

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION NO. 2017-16

A RESOLUTION OF THE COUNCIL OF THE CITY OF UNALASKA, AUTHORIZING THE ISSUANCE OF HARBOR REVENUE BONDS OF THE CITY IN ONE OR MORE SERIES TO FINANCE AND REFINANCE PORT AND HARBOR IMPROVEMENTS; CREATING A LIEN ON NET REVENUE OF THE PORTS AND HARBORS FUND FOR THE PAYMENT OF THE BONDS; AND ESTABLISHING COVENANTS OF THE CITY RELATED TO THE BONDS.

WHEREAS, the City of Unalaska, Alaska (the "City") is a first-class city and under Section 6.04.020 of its Code of Ordinances and the provisions of the Alaska Municipal Code (AS 29) has the power to issue revenue bonds for capital improvements without seeking voter approval; and

WHEREAS, the City owns and operates marine facilities at the International Port of Dutch Harbor (as further defined in Section 1, the "Harbor") as a revenue-producing public enterprise; and

WHEREAS, it is necessary and in the best interest of the City and its residents that the City now provide for the issuance of one or more series of harbor revenue bonds to finance and refinance improvements to the Harbor, and for any other purpose of the Harbor now or hereafter permitted by law;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF UNALASKA, ALASKA:

Section 1. Definitions. The following terms shall have the following meanings in this Master Resolution:

"Aggregate Annual Debt Service" means, for any Fiscal Year, the total amount of Debt Service on all Bonds then Outstanding.

"Annual Debt Service" means, with respect to any Bonds for any Fiscal Year, the total amount of Debt Service on such Bonds.

"Average Annual Debt Service" means, with respect to any Bonds at any time, the total amount of Debt Service on such Bonds scheduled to be paid thereafter, divided by the number of Fiscal Years in which such Debt Service is scheduled to be paid.

"Base Period" means any consecutive 12-month period selected by the City out of the 30-month period preceding the date of issuance of a series of Bonds.

“Bond Register” means the registration books maintained by the Registrar that include the names and addresses of the owners or nominees of the owners of the Bonds.

“Bonds” means the bonds, notes or other evidences of indebtedness issued from time to time in series in accordance with the provisions of this Master Resolution.

“City” means the City of Unalaska, Alaska, a first-class city organized and existing under the Constitution and laws of the State of Alaska.

“City Representative” means the City Manager of the City, or such other person who may be designated as such from time to time by resolution of the Council.

“Consultant” means an independent professional engineer or engineering firm experienced in port and harbor matters appointed by the City to perform the duties of Consultant under this Master Resolution. For the purposes of delivering any certificate required by Section 5 and making the calculations required by Section 5, the term “Consultant” also shall include any independent public accounting firm or economic consulting firm appointed by the City to make such calculation or to provide such certificate.

“Costs of Construction” means all costs paid or incurred by the City in connection with the acquisition and construction of capital additions, improvements and betterments to and extensions of the Facilities, and the placing of the same in operation, including without limitation paying all or a portion of the interest on the series of Bonds or any portion thereof issued to finance the costs of such improvements during the period of construction of such improvements and for a period of time thereafter; paying amounts required to meet any reserve requirement for the fund or account established or maintained for such series of Bonds; paying or reimbursing the City or any fund thereof or any other person for expenses incident and properly allocable to the acquisition and construction of such improvements and the placing of the same in operation; and all other items of expense incident and properly allocable to the acquisition and construction of such additions and improvements, the financing of the same and the placing of the same in operation.

“Council” means the general legislative authority of the City, as the same may be constituted from time to time.

“Coverage Requirement” means, for any Fiscal Year or Base Period, that Net Revenue is equal to or greater than 125 percent of Aggregate Annual Debt Service.

“Debt Service” means, with respect to any Bonds for any Fiscal Year, an amount equal to the sum of (1) the principal amount of such Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payment required to be made during such period into any sinking fund established for the payment of such Bonds, and (3) all interest payable during such period on such Bonds and with respect to Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund

installments will be applied to the redemption or retirement of such Bonds on the date specified in the Series Resolution authorizing such Bonds.

“Facilities” means all equipment and all property, real and personal, or any interest therein, whether improved or unimproved, now or hereafter owned, operated, used, leased or managed by the City for port and harbor purposes.

“Fiscal Year” means the fiscal year of the City, which currently is the 12-month period commencing on July 1 and ending the following June 30.

“Gross Revenue” means all income, receipts and revenue derived by or for the account of the Harbor Revenue Fund from time to time from any source from the ownership, leasing or operation of the Facilities, and all earnings on any fund or account that is pledged to secure the Bonds. However, the following shall be excluded from Gross Revenue: (1) the proceeds of any borrowing by the City and the earnings thereon (other than earnings on proceeds deposited in reserve funds); (2) proceeds of capital grants; (3) proceeds of insurance or condemnation proceeds other than business interruption insurance; and (4) income from investments irrevocably pledged to the payment of Bonds issued or to be defeased under any refunding bond plan.

“Harbor” means the marine facilities at the International Port of Dutch Harbor owned and operated by the City, as the same may be added to, improved and extended.

“Harbor Revenue Fund” means the ports and harbors enterprise fund of the City.

“Master Resolution” means this Resolution No. 2017-16.

“Maximum Annual Debt Service” means, with respect to any Bonds as of any date, the highest Annual Debt Service on such Bonds in each Fiscal Year thereafter in which such Bonds are scheduled to remain Outstanding.

“Net Revenue” means, for any Fiscal Year or Base Period, Gross Revenue less any part thereof that must be used to pay Operating Expenses. In calculating Net Revenue, the City shall not take into account any non-cash gains or losses with respect to any real or personal property, investment or agreement that it may be required to recognize under generally accepted accounting principles, such as unrealized mark-to-market gains and losses and pollution remediation or pension liabilities.

“Operating Expenses” means the current expenses incurred for operation, maintenance or repair of the Facilities of a non-capital nature, and shall include without limitation administrative and general expenses, insurance premiums, lease rentals, legal and engineering expenses, payments to pension, retirement, group life insurance, health and hospitalization funds or other employee benefit funds that are properly chargeable to current operations, interest on customer deposits, payroll tax expenses, and any other expenses required to be paid under the provisions of this Master Resolution or by law or permitted by standard practices for ports and harbors similar to the Facilities and applicable in the circumstances. Operating Expenses shall not include

payments of taxes or assessments (or payments in lieu of taxes or assessments) to the City, payments with respect to judgments, any allowances for depreciation or amortization, or any principal, redemption price or purchase price of, or interest on, any obligations of the City incurred in connection with the Facilities and payable from Gross Revenue.

"Outstanding" means, as of any date, any Bonds theretofore issued and unpaid, except such Bonds deemed to be no longer Outstanding as provided in the Series Resolution authorizing the issuance thereof.

"Registered Owner" means the person named as the registered owner of a Bond in the Bond Register.

"Registrar" means the Finance Director of the City, or any other person that the Council may appoint from time to time by resolution or by a Series Resolution, to act as registrar for one or more series of Bonds.

"Series Resolution" means a resolution authorizing the issuance of a series of Bonds, as such resolution may thereafter be amended or supplemented. Each Series Resolution shall be supplemental to this Master Resolution.

Section 2. Priority of Use of Gross Revenue. The City shall deposit all Gross Revenue in the Harbor Revenue Fund as collected. The Harbor Revenue Fund shall be held separate and apart from all other funds and accounts of the City, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay Operating Expenses not paid from other sources;

Second, to make all payments, including sinking fund payments, required to be made into the debt service account of any Bond redemption fund and to pay the principal of and interest and premium, if any, on any Bonds;

Third, to make all payments required to be made into any reserve account established to secure the payment of any Bonds;

Fourth, to make all payments required to be made into any other bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of (a) any harbor revenue bonds or other harbor revenue obligations of the City secured by a lien on Net Revenue and the money in the Harbor Revenue Fund junior and inferior to the lien that secures payment of the Bonds or (b) bonds or other obligations of the City issued for the purpose of financing additions, betterments, improvements and repairs to or extensions and replacements of the Facilities; and

Fifth, to retire by redemption or purchase in the open market any outstanding harbor revenue bonds, other harbor revenue obligations of the City, or bonds or other obligations of the City issued for the purpose of financing additions, betterments,

improvements and repairs to or extensions and replacements of the Facilities, in each case as authorized in the various resolutions of the City authorizing their issuance; to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Facilities; or to provide for any other lawful City purposes; in each case except to the extent of any deficiencies in payments for First, Second, Third or Fourth purposes.

Section 3. Authorization of Bonds. The City hereby is authorized to issue harbor revenue bonds of the City, to be known as the "City of Unalaska, Alaska, Harbor Revenue Bonds," from time to time in series, and without limitation as to aggregate principal amount. Each series of Bonds may be issued in such amount and upon such terms and conditions as the Council may from time to time deem to be necessary or advisable, for any purposes of the Facilities now or hereafter permitted by law, but only upon compliance with the applicable conditions for their issuance in Section 5.

All Bonds shall be secured by a parity lien on Net Revenue upon the fulfillment of the conditions for their issuance under this Master Resolution. From and after the time of issuance and delivery of the Bonds of each series, and so long thereafter as any of the same remain Outstanding, the City hereby irrevocably obligates and binds itself to set aside and pay out of Net Revenue into the special funds created for the payment of the Bonds of such series, in the amounts and at the times required by the Series Resolution authorizing the issuance of the Bonds of such series, the amount necessary to pay principal or interest coming due on the Bonds of such series. The City hereby irrevocably pledges the amounts to be paid into such special funds, and the amounts in such special funds, to the payment of the Bonds of such series, and the amounts so pledged are hereby declared to be a lien on Gross Revenue superior to all other liens and charges of any kind or nature whatsoever except for Operating Expenses and except for parity liens that may be created to secure payment of any series of Bonds issued in accordance with the provisions of this Master Resolution.

The Bonds shall not in any manner or to any extent constitute general obligations of the City or the State of Alaska or of any political subdivision of the State of Alaska. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the Bonds.

Section 4. Series Resolution. Each series of Bonds shall be authorized by a Series Resolution, which shall, among other provisions, specify or provide for:

- (a) the authorized principal amount, designation and series of such Bonds;
- (b) the general purpose or purposes for which such series of Bonds is being issued, and the deposit, disbursement and application of the proceeds of the sale of the Bonds of such series;
- (c) the date or dates, and the maturity date or dates, of the Bonds of such series, and the principal amount maturing on each maturity date;

- (d) the interest rate or rates on the Bonds of such series, the interest payment date or dates therefor and the tax status thereof;
- (e) the circumstances, if any, under which the Bonds of such series will be deemed to be no longer Outstanding;
- (f) the denominations of, and the manner of dating, numbering, and, if necessary, authenticating, the Bonds of such series;
- (g) the paying agent or paying agents, if any, for the Bonds of such series and the duties and obligations thereof;
- (h) the place or places of payment of the principal, redemption price, if any, or purchase price, if any, of and interest on, the Bonds of such series;
- (i) the Registrar for the Bonds of such series and the duties and obligations thereof;
- (j) the form or forms of the Bonds of such series and the provisions for the registration, transfer and exchange of the Bonds of such series;
- (k) the terms and conditions, if any, for the redemption or prepayment of the Bonds of such series prior to maturity, including the redemption or prepayment date or dates and price or prices and other applicable redemption or prepayment terms;
- (l) the manner of sale of the Bonds of such series;
- (m) if so determined by the City, the authorization of and any terms and conditions with respect to credit support for the Bonds of such series and the pledge or provision of money, assets or security other than Net Revenue to or for the payment of the Bonds of such series or any portion thereof;
- (n) a special fund or account to provide for the payment of the Bonds of such series and, if so determined by the City, any other specific funds or accounts, including without limitation reserve funds or accounts, for the Bonds of such series and the application of money or securities therein;
- (o) the payment into the special fund or account to provide for the payment of the Bonds of such series of: (1) approximately equal monthly deposits such that the amount projected to be on deposit therein on the next interest payment date for payment of interest will be sufficient to pay the interest scheduled to become due on the Bonds of such series then Outstanding and (2) approximately equal monthly deposits such that the amount projected to be on deposit therein on the next principal payment date for payment of principal and premium, if any, will be sufficient to pay the principal and premium, if any, scheduled to become due on the Bonds of such series then Outstanding; and

(p) any other provisions which the City deems necessary or desirable in connection with the Bonds of such series.

Section 5. Limitations on Issuance of Bonds. The City shall not issue any series of Bonds or incur any additional indebtedness with a lien on Net Revenue on a parity with the lien that secures payment of the Bonds then Outstanding unless the City satisfies the applicable conditions for the issuance of such series in this Section.

(a) Purposes of the Facilities. The City may issue Bonds if the City shall not have been in default of its covenant under Section 6(a) for the preceding Fiscal Year, and the Bonds are being issued to finance necessary additions, betterments, improvements and repairs to or extensions and replacements of the Facilities, upon delivery of a certificate prepared as described in paragraph (1) or (2) of this subsection.

(1) Certificate of the City Without a Consultant. The City may deliver a certificate without a Consultant if, based on Net Revenue for the Base Period (confirmed by an independent audit), the Coverage Requirement will be satisfied in each Fiscal Year that Bonds are scheduled to be Outstanding, commencing with the first full Fiscal Year following the date on which any portion of interest on the series of Bonds then being issued will be paid from a source other than the proceeds of such series of Bonds.

(2) Certificate of Consultant. Unless the City may deliver a certificate without a Consultant as provided in paragraph (1) of this subsection, the City shall deliver a certificate of a Consultant demonstrating that the Coverage Requirement will be satisfied in each Fiscal Year that Bonds are scheduled to be Outstanding, commencing with the first full Fiscal Year following the date on which any portion of interest on the series of Bonds then being issued will be paid from a source other than the proceeds of such series of Bonds. In making the computations for the purpose of certifying compliance with the Coverage Requirement of this Section, the Consultant may determine Net Revenue by making such assumptions and adjustments that the Consultant certifies to be reasonable.

For so long as the Alaska Municipal Bond Bank is the Registered Owner of any of the Bonds then Outstanding, the City shall not issue any series of Bonds or incur any additional indebtedness with a lien on Net Revenue on a parity with the lien that secures payment of the Bonds then Outstanding pursuant this paragraph (2) without the prior written consent of the Alaska Municipal Bond Bank.

(b) Refunding for Debt Service Savings. The City may issue Bonds for the purpose of refunding Outstanding Bonds when, in each Fiscal Year thereafter that the Bonds are scheduled to remain Outstanding, the Aggregate Annual Debt Service after the issuance of the refunding Bonds will not be greater than the Aggregate Annual Debt Service if such refunding did not occur.

Section 6. Specific Covenants. The City hereby covenants with the Registered Owners for as long as any Bonds remain Outstanding:

(a) Rate Covenant. The City will establish, maintain and collect rentals, tariffs, rates, fees and charges in the operation of the business of the Facilities that will produce Net Revenue sufficient to satisfy the Coverage Requirement in each Fiscal Year.

If the Net Revenue in any Fiscal Year is not sufficient to satisfy the Coverage Requirement, then the City will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges, and on the basis of such recommendations and other available information the City will establish such rentals, tariffs, rates, fees and charges for services and operations of the Facilities as are necessary to produce Net Revenue sufficient to satisfy the Coverage Requirement in the Fiscal Year during which such adjustments are made. If the City has taken the steps set forth in this paragraph and the Net Revenue in the Fiscal Year in which adjustments are made nevertheless is not sufficient to satisfy the Coverage Requirement, such failure to comply with the covenant set forth in this subsection shall not constitute a default under this Master Resolution.

(b) Maintenance and Repairs. The City will maintain, preserve and keep the Facilities in good repair, working order and condition; will from time to time make or cause to be made all necessary and proper repairs, renewals and replacements thereto so that the business carried on in connection therewith may be properly and advantageously conducted; and will at all times operate the Facilities in an efficient manner and at a reasonable cost.

(c) Insurance. The City will carry fire and other casualty insurance on the Facilities to the full insurable value thereof, and will also carry adequate public liability insurance and such other forms of insurance as under good business practices are ordinarily carried on similar ports and harbors. Such insurance also may be maintained by the City through a program of self-insurance.

(d) Extensions or Betterments. The City will not expend any of the money in the Harbor Revenue Fund for any extensions or betterments that are not economically sound and that will not contribute to the operation of the Facilities in an efficient and economical manner, unless such extensions are required by law or any regulatory body having jurisdiction.

(e) Accounting. The City will keep and maintain proper books and accounts with respect to the operation of the Facilities in such manner as prescribed by any authorities having jurisdiction over the Facilities and will cause its books of account to be audited annually by competent certified public accountants, copies of which audits shall, upon request, be furnished to Registered Owners. Such audits shall show whether or not the City has in all respect performed and complied with the covenants set forth in this Master Resolution.

(f) Bonding of Employees. All employees and agents of the City collecting or handling money of the City in connection with the management and operation of the Facilities shall be bonded in an amount commensurate with the funds they handle and in an amount sufficient to protect the City from loss.

(g) Disposal of Facilities. The City will not sell or otherwise dispose of substantially all of the Facilities, unless contemporaneously with such sale or disposal there shall be paid into a special fund a sum sufficient (together with investment income thereon) to defease all Bonds then Outstanding to the date or dates on which they first may be redeemed.

The City may sell or dispose of any portion of the Facilities to related or unrelated entities; provided, that if such properties constitute five percent or greater of the "book value" of the Facilities or generate five percent or greater of Net Revenue at the time of such sale or disposition, the City has on hand a report from a Consultant verifying that the Coverage Requirement will be satisfied in each of the next three full Fiscal Years.

The City also may sell, dispose of or convey any assets that are no longer deemed to be useful to the operations of the Facilities.

Section 7. Amendatory and Supplemental Resolutions.

(a) The Council from time to time and at any time may adopt a resolution or resolutions supplemental hereto, which resolution or resolutions thereafter shall become a part of this Master Resolution, for any one or more of the following purposes:

(1) To provide for the issuance of a series of Bonds pursuant to Section 4, and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed.

(2) To add covenants and agreements of the City for the purpose of further securing the payment of the Bonds, provided that such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the City contained in this Master Resolution.

(3) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the City payable from Net Revenue which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect.

(4) To surrender any right, power or privilege reserved to or conferred upon the City by the terms of this Master Resolution.

(5) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this Master Resolution or in regard to matters or questions arising under this Master Resolution as the Council may deem necessary or desirable and not inconsistent

with this Master Resolution and which shall not adversely affect the interests of the Registered Owners.

Any such supplemental resolution may be adopted without the consent of any Registered Owner, notwithstanding any of the provisions of subsection (b) of this Section.

(b) With the consent of the Registered Owners of not less than 60 percent in aggregate principal amount of the Bonds then Outstanding, the Council may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Master Resolution or of any supplemental resolution; provided, that no such supplemental resolution shall:

(1) extend the fixed maturity of any of the Bonds, or reduce the rate of interest thereon, or reduce the amount or change the date of any sinking fund installment, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected; or

(2) reduce the aforesaid percentage of Registered Owners required to approve any such supplemental resolution, without the consent of the Registered Owners of all of the Bonds then Outstanding.

It shall not be necessary for the consent of the Registered Owners under this subsection to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent approves the substance thereof.

(c) Upon the adoption of any supplemental resolution under this Section, this Master Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Master Resolution of the City and all Registered Owners shall thereafter be subject in all respects to such modification and amendment, and all the terms and conditions of the supplemental resolution shall be deemed to be part of the terms and conditions of this Master Resolution for any and all purposes.

(d) Bonds of any series delivered after the effective date of any amendment adopted under this Section to this Master Resolution or the Series Resolution with respect to that series may bear a notation as to any matter provided for in such supplemental resolution, and if such supplemental resolution shall so provide, new Bonds modified so as to conform, in the opinion of the City, to the terms of any such supplemental resolution may be prepared by the City and delivered without cost to the Registered Owners, upon surrender for cancellation of such Bonds in equal aggregate principal amounts.

Section 8. Notice to Registered Owners. Except as this Master Resolution specifically provides otherwise, any notice under this Master Resolution to Registered

Owners may be given by first-class mail, postage prepaid, to such Registered Owners at their respective addresses appearing upon the Bond Register.


Section 9. Resolutions a Contract with Registered Owners. In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of this Master Resolution and of any Series Resolution shall constitute a contract with each Registered Owner, and the obligations of the City under this Master Resolution and under any Series Resolution shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the City shall be for the equal benefit, protection and security of each Registered Owner.

Section 10. Severability. If any one or more of the covenants or agreements set forth in this Master Resolution to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants or agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements in this Master Resolution and shall in no way affect the validity of the other provisions of the Bonds or of this Master Resolution.

Section 11. Effective Date. This Master Resolution shall take effect upon passage and adoption.

PASSED AND ADOPTED by a duly constituted quorum of the Council of the City of Unalaska this 14th day of February, 2017.

CITY OF UNALASKA


Frank Kelty, Mayor

ATTEST:


Cat Hazen, City Clerk *Acting City Clerk*



MEMORANDUM TO COUNCIL

TO: MAYOR AND CITY COUNCIL MEMBERS

FROM: NERAHOO HEMRAJ, FINANCE DIRECTOR

THRU: ERIN REINDERS, ACTING CITY MANAGER

DATE: FEBRUARY 14, 2017

RE: **RESOLUTION 2017-13:** A RESOLUTION OF THE COUNCIL OF THE CITY OF UNALASKA, AUTHORIZING THE ISSUANCE AND SALE OF HARBOR REVENUE BONDS OF THE CITY IN ONE OR MORE SERIES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$35,000,000, TO FINANCE PORT AND HARBOR IMPROVEMENTS; ESTABLISHING THE TERMS OF THE BONDS; AND AUTHORIZING THE SALE OF THE BONDS AND FURTHER **RESOLUTION 2017-16:** A RESOLUTION OF THE COUNCIL OF THE CITY OF UNALASKA, AUTHORIZING THE ISSUANCE OF HARBOR REVENUE BONDS OF THE CITY IN ONE OR MORE SERIES TO FINANCE AND REFINANCE PORT AND HARBOR IMPROVEMENTS; CREATING A LIEN ON NET REVENUE OF THE PORTS AND HARBOR FUND FOR THE PAYMENT OF THE BONDS; AND ESTABLISHING COVENANTS OF THE CITY RELATED TO THE BONDS.

SUMMARY: Resolution 2017-13 authorizes the sale of \$35,000,000 of Revenue Bonds through the Alaska Municipal Bond Bank. The bonds will be for 25 years and will be priced to yield approximately 3.80% - 4.25% based on market conditions. The issue will be Non-Callable for 10 years. Resolution 2017-16 authorizes creating a lien on the net revenues of the Ports and Harbor Fund for the payment of the bonds. Staff recommends approval of both resolutions.

PREVIOUS COUNCIL ACTION: During the December 13, 2016 City Council Meeting, Council requested staff to explore financing options for the Ports and Harbor improvement project.

BACKGROUND: City staff has been working with bond Consul to produce an application to the Alaska Municipal Bond Bank for the sales of bonds not to exceed \$35,000,000. These resolutions outline the terms, authorize the sales of these bonds, and establish a lien for payment of the bonds. The bonds will have a 25 year maturity with a 10 year non-callable feature. The interest rate for these bonds will be set prior to the securities being sold, and will be determined by market conditions at that time. These securities are expected to be priced to yield approximately 3.80%-4.25%.

DISCUSSION: After the December 13, 2016 City Council meeting, staff researched various financing options for the Unalaska Marine Center Expansion and Replacement Project and believes that the Alaska Municipal Bond Bank is both the most economical and expedient resource. An application was submitted to the Alaska Municipal Bond Bank.

Based on the City's credit rating and existing Port revenues, our debt ratio exceeds the requirement of the Bank to sell bonds on the City's behalf. The 2016 debt ratio for the Port and Harbor fund is 1.38; well above the 1.25 rate requested by the Alaska Bond Bank. With the projection of incremental revenues in the outer years the Port and Harbor Fund DCR should increase to approximately 1.50. With this margin of safety the fund should be in a safe position and meet all current and future obligations.

This memo serves as discussion points for two separate Resolutions. The first resolution, Resolution 2017-13, authorizes the sale of bonds not to exceed \$35,000,000 based on the City's application to the Alaska Municipal Bond Bank and also further outlines the terms of the sales of these bonds.

The second resolution, Resolution 2017-16, establishes a lien within the Port Fund for the payment of the bonds. This lien will remain in effect for the 25-year life of the bonds. The approval of this resolution is a requirement of the terms of the sale of the bonds.

The attached Resolutions describe in detail the options and terms for the sale of the \$35,000,000 of bonds to support the UMC Expansion and Replacement Project. This includes a projected rate of between 3.8% and 4.25%, with the final rate being set at closing date, and includes an annual debt service of approximately \$1,800,000.

The adoption of these resolutions will also direct the City of Unalaska's legal representative to provide a non-litigation letter/certificate that meet the legal requirements of the Alaska Bond Bank as identified in the application per Section IV (Legal Information) sub-sections A, B and C.

ALTERNATIVES:

- 1) Council could support Resolution 2017-13 and Resolution 2017-16.
- 2) Council could choose to not support Resolution 2017-13 and consequently there is no need to support Resolution 2017-16. Disapproving these resolutions would stop the project.
- 3) Council could postpone the approval of the application. Delaying the timing of the bid process will likely guarantee higher bids overall.

FINANCIAL IMPLICATIONS: Monthly payments of \$150,000 should total approximately \$1,800,000 and will be marginally increased or decreased when the bonds are sold. This change will be driven by the interest rate at closing. The first year annual prepayments plus closing costs will be amortized thru the life of the loan and will effect the net yield paid to investors. The first year monthly payments of the debt service costs will be prepaid from the Unrestricted Net Assets of the Port and Harbor Fund.

LEGAL: Bond Consul has drafted Resolution 2017-13 and 2017-16 for Council approval. Staff has been consulting with Bond Council as well as the City Attorney throughout this process.

STAFF RECOMMENDATION: Staff recommends approving Resolution 2017-13 and Resolution 2017-16.

PROPOSED MOTION: I move to approve Resolution 2017-13 and Resolution 2017-16.

CITY MANAGER'S COMMENTS: City Manager recommends approving resolution 2017-13 and resolution 2017-16.