMC
Municipal Clerk

RESOLUTION NO. 2015-14

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA, APPROVING SUBMITTAL AND EXECUTION OF A MUNICIPAL HARBOR FACILITY GRANT APPLICATION TO THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (ADOT&PF) IN THE AMOUNT OF \$5,000,000 FOR THE PROJECT ENTITLED CRESCENT HARBOR FLOAT REPLACEMENT - PHASE I

WHEREAS, the State of Alaska, Department of Transportation and Public Facilities administers the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka owns and maintains Crescent Harbor and Crescent Harbor is eligible for a Municipal Harbor Facility Grant which, if awarded, will pay 50 percent of the eligible construction costs of this project; and

WHEREAS, the City and Borough of Sitka will provide the required 50 percent in local matching funds for construction of the Crescent Harbor Float Replacement – Phase I project per the Municipal Harbor Facility Grant program; and

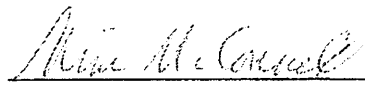
WHEREAS, the City and Borough of Sitka is capable of completing the Crescent Harbor Float Replacement – Phase I project within eighteen (18) months after award of a Municipal Harbor Facility Grant; and

WHEREAS, Crescent Harbor is critical to the City and Borough of Sitka;

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka that the City and Borough of Sitka supports the project entitled Crescent Harbor Float Replacement – Phase I and agrees, subject to available Alaska Legislative funding and selection by ADOT&PF, to enter into a grant agreement with the State of Alaska, Department of Transportation and Public Facilities for a Municipal Harbor Facility Grant;

AND BE FURTHER RESOLVED by the Assembly of the City and Borough of Sitka that the Administrator is authorized to apply for the grant and to execute the grant if received.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 28th day of July, 2015.



Mim McConnell, Mayor

ATTEST:



Sara Peterson, CMC
Municipal Clerk

RESOLUTION NO. 2014-11

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA,
APPROVING SUBMITTAL AND EXECUTION OF A MUNICIPAL HARBOR FACILITY
GRANT APPLICATION TO THE STATE OF ALASKA, DEPARTMENT OF
TRANSPORTATION AND PUBLIC FACILITIES (ADOT&PF) IN THE AMOUNT OF
\$5,000,000 FOR THE PROJECT ENTITLED CRESCENT HARBOR
FLOAT REPLACEMENT - PHASE I

WHEREAS, the State of Alaska, Department of Transportation and Public Facilities administers the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka owns and maintains Crescent Harbor and Crescent Harbor is eligible for a Municipal Harbor Facility Grant which, if awarded, will pay 50 percent of the eligible construction costs of this project; and

WHEREAS, the City and Borough of Sitka will provide the required 50 percent in local matching funds for construction of the Crescent Harbor Float Replacement - Phase I project per the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka is capable of completing the Crescent Harbor Float Replacement - Phase I project within eighteen (18) months after award of a Municipal Harbor Facility Grant; and

WHEREAS, Crescent Harbor is critical to the City and Borough of Sitka;

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka that the City and Borough of Sitka supports the project entitled Crescent Harbor Float Replacement - Phase I and agrees, subject to available Alaska Legislative funding and selection by ADOT&PF, to enter into a grant agreement with the State of Alaska, Department of Transportation and Public Facilities for a Municipal Harbor Facility Grant;

AND BE FURTHER RESOLVED by the Assembly that the Administrator is authorized to apply for the grant and to execute the grant if received.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 22nd day of July, 2014.



Matt Hunter, Deputy Mayor



Colleen Ingman, MMC
Municipal Clerk



CITY AND BOROUGH OF SITKA

Legislation Details

File #: RES 18-17 Version: 1 Name:

Type: Resolution Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Approving submittal and execution of an application to the Alaska Municipal Bond Bank to issue an amount of Airport Terminal Revenue Bonds up to \$4,025,000 through the Bond Bank to finance the City and Borough of Sitka's portion of the renovation of the Rocky Gutierrez Airport Terminal

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Memo and Res 2018-17.pdf](#)
[airport bond application and no litigation cert.pdf](#)
[supporting documentation airport terminal.pdf](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTION

I MOVE TO approve Resolution 2018-17 on
first and final reading.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: 7/18/2018

Subject: Application for Airport Terminal Revenue Bonds and Associated Resolution

Background

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.

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 Consolidated Operating Budget and the CAFR, have not been included in your packets. All of the required supplemental information requested on the bond application can be found in these two official documents.

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

Analysis

Proposed Project Milestones/Schedule

- Assembly approved applying for a new PFC application - March 2017
- Assembly approved moving forward with project to 65% design milestone along with approval of new Budget Appropriation - September 2017
- Complete the PFC Application and submit to FAA - December 2017
- Schematic Design Development (35% milestone) for the full terminal as well as restarting the design process for the TSA Baggage Screening Area - January 2018 – September 1, 2018
- Receive approval of PFC charges and begin collection - May 1, 2018
- Assembly approve authorization to apply for revenue bond and approve ordinance to execute revenue bond - July/August (Fall) 2018

- Design Development (65% milestone) - September through December 2018
- Determine costs/funding and portion of 65% design of project besides the TSA Baggage Screening Design, to take forward to 100% design - January 2019
- 100% Design & Develop Bid Documents - January 2019 through April 20
- Review and Approval of Bid Documents - April through May 2019
- Bidding and Award - June through August 2019
- Construction – phased during winter seasons - October - April 2019, 2020, 2021

If the Assembly approves the accompanying Resolution staff will proceed to submit an Application to the AMBBA to issue airport terminal revenue bonds. Neither submission of the application, nor possible approval by the AMBBA, will bind the Assembly and Municipality to firmly issuing airport terminal revenue bonds. Approval of an additional ordinance will be required before the Municipality firmly commits to bonding.

The sequence of bond issuance events which would follow approval of the accompanying Resolution would be as follows:

- (1) The Municipality submits the attached bonding application and accompanying Resolution to the AMBBA;
- (2) The AMBBA approves or disapproves the application;
- (3) If the application is approved, both the AMBBA and the Municipality begin legal and administrative work to draft bonding documents. The legal work for the Municipality will be completed by its outside Bond Counsel. The key document produced by outside bond counsel is a bonding ordinance. The key document produced by the AMBBA's bond counsel in conjunction with the Municipality's bond counsel is a loan agreement from the AMBBA.
- (4) The bonding ordinance is considered and approved/disapproved by the Assembly. A key provision of the bonding ordinance is permission/authority of the Municipality to enter into a loan agreement with the AMBBA which is secured by the issuance of a revenue bond to the AMBBA (as security). If the Assembly does not pass the ordinance, the entire bonding process stops.
- (5) If the Assembly passes the ordinance, outside bond counsel prepares multiple legal documents and certificates necessary to complete the bonding. The Municipal Clerk also prepares and certifies documents, obtains necessary signatures, and transmits original documents to the outside bond counsel.
- (6) While legal documents are being prepared, the AMBBA works with an underwriter (a major investment bank in New York City) to sell its bond issue to the public. Sitka's bonding needs will be combined with other Alaskan Municipalities to comprise an overall AMBBA general obligation bond issuance. The proceeds from AMBBA's bond issuance are what are loaned to Sitka, through the aforementioned loan agreement, which is secured by Sitka's single revenue bond. Actual underwriting takes place over a 2-day period in New York; this is the event which legally binds Sitka to bonding. The pricing of the bonds, and determination of any issuance discounts and premiums, occurs at this underwriting event.
- (7) The bond issuance culminates in a bond closing, in Seattle, approximately 2-3 weeks after underwriting. At closing, bond counsel for the AMBBA, and, the various bond counsels for all of the participating Alaskan communities (of which Sitka would be one), all ensure that every required legal document is signed, sealed, and acceptable. Once all bond counsels affirm that everything is ready, the underwriting investment bank wires bonding proceeds to the various banks used by all of the participating communities.

Once bond closing has taken place, the Municipality will be legally committed to making pre-determined, semi-annual interest and principal payments to a trustee bank, usually the Bank of New York. The role of the Bank of New York is to consolidate all of the semi-annual payments from various participating Alaskan communities and use the payments to make interest and principal payments to AMBBA general obligation bonds. Sitka does not ever sell its own separate bonds to the general public; its interest and principal payments are part of its loan agreement to the AMBBA and are necessary for the AMBBA to make its own over-arching debt service payments. This is how a bond bank works.

Finally, the ultimate amount of bond proceeds that will be obtained, and, the final total of bond principal and interest that will need to be repaid, will not be precisely determined until underwriting occurs. When bonds are underwritten and sold by an investment bank, they are issued at either a premium, par, or a discount. Par means that an issuer gets proceeds exactly equal to the principal amount issued. A discount or premium occurs when the market rate of interest differs from the stated rate of interest on a bond; depending on interest rate differences, a borrower may get a greater amount of proceeds (a premium) or smaller amount of proceeds (a discount) than the premium amount issued. If discounted proceeds are received, it is because the borrower is paying a lower rate of interest than that in the financial market as a whole; vice, versa, a premium occurs when a borrower is paying a higher rate of interest. The expertise role of the underwriter is determining what stated interest rates on bonds, premiums, and discounts are required to sell the issuance to the public.

Fiscal Note

The current estimated cost renovating the RGAT is \$4,183,570. Of this amount, funding in the amount of \$158,570 has been secured from the Transportation Security Administration (TSA) for design of an in-line baggage screening system and modified baggage screening area.

The City and Borough of Sitka has also obtained approval from the Federal Aviation Administration to collect Passenger Facility Charges (PFCs) in the amount of \$4.50 per embarkation, over a 20-year period commencing May 1, 2018 and ending on May 1, 2038, for a total estimated amount of \$6,840,000. The purpose of these PFCs is to help finance PFC-eligible terminal improvements that will expand the capacity and improve the operation of several terminal functions including : (1) relocation of the jet bridge ramp; (2) expansion of the TSA baggage screening area and the connected baggage makeup area; (3) expansion of the gate hold-room; (4) separate terminal building entry and exit points with a new direct exit from the baggage claim area; (5) modification of the baggage claim area and installation of a new baggage claim belt; (6) installation of a new full-length terminal building canopy; and, (7) construction of new fish box holding areas.

The total estimated project cost for the Sitka Airport Terminal Renovation is \$10.7 million, which includes a design contingency. Not all of the funding necessary to provide for the total project cost has been obtained.

Issuing airport terminal revenue bonds will provide partial funding for the project; the amount of bonding being requested is the maximum amount supportable by the projected PFC revenue stream.

Staff will continue to pursue additional potential sources of project funding. If additional sources of project funding can't be obtained, the project will be modified to fit the amount of funds available.

Staff has identified the following prospective sources of additional project funding, subject to Assembly approval:

- Renovations to the TSA Baggage Screening Area and installation of new inline baggage screening equipment costs are estimated at nearly \$3 million for which TSA Funding will be sought and is anticipated;
- Airport Concession Fees- a possible new 10% Terminal Improvement Fee that could be charged on rental cars, which would raise an estimated \$1.4-\$1.5 million (20 year bond) for Terminal Improvements;
- AIP Grants – for eligible portions of the terminal improvements will be sought. PFC funds will count as match funds for most eligible AIP grants; and,
- Airline tenant improvements at Airline ticket counters and possibly bag belts.

Recommendation

Staff is requesting that the Assembly approve a Resolution to submit an application to the Alaska Municipal Bond Bank Authority to issue airport terminal revenue bonds in the amount of \$4,025,000.

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2018-17

A RESOLUTION BY THE CITY AND BOROUGH OF SITKA APPROVING SUBMITTAL AND EXECUTION OF AN APPLICATION TO THE ALASKA MUNICIPAL BOND BANK TO ISSUE AN AMOUNT OF AIRPORT TERMINAL REVENUE BONDS UP TO \$4,025,000 THROUGH THE BOND BANK TO FINANCE THE CITY AND BOROUGH OF SITKA'S PORTION OF THE RENOVATION OF THE ROCKY GUTIERREZ AIRPORT TERMINAL

- WHEREAS,** the City and Borough of Sitka has recognized a critical need to improve the efficiency of the Rocky Gutierrez Airport Terminal in accommodating the current volume of air passengers, luggage, and freight; and
- WHEREAS,** the City and Borough of Sitka recognizes that an efficient airport terminal is essential to maintaining the economic health of the Municipality; and
- WHEREAS,** the existing airport terminal facility is outdated and can't adequately provide for the efficient flow of embarking and debarking passengers and their baggage, especially in light of security screening requirements; and
- WHEREAS,** the Transportation Safety Administration has issued an OTA (Other Transaction Agreement) to the City and Borough of Sitka in the amount of \$158,570 to pay for an in-line baggage screening system and modified baggage screening area in conjunction with the overall remodel plan; and
- WHEREAS,** the Federal Aviation Administration has approved the collection of Passenger Facility Charges (PFCs) in the amount of \$4.50 per embarkation for a period commencing May 1, 2018 and ending May 1, 2038, the purpose of which is to help finance PFC-eligible terminal improvements that will expand the capacity and improve the operation of airport terminal functions, with an estimated total of \$6,840,000 to be collected over the 20-year period in PFCs; and
- WHEREAS,** PFCs may be used to pay the debt service for revenue bonds issued to obtain the financing for PFC-eligible terminal improvements; and
- WHEREAS,** the problems and deficiencies with the Rocky Gutierrez Airport Terminal, in its present state, require that the facility be renovated in the very near term; and
- WHEREAS,** commercial airlines utilizing the Rocky Gutierrez Airport Terminal and the Transportation Safety Administration are supportive of the proposed renovations, and, in the issuance of revenue bonds in order to accomplish the needed renovations in the very near term.

NOW, THEREFORE, BE IT RESOLVED, by the Assembly of the City and Borough of Sitka that the Administrator is authorized to prepare and submit an application to the Alaska Municipal Bond Bank for the issuance of up to \$4,025,000 in airport terminal revenue bonds through the Alaska Municipal Bond Bank Authority.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 24th day of July, 2018.

Matthew Hunter, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st and final reading 7/24/18
Sponsor: Administrator



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:		Title:	
John P. (Jay) Sweeney		Chief Financial & Administrative Officer	
Address:		City:	State: Zip:
100 Lincoln Street		Sitka	AK 99835
Phone:		Fax:	E-mail:
(907)-747-1836		(907)-747-7403	jay.sweeney@cityofsitka.org
D. Applicant's Bond Counsel:			
Name:		Title:	
David Thompson		Attorney, Stradling Yocca Carlson & Rauth	
Address:		City:	State: Zip:
999 Third Avenue, Suite 3610		Seattle	WA 98104
Phone:		Fax:	E-mail:
(206)-829-3006		(206)-299-4117	DThompson@SYCR.com
E. Applicant's Financial Advisor or Underwriter (if applicable):			
Name:		Title:	
Address:		City:	State: Zip:
Phone:		Fax:	E-mail:

II. Issue Information

A. Total amount of bond purchase request:

\$4,025,000 in Net Project Proceeds

B. Total term of requested loan: 20 years

C. Preferred principal and interest payment months:

Aug/Feb

principal
/interest

Aug

interest
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:
		%

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

The Municipality will pledge airport proprietary fund revenues and passenger facility charges.

E. Will you need interim financing?

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? **Fall 2019 to Spring 2020**
3. Have construction bids been awarded? ☐ Yes ☒ No
4. Are there additional state or local approvals required? ☒ Yes ☐ No
5. Describe timing/scheduling plan:

Renovation of the Rocky Guitierrez Airport Terminal will be a phased project with construction anticipated over three winter seasons (due to summer visitor traffic). Airport terminal must remain operational during the remodel and expansion.

6. What is the projected completion date? **March 31, 2021**

G. Sources of uses of funds

Sources of Funds		Uses of Funds	
Bonds (this application)	\$ 4,025,000	Construction	\$ 3,083,570
Federal Funds*	\$ 158,570	Engineering	\$ 600,000

State Funds*	\$ TBD (Applying)	Contingency	\$ 300,000
Applicant's Funds	\$	Cost of Issuance	\$ 25,000
Other (specify)	\$ TBD (Applying)	Other	\$ 175,000
Total:	\$ 4,183,570	Total:	\$ 4,183,570

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

1. Indicate which costs, including costs of issuance, would be paid for with AMBBA bond proceeds:
All costs other than renovation of TSA facilities would be paid for with AMBBA bond proceeds.
TSA facility renovation will be paid for by Department of Homeland Security.

III. Credit Information

A. Provide the loan agreements or copies of the cover page of official statements for your government's outstanding bonds.

All outstanding bonds have been issued through the AMBBA.

B. Has your municipality entered into lease purchase agreements or other financing agreements supported by General Fund revenues? ☐ Yes ☒ No

If yes, provide amount of financed, purpose and principal amount outstanding. \$

The Municipality is applying to issue proprietry fund revenue bonds.

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

Harbor revenue bonds (AMBBA 2013, Series 1) are supported by harbor moorage fees and State of Alaska Fisheries Resource Landing Tax Proceeds ("Raw Fish Tax")

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.

Sitka does not have any bonds authorized by the voters but not yet issued.

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

**Attached long-range fiscal plans detail proposed future revenue bond financings.
The attached fiscal plans HAVE NOT been approved by the Assembly, however, and
do not constitute a commitment to future debt issuance.**

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 (In CAFR)

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

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

Year	Population	Source
	In CAFR	

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

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

N. Provide your current year's budget. ☒ Attached (BUDGET)

O. Provide your capital improvement plan. ☒ Attached (In BUDGET)

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 way:

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

John P. Sweeney III

Name (print)

Chief Financial and Administrative Officer

Title

Signature

July 12, 2018

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

NO LITIGATION CERTIFICATE

I, BRIAN E. HANSON, the duly appointed, qualified and acting Municipal Attorney of the City and Borough of Sitka, Alaska ("CBS"), in connection with CBS's application to the Alaska Municipal Bond Bank (the "Bond Bank") relating to CBS's proposed issuance of revenue bonds ("Bonds") to finance a portion of the cost of certain improvements for CBS's Airport renovation 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 CBS, or the titles of CBS officers to their offices, or seeking to restrain or enjoin CBS's application to the Bond Bank, the proposed issuance of the Bonds, or the right of CBS to establish and collect rates and charges for CBS's Airport renovation project to be pledged to pay the principal of the interest on the Bonds, or in any way contesting the power of CBS with respect to the Bonds; or

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

DATED this _____ day of _____, 2018

CITY AND BOROUGH OF SITKA, ALASKA

By: Brian E. Hanson
Its: Municipal Attorney



February 6, 2017

Ms. Kelli Cropper, MPM
Project Manager
City and Borough of Sitka
100 Lincoln St.
Sitka, AK 99835

RE: Support for PFC funding

Dear Kelli,

Please consider this Alaska Airlines' letter of support to move forward with an analysis and estimates for funding capacity available using Passenger Facility Charges (PFCs) for terminal improvements at Sitka Rocky Gutierrez (SIT) Airport. The funding will be used in conjunction with the TSA funded Baggage Handling System (BHS) project to pay for improvements to baggage throughput, passenger flows, and baggage make-up area expansions not eligible under the federal TSA grant.

Mike Kruse and I will work with your team and Delta Air Lines on the PFC application process and the development of the needs assessment and project description for submission to the FAA. We are also committed to moving through the PFC approval process expeditiously in order to meet the TSA grant timeline and preserve the funding for the BHS project.

We look forward to a continued strong business relationship with your team and the City and Borough of Sitka. Alaska Airlines remains committed to providing high quality air service for the residents and visitors of Sitka.

Sincerely,

ALASKA AIRLINES, INC.

A handwritten signature in cursive script that reads "Kathy Smith".

Kathy Smith
Director State of Alaska Airport Real Estate

Cc: Mike Kruse, Manager State of Alaska Airport Real Estate
Mandy Odenheimer, Customer Service Manager
Bridget Thompson, Regional Manager, Station Operations





Sonja Reeves
Regional Director
Corporate Real Estate
Delta Air Lines, Inc.
1030 Delta Blvd., Dept. 877
Atlanta, GA 30354
(404) 773-3042 (O)
(404) 677-7000 (F)
(678) 428-9805 (C)

February 6, 2017

Ms. Kelli Cropper, MPM
Project Manager
City and Borough of Sitka
100 Lincoln Street
Sitka, AK 99835

SUBJECT: Support for PFC Funding

Dear Kelli,

Delta Air Lines supports an analysis and estimate for funding capacity available using Passenger Facility Charges (PFCs) for terminal improvements at Sitka Rocky Gutierrez (SIT) Airport. The funding will be used in conjunction with the TSA funded Baggage Handling System (BHS) project to pay for much needed improvements to baggage throughput, passenger flows and baggage make up area expansions not eligible under the federal TSA grant. Due to the current constraints of the baggage make up area, Delta has limited access to this area for staging passenger bags. Expansion of this area would allow for joint use and provide for a more efficient operation which better meets the needs of the residents and visitors of Sitka.

Delta Air Lines will work with Alaska Airlines on the PFC application process and the development of the needs assessment and project description for submission to the FAA. We are also committed to moving through the PFC approval process expeditiously in order to meet the TSA grant timeline and preserve the funding for the BHS project.

We look forward to a continued relationship with your team and the City and Borough of Sitka.

Sincerely,

A handwritten signature in black ink, appearing to read "Sonja", with a stylized flourish at the end.

Sonja Reeves



October 22, 2017

Ms. Kelli Cropper, MPM
Project Manager
City and Borough of Sitka
100 Lincoln St.
Sitka, AK 99835

Re: Certification of Agreement/Disagreement
Intent to Impose and Use - PFC Application

Dear Kelli:

Pursuant to provisions of 14 CFR part 158, this letter serves as Alaska Airlines' written certification of Agreement or Disagreement with the plan to impose and use PFC collections at Sitka Rocky Gutierrez (SIT) Airport.

Alaska Airlines' certification (s) to the proposed PFC program at airports is guided by the following policy interpretation:

- PFC eligible projects are those that preserve or enhance safety, security, or capacity, reduce airport noise or mitigate airport noise impacts, or enhance competition among air carriers.
- PFC funds are collected in the form of a charge applied only to the passenger tickets sold, and therefore PFCs should be used for supplemental CIP funding to the extent that these revenues are proportionate to the passenger carriers' allocable share of those project costs.
- PFCs are to be utilized to fund the local share after other funding sources such as the Airport Improvement Program (AIP) have been sought.
- Alaska Airlines' interpretation of Part 158 is that projects funded by PFC collections are to be restricted to those programs for which a near term and justifiable need can be demonstrated.

The statements below are in response to the materials that were presented to the airlines and discussed at the September 22nd consultation meeting:

The PFC application includes a list of projects to address aging infrastructure and congestions issues in the terminal. The total PFC revenue collection is \$6,840,000 This revenue will be used as a match for Federal grants and to pay PFC backed bonds. The PFC Level is \$4.50 per enplaned passenger. The Charge Effective Date is March 1, 2018, and the Estimated Charge Expiration Date is February 28, 2037.





List of proposed projects and estimated costs:

• Bag Screening & Make-up	\$6,618,000
• Landside Additions – Entry, Exit, Fish Box Area, Bag Claim	\$2,055,000
• Departure Lounge/Hold Room Expansion	\$1,837,500
• Mechanical, Electrical & Life Safety Upgrades	<u>\$ 250,000</u>
Total Estimated Project Cost	\$10,760,500

PFC Funding: \$6,840,000

Federal Grants & other funding: \$3,920,500

Position: Certification of Agreement

Comments: None

Alaska Airlines looks forward to a continued strong business relationship with the Sitka Rocky Gutierrez Airport. Please feel free to contact me if you need any additional information.

Sincerely,

Alaska Airlines, Inc,

A handwritten signature in black ink that reads "Kathy Smith". The signature is fluid and cursive, with the first and last names clearly legible.

Kathy Smith

Director, State of Alaska Airport Affairs





James M. Masoero
General Manager
Corporate Real Estate

Delta Air Lines, Inc.
Dept. 877
P.O. Box 20706
Atlanta, GA 30320
T 404.715.4674
F 404.773/2026
James.masoero@delta.com

September 22, 2017

Michael Harmon
CBS Public Works Director
100 Lincoln Street
Sitka, AS 99835

Dear Mr. Harmon:

Pursuant to the provisions of 14 CFR, Part 158, §158.23, this letter serves as Delta's written Certification of Agreement or Disagreement as set forth in Attachment A. This in response to the City and Borough of Sitka's notice to air carriers prior to submitting an Application to impose and use a Passenger Facility Charge at Sitka Rocky Gutierrez Airport sent to airlines serving SIT, and as discussed at the Airlines' consultation meeting on September 22, 2015.

As a general comment, the PFC program has been developed to provide supplemental funding for eligible projects. Pursuant to the provisions of 14 CFR, Part 158, eligible projects must:

1. Preserve or enhance safety, security, or capacity of the national air transportation system;
2. Reduce or mitigate noise impacts resulting from an airport; or
3. Furnish opportunities for enhanced competition between or among air carriers.

With few exceptions, the PFC statute requires that PFC projects qualify as AIP eligible projects under the Airport and Airway Act of 1982, or the Aviation and Safety and Noise Abatement Act of 1979.

It is also the understanding of Delta that PFC funded projects be limited to those programs for which there is a demonstrated need. Projects that do not meet this criteria should be eliminated from the proposed PFC application and deferred until such time when need can be better demonstrated and substantiated.

Delta cannot recommend for approval those projects which are based upon long term projections of growth or projects that do not meet the statutory requirements.

In the event specific elements of a proposed project or projects are eliminated or changed prior to the filing by the Sitka Rocky Gutierrez Airport of the PFC application with the FAA, Delta requests that the Airport notify Delta of such changes. In addition, please provide Delta with a copy of the Airport's PFC application to the FAA.

Delta appreciates the time and effort by the Sitka Rocky Gutierrez Airport to provide the information necessary to assist in the development of Delta's Certification of Agreement or Disagreement. We appreciate the opportunity to review and comment on your proposed PFC application, as well as your further consideration of our comments.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. Masoero', written over a faint rectangular box.

James M. Masoero
General Manager, Corporate Real Estate

Attachment A
Certification of Agreement/Disagreement

Delta Air Lines certifies its agreement with all of the projects contained in the PFC Application No. 2-SIT:

Estimated Project Cost

1. Bag Screening & Makeup:\$ 6,618,000: Agree.
2. Landside Additions -Entry, Exit, Fish Box Area & Bag Claim: \$ 2,055,000:
Agree
3. Departure Lounge/Hold Room Expansion:\$ 1,837,500: Agree
4. Mechanical, Electrical & Life Safety System Upgrades:\$ 250,000: Agree

File: SIT PFC
FAA Regional Office

MEMORANDUM

Date: July 27, 2017
To: Kelli Cropper, The City and Borough of Sitka
From: Kottayam V. Natarajan Jr.
cc: Alex Fedor
Subject: Sitka Rocky Gutierrez Airport **DRAFT 7-27-2017**
SIT Airport Terminal Improvements Project Funding Plan

This memo describes the preliminary Funding Plan for the Airport Terminal Improvements Project at the Sitka Rocky Gutierrez Airport. The Funding Plan is attached as Exhibit 1.

The information below refers to the notes on the Funding Plan.

Notes on Project Cost Assumptions

1. A 20% Design Contingency has been added to all the construction cost estimates due to the preliminary nature of the estimates. This contingency can be adjusted as the cost estimates become more firm.
2. A 25% soft cost estimate has been added to the escalated construction costs to account for design, project/construction management, inspection, and administration of the project, for a total project cost estimate.

Notes on Funding Sources and the Funding Plan

3. **PFC Future Collections** **\$4,000,000**
This revenue stream is based on future Passenger Facility Charge (PFC) collections at \$4.50 per passenger. It assumes the PFCs are leveraged to pay the annual debt service on 20 year bonds with 5% interest. The FAA must approve the Airport's PFC application to impose and collect the PFCs from passengers. PFCs are common at airports and most charge the full \$4.50 amount.

The application process is underway and an application has been submitted to the FAA. See Exhibit 2 for more details on the PFC collections and projected revenue.

4. PFC Existing

\$333,500

This is PFC money previously collected by the Airport. The City and Borough of Sitka Airport Terminal Fund Income Statement for the twelve-month period from July 1, 2016 to June 30, 2017 indicates the airport has \$10,330.02 in working capital in account 90736 – Airport Baggage and TSA Facility PFCs, and \$323,179.93 in Undesignated Passenger Facility Charges. It is assumed that all of these funds are available for the Terminal Improvements Project. The FAA should have no issues with using these funds for PFC eligible projects.

It is assumed no action is necessary to use these funds.

5. Undesignated Working Capital

\$363,000

The City and Borough of Sitka Airport Terminal Fund Income Statement for the twelve-month period from July 1, 2016 to June 30, 2017 indicates the airport has \$541,827 available in Undesignated Working Capital. This is approximately 570 Days Cash on Hand (DCOH) or 1.5 years. This could be dropped down to 6 months DCOH which would free up 2/3 of the Undesignated Working Capital or 363,000. These funds are applied to the Terminal Improvements Project.

It is assumed these funds are available for airport projects and no action is necessary to secure this funding, apart from concurrence from the appropriate airport financial advisors.

6. TSA Funding

\$2,925,000

The elements of the project that are associated with renovating and updating the TSA baggage screening area are assumed to be funded 100% by the TSA. The TSA has traditionally funded baggage screening projects.

The project team will need to secure a commitment from the TSA for the baggage screening elements of the project. Federal funding is not guaranteed and is always subject to changes in federal policy and funding availability.

7. Airline Funding

\$0

The project includes some tenant improvements that are assumed to be funded by Alaska Airlines and Delta Air Lines. These are project elements that are closely related to individual airline operations. At most airports, projects cover all costs except for proprietary costs. Proprietary costs are specific to an airline and cannot be used by another airline. For example, a backwall behind a ticket counter and a ticket counter position would be project costs as these elements could be used by any airline. A sign on the backwall for "Airline X" and ticket counter processing equipment that is specific to Airline X and can only be used to process their passengers would be considered proprietary.

The airlines have voiced concerns over these costs not being funded by alternative project funds. Further discussions will be required to ensure the airlines are willing to contribute these amounts.

8. Tenant Concessions **\$0**

To the extent there are any project costs to improve airport concessions or to enable airport concessions, these could be funded by the airport concessionaires who will benefit. It is typical for airports to provide shell space for concessionaires and for concessionaires to pay for any build out of their space.

As the project is further developed, this may be a source of funds to pursue.

9. CBS Funding (RCTIF) **\$1,400,000**

This assumes the CBS institutes a Rental Car Terminal Improvement Fee (RCTIF) of 10% on all gross rental car receipts. Rental car receipts are projected to be \$1,200,000 per year based on FY2016 receipts of \$1,282,637 and FY2017 projected receipts of \$1,788,305. The projected \$120,000 per year from the RCTIF is leveraged to cover annual debt service on \$1.4 million of 20 year bonds at 5%. The current project funding plan assumes \$1,400,000 is needed for the project. See Exhibit 3 for more details on the RCTIF and revenue projections. Fees and charges to rental car transactions are very common at airports. These fees often run as high as 100% (e.g. the per day cost of a rental car is twice the advertised price). These fees include everything from stadium taxes to rental car customer facility charges to airport concession fees to city taxes.

The CBS will need to institute this new fee and work with rental car companies to collect and remit the fee. There is currently a 4% Driver Facility Charge that is collected on rental car receipts and used for general airport O&M. This would be in addition to that fee.

10. AIP Entitlement Grants **\$2,400,000**

SIT receives Entitlement Grants from the FAA on an annual basis for eligible projects. The 2017 AIP Entitlement Grant for SIT was \$607,027. Four of these annual grants would be \$2,400,000. However, the current funding plan assumes the Terminal Improvements Project will need 3 of the grants and that they remain approximately \$600,000 dollars. AIP Entitlement Grants are available for any eligible projects.

The project team will need to work with other jurisdictions that operate portions of the airport to ensure these grants will be available for the Terminal Improvement Project. Traditionally they have been used for the airfield, which is owned and operated by the State of Alaska.

11. Other Airport Funds **\$0**

These would be funds from airline rates and charges or from non-airline tenant fees.

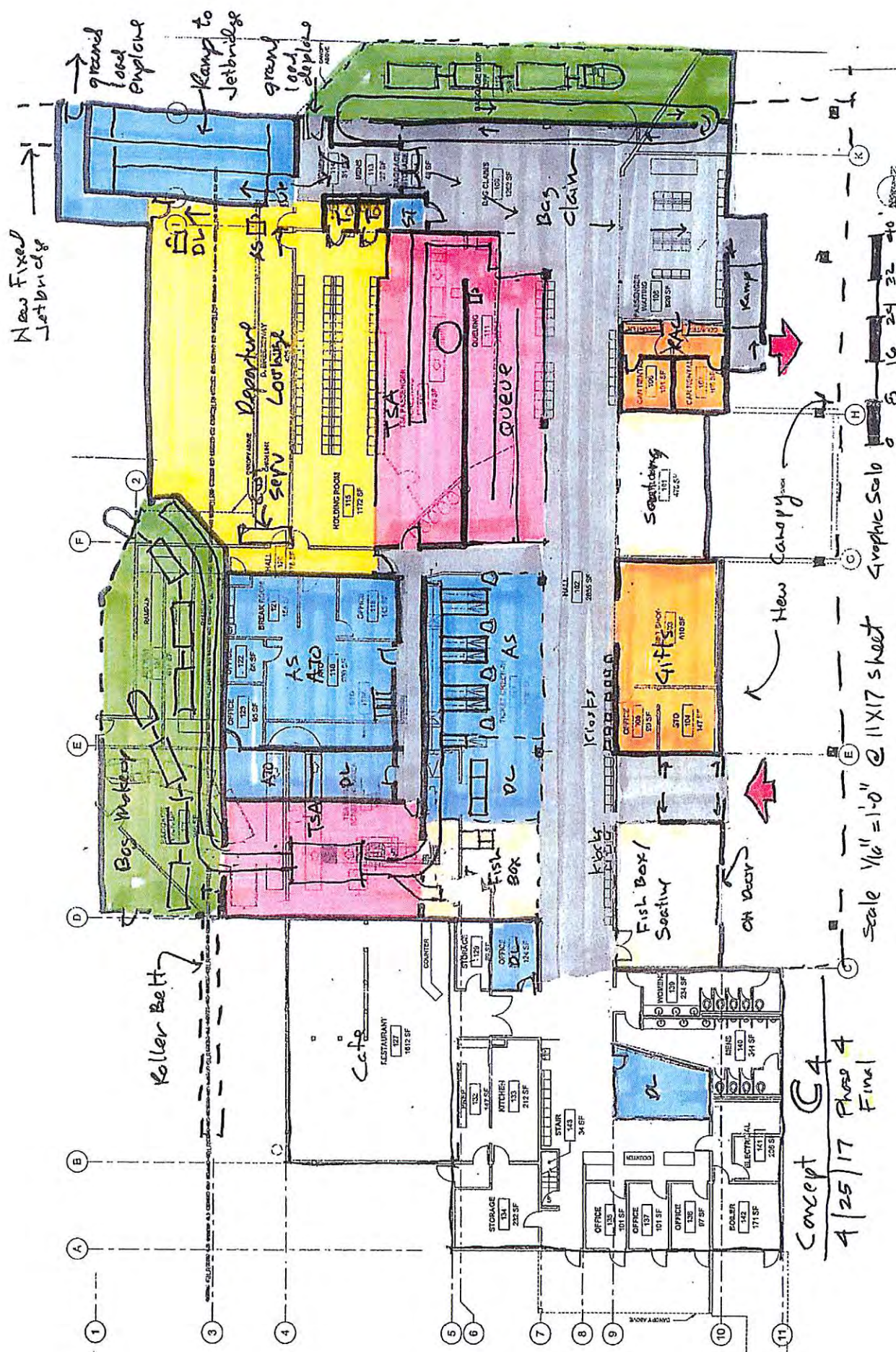
Examples would be a new parking fee or increased terminal rental rates. They could be from existing rates and fees, increases to fees, or new fees. The current funding plan does not have any revenue from this source.

If the airport decides to use revenue from this source it will need to earmark funds or increase fees and ensure there is adequate funding for O&M expenses.

12. Discretionary AIP Grants \$0

Every year the FAA awards discretionary grants for eligible projects. The current funding plan does not include any resources from AIP Discretionary Grants as the Terminal Improvements Project would be fairly low on the priority list. Airfield projects are generally more likely recipients of AIP Discretionary Grants.

The Airport would need to apply for any AIP Discretionary Grants if it was determined that was a funding source worth pursuing.



REFERRED CONCEPT PLAN



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-144 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 7/18/2018 In control: City and Borough Assembly

On agenda: 7/24/2018 Final action:

Title: Financial Matter: Baranof Island Brewing Company - Forbearance Agreement

Sponsors:

Indexes:

Code sections:

Attachments: [Motion BIBCO.pdf](#)

Date	Ver.	Action By	Action	Result
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POSSIBLE MOTIONS

EXECUTIVE SESSION

I MOVE to go into executive session* with Chief Finance and Administrative Officer Jay Sweeney and Controller Melissa Haley to discuss subjects that tend to prejudice the reputation and character of any person and to discuss matters, the immediate knowledge of which, would adversely affect the finances of the City and Borough of Sitka and invite in if desired, and when ready, Suzan Hess and/or Rick Armstrong of Baranof Island Brewing Company and/or their Attorney, Brita Speck.

I MOVE to reconvene as the Assembly in regular session.

*Sitka General Code 2.04.020 Meetings

D. All meetings shall be open to the public except that the following may be discussed in closed executive session:

1. Matters, the immediate knowledge of which would adversely affect the finances of the municipality;
2. Subjects that tend to prejudice the reputation and character of any person, provided the person may request a public discussion;
3. Matters which by law, municipal Charter or ordinances are required to be confidential;
4. Communications with the municipal attorney or other legal advisors concerning legal matters affecting the municipality or legal consequences of past, present or future municipal actions.