

Regular Meeting
Tuesday, February 27, 2024
6:00 p.m.



Unalaska City Hall
Council Chambers
43 Raven Way

Council Members
Thomas D. Bell
Darin Nicholson
Daneen Looby

Council Members
Anthony Longo
Alejandro R. Tungul
Shari Coleman

*To Provide a Sustainable Quality of Life
Through Excellent Stewardship of Government*

UNALASKA CITY COUNCIL

P. O. Box 610 • Unalaska, Alaska 99685
Tel (907) 581-1251 • Fax (907) 581-1417 • www.ci.unalaska.ak.us

Mayor: Vincent M. Tutiakoff, Sr. **City Manager:** William Homka
City Clerk: Estkarlen P. Magdaong, emagdaong@ci.unalaska.ak.us

COUNCIL MEETING ATTENDANCE

The community is encouraged to attend meetings of the City Council:

- In person at City Hall
- Online via ZOOM (link, meeting ID & password below)
- By telephone (toll and toll free numbers, meeting ID & password below)
- Listen on KUCB TV Channel 8 or Radio Station 89.7

PUBLIC COMMENT

The Mayor and City Council value and encourage community input at meetings of the City Council. There is a time limit of 3 minutes per person, per topic. Options for public comment:

- In person
- By telephone or ZOOM - notify the City Clerk if you'd like to provide comment using ZOOM features (chat message or raise your hand); or *9 by telephone to raise your hand; or you may notify the City Clerk during regular business hours in advance of the meeting
- Written comment is accepted up to one hour before the meeting begins by email, regular mail, fax or hand delivery to the City Clerk, and will be read during the meeting; include your name

ZOOM MEETING LINK: <https://us02web.zoom.us/j/83246795029>

Meeting ID: 832 4679 5029 / **Passcode:** 630155

TELEPHONE: Meeting ID: 832 4679 5029 / **Passcode:** 630155

Toll Free numbers: (833) 548-0276; or (833) 548-0282; or (877) 853-5247; or (888) 788-0099

Non Toll-Free numbers: (253) 215-8782; or (346) 248-7799; or (669) 900-9128

AGENDA

1. **Call to order**
2. **Roll call**
3. **Pledge of Allegiance**
4. **Recognition of Visitors**
5. **Awards and Presentations**
 - a. Recognize City Employment Anniversary of Jennifer Van Deventer, Department of Finance, 10 years
 - b. Community Extra Mile Award

6. **Adoption of Agenda**
7. **Approve Minutes of Previous Meeting** – [February 13, 2024](#)
8. **Reports**
 - a. [Library Advisory Committee Annual Report](#) – M. Lynn Crane, Chair
 - b. [Financials, January 2024](#) – Patricia Soule, Finance Director
 - c. [City Manager](#)
9. **Community Input & Announcements** *Members of the public may provide information to council or make announcements of interest to the community. Three-minute time limit per person.*
10. **Public Comment on Agenda Items** *Time for members of the public to provide information to Council regarding items on the agenda. Alternatively, members of the public may speak when the issue comes up on the regular agenda by signing up with the City Clerk. Three-minute time limit per person.*
11. **Work Session** *Work sessions are for planning purposes, or studying and discussing issues before the Council.*
 - a. [Fiscal Sustainability Plan](#) – William Lierman, Alaska Permanent Capital Management
 - b. [IFHS Clinic Funding Request](#) – Noel Rea, CEO
 - c. [Downtown Nuisance Abatement](#) – Cameron Dean, Planning Director
 - d. [Matson Shipping and City of Unalaska Partnership for UMC Project Positions 5-7 Upgrades](#) – Peggy McLaughlin, Port Director; and Dylan Faber, Matson’s Manager of Government and Community Affairs
 - e. [Makushin Geothermal Project & OCCP’s Request for 4th Amended PPA](#) – William Homka, City Manager
12. **Regular Agenda** *Persons wishing to speak on regular agenda items must sign up with the City Clerk. Three-minute time limit per person.*
 - a. [Resolution 2024-06](#): Identifying the City of Unalaska’s State Legislative Priorities
 - b. [Ordinance 2024-04](#): 1st Reading, Amending UCO § 3.40.040 to adopt a new pay range matrix; and amending § 3.40.050 basis of pay rates
 - c. [Ordinance 2024-05](#): 1st Reading, Creating Budget Amendment #5 to the Fiscal Year 2024 Budget to fund increases in wages, fringe benefits and associated State of Alaska PERS contribution for unrepresented employees
13. **Council Directives to City Manager**
14. **Community Input & Announcements** *Members of the public may provide information to council or make announcements of interest to the community. Three-minute time limit per person.*
15. **Adjournment**



EMPLOYEE ANNIVERSARY

JENNIFER VAN DEVENTER

★ **10 Years** ★

Department of Finance

Congratulations!

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MINUTES

1. **Call to order.** Mayor Tutiakoff called the regular meeting of the Unalaska City Council to order on Tuesday, February 13, 2024.

Council Member Nicholson read the City's Mission Statement: *To provide a sustainable quality of life through excellent stewardship of government.*
2. **Roll call.** The City Clerk called the roll. The Mayor and all Council Members, with the exception of Longo, were present. Longo's absence excused. Mayor announced quorum established.
3. **Pledge of Allegiance.** The Mayor led the Pledge of Allegiance.
4. **Recognition of Visitors.** Mayor acknowledged the presence of U.S. Army Reserve personnel composed of Col. Brad Hughes, Lt. Col Brad Morris, Capt. Sarah Robinson and Master Sgt. Ian Thigpen. They are part of the 351st Civil Affairs based out of Mountain View, CA brought by the Innovative Readiness Training Program.
5. **Adoption of Agenda.** Looby moved to adopt the agenda, with a second by Nicholson. There being no objection, the agenda was adopted by consensus.
6. **Approve Minutes of Previous Meeting.** Tungul moved to approve the proposed minutes of the council meetings held January 23, 2024 and February 6, 2024 as presented, with a second by Nicholson. There being no objection, the minutes were approved by consensus.
7. **Reports**
 - a. **City Manager.** Acting City Manager Veeder provided several updates on the City Manager's written report and answered Council questions.
 - b. **Annual Reports from City Boards, Committees and Commissions**
 - i. Travis Swangel, Chair of the Historic Preservation Commission, presented the annual report.
 - ii. Travis Swangel, Chair of the Planning Commission and Platting Board, presented the annual report to Council.
 - iii. Thomas Roufos, Chair of the Parks, Culture and Recreation Committee, presented the annual report.
 - iv. Library Advisory Committee report will be presented on February 27, 2024

8. **Community Input & Announcements** were made as follows:

- a. Katherine McGlashan with the Unalaska Visitors Bureau announced that UVB will have their 18th annual fundraiser on April 27th at the Grand Aleutian Hotel. She also mentioned that there are 22 cruise ships and five ferries set for the 2024 spring-summer season.
- b. Roger Blakeley, PCR Director, announced Polar Bear Run event will happen on Saturday, February 24th at 1:30 p.m. The Unalaska Public Library had their first Filipino Story Time last February 9th and it was a huge success. The next one will be on March 1st at the library.
- c. City Clerk announced that Unalaskans Against Sexual Assault and Family Violence will have their Soup-Off fundraiser on March 30th.

9. **Public Comment on Agenda Items.** None

10. **Public Hearing.** The Mayor opened the public hearing on Ordinance 2024-03: Creating Budget Amendment No. 4 to the Fiscal Year 2024 Budget, appropriating \$220,175 from the General Fund to create the Highschool Boiler Replacement Project.

There being no testimony, the Mayor closed the public hearing.

11. **Work Session.** Coleman moved to go into work session, with a second by Nicholson. There being no objection, work session began at 6:27 p.m.

- a. Discuss Proposed State Legislative Priorities: Acting City Manager Veeder presented the proposed priorities and answered Council questions. Dianne Blumer, City lobbyist and City Manager Homka were available online to answer any questions from the Council.
- b. Review FY25 Revenue Projections and Proposed Budget Goals: Patricia Soule, Finance Director, presented her report and responded to Council questions. Natural Resource Consultant Frank Kelty provided information and answered Council questions.
- c. Follow up to Title 3 Classification & Compensation Study Report: Acting City Manager Veeder provided an introduction and a chance for more discussion regarding the report, and responded to Council questions. Council discussion. City Manager Homka also provided information and answered Council questions.

Coleman moved to go back to regular session, with second by Nicholson. There being no objection, regular session reconvened at 7:34 p.m.

Mayor called for a recess shortly thereafter.

Back in session at 7:41 p.m.

12. **Regular Agenda**

- a. Ordinance 2024-03: 2nd reading, Creating Budget Amendment No. 4 to the Fiscal Year 2024 Budget, appropriating \$220,175 from the General Fund to create the Highschool Boiler Replacement Project

Nicholson made a motion to adopt Ordinance 2024-03, with second by Tungul.

Council discussion.

Roll call vote: All Council Members voted in the affirmative. Motion passed unanimously.

- b. Resolution 2024-03: Authorizing the City Manager to enter into a contract with Electric Power Systems, Inc. in an amount not to exceed \$130,000

Nicholson made a motion to adopt Resolution 2024-03, with second by Tungul.

Acting City Manager Veeder provided an overview of the resolution.

Council discussion.

City Manager Homka answered Council questions. Patricia Soule also provided information and answered Council questions.

Roll call vote: All Council Members voted in the affirmative. Motion passed unanimously.

- c. Resolution 2024-04: Approving the Mayor's Appointments to the Library Advisory Committee, the PCR Committee, the Planning Commission, Platting Board and the Historic Preservation Commission

Coleman made a motion to adopt Resolution 2024-04, with second by Looby.

Acting City Manager provided an overview of the resolution.

Roll call vote: All Council Members voted in the affirmative. Motion passed unanimously.

- d. Resolution 2024-05: Approving Council's Goals for the FY25 Budget

Tungul made a motion to adopt Resolution 2024-05, with a second by Nicholson.

Acting City Manager provided a brief overview of the resolution.

Council discussion. City Manager and Patricia Soule answered Council questions.

Roll call vote: All Council Members voted in the affirmative. Motion passed unanimously.

13. Council Directives to City Manager

Coleman made a motion to direct the City Manager to revise the Title 3 employee classification and wage scale based on the findings of the McGrath study, with second by Looby.

Council discussion. Acting City Manager and City Manager asked for clarification on the directive.

Roll call vote: All Council Members voted in the affirmative. Motion passed unanimously.

Coleman made a motion to direct the City Manager to seek consultation on the development of an electrical generation and transmission cooperative between the private and municipal power producers in Unalaska, with second by Looby.

Council discussion.

Roll call vote: All Council Members voted in the affirmative. Motion passed unanimously.

14. **Community Input & Announcements.** City Clerk reminded the Mayor and Council that the School Board is looking for a representative from the elected officials to serve on their budget committee meeting. Council member Looby has been appointed and has accepted, while Tungul expressed interest in serving as back-up, if need be.

15. **Executive Session.** Tungul made a motion to go into Executive Session to discuss a legal matter and receive advice from the City Attorney regarding pending or anticipated litigation. In addition to Mayor and Council Members, present in executive session will be the City Attorney, a representative of the City's insurer, the City Manager, Assistant City Manager, Human Resources Manager and Risk Manager; with second by Nicholson.

- a. Andrew Breda v. City of Unalaska

Hearing no objection, the Council entered into executive session at 8:24 p.m.

On motion by Tungul with a second by Nicholson, and there being no objection, Council returned from Executive Session at 8:58 p.m.

The Mayor announced that no action was taken in Executive Session.

16. **Adjournment.** Having completed all items on the agenda, the Mayor adjourned the meeting at 8:59 p.m.

These minutes were approved by the Unalaska City Council on February 27, 2024.

Estkarlen P. Magdaong
City Clerk

DRAFT

2023 YEAR IN REVIEW



22,028
ITEMS CHECKED OUT



An average of 5.4 checkouts
in 2023 for every person
living in Unalaska*

15,689
VISITS



An average of 46
visitors per day

17,879
COMPUTER & WIFI SESSIONS

More than 50
users per day



2,496
ACTIVE CARDS

Over 60% of
Unalaskans have an
active library card*

Unalaska Public Library

“The Unalaska Public Library is a gift in so many ways. Its welcoming and comfortable environment provides a place for all ages to love reading. I, especially, appreciate the support of the library staff and the availability of the wonderful conference rooms to have groups gather in a collaborative way as we work towards learning and improvement as a school community.”

-UCSD Superintendent

“There are so many new people to meet and everyone is so nice! There are always a lot of new books to see, and I feel like [the library] supports all ages.”

-Eagle's View Elementary Student

*Calculated based on Unalaska population of 4,093 in 2023, from Alaska Department of Labor & Workforce Development

“The new Community Room is such a nice, versatile space. From the spaciousness, the ease of the furniture, the long counter and sink area, and beautiful window seat, to the clear technology instructions for the large projector screen, television, and microphone options available for audiovisual needs...the room is warm, functional, and inviting for any number of uses by the community. We are fortunate to have such a great space available in addition to the many other lovely areas in the library.”

-Community Room User



“The new library expansion is wonderful. The redesign of the children’s room has made for better storytimes with more space, and... includes furniture which makes reading to your child enjoyable and fun. We are grateful for the cozy, beautiful space when the weather is stormy, and for a dedicated children’s space that is open after 8-5 work hours and on weekends. On an island with limited resources for parents with young children, the library and children’s room are priceless.”

-Unalaska Parent

CITY OF UNALASKA
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MEMORANDUM TO COUNCIL

To: Unalaska Mayor and City Council Members
From: M. Lynn Crane, Chair, Unalaska Public Library Advisory Committee
Date: February 27, 2024
Re: Library Advisory Committee Annual Report to the Mayor and Council, 2023

The Unalaska Public Library had an exciting year, as we saw the completion of a major expansion and renovation nearly a decade in the making. We started 2023 under construction, with the library providing basic services in a temporary location in Burma Road Chapel, and we ended the year in a beautiful, state-of-the-art library that draws positive comments from visitors, newcomers, and longtime residents alike. In our renovated space, the Unalaska Public Library provides improved services and resources to the community. I am pleased to submit this report on Unalaska Public Library and Library Advisory Committee activities to the Mayor and Council. It covers the calendar year from January – December of 2023.

In 2023, library staff worked hard to accomplish the library’s mission to **educate, enrich, and inspire community members by connecting them to the world and each other**. Throughout the year, library staff continued to offer core library services such as story time, passport application processing, document notarization, internet access, circulating books and media. After the expanded and renovated library reopened in April, the community enjoyed improved programming and resources, such as larger program capacity, a larger and more functional community meeting room, a new teen room, new study rooms, an expanded and welcoming seating area, and a large, bright children’s room that sparks curiosity and imagination.

The following statistics provide a snapshot of core library services and usage.

	2023	2023 Daily Average ¹	2022	2021
Users through the door	15,689	46	14,513	12,173
Total items checked out	22,028	65	34,852	38,730
Books & Magazines checked out	11,461	34	10,910	14,210
Computer & Wifi Sessions	17,879	52	27,956	25,199
eBook Downloads	1,561	4	739	2,148
Active Registered Users ²	2,496	-		

1. Closed 24 days, including holidays, April 17-29 for packing and moving, and 2/13/23 & 12/23/23 for weather
2. Card used to check out in the past 60 months

Library & Community Trends

With the introduction of high-speed internet access to Unalaska, the expansion of the library, and a decline in population and school enrollment, our community has seen many changes over the past year. The library sees more visitors coming to use the meeting spaces and study rooms and fewer visitors coming solely for wireless internet use. We have also seen patrons move towards using their own devices in our facility rather than logging on to library computers. The layout of our expanded library reflects this shift, with increased seating, meeting spaces, and quiet study rooms, and fewer sit-down computer stations.

The number of DVD checkouts has drastically declined over the past year, likely due to newly available high-speed internet for streaming services, but in contrast, book and magazine checkout has increased. While DVDs are still popular, the library's highest circulating collections are currently children's books and board games. In the future, we will consider the layout of the DVD collection to potentially make room for new popular materials as that format phases out.

Starting in July 2023, the library entered a new contract for high-speed internet and now provides vastly improved internet access for library patrons.

The library constantly adjusts collections, services, and programs to reflect the needs and priorities of a changing community. The Library Advisory Committee plays an important role in periods of transition, providing input and guidance from a library user perspective.

Expansion and Renovation of the Library Facility

The library's expansion and renovation, completed in April 2023, added a large community room, plus a new teen room and expanded children's room, two quiet study rooms, and a renovation and refresh of furniture and fixtures in the remaining public areas. The expansion increased the building's footprint by approximately 35%. While some minor punch list items remain, the building reopened in April, with a celebration attended by over 200 people.

Since the grand reopening, library staff have received many positive comments about the newly expanded and renovated space. Patrons especially appreciate the children's room, the fireplace, and the study and meeting spaces. The City of Unalaska initiated the project because the community expressed a need for improvements in children's and teen spaces, meeting and study spaces, community event and learning spaces, and more room for seating and library materials. Since reopening, the expanded library has been meeting those project goals set by the community.

The Advisory Committee played an active part in the planning and public input portion of the Library Building Improvement Project, meeting multiple times with the project architects and providing input on topics like furniture and finishes, public art, and self-checkout, as well as giving general input on the direction and scale of the project. The Advisory Committee also appointed an Art Committee to solicit, evaluate, and select art installations for the project and a Fundraising Committee to sell donor plaques in order to receive a \$400,000 grant from the Rasmuson Foundation.

The Committee thanks the Mayor and Council for recognizing the need for an expanded and renovated library facility and setting this project in motion nearly ten years ago.

Committee Work

In 2023, the Committee met six times. The Committee received information and gave advice to the City Librarian and the Director of Parks, Culture, and Recreation on the following discussion topics in 2023:

- Library Building Improvement Project
- Rasmuson Foundation Grant for Library Expansion – Fundraising Committee
- Shelving Layout in Expanded Library
- Library Business Plan
- Public Art Proposal Process
- Banned Books Week
- Summer Reading Program
- Library Policies Review & Input: Library Rules of Conduct, Circulation of Library Materials

Library Advisory Committee Members

Term Expires:

M. Lynn Crane, Chair	02/2024
Karen Macke, Vice Chair	02/2024
Debbie Hanson-Zueger	02/2026
Virginia Hatfield	02/2025
Cat Hazen	02/2024
Estkarlen Magdaong	02/2025
Ellis Berry	02/2025

In summary, members of the Public Library Advisory Committee report that the library has had an exciting and dynamic year, and the community is using and enjoying our expanded and renovated library. We look forward to discussing this report and answering any questions from Council members or City Administration on February 27, 2024.

General Fund Operating Monthly Summary - Month Ending January 2024

	FY2024 Budget	January	FY2024 YTD	% OF BUD	FY2023 YTD	INC/(DEC) Last Year
REVENUES						
Raw Seafood Tax	4,000,000	252,362	2,930,850	73%	2,776,923	153,927
AK Fisheries Business	3,470,000	-	3,880,930	112%	4,258,312	(377,381)
AK Fisheries Resource Landing	5,600,000	-	6,780,164	121%	4,760,389	2,019,776
Property Taxes	8,809,809	54,909	8,760,789	99%	7,308,350	1,452,439
Sales Tax	9,781,800	1,347,470	7,285,677	74%	7,144,764	140,912
Investment Earnings	1,000,000	814,998	6,301,342	630%	1,420,625	4,880,716
Other Revenues	2,507,350	238,564	1,942,109	77%	2,722,140	(780,031)
Total General Fund Revenues	35,168,959	2,708,303	37,881,860	108%	30,391,503	7,490,358
EXPENDITURES						
Mayor & Council	624,255	36,663	301,090	48%	196,061	105,029
City Administration	2,441,414	146,740	1,420,942	58%	1,518,531	(97,588)
City Clerk	649,505	40,409	274,186	42%	343,001	(68,814)
Finance	2,393,519	119,757	1,214,880	51%	1,187,959	26,921
Planning	817,155	50,257	273,078	33%	293,391	(20,312)
Public Safety Admin	0	(38,863)	-	0%	586,733	(586,733)
Public Safety	6,125,385	490,646	2,664,337	43%	2,119,004	545,333
Fire, EMS	1,766,941	118,677	768,309	43%	810,769	(42,460)
Public Works	6,500,373	501,306	3,179,673	49%	3,375,466	(195,793)
Parks, Culture & Recreation	4,048,523	305,335	2,135,371	53%	1,991,761	143,610
Community Grants	1,166,000	86,750	732,250	63%	615,893	116,357
School Support	5,495,242	457,937	3,205,558	58%	2,919,531	286,027
Total Operating Expenditures	32,028,311	2,315,614	16,169,676	50%	15,958,098	211,578
Net Operating Surplus	3,140,647	392,689	21,712,184		14,433,405	7,278,779
Capital Outlay and Transfers						
Capital Outlay	1,368,967	-	44,923	3%	300,429	(255,506)
Transfers To Capital Projects	1,817,955	84,450	1,597,780	88%	3,229,807	(1,632,027)
Transfers To Enterprise Funds	300,000	-	300,000	100%	-	300,000
Transfers To Enterprise Capital	252,224	-	252,224	100%	3,494,500	(3,242,276)
Total Capital Outlay and Transfers	3,739,146	84,450	2,194,927	59%	7,024,735	(4,829,808)
Net Surplus (Deficit)	(598,499)	308,239	19,517,257		7,408,670	12,108,587
Appropriated Fund Balance	566,849	-	-		-	-
	<u>\$ (31,650)</u>	<u>\$ 308,239</u>	<u>\$ 19,517,257</u>		<u>\$ 7,408,670</u>	<u>\$ 12,108,587</u>

	<u>FY2024 Budget</u>	<u>January</u>	<u>FY2024 YTD</u>	<u>% OF BUD</u>	<u>FY2023 YTD</u>	<u>INC/(DEC) Last Year</u>
1% Sales Tax Special Revenue Fund						
REVENUE						
Sales Tax	\$ 4,890,000	\$ 385,292	\$ 3,354,396	69%	\$3,572,382	(\$217,986)
TRANSFERS						
Govt Capital Projects	3,161,147	0	3,161,147	100%	0	3,161,147
Enterprise Capital	0	0	0	0%	3,860,000	(3,860,000)
Total Transfers	<u>3,161,147</u>	<u>-</u>	<u>3,161,147</u>	<u>100%</u>	<u>3,860,000</u>	<u>(698,853)</u>
1% Sales Tax Special Revenue Fund	<u>\$ 1,728,853</u>	<u>\$ 385,292</u>	<u>\$ 193,249</u>		<u>\$(287,618)</u>	<u>\$ 480,867</u>

	<u>FY2024 Budget</u>	<u>January</u>	<u>FY2024 YTD</u>	<u>% OF BUD</u>	<u>FY2023 YTD</u>	<u>INC/(DEC) Last Year</u>
Bed Tax Special Revenue Fund						
REVENUE						
Bed Tax	\$ 175,000	\$ -	\$ 75,780	43%	\$ 106,013	(\$ 30,233)
EXPENSES						
Unalaska CVB	210,000	17,500	122,500	58%	122,500	-
Bed Tax Special Revenue Fund	<u>\$ (35,000)</u>	<u>\$ (17,500)</u>	<u>\$ (46,720)</u>		<u>\$ (16,487)</u>	<u>\$ (30,233)</u>

	<u>FY2024 Budget</u>	<u>January</u>	<u>FY2024 YTD</u>	<u>% OF BUD</u>	<u>FY2023 YTD</u>	<u>INC/(DEC) Last Year</u>
E911 Enhancement Special Revenue Fund						
REVENUE						
E911 Enhancement Tax	\$ 75,000	\$ 7,374	\$ 48,282	64%	\$ 45,846	\$ 2,436
EXPENSES						
Public Safety Admin	75,000	175	3,743	5%	-	3,743
E911 Enhancement Special Revenue Fund	<u>\$ 0</u>	<u>\$ 7,199</u>	<u>\$ 44,539</u>		<u>\$ 45,846</u>	<u>\$ (1,307)</u>

	<u>FY2024 Budget</u>	<u>January</u>	<u>FY2024 YTD</u>	<u>% OF BUD</u>	<u>FY2023 YTD</u>	<u>INC/(DEC) Last Year</u>
Tobacco Tax Special Revenue Fund						
REVENUE						
Tobacco Tax	\$ 750,000	\$ 79,718	\$ 350,872	47%	\$ 635,581	(\$284,709)
EXPENSES						
Community Support	156,414	13,035	91,242	58%	51,333	39,908
Tobacco Tax Special Revenue Fund	<u>\$ 593,586</u>	<u>\$ 66,683</u>	<u>\$ 259,631</u>		<u>\$ 584,248</u>	<u>\$ (324,617)</u>

	<u>FY2024 Budget</u>	<u>January</u>	<u>FY2024 YTD</u>	<u>% OF BUD</u>	<u>FY2023 YTD</u>	<u>INC/(DEC) Last Year</u>
Electric Proprietary Fund						
REVENUES	18,325,288	1,185,253	11,484,829	63%	12,113,039	(628,210)
EXPENSES - Cash Basis						
Electric Line Repair & Maint	1,421,907	137,875	762,704	54%	380,166	382,538
Electric Production	13,818,461	(282,213)	7,114,544	51%	7,404,616	(290,072)
Facilities Maintenance	136,661	6,977	31,189	23%	57,815	(26,626)
Utility Administration	2,287,720	86,254	1,334,442	58%	1,300,519	33,923
Veh & Equip Maintenance	67,352	3,898	18,815	28%	16,201	2,614
Total operating expenses - cash basis	<u>17,732,101</u>	<u>(47,209)</u>	<u>9,261,694</u>	<u>52%</u>	<u>9,159,316</u>	<u>102,378</u>
Net Profit (loss) from operations - cash basis	593,187	1,232,462	2,223,135		2,953,723	(730,588)
Depreciation	<u>2,877,546</u>	<u>262,780</u>	<u>1,839,457</u>	<u>64%</u>	<u>2,172,116</u>	<u>(332,660)</u>
Net Profit (loss) from operations - accrual basis	(2,284,359)	969,682	383,679		781,607	(397,928)
TRANSFERS and CAPITAL OUTLAY						
Transfers Out	<u>1,295,000</u>	<u>-</u>	<u>1,295,000</u>	<u>100%</u>	<u>1,135,266</u>	<u>159,734</u>
Total Transfers and Capital Outlay	<u>1,295,000</u>	<u>-</u>	<u>1,295,000</u>	<u>100%</u>	<u>1,135,266</u>	<u>159,734</u>
Net earnings (loss)	(3,579,359)	969,682	(911,321)		(353,659)	(557,662)
Water Proprietary Fund						
REVENUES	2,269,028	191,438	1,315,367	58%	1,050,507	264,861
EXPENSES - Cash Basis						
Facilities Maintenance	69,997	4,516	15,694	22%	34,208	(18,514)
Utility Administration	805,333	42,368	479,078	59%	453,720	25,358
Veh & Equip Maintenance	41,160	1,502	7,689	19%	13,535	(5,846)
Water Operations	1,589,758	88,863	584,720	37%	624,495	(39,775)
Total operating expenses - cash basis	<u>2,506,248</u>	<u>137,247</u>	<u>1,087,181</u>	<u>43%</u>	<u>1,125,958</u>	<u>(38,777)</u>
Net Profit (loss) from operations - cash basis	(237,220)	54,190	228,187		(75,451)	303,638
Depreciation	<u>1,011,634</u>	<u>79,512</u>	<u>625,730</u>	<u>62%</u>	<u>603,209</u>	<u>22,522</u>
Net Profit (loss) from operations - accrual basis	(1,248,854)	(25,322)	(397,544)		(678,660)	281,116
TRANSFERS and CAPITAL OUTLAY						
Transfers Out	<u>521,300</u>	<u>-</u>	<u>521,300</u>	<u>100%</u>	<u>1,434,754</u>	<u>(913,454)</u>
Total Transfers and Capital Outlay	<u>521,300</u>	<u>-</u>	<u>521,300</u>	<u>100%</u>	<u>1,434,754</u>	<u>(913,454)</u>
	(1,770,154)	(25,322)	(918,844)		(2,113,414)	1,194,570

	FY2024 Budget	January	FY2024 YTD	% OF BUD	FY2023 YTD	INC/(DEC) Last Year
Wastewater Proprietary Fund						
REVENUES	2,771,166	280,805	1,595,925	58%	2,900,117	(1,304,192)
EXPENSES - Cash Basis						
Facilities Maintenance	70,935	6,017	27,207	38%	24,280	2,927
Utility Administration	736,577	35,821	456,166	62%	424,254	31,912
Veh & Equip Maintenance	32,434	1,122	5,342	16%	18,623	(13,281)
Wastewater Operations	2,076,407	118,751	974,457	47%	1,023,796	(49,340)
Total operating expenses - cash basis	<u>2,916,353</u>	<u>161,711</u>	<u>1,463,171</u>	<u>50%</u>	<u>1,490,953</u>	<u>(27,782)</u>
Net Profit (loss) from operations - cash basis	(145,187)	119,094	132,753		1,409,164	(1,276,410)
Depreciation	<u>1,244,222</u>	<u>102,538</u>	<u>734,981</u>	<u>59%</u>	<u>744,478</u>	<u>(9,497)</u>
Net Profit (loss) from operations - accrual basis	(1,389,409)	16,555	(602,227)		664,686	(1,266,913)
TRANSFERS and CAPITAL OUTLAY						
Transfers Out	102,000	-	102,000	100%	28,272	73,728
Total Transfers and Capital Outlay	<u>102,000</u>	<u>-</u>	<u>102,000</u>	<u>100%</u>	<u>28,272</u>	<u>73,728</u>
	(1,491,409)	16,555	(704,227)		636,414	(1,340,641)
Solid Waste Proprietary Fund						
REVENUES	2,993,910	261,213	1,839,109	61%	1,856,365	(17,257)
EXPENSES - Cash Basis						
Facilities Maintenance	130,118	9,683	32,448	25%	47,885	(15,437)
Solid Waste Operations	2,061,030	103,279	778,884	38%	779,738	(854)
Utility Administration	840,653	53,542	442,736	53%	418,121	24,615
Veh & Equip Maintenance	155,877	4,122	48,269	31%	29,964	18,306
Total operating expenses - cash basis	<u>3,187,678</u>	<u>170,626</u>	<u>1,302,337</u>	<u>41%</u>	<u>1,275,708</u>	<u>26,630</u>
Net Profit (loss) from operations - cash basis	(193,768)	90,587	536,771		580,657	(43,886)
Depreciation	<u>884,204</u>	<u>73,911</u>	<u>517,375</u>	<u>59%</u>	<u>517,673</u>	<u>(299)</u>
Net Profit (loss) from operations - accrual basis	(1,077,972)	16,677	19,397		62,984	(43,588)
TRANSFERS and CAPITAL OUTLAY						
Capital Outlay	135,000	-	-	-%	-	0
Transfers Out	-	-	-	-%	400,000	(400,000)
Total Transfers and Capital Outlay	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>0%</u>	<u>400,000</u>	<u>(400,000)</u>
Net earnings (loss)	(1,212,972)	16,677	19,397		(337,016)	356,412

	<u>FY2024 Budget</u>	<u>January</u>	<u>FY2024 YTD</u>	<u>% OF BUD</u>	<u>FY2023 YTD</u>	<u>INC/(DEC) Last Year</u>
Ports & Harbors Proprietary Fund						
REVENUES	9,227,716	659,497	5,350,869	58%	5,084,908	265,961
EXPENSES - Cash Basis						
Bobby Storrs Small Boat Harbor	199,407	11,488	85,632	43%	77,008	8,623
CEM Small Boat Harbor	1,072,634	97,723	670,266	62%	651,740	18,527
Facilities Maintenance	56,832	2,498	18,097	32%	19,172	(1,075)
Harbor Office	2,893,091	205,715	1,596,989	55%	1,600,434	(3,445)
Ports Security	72,099	117	6,715	9%	2,971	3,743
Spit & Light Cargo Docks	729,506	52,387	427,369	59%	410,434	16,934
Unalaska Marine Center	1,256,000	84,803	746,301	59%	601,402	144,899
Veh & Equip Maintenance	66,667	1,935	18,673	28%	39,220	(20,547)
Total operating expenses - cash basis	<u>6,346,236</u>	<u>456,667</u>	<u>3,570,042</u>	<u>56%</u>	<u>3,402,383</u>	<u>167,659</u>
Net Profit (loss) from operations - cash basis	2,881,480	202,830	1,780,827		1,682,525	98,302
Depreciation	<u>4,227,743</u>	<u>352,398</u>	<u>2,466,788</u>	<u>58%</u>	<u>2,498,821</u>	<u>(32,033)</u>
Net Profit (loss) from operations - accrual basis	(1,346,263)	(149,569)	(685,960)		(816,295)	130,335
TRANSFERS and CAPITAL OUTLAY						
Capital Outlay	-	-	-	-%	206,923	(206,923)
Transfers Out	<u>480,160</u>	<u>(45,042)</u>	<u>435,118</u>	<u>91%</u>	<u>2,492,144</u>	<u>(2,057,026)</u>
Total Transfers and Capital Outlay	<u>480,160</u>	<u>(45,042)</u>	<u>435,118</u>	<u>91%</u>	<u>2,699,067</u>	<u>(2,263,949)</u>
Net earnings (loss)	(1,826,423)	(104,527)	(1,121,078)		(3,515,362)	2,394,284
Airport Proprietary Fund						
REVENUES	549,473	41,248	299,145	54%	291,865	7,280
EXPENSES - Cash Basis						
Airport Admin/Operations	442,154	26,185	264,887	60%	261,235	3,652
Facilities Maintenance	182,967	7,786	59,535	33%	115,229	(55,694)
Total operating expenses - cash basis	<u>625,120</u>	<u>33,971</u>	<u>324,422</u>	<u>52%</u>	<u>376,464</u>	<u>(52,042)</u>
Net Profit (loss) from operations - cash basis	(75,647)	7,277	(25,277)		(84,599)	59,322
Depreciation	<u>173,617</u>	<u>9,143</u>	<u>125,984</u>	<u>73%</u>	<u>161,975</u>	<u>(35,990)</u>
Net Profit (loss) from operations - accrual basis	(249,264)	(1,866)	(151,261)		(246,574)	95,313
TRANSFERS and CAPITAL OUTLAY						
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-%</u>	<u>22,280</u>	<u>(22,280)</u>
Total Transfers and Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>0%</u>	<u>22,280</u>	<u>(22,280)</u>
Net earnings (loss)	(249,264)	(1,866)	(151,261)		(268,854)	117,593

	<u>FY2024 Budget</u>	<u>January</u>	<u>FY2024 YTD</u>	<u>% OF BUD</u>	<u>FY2023 YTD</u>	<u>INC/(DEC) Last Year</u>
Housing Proprietary Fund						
REVENUES	252,612	21,014	129,787	51%	134,236	(4,448)
EXPENSES - Cash Basis						
Facilities Maintenance	281,330	9,791	60,781	22%	92,003	(31,222)
Housing Admin & Operating	236,196	14,393	123,471	52%	123,238	233
Total operating expenses - cash basis	<u>517,526</u>	<u>24,184</u>	<u>184,252</u>	36%	<u>215,241</u>	<u>(30,989)</u>
Transfers In	300,000	-	300,000	100%	-	300,000
Net Profit (loss) from operations - cash basis	35,086	(3,170)	245,535		(81,005)	326,540
Depreciation	<u>195,246</u>	<u>16,270</u>	<u>113,893</u>	58%	<u>113,893</u>	<u>0</u>
Net Profit (loss) from operations - accrual basis	(160,160)	(19,440)	131,642		(194,898)	326,540
TRANSFERS and CAPITAL OUTLAY						
Net earnings (loss)	(160,160)	(19,440)	131,642		(194,898)	326,540

City of Unalaska
Utility Revenue Report
Summary

01/31/24

FY24 Budget Month	Electric	Water	Waste Water	Solid Waste	Monthly Revenue	FY24 Revenue	FY23YTD Revenue	YTD Inc/(Dec)
Jul-23	1,653,645	326,049	242,852	338,846	2,561,392	2,561,392	2,998,361	(436,969)
Aug-23	1,892,079	333,305	280,112	339,283	2,844,780	5,406,172	6,402,956	(996,784)
Sep-23	2,271,079	148,188	266,706	306,350	2,992,323	8,398,495	8,611,988	(213,493)
Oct-23	1,723,621	81,303	162,931	249,215	2,217,069	10,615,564	10,769,381	(153,817)
Nov-23	1,447,568	115,974	162,909	205,342	1,931,793	12,547,358	12,731,203	(183,845)
Dec-23	1,311,584	119,110	199,610	138,859	1,769,163	14,316,520	14,551,934	(235,414)
Jan-24	1,176,019	191,438	280,805	258,730	1,906,992	16,223,512	16,405,028	(181,516)
Feb-24	0	0	0	0	0	0	18,928,766	0
Mar-24	0	0	0	0	0	0	21,722,683	0
Apr-24	0	0	0	0	0	0	23,974,363	0
May-24	0	0	0	0	0	0	25,769,957	0
Jun-24	0	0	0	0	0	0	27,601,810	0
YTD Totals	11,475,594	1,315,367	1,595,925	1,836,626	16,223,512			
FY24 Budget	18,325,288	2,269,028	2,771,166	2,993,910	26,359,392			
% to budget	62.6	58.0	57.6	61.3	61.5			

City of Unalaska
Water Revenue Report
Water Fund

01/31/24

FY24 Month	Unmetered Sales	Metered Sales	Other Revenues	Monthly Revenue	FY24 YTD Revenue	FY23 YTD Revenue	YTD Inc/(Dec)
Jul-23	12,284	307,946	5,819	326,049	326,049	335,633	(9,584)
Aug-23	12,285	320,066	954	333,305	659,354	591,571	67,783
Sep-23	12,290	135,936	(38)	148,188	807,542	667,207	140,335
Oct-23	12,286	69,055	(39)	81,303	888,845	748,813	140,032
Nov-23	12,238	103,062	674	115,974	1,004,820	845,105	159,715
Dec-23	12,210	106,945	(46)	119,110	1,123,929	913,698	210,231
Jan-24	12,209	179,271	(42)	191,438	1,315,367	1,050,507	264,860
Feb-24				0	0	1,447,743	0
Mar-24				0	0	1,815,103	0
Apr-24				0	0	1,991,582	0
May-24				0	0	2,095,427	0
Jun-24				0	0	2,313,260	0
YTD Totals	85,803	1,222,282	7,283	1,315,367			
FY24 Budget	152,000	2,075,000	42,028	2,269,028			
% of Budget	56.4	58.9	17.3	58.0			

Million Gallons Produced

FY24 Month	FY 24 Produced	FY 23 Produced	Increase (Decrease)
July	139.274	148.673	(9.399)
August	144.090	102.648	41.442
September	92.068	42.857	49.211
October	48.493	41.598	6.895
November	49.522	41.802	7.720
December	49.727	44.347	5.380
January	10.166	92.605	(82.439)
February		140.665	0.000
March		152.749	0.000
April		79.263	0.000
May		46.234	0.000
June		98.829	0.000
Total	533.340	1032.270	18.810

FY24 Water Cumulative	FY23 Water Cumulative
139.274	148.673
283.364	251.321
375.432	294.178
423.925	335.776
473.447	377.578
523.174	421.925
533.340	514.530
0.000	655.195
0.000	807.944
0.000	887.207
0.000	933.441
0.000	1032.270

City of Unalaska
Wastewater Revenue Report
Wastewater Fund

01/31/24

FY24 Budget Month	Unmetered Sales	Metered Commercial	Metered Industrial	Other Revenues	Monthly Revenue	FY24 YTD Revenue	FY23 YTD Revenue	YTD Inc/(Dec)
Jul-23	45,167	160,638	32,810	4,237	242,852	242,852	227,269	15,583
Aug-23	45,171	181,790	41,109	12,042	280,112	522,964	475,799	47,165
Sep-23	45,190	189,170	26,206	6,141	266,706	789,671	688,031	101,640
Oct-23	45,176	122,212	(7,996)	3,539	162,931	952,601	894,378	58,223
Nov-23	44,998	108,444	3,444	6,023	162,909	1,115,510	1,139,713	(24,203)
Dec-23	44,893	144,809	6,915	2,992	199,610	1,315,120	1,303,597	11,523
Jan-24	44,889	213,065	16,258	6,593	280,805	1,595,925	1,536,092	59,833
Feb-24					0	0	1,827,136	0
Mar-24					0	0	2,106,374	0
Apr-24					0	0	2,338,494	0
May-24					0	0	2,523,447	0
Jun-24					0	0	2,725,766	0
YTD Totals	315,484	1,120,127	118,746	41,568	1,595,925			
FY24 Budget	515,000	2,025,000	128,000	103,166	2,771,166			
% of Budget	61.3	55.3	92.8	40.3	57.6			

FY24 Month	FY24 Effluent (Gal)	FY23 Effluent (Gal)	Increase (Decrease)
July	10,648,000	10,309,000	339,000
August	10,591,000	12,316,000	(1,725,000)
September	9,520,000	9,074,000	446,000
October	9,626,000	9,656,000	(30,000)
November	9,820,000	11,502,000	(1,682,000)
December	8,419,000	19,882,000	(11,463,000)
January	13,738,000	13,468,000	270,000
February		13,121,000	0
March		16,047,000	0
April		9,458,000	0
May		8,438,000	0
June		8,803,000	0
Total	72,362,000	142,074,000	(13,845,000)

FY24 Cumulative	FY23 Cumulative
10,648,000	10,309,000
21,239,000	22,625,000
30,759,000	31,699,000
40,385,000	41,355,000
50,205,000	52,857,000
58,624,000	72,739,000
72,362,000	86,207,000
0	99,328,000
0	115,375,000
0	124,833,000
0	133,271,000
0	142,074,000

City of Unalaska
Solid Waste Revenue Report
Solid Waste Fund

01/31/24

FY24 Month	Residential Fees	Tipping Fees	Other Revenue	Monthly Revenue	FY24 YTD Revenue	FY23 YTD Revenue	YTD Inc/(Dec)
Jul-23	37,764	226,387	74,695	338,846	338,846	276,413	62,433
Aug-23	37,735	200,953	100,596	339,283	678,129	606,261	71,868
Sep-23	37,692	190,093	78,566	306,350	984,479	830,144	154,335
Oct-23	37,688	137,076	74,451	249,215	1,233,694	1,086,600	147,094
Nov-23	37,651	101,826	65,865	205,342	1,439,036	1,312,026	127,010
Dec-23	37,649	74,735	26,475	138,859	1,577,895	1,472,514	105,381
Jan-24	37,641	144,362	76,727	258,730	1,836,626	1,727,390	109,236
Feb-24				0	0	2,045,137	0
Mar-24				0	0	2,395,101	0
Apr-24				0	0	2,696,070	0
May-24				0	0	2,905,046	0
Jun-24				0	0	3,189,754	0
YTD Totals	263,819	1,075,433	497,374	1,836,626			
FY24 Budget	405,000	1,895,000	693,910	2,993,910			
% of Budget	65.1	56.8	71.7	61.3			

FY24 Month	FY24 Tons of Waste	FY23 Tons of Waste	Increase (Decrease)
July	762.36	564.59	197.77
August	594.89	747.78	(152.89)
September	593.35	474.02	119.33
October	459.70	488.77	(29.07)
November	375.19	389.88	(14.69)
December	176.00	257.23	(81.23)
January	470.49	550.78	(80.29)
February		699.57	0.00
March		708.29	0.00
April		669.80	0.00
May		367.35	0.00
June		552.53	0.00
Total	3431.98	6470.59	(41.07)

Cummulative	
FY24 Tons of Waste	FY23 Tons of Waste
762.36	564.59
1357.25	1312.37
1950.60	1786.39
2410.30	2275.16
2785.49	2665.04
2961.49	2922.27
3431.98	3473.05
0.00	4172.62
0.00	4880.91
0.00	5550.71
0.00	5918.06
0.00	6470.59

**CITY OF UNALASKA
FY24 PORTS REVENUE**

Month	Year	UMC Dock				Spit Dock		Small Boat Harbor		Cargo Dock		CEM		Other Rev&Fees	Monthly Revenue	FY24 YTD Revenue	% of Budget	FY23 YTD Revenue	YTD Inc(Dec)	
		Docking/ Moorage	Wharfage Fees	Rental Fees	Utility Fees	Docking/ Moorage	Utility Fees	Docking/ Moorage	Utility Fees	Dockage / Moorage	Wharfage Rental/Util	Docking/ Moorage	Utility Fees							
Jul	2023	122,698	216,133	59,035	16,240	17,299	742	14,640	665	2,860	18,618	9,781	9,451	4,160	492,320	492,320	5.3%	753,920	(261,600)	
Aug	2023	195,386	467,606	87,206	44,044	11,623	278	3,819	368	1,678	17,869	47,948	15,782	5,738	899,346	1,391,666	15.1%	1,851,305	(459,639)	
Sept	2023	189,872	325,823	83,668	26,532	42,157	5,576	10,437	333	3,232	17,231	93,419	31,586	7,762	837,629	2,229,295	24.1%	2,522,682	(293,387)	
Oct	2023	157,294	314,740	83,320	10,859	77,635	16,345	4,764	484	4,427	23,769	25,172	35,430	5,974	760,212	2,989,507	32.3%	3,232,928	(243,421)	
Nov	2023	109,018	167,191	82,443	7,166	95,635	31,674	8,467	935	3,437	17,949	78,329	91,738	4,298	698,279	3,687,786	39.9%	3,773,366	(85,580)	
Dec	2023	138,701	120,907	82,107	10,988	80,330	34,394	19,146	1,204	1,503	8,962	359,126	73,007	1,865	932,239	4,620,025	50.0%	4,591,076	28,949	
Jan	2024	132,590	163,057	83,949	36,918	69,287	38,007	4,469	2,187	6,539	7,057	10,501	89,394	2,693	646,648	5,266,673	57.0%	5,045,417	221,256	
Feb	2024													0	0	0	0.0%	5,599,329	0	
Mar	2024													0	0	0	0.0%	6,453,038	0	
Apr	2024													0	0	0	0.0%	7,147,890	0	
May	2024													0	0	0	0.0%	7,713,116	0	
Jun	2024													0	0	0	0.0%	8,205,459	0	
Totals		1,045,557	1,775,455	561,728	152,748	393,966	127,016	65,743	6,175	23,676	111,455	624,277	346,387	32,490	5,266,673					
Loc total		3,535,488				520,983		71,918		135,131		970,664								
Loc percent		67.1%				9.9%		1.4%		2.6%		18.4%								
FY24 Budget		1,995,500	3,450,000	976,500	250,000	520,000	150,000	85,000	11,700	40,000	165,675	980,000	520,000	99,000	9,243,375					
% to Budget		52.4%	51.5%	57.5%	61.1%	75.8%	84.7%	77.3%	52.8%	59.2%	67.3%	63.7%	66.6%	32.8%	57.0%					

PORTS RECEIVABLES

Month	Year	Current	Over 30 Days	Over 60 Days	Over 90 Days	Total Due	% Past Due 90 Days +	Cash Received
Jul	2023	431,578	103,089	46,244	76,722	657,633	11.7%	523,583
Aug	2023	756,555	114,981	26,776	62,130	960,442	6.5%	961,583
Sept	2023	955,148	112,853	22,672	88,267	1,178,940	7.5%	619,251
Oct	2023	761,599	327,572	71,271	126,442	1,286,884	9.8%	652,268
Nov	2023	1,093,262	78,285	190,830	134,655	1,497,033	9.0%	488,129
Dec	2023	939,895	213,119	126,023	163,933	1,442,970	11.4%	986,303
Jan	2024	669,926	449,982	78,454	242,042	1,440,405	16.8%	649,213
Feb	2024					0	0.0%	
Mar	2024					0	0.0%	
Apr	2024					0	0.0%	
May	2024					0	0.0%	
Jun	2024					0	0.0%	
YTD Cash Received								4,880,330

**CITY OF UNALASKA
FY24 AIRPORT REVENUE**

MONTH	YEAR	MONTHLY LEASES	MISC INCOME	LATE FEES	MONTHLY REVENUE	FY24 YTD REVENUE	% OF BUDGET	FY23 YTD REVENUE	YTD INC/(DEC)
JUL	2023	41,328	66	8	41,401	41,401	7.6%	39,582	1,819
AUG	2023	41,328	17	0	41,344	82,746	15.2%	79,694	3,052
SEP	2023	41,247	0	5	41,252	123,998	22.8%	119,528	4,470
OCT	2023	41,247	0	2	41,249	165,247	30.3%	159,385	5,862
NOV	2023	41,247	0	6	41,253	206,500	37.9%	201,761	4,739
DEC	2023	41,247	10,150	0	51,397	257,897	47.4%	246,826	11,071
JAN	2024	41,247	0	1	41,248	299,145	54.9%	291,865	7,280
FEB	2024				0	0	0.0%	333,211	0
MAR	2024				0	0	0.0%	379,104	0
APR	2024				0	0	0.0%	420,455	0
MAY	2024				0	0	0.0%	461,810	0
JUN	2024				0	0	0.0%	503,157	0
TOTAL		288,891	10,232	22	299,145		0.0%		
FY24 BUDGET		540,000	4,000	500	544,500				
% TO BUDGET		53.5%	255.8%	4.3%	54.9%				

RECEIVABLE BALANCES

MONTH	YEAR	CURRENT	OVER 30 DAYS	OVER 60 DAYS	OVER 90 DAYS	TOTAL DUE	% PAST DUE 90 DAYS +	CASH RECEIVED
JUL	2023	41,393	2,938	881	(29,204)	16,008	0.0%	42,371
AUG	2023	23,270	0	21,461	772	45,504	1.7%	16,515
SEP	2023	43,889	121	0	(28,602)	15,408	0.0%	69,703
OCT	2023	43,330	19,940	318	(29,204)	34,384	0.0%	28,543
NOV	2023	44,828	16,654	371	(28,883)	32,969	0.0%	44,317
DEC	2023	5,067	58,665	348	(28,756)	35,324	0.0%	53,122
JAN	2024	44,193	2,712	17,109	(29,114)	34,900	0.0%	48,394
FEB	2024					0	0.0%	
MAR	2024					0	0.0%	
APR	2024					0	0.0%	
MAY	2024					0	0.0%	
JUN	2024					0	0.0%	
YTD TOTAL								302,965

FY 24 HOUSING RENTAL REVENUE

MONTH	YEAR	HOUSING RENTALS	MISC. REVENUE	MONTHLY REVENUE	FY24 YTD REVENUE	% OF BUDGET	FY23 YTD REVENUE	YTD INC/(DEC)
JUL	2023	10,289	0	10,289	10,289	4.1%	28,048	(17,759)
AUG	2023	17,489	0	17,489	27,778	11.2%	47,331	(19,553)
SEP	2023	17,489	0	17,489	45,267	18.2%	65,970	(20,703)
OCT	2023	28,678	0	28,678	73,945	29.8%	77,409	(3,464)
NOV	2023	13,814	0	13,814	87,759	35.3%	96,048	(8,289)
DEC	2023	21,014	0	21,014	108,773	43.8%	113,972	(5,199)
JAN	2024	21,014	0	21,014	129,787	52.2%	134,236	(4,449)
FEB	2024			0	0	0.0%	151,725	0
MAR	2024			0	0	0.0%	169,214	0
APR	2024			0	0	0.0%	186,345	0
MAY	2024			0	0	0.0%	204,353	0
JUN	2024			0	0	0.0%	229,042	0
TOTAL		129,787	0	129,787				
FY24 Budget		248,500	0	248,500				
% TO BUDGET		52.2%		52.2%				

CITY MANAGER'S REPORT

For February 27, 2024

TO: Mayor Tutiakoff and City Council Members

FROM: William Homka, City Manager

DATE: February 27, 2024

- **Power Outages February 16 and 19, 2024:** On February 16, generators 8 and 10 were online with an approximate 5,200 kW load. At 15:30, an issue in the shared cooling system of engines 10 and 11 caused a drop in LT (low temperature) inlet pressure, shutting down engine 10 creating a city-wide outage. The powerhouse mechanic was called in to inspect and repair the cooling system on engine 10 and power was partially restored by 16:00 and fully restored at 17:00. Later, at 18:45 the same issue caused a second outage of just five minutes duration. At this time, engine 10 was put offline and engine 13 was put online.

On February 17, powerhouse staff made repairs and adjustments to engine 10 to ensure a redundant engine was available.

On February 19, powerhouse staff tested engines 10 and 13 during the scheduled outage period. Engine 10 ran for approximately one hour without any issues, and engine 13 was started and stopped three times without any issues.

- **Community Support Grants:** Two FY24 recipient organizations requested changes to their budgets. The Qawalangin Tribe's Camp Qungaayux reallocated excess for the APICDA Intern/Wellness Assistant/Warehouse Labor to an Assistant Camp Coordinator position. Unused funding for food was also reallocated to mentor stipends and contractor expenses for the camp. USAFV shifted funding between personnel, travel, facilities, commodities/supplies and contractual due to uncertainty anticipating demand for shelter nights and other services. These requests comply with the grant program guidelines and were reviewed by Planning staff.

- **Upcoming Travel:**

- City Lobby Trip to Juneau: The City Manager will join Mayor Tutiakoff and Vice Mayor Tungul to visit our Alaska delegation in Juneau to promote the City's legislative priorities. This lobbying visit will occur March 4 – 6, 2024, though the team will depart Unalaska on March 2.
- We will then return to Anchorage and be joined by Council Member Coleman to attend the SWAMC Annual Conference scheduled for March 7 - 8, 2024.

- **Staffing Update:**

- DPU Director - our recruitment consultant is in the process of vetting applicants for our next Director of Public Utilities. We anticipate a report of the semi-finalists later this week. We will meet with the consultant on March 14 to select candidates to proceed to the next step.
- The tables below summarize HR actions and position openings.

January 16, 2023 – February 15, 2024

Type of Action	Number	Internal	External
Hires	2	1	1
Pending Hires	4	0	4
Pending Offers	0	NA	NA
Resignations	2	NA	NA
Separations	0	NA	NA

Position Openings

Department	# Openings	Notes
Administration	1	HR Manager
DPS	5	Police Officer (2), Police Sergeant (2), Communications Officer
DPU	7	Director, Water Operator, WW Supervisor, Util Lineman (2), Util Lineman Chief, Apprentice Lineman
DPW	2	City Engineer, Installation Maint Worker
Finance	1	Controller
PCR	4	3 Lifeguards, Recreation Coordinator
Library	1	Half Time Library Assistant
Planning	1	GIS Administrator
TOTAL	22	



CITY OF UNALASKA

INVESTMENT REVIEW AND PERMANENT FUND DISCUSSION
for the period ending January 31, 2024

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TRUSTED ADVISORS • MORE EXPERTS • BETTER ACCESS

Portfolio Objectives

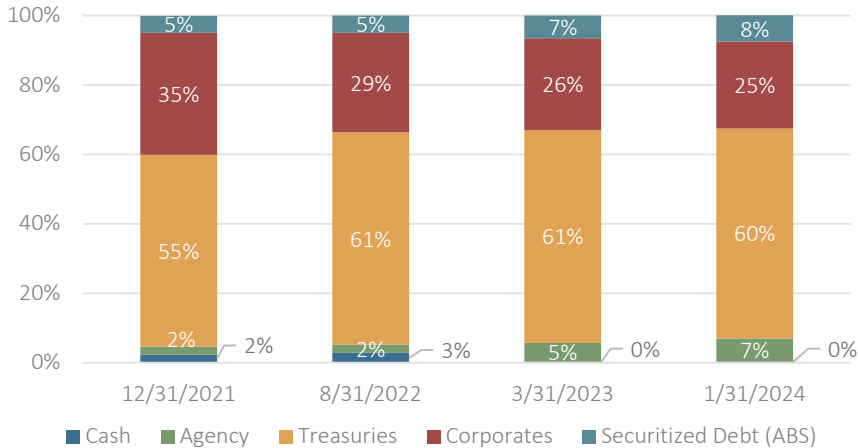
Preservation of capital is the foremost objective of the investment program. Liquidity of the portfolio will remain sufficiently liquid to enable the City to meet all operating requirements. Portfolio shall be designed to attain a market rate of return.

	Portfolio	Bench*
--	-----------	--------

Market Value:	\$114,487,445	
Avg. Maturity:	1.98 years	1.95 years
Yield to Maturity:	4.55%	4.29%
Duration:	1.83	1.86
Avg. Quality:	AA	AA+

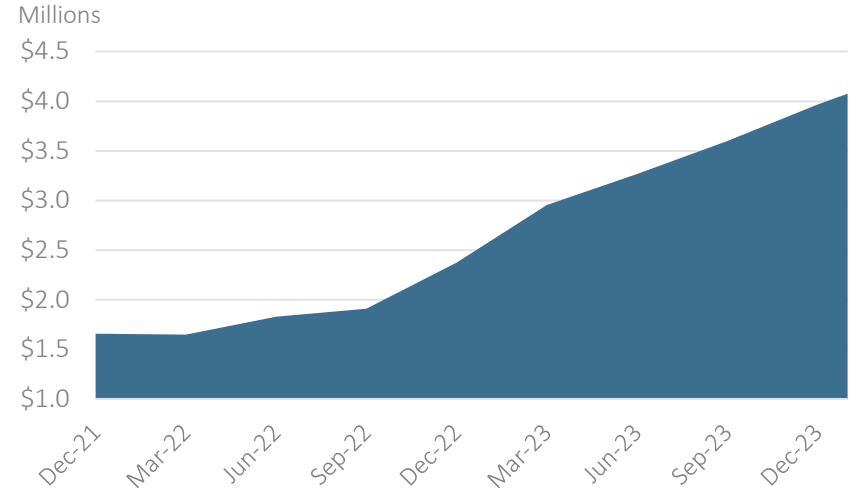
*Bench: Bloomberg 1-3 Government

Portfolio Composition

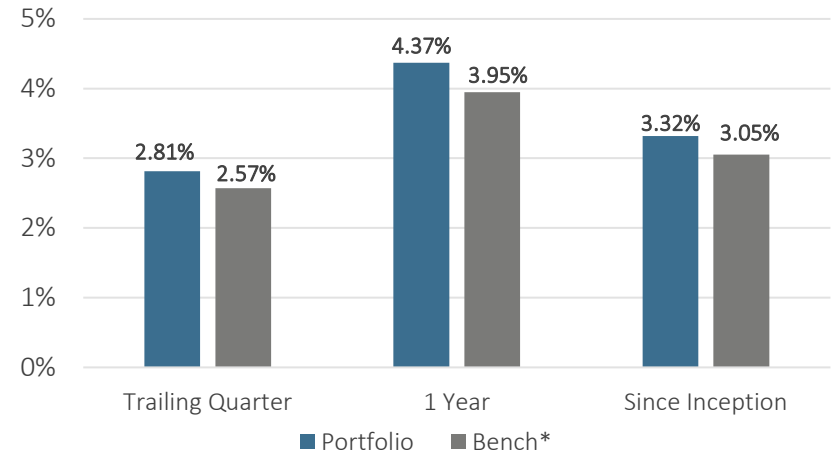


May not add to 100% due to rounding

Annual Coupon Income



Performance

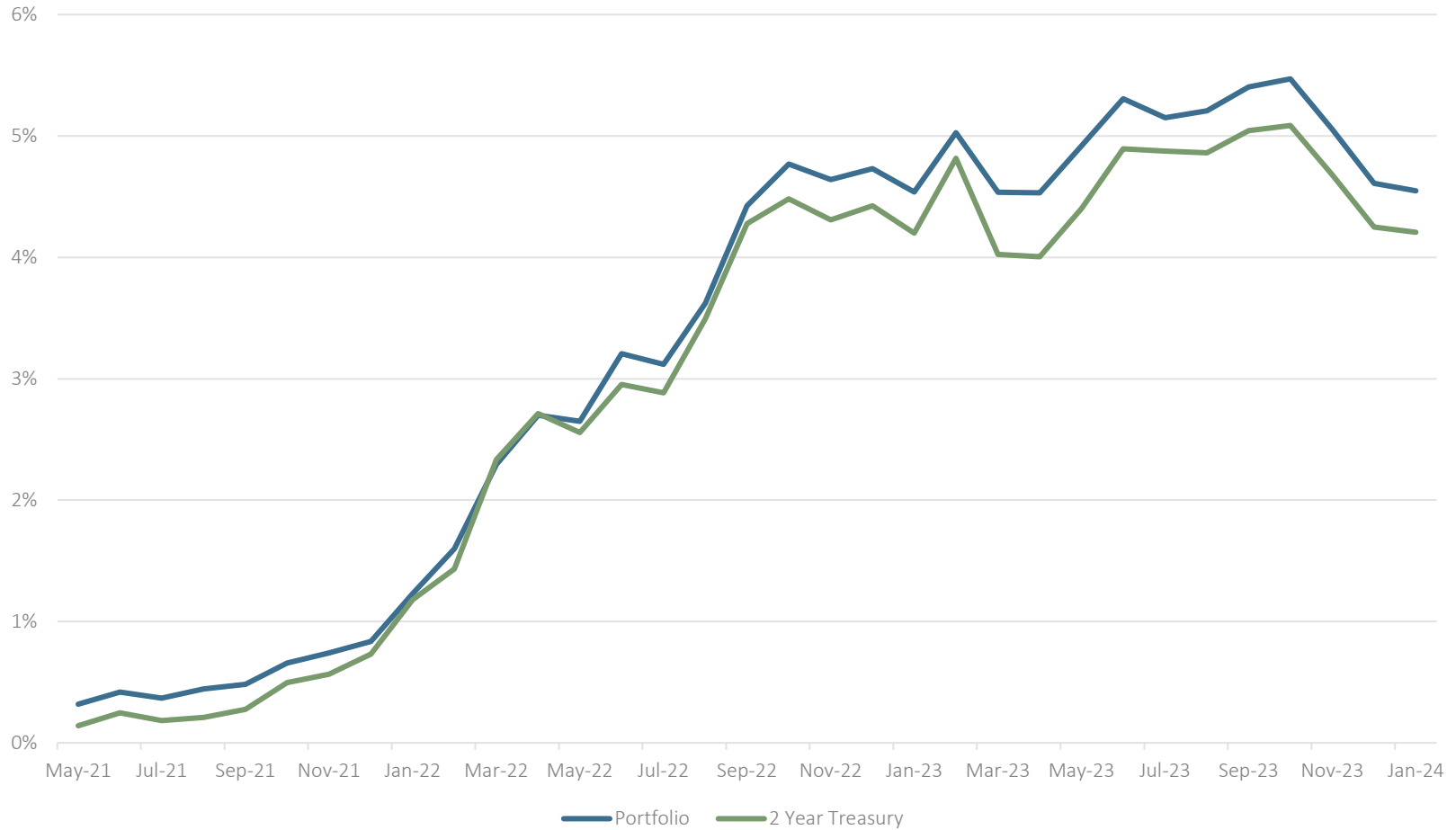


Performance is gross of Fees
Portfolio inception is June 30th, 1995

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Unalaska Portfolio vs 2 Year Treasury

Yield Comparison



Historical Market Value as of January 31, 2024

City of Unalaska

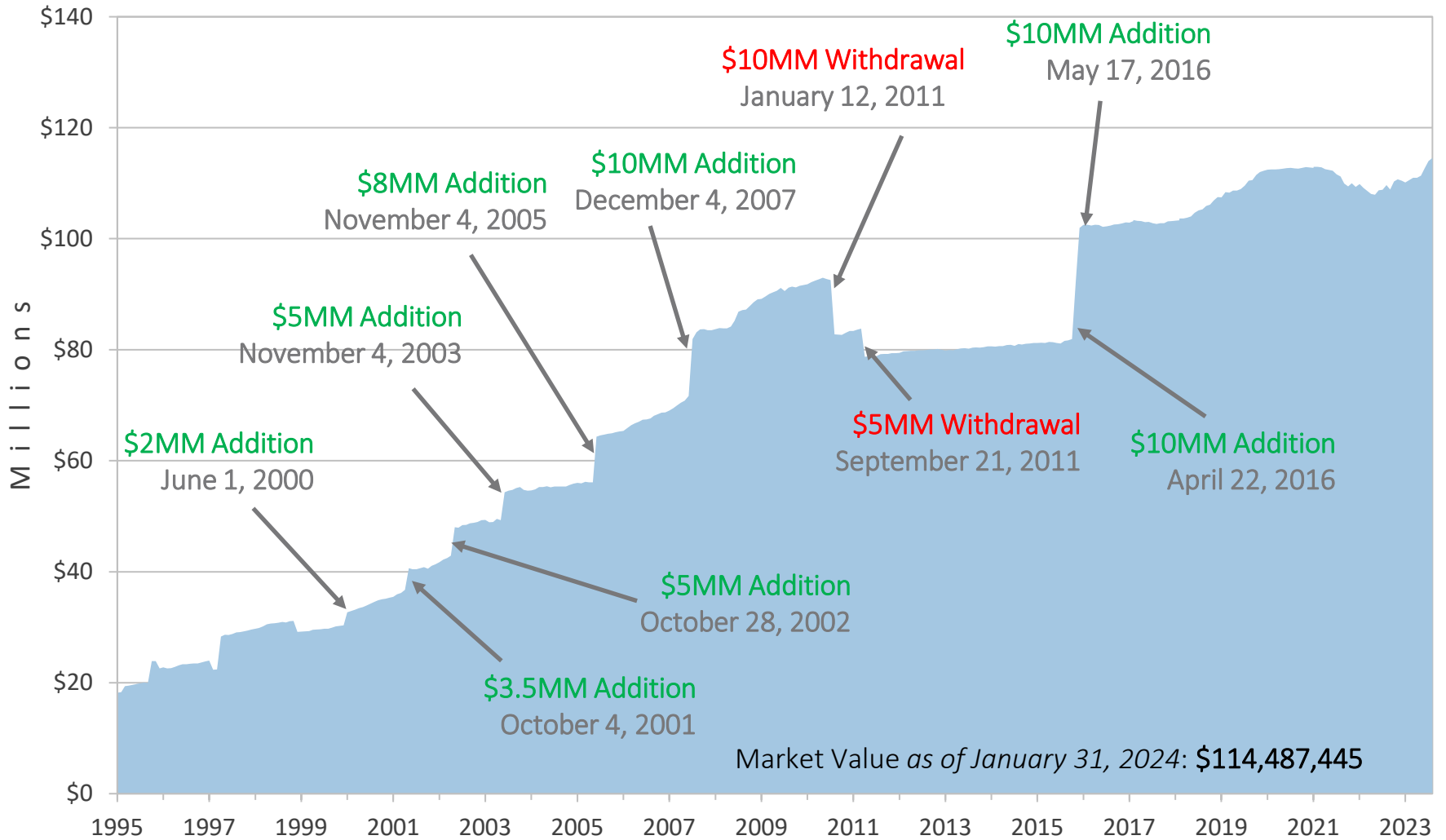


Chart shows month-end portfolio market value from June 30, 1995 to January 31, 2024.

Resolutions That Have Passed

On March 22, 2011, City Council passed Resolution 2011-19 reclassifying \$13,000,000 of General Fund unassigned fund balance to General Fund committed fund balance for emergency operations.

On January 26, 2021, City Council passed Resolution 2021-06 reclassifying \$12,000,000 of General Fund unassigned fund balance to General Fund committed fund balance for emergency operations.

\$25,000,000 total committed to emergency operations.

Timeline with the Council

9/3/21: Two presentations over Two Days

Day one was to Staff “Strategies to Increase Return on Excess Reserves Day One”

Day two was Assemble “Strategies to Increase Return on Excess Reserves Day Two”

Content: Current Strategy, Bucketing Strategies, including others in the State, Strategy Benefits, Recommendations, Permanent Fund Mechanisms and Sustainability

10/4/21: Final Aggregate Allocation Strategy

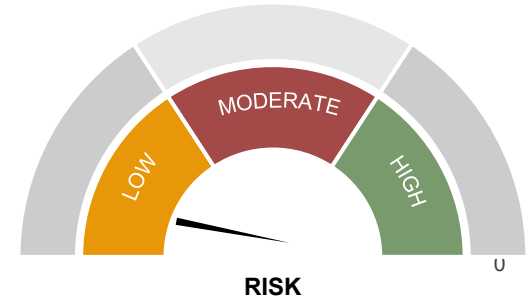
Content: Medium Term and Permanent Fund Recommendations

10/26/21: Permanent Fund Options



Summary of Current Strategy as Presented September 2021

- The City currently invests excess Reserves in cash, cash equivalents, and short-term bonds.
- The risk levels for these investments are low, which also means that the return potential is low. Particularly in today's low interest rate environment.
- The City can utilize the strong Reserve levels (approximately \$160M) the Council built over time to improve long-term fiscal sustainability by diversifying revenue sources.



Operating Cash (<1 Year)

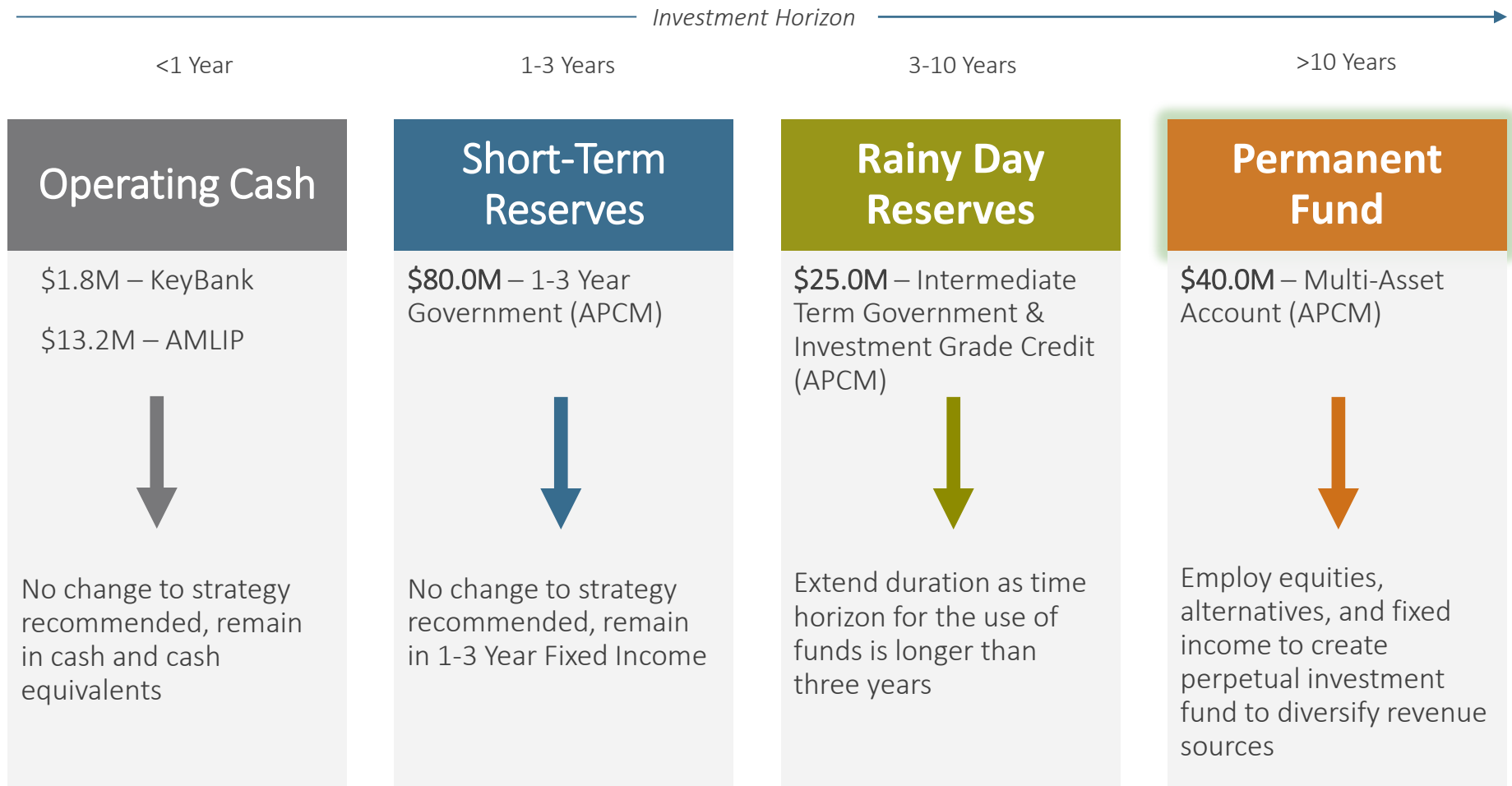
- \$1.8M – KeyBank
- \$47.2M – AMLIP

Short-Term Reserves (1-3 Years)

- \$112.3M – 1-3 Year Government (APCM)

*Account values based upon June 30, 2021 market values as detailed in a Memorandum to Council provided to APCM by the City.

Bucketing Strategy Recommendations as Presented October 2021



Match Reserves to Time Horizon

- Many clients utilize a holistic portfolio approach for cash assets when funds will be withdrawn over time to enhance earnings potential without sacrificing budgetary stability.
- **If cash needs can be predicted fairly well**, pools of assets can be identified to meet budgetary needs over time.
 - Assets needed soon are invested in safer, more liquid assets with lower earnings potential.
 - Assets not needed until later are invested in longer-term assets with higher earnings potential and higher risk.
- As shorter-term assets are utilized, longer-term assets can be sold to replenish short and rainy day reserves, and vice versa.
- **This strategy improves fiscal sustainability through maximization of the City's revenue from investments without jeopardizing budgetary stability.**

Operating Cash

Operating cash is placed in either demand deposits or cash equivalents. These are Reserves that will be needed within a one-year time horizon and should be invested to maximize availability and minimize risk rather than improve yield.

Short-Term Reserves

Short-Term Reserves are meant for budgetary needs that are 1-3 years out. These Reserves would be invested in short-term Government securities that provide slightly higher yield while maintaining strong liquidity and a low risk profile.

Rainy Day Reserves

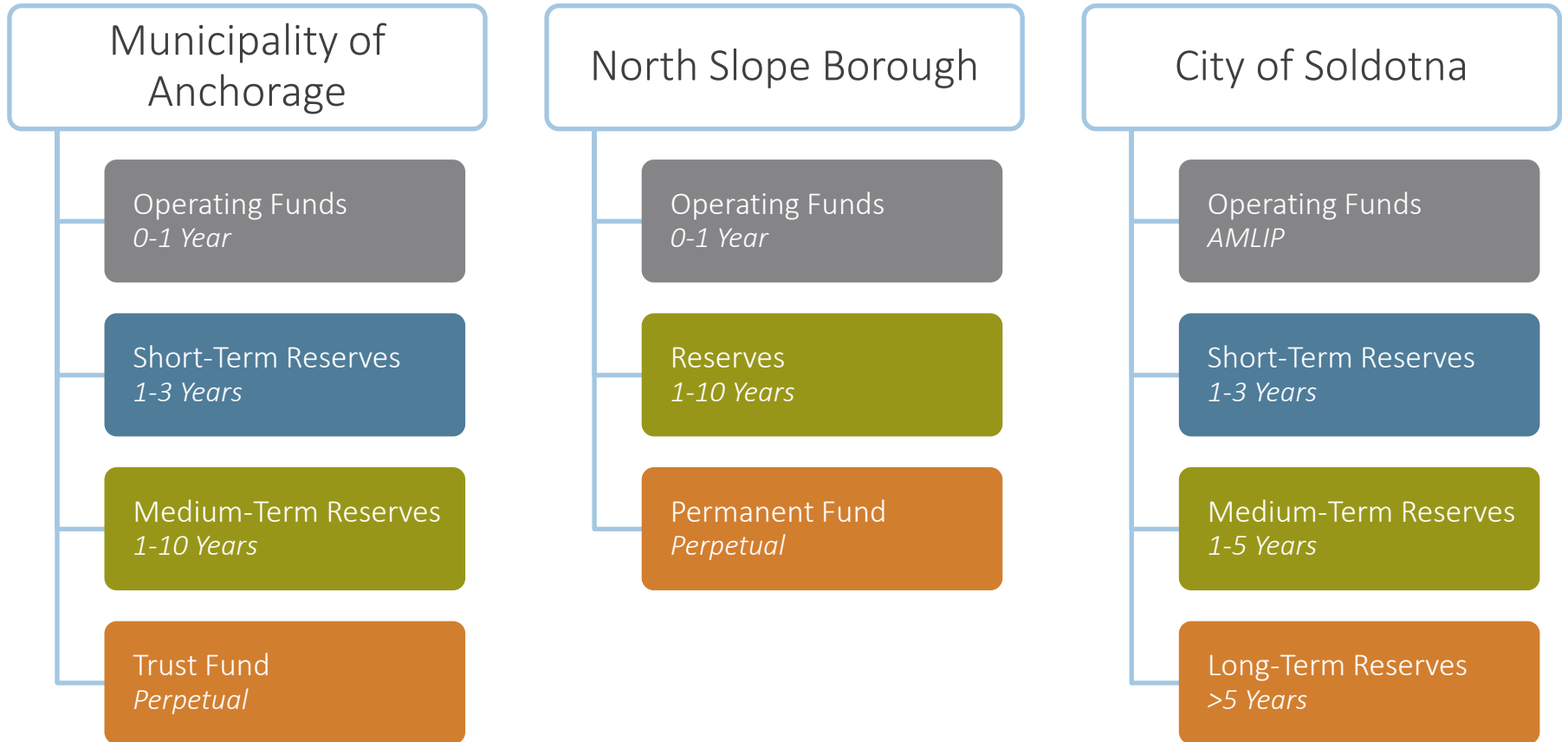
Rainy Day Reserves are meant to provide a source of funds in emergency or crisis situations. These reserves must be available when needed with no specific time horizon. Best invested in longer dated fixed income assets to improve yield and provide capital appreciation in economic downturns.

Permanent Fund

Permanent Funds can be utilized to improve fiscal sustainability by providing an additional source of revenue. Permanent Funds generally take advantage of higher risk capacity to improve earnings via additional asset classes that improve return expectations.

Bucketing Strategies in the State

Many public entities match investments to time horizon to prudently maximize revenue without assuming excess risk.



Permanent Fund: Improve Fiscal Sustainability

Permanent Fund: \$40MM

Permanent Funds are generally long-term accounts that the City utilizes to generate earnings to supplement revenue.

These Funds can be designed to **provide perpetual investment revenue** to enhance fiscal sustainability or for reinvestment.

Permanent Funds focus on **long-term goals** and represent an excellent vehicle with which to invest in the City's future.

A Permanent Fund can be a **source of funding for unforeseen shortfalls or stabilizing budgets** in the face of uncertainty around traditional sources of revenue.

Investments to Supplement Revenue

• City of Fairbanks

Purpose: To maximize income for capital and operating expenses of the city and preserve in trust assets of the city for future generations of city residents.

Risk Profile: 60% Equities

• City of Sitka

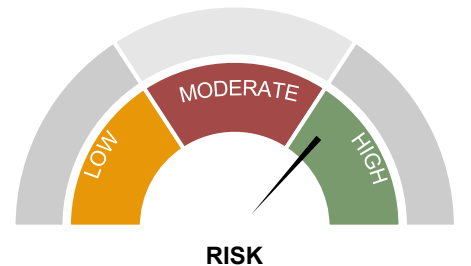
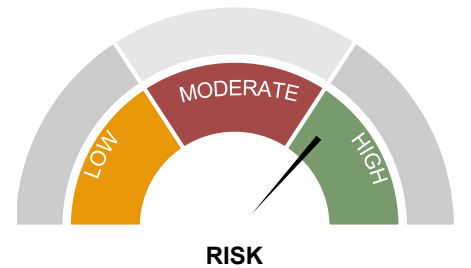
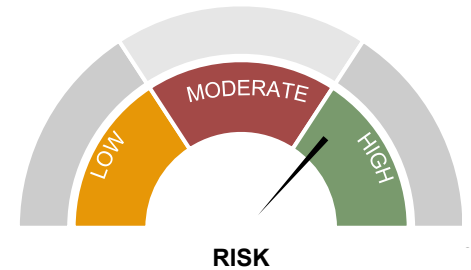
Purpose: To grow the principal of the permanent fund to provide an ever-increasing income stream to the Sitka General Fund in perpetuity. The intent of the income stream is to reduce the tax burden on the citizens of Sitka.

Risk Profile: 65% Equities

• City of Kenai

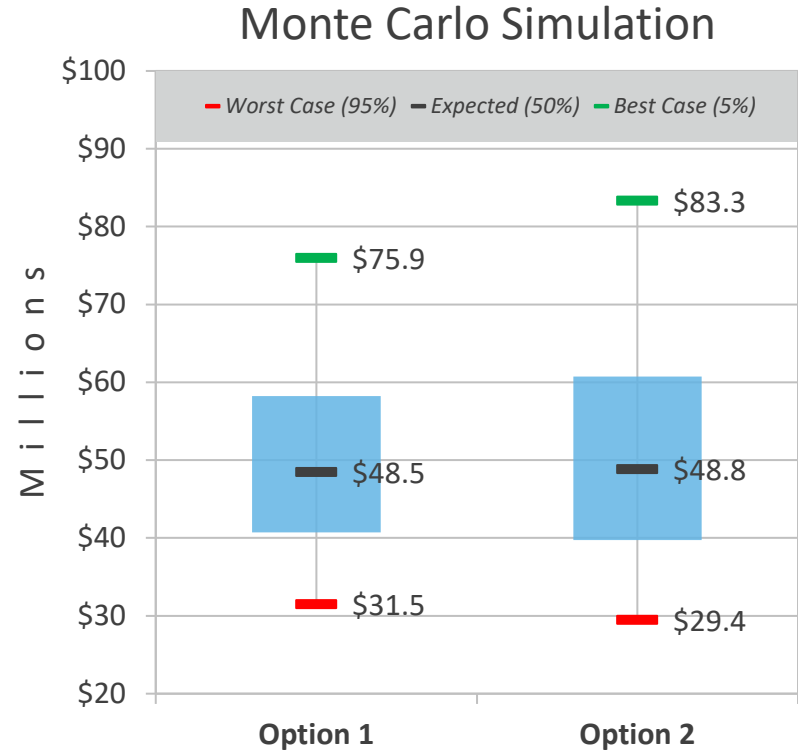
Purpose: To account for principal proceeds of the sale of city land with the intent to supplement the General Fund or increase reserve holdings.

Risk Profile: 65% Equities



Sustainable Distributions 10-Year Horizon as presented in October 2021

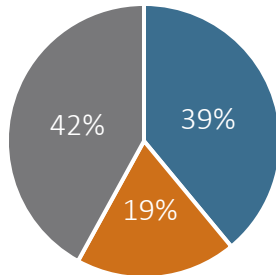
- The simulations depicted on the right were based upon a starting value of \$40M and no contributions.
- Annual withdrawals begin starting with the next fiscal year (July 1, 2022).
- Withdrawals are based upon the sustainable rate for each option:
 - Option 1: 3.5%
 - Option 2: 4.0%



Distributions (\$ thousands)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Option 1	1,434	1,454	1,475	1,490	1,529	1,561	1,591	1,627	1,660	1,694
Option 2	1,643	1,669	1,694	1,713	1,761	1,799	1,837	1,878	1,919	1,960

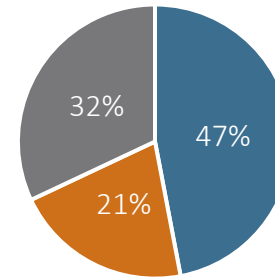
Permanent Fund Characteristics as Presented in October 2021

Moderate Allocation



■ Equity ■ Alternatives ■ Fixed Income

Moderate Growth Allocation



■ Equity ■ Alternatives ■ Fixed Income

Characteristics	Moderate Allocation		Moderate Growth Allocation	
	Expected	Range*	Expected	Range*
Annual Return	5.8%	-11.3% to 22.9%	6.6%	-13.7% to 26.8%
Long-Term Return	5.5%	5.2% to 5.7%	6.1%	5.8% to 6.4%
Net Earnings <i>Long-Term Return Less 2% Expected Inflation</i>	3.5%	3.2% to 3.7%	4.1%	3.8% to 4.4%
Average Loss in Extreme Conditions <i>Within a 1-Year Horizon</i>	-21.0%	—	-24.3%	—

* Range denotes the 95% confidence interval. Risk and return data from Windham Portfolio Advisor. Graphic is for illustrative purposes only.

Starting Value and Distribution Options 10-Year Horizon in October 2021

Options (\$ millions)		Distribution Starting July 2022 (Next Fiscal Year)			Distribution Starting July 2024 (in 3 Years)			Distribution Starting July 2026 (in 5 Years)		
Starting Value	Portfolio	Expected Ending Value	Avg. Distributions	Cumulative Distributions	Expected Ending Value	Avg. Distributions	Cumulative Distributions	Expected Ending Value	Avg. Distributions	Cumulative Distributions
\$25M	Moderate	30.28	0.97	9.70	32.59	1.05	8.37	34.96	1.13	6.80
	Moderate Growth	30.52	1.12	11.17	33.20	1.22	9.74	35.96	1.33	7.99
\$30M	Moderate	36.34	1.16	11.64	39.10	1.26	10.05	41.95	1.36	8.16
	Moderate Growth	36.62	1.34	13.40	39.84	1.46	11.69	43.15	1.60	9.59
\$35M	Moderate	42.39	1.36	13.58	45.62	1.47	11.72	48.94	1.59	9.52
	Moderate Growth	42.73	1.56	15.64	46.48	1.70	13.64	50.34	1.86	11.18
\$40M	Moderate	48.45	1.55	15.51	52.14	1.67	13.40	55.93	1.81	10.88
	Moderate Growth	48.83	1.79	17.87	53.11	1.95	15.59	57.53	2.13	12.78

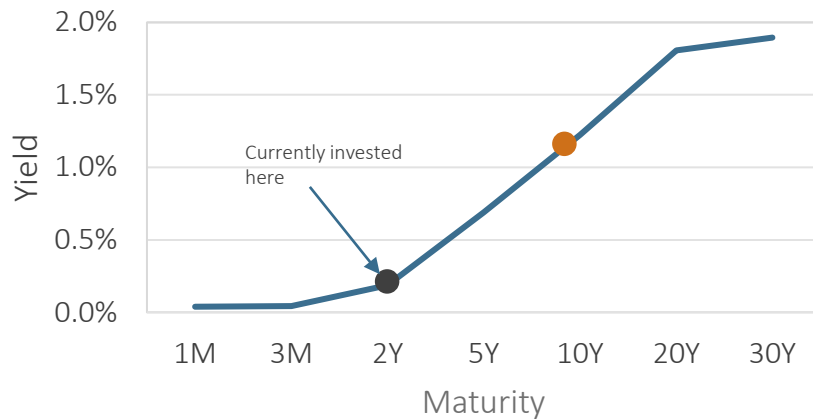
Simulation data from Windham Portfolio Advisor. All data items reported at the 50% confidence level.

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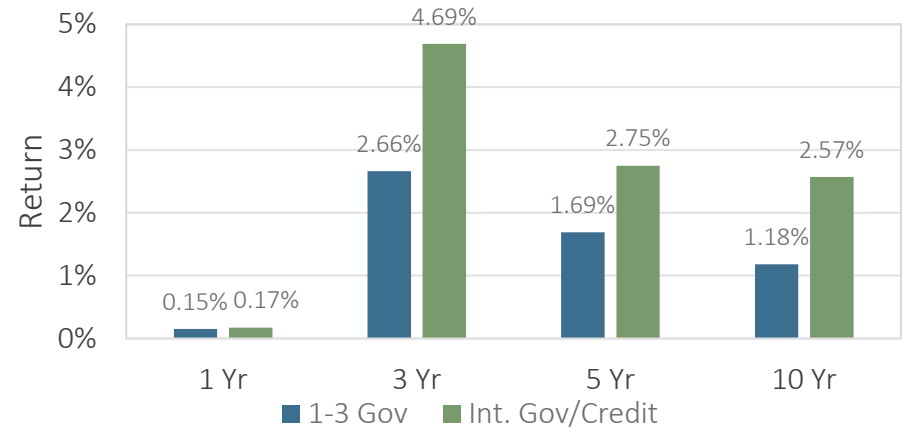
Appendix

Rainy Day Reserve Recommendation as Presented September 2021

US Treasury Curve



Return Comparison

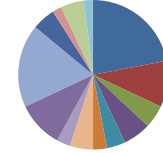
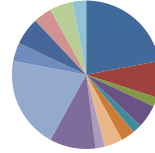
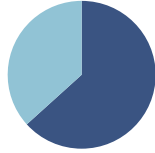


Bloomberg Data as of 8/31/2021

Medium-Term Reserve: \$25MM

This account would have a longer time horizon than short-term Reserves and hold securities with maturities between 1 and 10 years, including investment grade corporate bonds. While maturities would be different, the majority of holdings would remain in Treasury securities. Investment grade corporate bonds would add incremental yield to the portfolio. Should the City have a greater cash need than anticipated, funds would be taken from here and moved to the short-term reserves.

Permanent Fund Portfolio Options as Presented September 2021



Asset Class	Current Total Portfolio	Option 1	Option 2
Total Equity	0.0%	39.0%	47.0%
Large Cap Equity	0.0%	22.0%	22.0%
Mid Cap Equity	0.0%	8.0%	10.0%
Small Cap Equity	0.0%	2.0%	5.0%
International Equity	0.0%	5.0%	6.0%
Emerging Markets Equity	0.0%	2.0%	4.0%
Total Alternatives	0.0%	19.0%	21.0%
REITs	0.0%	3.0%	3.0%
Infrastructure	0.0%	4.0%	5.0%
Commodities	0.0%	2.0%	3.0%
Alternative Beta	0.0%	10.0%	10.0%
Total Fixed Income	100.0%	42.0%	32.0%
U.S. Fixed Income	0.0%	20.0%	18.0%
U.S. 1-5 Year Gov/Credit	0.0%	4.0%	0.0%
U.S. Corporate High Yield	0.0%	6.0%	5.0%
U.S. 1-3 Year Government	63.3%	0.0%	0.0%
TIPS	0.0%	4.0%	2.0%
International Fixed Income	0.0%	5.0%	5.0%
Cash	36.7%	3.0%	2.0%
Expected Annual Return	1.5%	5.8%	6.6%
Long Term Expected Return	1.5%	5.5%	6.1%
Net Earnings (less inflation)	-0.5%	3.5%	4.1%

* Range denotes the 95% confidence interval. Risk and return data from Windham Portfolio Advisor. Inflation expectation 2%.

2024 Investment Outlook

Key Themes

Market Impacts

1. Slowing growth throughout the year

A pivotal year for rates and securitized products. Pockets of economic durability should limit a U.S. slowdown.

2. Inflation past the peak – Getting to 2.5% may take longer than normal

Improvements in inflation will be seen throughout 2024, but a sticky underlying core trend suggests a possible longer tail to the inflationary environment.

3. Interest rate volatility to fall

Historically high level of rates volatility will continue to ease, increasing attractiveness of the asset class, on an outright and risk-adjusted basis.

4. Quantitative tightening (QT) decision in 2H2024

Market stability remains a priority, but Fed will need to adjust their policy as economy slows.

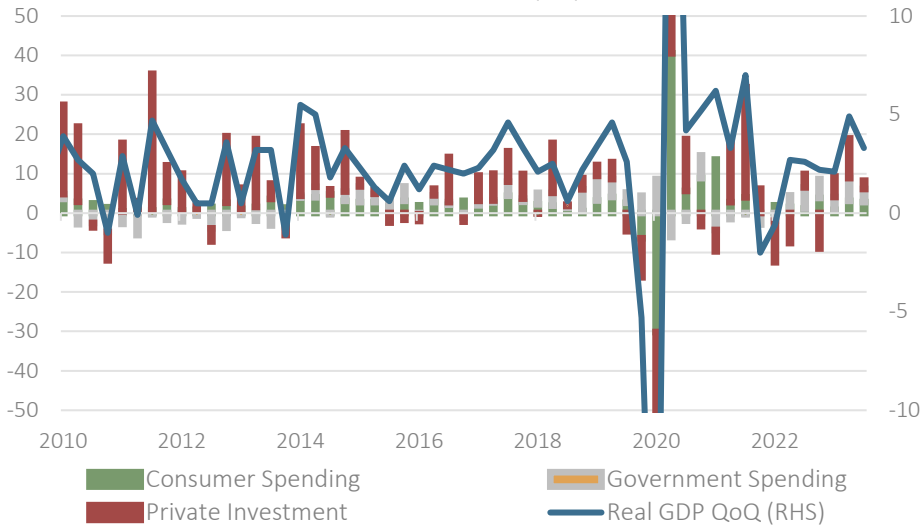
5. Risk skew remains

Unprecedented, synchronized monetary policy tightening increases the risks of a global recession. Caution remains the prudent path. US outlook is less vulnerable than most.

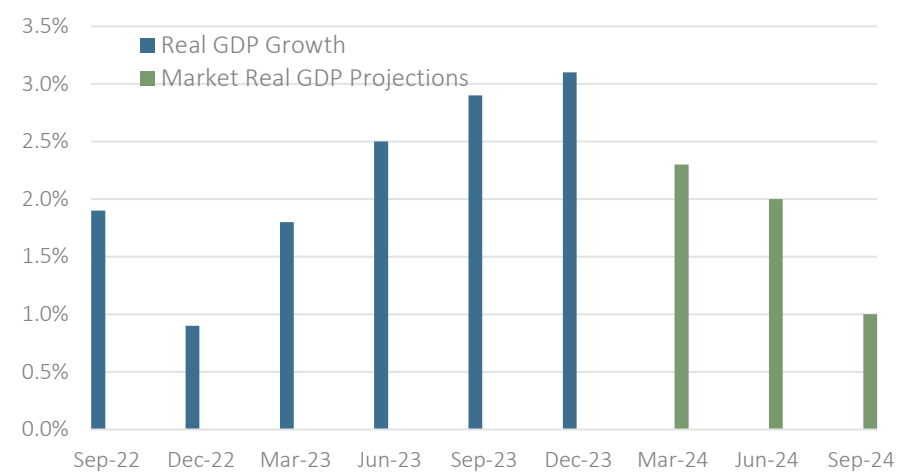
Economic Growth Still Strong, To Slow, US an Outlier

FOMC decreased 2024 Real GDP estimates by 0.1%, growth will slow as we enter 2024, US data has been surprisingly strong but an outlier.

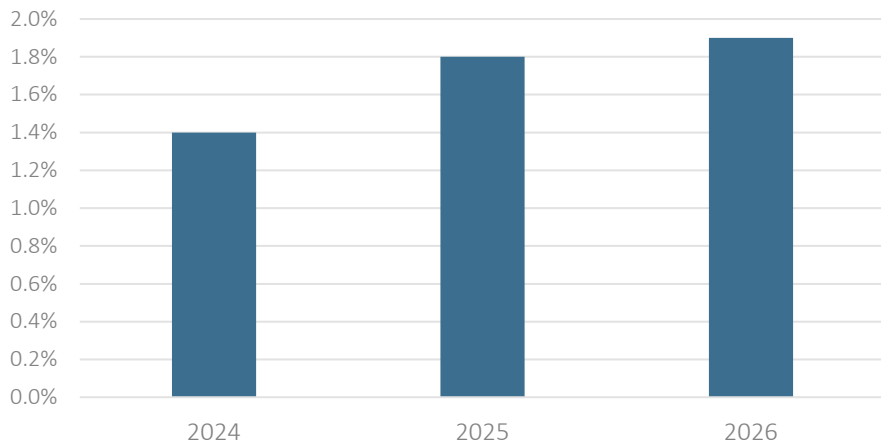
US Real GDP QoQ



Real GDP Growth



FOMC Real GDP Growth Projections



Economic Surprise

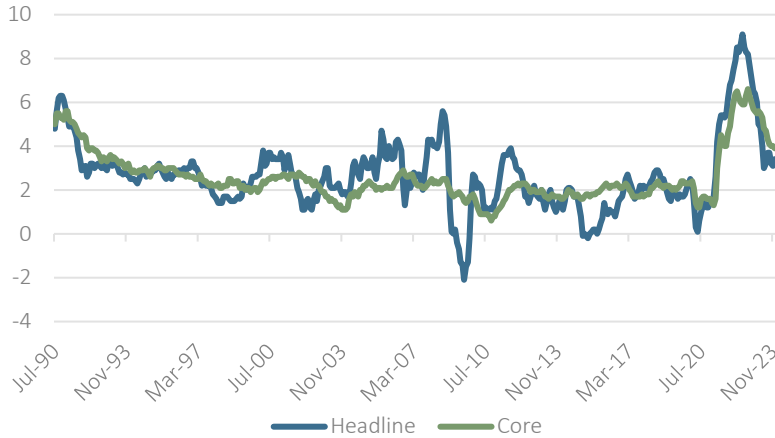


Sources: Bloomberg, US Census Bureau, Atlanta Federal Reserve, Citigroup, APCM

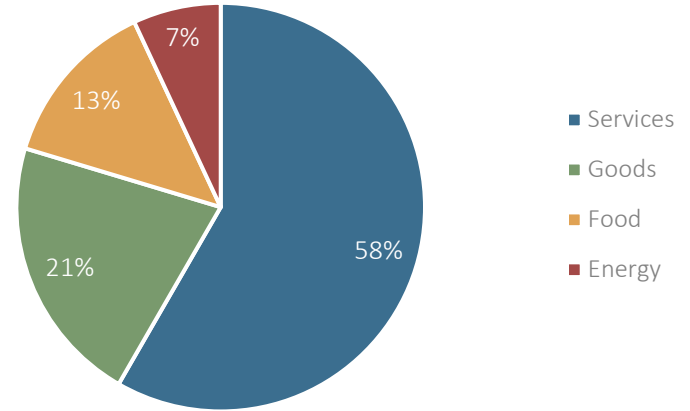
Inflation Past Peak – Path to 2.5% May Take Longer

Core inflation has proved to be **sticky on the way down**. Inflation expectations have **moved up** over the past few months.

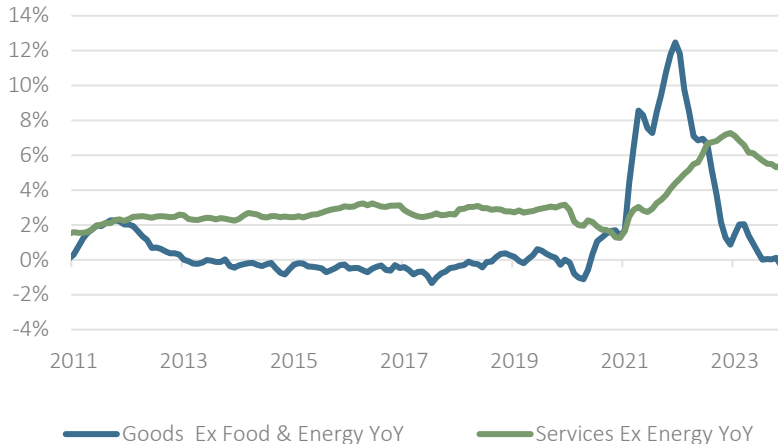
Headline vs. Core CPI in %



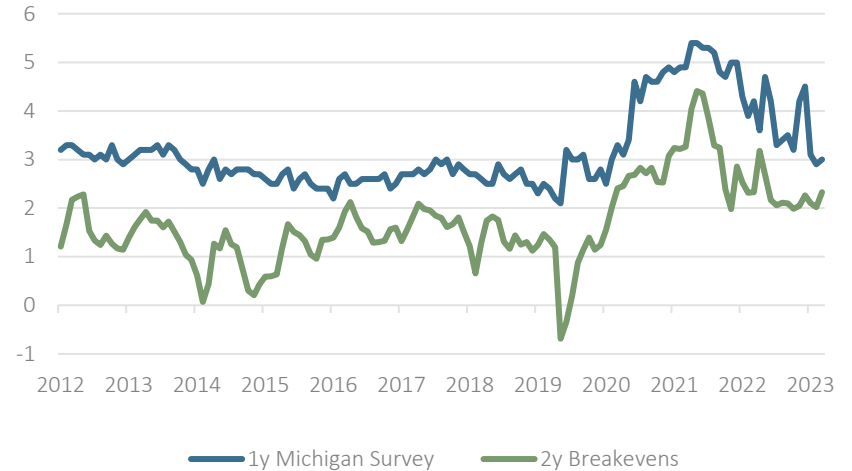
Breakdown of US Inflation



Inflation Goods vs Services

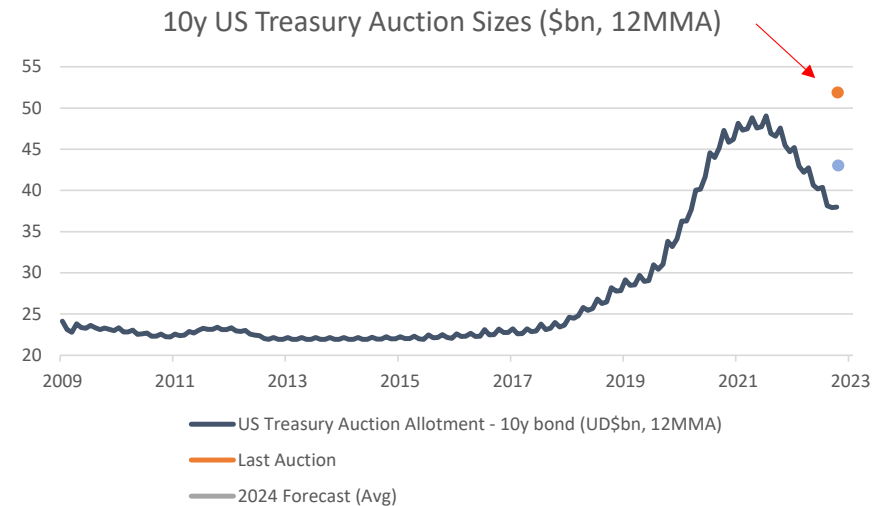
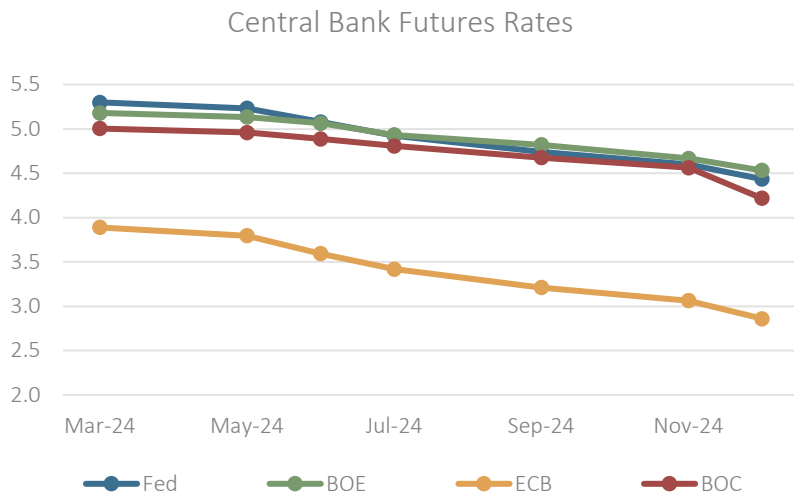
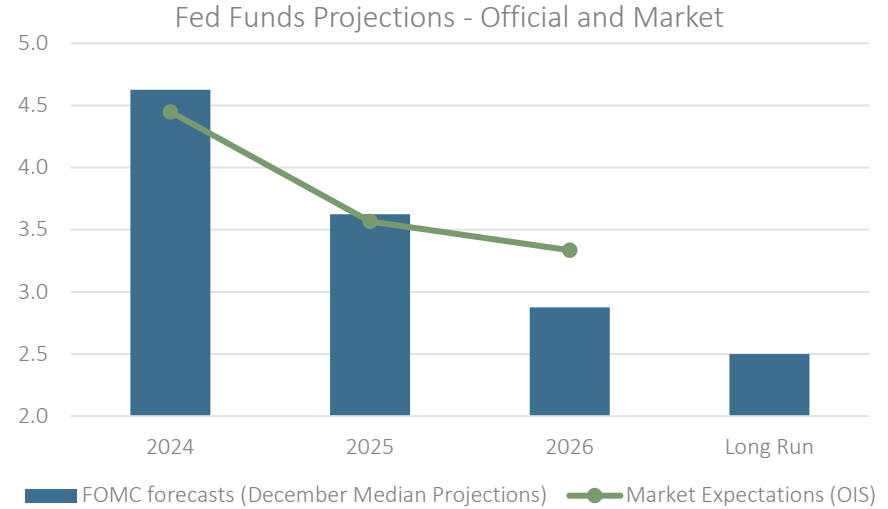
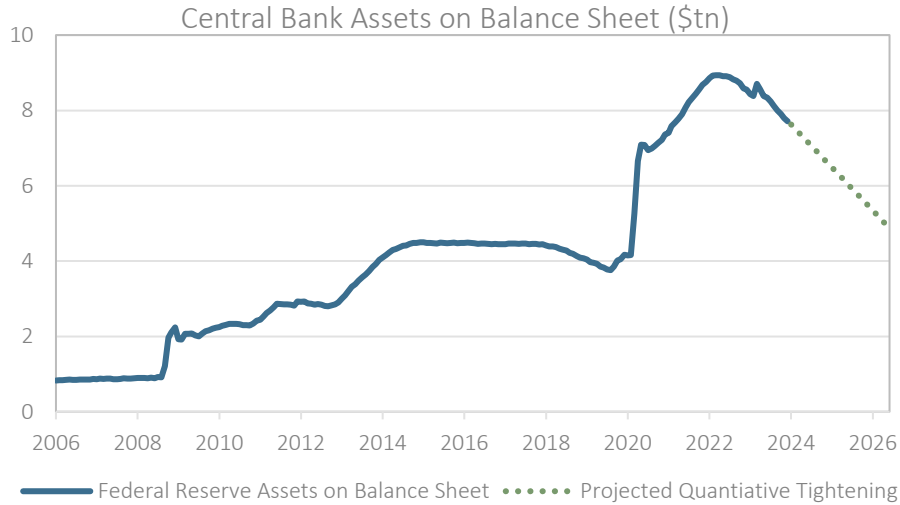


Consumer vs Market Inflation (1y %)



Policy Outlook Continues to be Restrictive

Roughly \$1.2tn has rolled off the SOMA. Interest rate markets are implying 3-4 interest rate cuts this year.



Sources: Bloomberg

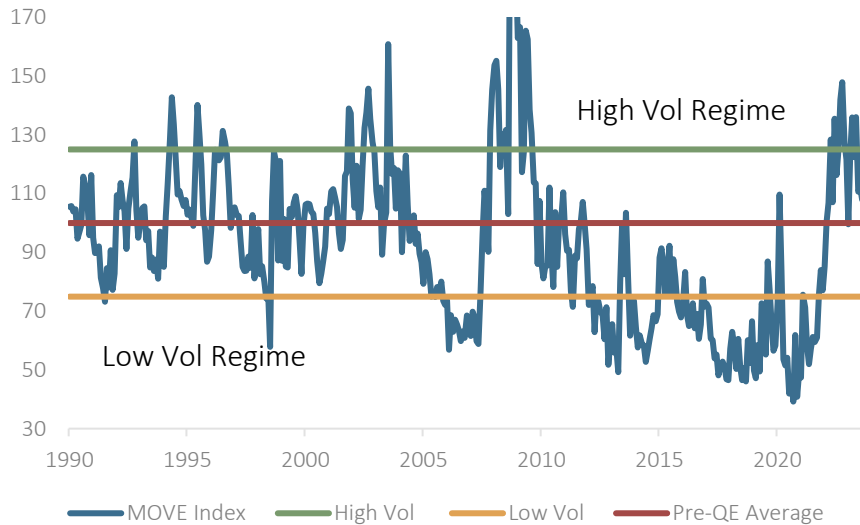
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Interest Rate Volatility to Fall, Don't Expect QE Levels of Risk

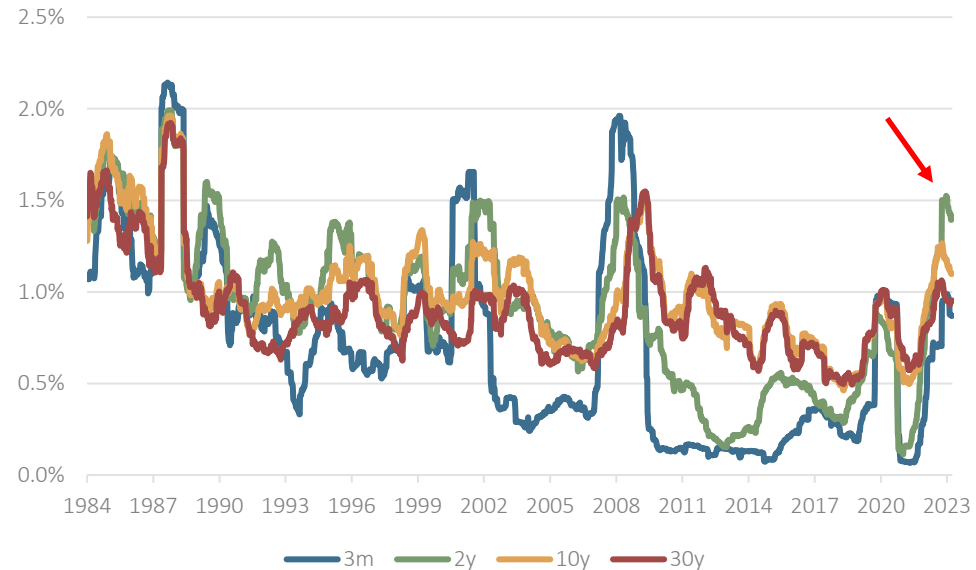
Volatility has decreased, but remains above its Pre-QE average. This should continue to fall throughout 2024 – but we do not expect rates to trade in a Low Vol range given Central Banks commitment to higher for longer.

Front end volatility (2y) has reached previous peaks of 1990, 2001 and 2009 – emphasizing rate surprises have likely peaked.

US Treasury Volatility (Move)

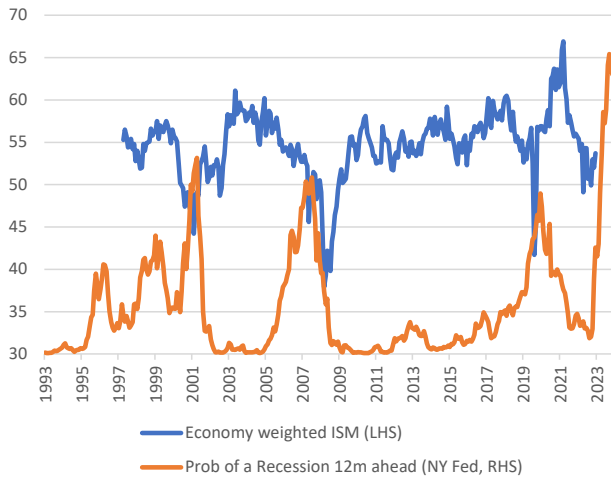


1-year Rolling Historical Volatility by Tenure

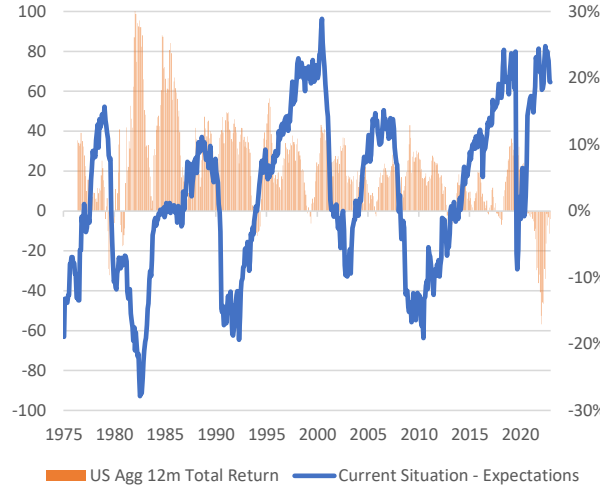


Late Cycle Investing – Business and Household Indicators

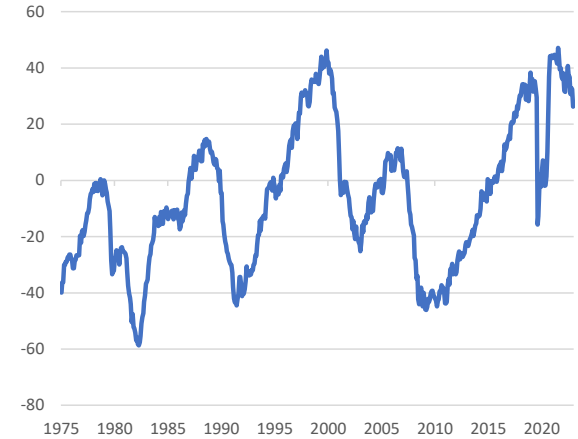
ISM vs NY Fed Recession Prob



Consumer Confidence



Consumer Confidence: Jobs Plentiful - Hard To Get



US Personal Savings as % of DPI



House Payments as a % of Income



30 YR Mortgage Contract Rate - 30y UST



Sources: Bloomberg, APCM, NY Federal Reserve, Confidence Board, National Association of Realtors, Inst. For Supply Management

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February 21, 2024

Honorable Mayor Tutiakoff and City Council,

IFHS has provided primary, urgent, and emergency care to the region for over 50 years. Our physicians, nurses, paramedics, and laboratory and imaging staff provide the full continuum of care, from planned and preventative primary care to lab work and imaging, to urgent and emergency care, which is provided both during and after hours.

IFHS is now requesting the city to support a portion of the cost of emergency services provided to the community of Unalaska. IFHS has historically subsidized these costs for the community but can no longer afford to donate this care to the community.

IFHS is requesting \$1,047,441.46 for FY25 from the City of Unalaska, which will address our urgent need to fill the funding gap between our total revenue and our expenses, a gap which occurs due to the high cost of providing Emergency Room services and our inability to collect enough to cover those costs, as shown in the summary below:

	• Total annual costs	\$1,224,576.00
	• Total annual revenue	<u>\$ 177,134.54</u>
	• Deficit	(\$1,047,441.46)
	• Requested City Support	\$1,047,441.46
	• Revised Deficit	\$0.00

Although IFHS provides crucial urgent and emergency care for anyone who requires such care in Unalaska, we are not currently a licensed Emergency Room which limits our ability to generate much needed revenue. The urgent/emergency care provided by IFHS is considered “out-patient” care; one of the biggest implications of this is that IFHS is prohibited from billing and collecting at the much higher Emergency Room rates. Instead, we are limited to billing clinic visit rates rather than rates appropriate to a critical access hospital or similar facility. Clinic visit rates are much lower and do not nearly cover the costs of our staffing, equipment, supplies, medications among other costs. Insurance companies simply do not pay appropriately for the level of service IFHS provides.

Our annual funding from Health Resources and Services Administration (HRSA) as a Federally Qualified Community Health Center **supports primary care services only – it does not include funding for emergency services.** We have had an annual shortfall since we began providing urgent/emergent care. Our emergency services budget for the current year has a loss of over a million dollars, which is currently being covered by reserves. Our reserve funds, as is true for most non-profit health-care providers, are necessary to withstand periods of financial distress and still maintain services to the community. Our reserves are used for unexpected expenses, including unanticipated facility maintenance, equipment repair, or staff turnover (necessitating the hire of more travelers than anticipated), among other scenarios; they must be kept intact to maintain financial stability and support continued services to our community.

Those reserves are now dwindling, and we will be unable to cover the annual gap for much longer without additional funding or discontinuing after-hours emergency care, which would be a huge loss for the entire community.

Without an influx of operating funds, IFHS will be discontinuing after-hours emergency care within the next 10 months.

As noted above, we provide after-hours urgent/emergent care as needed, using on-call staff, and we are limited in how much we can charge for providing this essential service to our community’s residents, visitors, and temporary workers. These services cost well over \$1M annually, and IFHS has provided them with minimal financial support. Though after-hours access to emergency care saves lives and meets a significant need for our entire community, the only funding supporting the service is the minimal patient revenue collected for individual visits and community grant funding received by the City of Unalaska. The program is very expensive to have available, regardless of the number of patients served, as detailed below:

IFHS FY23 ER Summary

ER Visits	Total Charges	Total Paid	Total Not Paid
264	\$ 410,852.17	\$ 177,134.63	\$ 233,717.54

The city of Unalaska and the entire island clearly need urgent/emergency services. Over the last 50 years, IFHS has served thousands of patients under this care category, including many who required medivac services to Anchorage, overnight stays at IFHS for one or more nights, and other services as appropriate.

For example, for the last fiscal year (July 2022 -June 2023), IFHS provided 264 after-hours and emergency visits. We also coordinated 56 medivacs in Calendar Year (CY) 23. We care for any medical condition, at any time, stabilizing them for transport as needed. Visits in FY 2023 included strokes, cardiac events, amputations and other orthopedic injuries, an unplanned preterm birth, chronic disease exacerbation, infectious disease management, and more.

There is no other urgent/emergency care provider on the island. Without gap funding through this program, IFHS will need to stop providing emergency services until such time as it can afford to resume subsidizing this care for the community. If these services go away, it would be a huge loss for our residents, visitors, and temporary workers. It would mean a lower quality of life on the island, which could have dire effects not only on individuals and families, but on businesses and our schools, who would likely have a much more difficult time recruiting employees.

IFHS receives no regular annual allotment from the City to help support any ongoing operations. IFHS cannot cut its way to prosperity; instead, it needs to continue to grow and add services to continue to meet the community's needs. IFHS emergency care is truly an essential service akin to fire and police protection.

After-hours and emergency medical coverage has negatively impacted IFHS' finances for many years. The urgent/emergency care services we provide are typically very high acuity and low volume, meaning that the cost to provide these services far exceeds the amount of reimbursement. With nursing and provider shortages across the nation, costs for providing emergency medical coverage have increased significantly in FY22 - FY24 and are expected to escalate further in FY25. In addition to staffing, there is an increase in the cost of equipment and supplies stocked and maintained by IFHS, which are necessary to offer emergency care.

IFHS will use the funding to ensure the staff, equipment, supplies, and facilities are available for those in need of emergency care. IFHS receives Community Health Center funding for primary care services. This funding does **not** include funds for after-hours or emergency level care. IFHS has received recent grants through the state of Alaska, including from the Alaska Housing Finance Corporation and the Coronavirus Capital Project Fund, neither of which can be used to directly support provision of care to patients.

Given the serious nature of a medical emergency and the level of medical training, equipment, and facilities the response entails, it is not feasible to expect volunteer or in-kind support from community organizations to the extent Unalaska has received in perpetuity.

Ongoing Progress

As noted previously that IFHS is not going to be able to cut any costs to make ER services sustainable but we can grow the services we provide in order to make the organization better able to donate ER services to Unalaska.

To date IFHS has secured \$20M in funding for a new/remodeled healthcare facility. The city has generously leased the land needed for this construction to IFHS so this project can move forward. We will soon be securing architectural services to design the next facility which will support care for the community for the next 30-50 years.

IFHS has secured funding and purchased a CT scanner which will arrive on Island at the end of this month. The construction began weeks ago on building a connection between the CT trailer and the building. We anticipate this to be completed in early March and operating the CT by mid-march. This critical service will improve the care delivered by IFHS staff and prevent costly medevacs currently costing over \$100K per flight. The revenue associated from CT will also reduce some of the deficit associated with ER services.

Other ancillary services are being developed to begin over the next 12-18 months which will allow care to be received on island and reduce travel costs for our community. Similarly the additional services should provide revenue to reduce the deficit of operating an ER 24/7.

Lastly IFHS will be pursuing licensure changes associated with the new facility which will allow for appropriate billing for ER services into the future. We will be able to bill as an ER which will require insurance companies to pay appropriately for services rendered after hours. This too will decrease the deficit from operating the ER at a loss as IFHS has for the last four decades.

While all of these enhancements will occur at IFHS they will indeed take some time. Most will require the new building to be built which is likely to take the next two years to be completed.

Going forward IFHS will continue to share all of the financial information needed for the city to review the investment. As with last year we are happy to share detail on each of the after-hours visits and what IFHS is reimbursed. The balance of what we are unable to collect and the cost of providing the service is the basis of our funding request. The IFHS board have all reviewed this request and stand ready to answer any questions you may have.

**TOTAL EMERGENCY & AFTER HOURS BUDGET ESTIMATE FOR FY25:
\$1,224,576.00**

**FY25 CITY COMMUNITY SUPPORT PROGRAM REQUEST FOR FY2025:
\$1,047,441.46**

Personnel – Salaries for Emergency Care Medical Providers and Staff

- On Call Providers and Staff (includes Medical Providers, Nursing/Paramedic Providers, Medical Assistant, Laboratory/Imaging Staff, and the Clinical Manager): Our estimated cost for these salaries to provide the 24/7 emergency care is \$1,005,800.

Personnel – Benefits for Emergency Care Medical Providers and Staff

- On Call Providers and Staff as above. Our estimated cost for benefits (@ 22%) to provide the 24/7 emergency care is \$182,776.

Equipment

- Emergency Equipment: Our estimated direct cost for emergency equipment needed to provide 24/7 emergency care is \$36,000.

Total FY25 IFHS ER Estimated Budget = \$1,224,576.00

Total FY25 Community Support Grant Funding Requested = \$1,047,441.46

Revenues: List and briefly describe each source of revenue. Clearly explain any requests for an increase or decrease in funding from the City.

- IFHS Fees for Services: Revenue from ER visits is \$177,134.54.
- Community Support Grant: Budget request to help cover Salary and Benefits for on-call services from providers and staff and Equipment: Total grant request is \$1,047,441.46.

The FY25 amount requested of \$1,047,441.46 is an increase of \$867,441.46 over the FY24 request of \$180,000. The reason for the increase is that IFHS can no longer depend on its dwindling reserves to cover the annual gap in funding to continue providing emergency services, as detailed in previous sections of this application.



Iliuliuk Family and Health
Services
City of Unalaska
2025 Community Support Grant



Annual Costs vs ER Revenue

(264 Afterhours visits)

Additional Staffing/Equipment

- Staff \$1,188,576.00
- ER equipment \$36,300.00
- *Total \$1,224,576.00

FY 23 Revenue

- Insurance \$173,138.20
- Patient \$3,996.43
- Total \$177,134.63

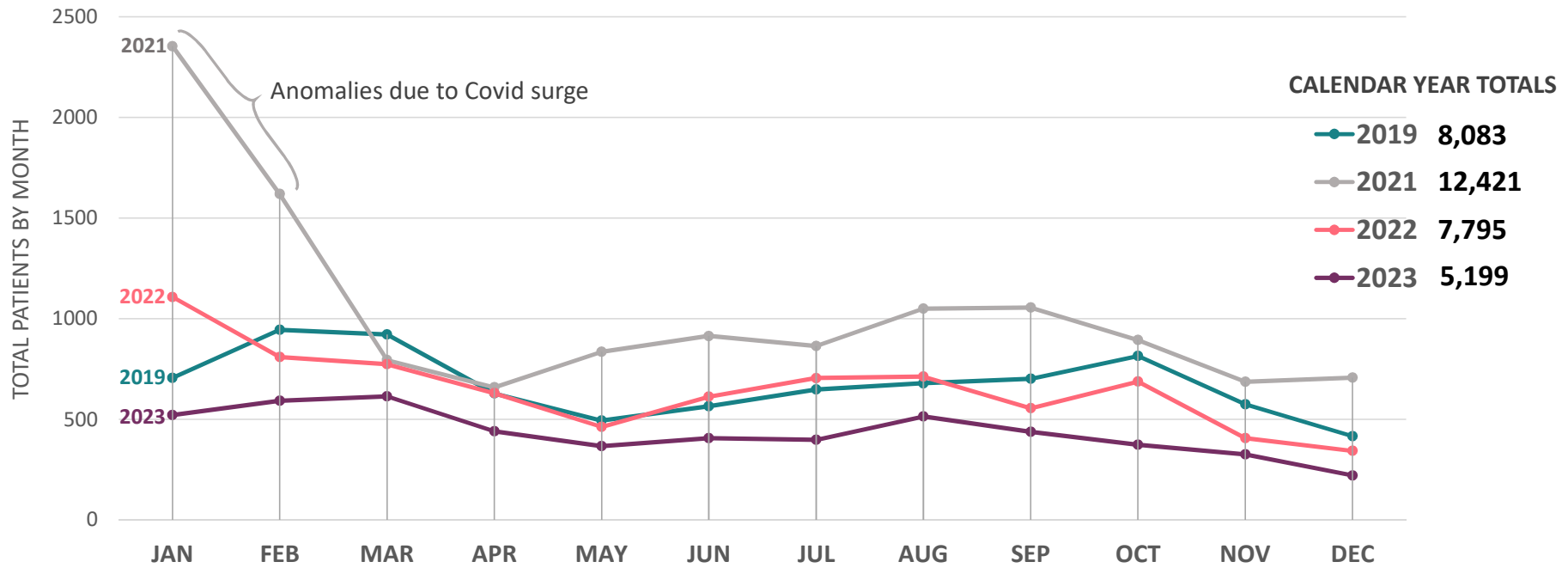
*Costs not included: Pharmacy, Administration, Utilities, Major Equipment, Training among others.



IFHS PATIENT VISIT COUNT

(Volume by year)

Patient Visits by Month/Calendar Year





In Summary

- Total annual costs \$1,224,576
- Total annual revenue \$177,134.63
- Deficit (\$1,047,441.37)

- *Potential City Support* \$1,047,441.37
- Revised Deficit (\$0.00)

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Cameron Dean, Planning Director
Through: William Homka, City Manager
Date: February 27, 2024
Re: Downtown Nuisance Abatement: 452 Bayview Avenue and 111 Blue Fox Alley

SUMMARY: The City has received a nuisance complaint regarding two restricted deed properties Downtown. Both present a safety hazard, but their restricted deed status complicates the nuisance abatement procedure. Staff is seeking guidance from Council for how to proceed.

PREVIOUS COUNCIL ACTION: None

BACKGROUND: On September 18, 2023 the City received a nuisance complaint regarding two abandoned buildings on the same block downtown.

Both are restricted deeds, which exempt the properties from Title 8 zoning code (8.12.010 (E)). Title 8 governs allowable uses of the property, for example the number of residential units the owner may construct, and associated requirements, like parking and setbacks. If the property is later sold and the deed becomes unrestricted, it will become subject to zoning.

Such properties are not exempt from nuisance code, which regulates conditions endangering public health, comfort and safety (11.08.010(A)(2)). Nuisances include abandoned equipment, excessive noise, defective building exteriors, etc. However, as discussed in the attached memo from the City Attorney, the scope of a municipal government's authority to enforce their nuisance codes on restricted deeds is currently unresolved.

The City's nuisance enforcement is complaint driven and follows a process defined in code. Upon receiving a complaint, the City investigates and if warranted notifies the property owner of the violation. The owner then has an opportunity to complete any required work themselves before the City proceeds to abate the nuisance. If the City must abate the nuisance, it charges the cost of doing so to the owner by placing a lien upon the property. This method of cost recovery is likely not possible in this case because the properties are restricted deeds.

Apart from the two lots being discussed, there are 24 other restricted deed properties Downtown. Based on a visual survey there are:

- 2 abandoned buildings with possible safety issues in addition to the lots being discussed
- 8 vacant lots; empty or used for storage
- 14 intact structures; including both houses and permanent storage structures like shipping containers

DISCUSSION: After receiving the complaint, Planning Staff immediately contacted the owners of both properties. Everyone contacted has been cooperative and understands the City's safety concerns. If one of the buildings were to harm someone or damage their property, the victim may have a viable claim for damages against the owner of the building.

Staff from the Public Works, Public Safety, Fire and Planning departments assessed both properties on October 30, 2023 and agreed that they present a serious safety hazard to the public and neighboring properties. The block is relatively dense, and if either building continues to collapse it will likely spill over onto a neighbors' property. Photos from the site visit are included in the attachment.

452 Bayview Avenue: A one-story building adjacent to the complainant's home. It has a large hole in one side and is leaning toward the complainant's home about six feet away.

After being notified of the complaint, the owner engaged a contractor to demolish the building and received a demolition permit on November 28, 2023.

111 Blue Fox Alley: A two-story building located in the middle of the block with two other buildings on the same lot. There is serious structural damage and much of the interior is exposed to the elements. Staff believes the only viable way to safely abate the nuisance is to demolish the building.

This property is winding through the probate process, where it is expected to remain for some time. Staff contacted the presumed heirs, who do not currently live in Unalaska. They expressed concern at the harm the building may cause as it continues to decay, but after consultation with their attorney do not believe they have any right to improve the property until the probate process completes.

Planning Staff consulted with Bureau of Indian Affairs (BIA) Real Estate Services and Rights Protection and formally requested the right to address the hazard caused by the building. After a historical and cultural resource review, BIA agreed on December 12, 2023 that the City should act. BIA's approval specifically addresses the two-story building, not the other buildings on the lot, which are in better condition. Staff contacted the presumed heirs, who indicated they supported the City's efforts to remediate the property but were concerned about the possible expense.

While nuisance code includes many conditions that may make a property disruptive or undesirable to neighbors, BIA's approval was only granted because this building presents a safety threat. If the nuisance did not meet that level, the City would likely be unable to intervene.

Due to the size of the building, proximity to other structures, and potential for hazardous materials, DPW estimates the cost of demolition at \$98,000. Approximately \$34,000 of that is landfill fees.

ALTERNATIVES: Staff and the City Attorney have identified four paths forward:

1. Do nothing. If harmed by the subject property, the neighbors' recourse would be a civil claim against the owners. The City has basically no legal liability if it allows the buildings to remain.
2. Enter into an agreement with the expected future owners in which they will reimburse the costs of abatement should they eventually become the owners. The agreement would be completely voluntary, and besides civic responsibility, the only incentive for the future owners would be the potential that the City may not pay to abate the nuisance and allow it to remain if they do not agree.
3. Abate the nuisance with no means to recover the cost. The demolition work would be contracted through competitive bid following the City's procurement policy. If this alternative is selected, Staff will present Council with a budget amendment at the next regular meeting.

One concern with this option is the precedent it may set. The City is only allowed to act on a restricted deed in this instance because there is an imminent safety concern. Paying for the abatement may create the expectation that the City will do the same in other cases, possibly discouraging property owners from dealing with decaying buildings themselves before they become hazardous. As noted in Background, two other buildings were identified in the course of investigating this complaint that may meet the same safety standard. However, there are relatively few restricted deed properties remaining in Unalaska.

4. Attempt to follow the standard nuisance procedure and recover the cost of abatement. It is currently unclear whether the City would be overstepping its authority in doing so, and the City Attorney does not recommend this option. If challenged this could become a test case for the scope of municipal authority on Native Allotments with significant interest and ramifications beyond Unalaska.

Additionally, the City may elect to waive landfill fees for the disposed materials, expected to be a large part of the total demolition cost for both buildings. Doing so would effectively shift some of the cost of abatement to the Solid Waste Proprietary Fund.

FINANCIAL IMPLICATIONS: Financial impacts depend on which alternative the City chooses and are discussed above.

LEGAL: The City Attorney has been involved with this issue from the beginning. A memo discussing the legal situation is attached.

STAFF RECOMMENDATION: Staff requests a directive to the City Manager to pursue one of the above alternatives.

PROPOSED MOTION: I move to direct the City Manager to: _____.

CITY MANAGER COMMENTS: This is a difficult situation due to safety concerns and limited cost recovery options due to the restricted deeds. Staff presented four alternatives above, each with pros and cons. This is a Council decision and staff requests direction in moving forward.

ATTACHMENTS:

- Site Map and Photos
- Memo from City Attorney



Derelict Buildings on Restricted Deeds: Overview





Derelict Buildings on Restricted Deeds:

Site 1: Sherebernikoff Property, 111 Blue Fox Alley



Details:

- In probate, presumed future owners Nicole Sherebernikoff and Ted Sherebernikoff Jr.
- Sought and attained BIA approval for removal action
- Building in extreme state of decay:
 - Exterior wall cladding torn off
 - Multiple missing windows
 - Blowing insulation
 - Severe deformation of first floor walls













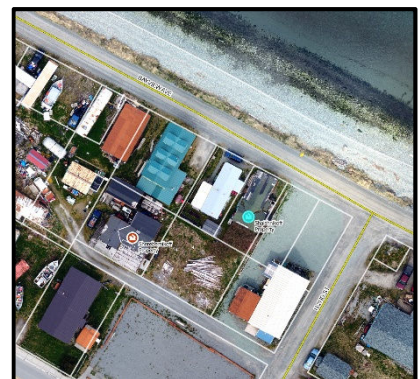
Derelict Buildings on Restricted Deeds:

Site 2: Shaishnikoff Property, 452 Bayview Ave.



Details:

- Owner has agreed to remove building and received demolition permit
- Building in extreme state of decay:
 - Exterior wall cladding torn off
 - Partial collapse on two building faces
 - Multiple missing windows
 - Severe wood rot and missing exterior panels
 - Very close and leaning toward neighbor's house











MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Peggy McLaughlin, Port Director
Through: Bil Homka, City Manager
Date: February 27, 2024
Re: Matson Shipping and City of Unalaska partnership for UMC Project Positions 5-7 upgrades

In December of 2023 Matson approached the City of Unalaska about partnering with them on an application for a Port Infrastructure Development Program (PIDP) grant. The PIDP is a discretionary grant program administered by the Maritime Administration. Funds for the PIDP are awarded on a competitive basis to projects that improve the safety, efficiency, or reliability of the movement of goods into, out of, around, or within a port.

There are several reasons why partnering with Matson on this project is practical and why it benefits both organizations, including: improved safety, efficiency, and reliability of cargo movement.

Matson's crane at Unalaska Marine Center (UMC) is 40 years old and needs to be replaced in order for Matson to realize economic growth and continue to efficiently serve the needs of Unalaska and the Aleutian Pribilof Island Region. The replacement of the crane will require some engineered and constructed infrastructure enhancements to the crane tie-downs and the crane stop on the original section of dock at UMC, positions 5-7.

In that same section of dock, the Port has begun the assessment process for repairing the drainage, resurfacing, and inspecting the crane rails. Matson's project for the crane tie downs and improving the crane stop would be combined with the City project to maximize construction efficiency and minimize cost. The City would maintain ownership of UMC and all of the improvements to the dock. Under this partnership, the City requires that the engineer of record for UMC is part of the design team and that the engineer of record designs the installation to any permanent fixture within the dock system.

Matson requires greater capacity for the tie down system of the new and bigger crane. This results in required dock improvements in the subsurface of positions 5-7. These improvements include engineering and construction at UMC, a City owned facility. In the grant application, Matson's project would be combined with the City's drainage and resurfacing of positions 5-7 and the costs of the resurfacing would be included in the grant application. The City would be the applicant for the grant and would be responsible for administering the grant. A rough order of magnitude is still being developed.

Ultimately, this project complements the dredging of the entrance channel, the dredging in front of UMC, and stages Unalaska for economic growth with the capability of handling more cargo and bigger ships, with greater efficiency. It is a reasonable project and potentially a very good candidate for PIDP grant.

There is a very short time timeline to begin working on this joint project. Matson's lead time from ordering a new crane to delivery is about 2 years. We anticipate submitting a PIDP grant application this spring so that, if awarded, construction can be completed and the dock ready to receive the new crane upon delivery.

The grant application will strictly apply to the improvements needed for Matson to install a new crane and the surrounding surfaces. This grant application does not fund any part of the crane. The crane will be purchased, owned, maintained, and operated by Matson. Matson will be showing a few slides on the new crane and the crane tie-down requirements. The phases of pursuing this grant will ultimately require a resolution of support from the City Council. The introduction of this project in a work session is a critical step in gaining support for the grant application.

Matson's Current Dutch Harbor Crane

- STS crane on POS 5-7 gantry rails
- Owned and maintained by Matson
- Economic gateway for the community and region
- 40 years old
- Constantly exposed to severe weather and corrosive environment
- Increased maintenance, downtime and cost



Replacement Crane

- New build crane with modern design
- Improved reliability for the community
- Greater outreach, lift height and weight capacity
- Built to current codes reflecting upgraded wind and seismic capacity
- Matson's sole expense

Feature	New Crane	Current Crane
Rail Span	50'	50'
Lift Height	120'	90'
Outreach	145'	125'
Backreach	50'	50'
Hosit Capacity	50LT	40LT

Timeline and Estimated Cost

- 6-month construction period (not including design, bidding, permits and submittals)
- Estimate is \$10-12M for Dutch Harbor owned dock improvements (not including the crane)
- Matson will build, transport and commission the crane at its expense (no public money)
- Pursue federal funding in FY24 and state funding in FY25 for all POS5-7 Dutch Harbor dock work
 - Matson will finance third-party federal grant writing services in partnership with the Port of Dutch Harbor
 - Matson will support the City of Unalaska's lobbying efforts at the federal and state levels



MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: William Homka, City Manager
Date: February 27, 2024
Re: Makushin Geothermal Project Power Purchase Agreement (PPA)

SUMMARY: On August 20, 2020, via Resolution 2020-55, the City Council authorized a power purchase agreement (PPA) with Ounalashka Corporation/Chena Power, LLC (OCCP) to purchase energy from the renewable resource and discontinue use of diesel fuel for electric production. OCCP committed to a Commercial Operation Deadline (project go live date) of May 31, 2027. The City committed to buying 100 megawatts (MW) of power at \$0.16 per kilowatt hour (kWh) over a term of 30 years for a value of about ½ billion dollars (\$489,000,000).

The PPA was amended on three occasions for reasons that include: extending the Commercial Operation Deadline; extending the project financing due date; and for a mutual commitment to an interconnection/integration plan. The following PPA milestones, the deadlines for which having been previously extended, have **not** been achieved:

- A. Project Financing – December 10, 2023 (Amendment 3)
- B. Commercial Operations Deadline – May 31, 2027 (Amendment 3)
- C. Completion of Interconnection / Integration Plan – January 1, 2024 (Amendment 3)

The PPA may be terminated for failure to achieve any of these milestones.

On November 2, 2023, OCCP requested the PPA be terminated. Then on November 5, 2023, OCCP requested negotiation of a fourth amendment to the existing PPA. OCCP proposed new terms, including \$0.22 per kWh, a \$0.06 increase (37.5%) over the previous \$0.16 kWh cost agreed to in the PPA. Project costs, including increased financing costs, were cited as reasons for the proposed \$0.06 kWh increase

PREVIOUS COUNCIL ACTION:¹

1. Original PPA – August 31, 2020 (authorized by Resolution 2020-55)
2. Amendment 1 – April 22, 2021 (authorized by Resolution 2021-14): This amendment extended the Project Financing deadline from June 10, 2021 to June 10, 2022.
3. Amendment 2 – July 28, 2021 (authorized by Resolution 2021-55): This amendment extended the Commercial Operation Deadline from May 31, 2024 to May 31, 2025.
4. Amendment 3 – March 11, 2022 (authorized by Resolution 2022-07): This amendment further extended the Commercial Operation Deadline to May 31, 2027. The Project Financing deadline was extended to **December 10, 2023**. The Interconnection/Integration Plan deadline was extended to **January 1, 2024**.

¹ The PPA and subsequent amendments are the main working documents and are attached along with their adoptive resolutions and staff memos to City Council. Other documents can be provided upon request.

BACKGROUND: The Makushin Volcano was studied in the 1980s in relation to potential geothermal heat and electric production. The study included a field test that drilled ST1 and numerous reports indicating results, estimating project costs for the necessary improvements, integration with the existing system, etc. The resource was determined to be insufficient for geothermal production.

The City learned about new interest in Makushin's geothermal potential in late 2019. In January, 2020 the City met with representatives of OCCP in Anchorage. It was a working meeting to develop a concept plan that OCCP could use for marketing the project to prospective lenders. After that initial meeting, the City and OCCP spent the next 6 months working out project details that would need to happen for the Makushin Geothermal Project (MGP) to materialize. One of those details was a PPA, which City Council approved by Resolution 2020-55 in August 2020. The PPA committed the City to purchase power from OCCP "... for a Fixed Payment of sixteen million three hundred thousand dollars per year (\$16,300,000.00) ... for a period of thirty (30) years after the Commercial Operation Date (Term)." Other terms and conditions applied.

The City invested significant time working with OCCP to continue moving the project forward. Three amendments to the original PPA were negotiated and approved by City Council. The City adopted the MGP within its state and federal legislative priorities and included OCCP representatives in legislative fly-in visits with state and federal elected leaders. The City and OCCP have worked together to develop the electric integration/interconnection plan that would connect the new electric source to the City's existing distribution system.

DISCUSSION: The City has provided commitment and support in order for the Makushin Geothermal Project to come to a successful fruition. For many years, the City has needed to improve the electric distribution system to address power demand surges that happen when cranes are in operation. Aside from the environmental benefits of converting our electric production from fossil fuels to green energy, the City's commitment to a 30-year PPA meant it could begin retooling its distribution system based on the anticipated consistent power delivery. This is an island-wide issue, however it's of particular importance to several of our industrial customers.

The City's 10 Year Capital and Major Maintenance Plan (CMMP) included system improvements to address the distribution system's power surge problems. The improvements included a fly wheel and/or a Battery Energy Storage System (BESS). The projects were removed from the CMMP because the MGP integration/interconnection plan is expected address this system weakness.

The City and OCCP have been at work for more than four years. OCCP has spent at least \$20 million to support this project, but has been unable to meet milestone deadlines. The most concerning failure is that project financing has yet to be secured, despite the Third Amendment to the PPA extending the project finance deadline to December 10, 2023. There are several reasons for the lack of a financing commitment, but overall it can be summed up by saying lenders must not be comfortable with the project or aspects thereof.

The City has been patient and supportively waiting for the project to advance. But in waiting, the City has deferred on investing in electric generation and distribution system needs. We've spent significantly on maintenance of the gen sets in our powerhouse, but much of our equipment needs investment that we've put off as we believed the geothermal power solution would be imminent. The power surges are ongoing throughout this fishing season and have caused several lengthy power outages throughout our community. We now need to program and move quickly to address

challenges we expected to be solved with the integration/interconnection plan because there is nothing to connect to, nor anything on the horizon.

Since the PPA was signed, additional development opportunities and demands have arisen, including the introduction of Trident Seafoods Company at the end of Captains Bay Road. The City has been planning corridor improvements for the extension of electric, water and sewer lines throughout the corridor. In 2022 Trident announced plans to build a new processing facility and last July made a request to the City for 14MW of power annually. Trident recently announced a one-year project delay due to fishing sector market conditions. This delay provided the City only modest relief in the urgent need to provide additional power while awaiting the completion of the MGP.

However, in December 2023 OCCP informed the City it must revise its project schedule and delay the project completion to a date in 2028. AIDEA did not include OCCP's \$50 million loan request on its December agenda. This negates the additional time gained from Trident's one-year delay. Both Trident and OCCP aim to be operational in 2028. But OCCP still lacks project financing which can and will cause further delays for the project, making 2028 MGP power production questionable.

A BESS system is included in the integration/interconnection plan. The one-year delay for completing the MGP delays the BESS improvement schedule to 2027, three years from now. This means there will be seven more processing seasons with power fluctuations and potential outages that in turn create stress on our electric system and for our industries, businesses, and residents.

OCCP emailed the City on November 5, 2023 requesting changes to the PPA via a fourth amendment. The most important proposed changes include the cost per kWh and subsequent issues identified with the project's customer base and IRS issues. The cost would increase from \$0.16 to \$0.22 per kWh, representing an additional yearly cost of about \$6 million, increasing from \$16.3 million to about \$22 million. This change would increase the total City commitment for a 30-year PPA from \$480 million to \$660 million. Potential negotiations of a fourth PPA amendment will also affect project milestones, maybe concurrently with the AIDEA setback.

Another OCCP-proposed change to the PPA would reduce the life of the PPA from 30 years to 26 years, which might address a complicated tax issue recently identified by OCCP. The total PPA cost would instead be \$572 million over 26 years. Yet another OCCP-proposed change would allow OCCP to sell 20% of power to other customers to help avoid an IRS problem OCCP will encounter as a result of OCCP and the City being the only two entities involved in the sale and purchase of electric power. While it helps to avoid an OCCP tax problem, it opens the City to another problem of establishing sales competition with another entity on the island and would also likely require that OCCP obtain authorizations from the Regulatory Commission of Alaska.

The City is responsible to provide numerous utility services to the community including water, wastewater, solid waste, electric production and distribution. Part of this obligation is to provide those services at or above our customers' needs and expectations at a fair and equitable cost. OCCP was to be the vehicle to improve our electric service as well as gain stability in power prices for the next 30 years and solve the incremental surges we currently experience. However, the PPA is not providing that solution for our aging infrastructure. We have been waiting for the MGP to materialize instead of actively pursuing our own stability.

Since November, OCCP has sent many emails about what is needed for the project to progress. OCCP requested the PPA's cancellation and that a new PPA be negotiated. A few days later, OCCP changed course and wanted to negotiate a fourth amendment to the existing PPA. OCCP

proposed terms that do not consider the total cost to the City. For example, the City needs to keep the powerhouse available and staffed in a “warm and ready” condition in the event the MGP goes offline. The City’s costs to maintain the powerhouse and required staffing will be significant, yet this has not been addressed. Any new agreement or amendment would need to add these costs into the project.

Project delays and the absence of project funding commitments leave the City indefensible against accusations that it is not proactively addressing our own power issues and future needs. At this point, the MGP, regardless of further PPA amendments, cannot timely cure these power issues. While more time can be committed to continuing the PPA and the relationship with OCCP, the City must consider some of the challenges the project continues to face.

OCCP has been working with the DOE for a lengthy amount of time on gaining energy loans. Most recently, the Tribal Energy Loan program has been discussed and should be a good fit for the MGP. But in a meeting attended by the City with the DOE while in Washington DC confirmed that OCCP is having trouble complying with DOE’s requirements for financing. One formidable requirement is the resource needs to be tested to confirm the amount of energy that it’s capable of delivering. This is expected to be accomplished by drilling into the volcano and running tests, similar to the one conducted in the 1980s.

Testing the resource has been an issue since the beginning of the City’s discussions with OCCP. The City desired to test the resource at the beginning, and the City’s now-retired expert consultant, Mike Hubbard, expressed this to the City Council on several occasions. Testing is expensive; estimates put it in the \$25 million range. Without knowing if the resource can produce, any investment or loan would potentially be lost without any way to recover it. OCCP has resisted this resource testing in the past but now realizes it is necessary because it is proving necessary to progress with project financing.

Had the resource been tested three, even two years ago, the future of the project would be more certain. Favorable results would have helped secure project financing, and OCCP wouldn’t be seeking another delay. In October 2023 OCCP was awarded \$5 million from the Alaska Energy Authority, but that’s a small fraction of the original project cost and much less in the revised project cost. The 2020 PPA and three amendments expired on December 10, 2023 for a lack of project financing. Had testing been conducted at the beginning of the project, then the project costs wouldn’t have increased to the point they have now.

The well tests won’t begin until weather is suitable several months from now. It will take months, depending on the time to get a drill to the resource, drill the hole(s), and run the diagnostics. OCCP could conduct the well testing and find there is not enough resource. Either way, the City presently lacks a reliable solution for its power future.

Another concern is the road that needs to be constructed to the MGP site to get the large drill rig to the volcano to test the well. As it is now, there are no construction documents or cost estimates that could be used to solicit grant funding to build the road. Work commenced without any design or construction plans. If construction plans were available, the team could apply for grant funding, maybe even have done so several years ago, and built the road and bridges required to span large and deep caverns near the site. (The City has been advised that some of the bridges consist of using old rail road cars for the smaller spans.)

OCCP has considered flying the rig to the site via helicopter. The cost for a helicopter hasn’t been mentioned, however it does not seem feasible to expend significant project funds for a heavy-lift helicopter when the road could have been completed by now. This is another indication that the project has not followed methodical processes to achieve successful completion.

Projects require predevelopment and development budgets, with sources and uses clearly identified based on estimates and timelines. Changing timelines, an unproven resource, and a road of unknown design standards demonstrate the project is having trouble due to planning and implementation. The City owes our community a plan that is achievable.

The time and years spent avoiding the resource test have put OCCP in this situation. Our reliance on the timely success of the MGP project contributed to our own present challenges in providing power to the community.

FINANCIAL IMPLICATIONS: The Power Purchase Agreement committed OCCP to pay the City \$2 million pursuant to a payment schedule. OCCP paid \$150,000 on September 1, 2021. If the City does not extend or renegotiate the PPA, then the financial agreement is terminated and OCCP will not owe the City the remaining \$1,850,000, nor will the \$150,000 be returned to OCCP.

LEGAL: The City attorney has advised that the City may terminate the PPA without incurring further or additional liability due to several unsatisfied conditions precedent, including OCCP's failure to obtain a written commitment for Project Financing by December 10, 2023.

CITY MANAGER'S RECOMMENDATION: I recommend the City not enter into negotiations for 4th amendment, and allow the Power Purchase Agreement to expire for reasons stated in this memo, including the lack of project financing that was to happen by December 10, 2023.

PROPOSED MOTION: None

ATTACHMENTS:

1. [Resolution 2020-55 and Power Purchase Agreement](#)
2. [Resolution 2021-14 and PPA Amendment no. 1](#)
3. [Resolution 2021-55 and PPA Amendment no. 2](#)
4. [Resolution 2022-22 and PPA Amendment no. 3](#)

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2020-55

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING THE POWER PURCHASE AGREEMENT WITH OUNALASHKA/CHENA POWER, LLC AND AUTHORIZING THE CITY MANAGER TO ENTER INTO THE AGREEMENT

WHEREAS, City of Unalaska operates a public utility to provide for and distribute electricity to customers;

WHEREAS, City Council supports efforts and programs for reliable and cost effective alternative energy sources, including geothermal; and

WHEREAS, Ounalashka/Chena Power, LLC (OCCP) seeks to construct a geothermal plant and sell power to the City of Unalaska; and

WHEREAS, OCCP requires a signed Power Purchase Agreement (PPA) with the City of Unalaska in order to obtain project financing; and

WHEREAS, City representatives have negotiated a PPA with OCCP on behalf of the City of Unalaska in a manner that is consistent with City Council Directives.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council approves the PPA, and authorizes the City Manager to enter into the agreement.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on August 25, 2020.


Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:


Marjie Veeder, CMC
City Clerk



MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Erin Reinders, City Manager
Date: August 25, 2020
Re: Resolution 2020-55: Approving the Power Purchase Agreement with Ounalashka/Chena Power, LLC and authorizing the City Manager to enter into the agreement

SUMMARY: Ounalashka/Chena Power, LLC (OCCP) requires a Power Purchase Agreement (PPA) with the City of Unalaska to obtain financing for a geothermal project. Negotiations have been underway since early January between the City and OCCP. This memo provides some context of the PPA. The PPA before you this evening has been developed in accordance with Council Directives and is supported by OCCP. Resolution 2020-55 approves the PPA and authorizes the City Manager to sign the agreement.

PREVIOUS COUNCIL ACTION: The City continues to support efforts and programs for reliable and cost effective alternate energy sources, including geothermal. City Council has identified this support as a federal priority. To this end, during the fall lobbying trip to Washington DC in 2019, City representatives sat alongside representatives from the Q-tribe and OC in a meeting with the Department of Energy demonstrating support for a geothermal project on our island.

November 26, 2019

- Work Session, Presentation from OCCP regarding their Geothermal Project

January 30, 2020

- Special Meeting Work Session, Update from OCCP on their geothermal project (standalone meeting)

February 25, 2020

- Work Session, Report from OCCP regarding their Makushin geothermal project

March 10, 2020

- Reports, City Attorney conflict of interest opinion related to OCCP
- Executive Session
 - Discussion regarding potential Power Purchase Agreement between City of Unalaska and OCCP
 - Discussion regarding potential Power Sales Agreements between City of Unalaska and local seafood processing facilities

May 26, 2020

- Directive to the Manager, *“Report back to the City Council by June 16, 2020 for possible action committing to a PPA with OCCP at the Council Meeting on June 23, 2020 a cos/benefit/risk analysis for a potential Power Purchase Agreement concept that commits Unalaska for the purchase of 100MkWhr/year, at \$0.16/kWh, for 30 years taking into account the probability of securing sufficient load sources by fall of 2023 within the Unalaska City Limits.”*

June 23, 2020

- Work Session, presentation and discussion of the financial feasibility and potential risks and rewards related to OCCP’s proposed Makushin Geothermal Power Project
- Directive to the Manager, *“Negotiate and work cooperatively with OCCP LLC to develop a Power Purchase Agreement that enables the City Council to act on such agreement at the Council Meeting on July 14, 2020. Initial loads to be negotiated should be between 80mkwhr and 100mkwhr. Costs and rates to be negotiated within the Power Purchase Agreement.”*

July 21, 2020

- Special Meeting Work Session & Executive Session, Discussion of Power Purchase Agreement with OCCP

August 11, 2020

- Executive Session, Discussion of Power Purchase Agreement with OCCP
- Directive to the Manager, *“I move to direct staff to accept both the OCCP proposal to share in the upside and daily liquidated damages in the amount of \$20,000.00 per day with a cap of \$5 million. The heat pump contribution is to remain at \$10 million cost to OCCP. The Annual cost is to be \$16,300,000.00. The meter on the upside sharing starts at 100,000,000kwh. A minimum of two transmission lines to the delivery point of the City is required.”*

BACKGROUND: City staff began working with the OCCP team in late 2019 to address project planning and development questions and to draft a PPA. City staff team consisted of City Manager, Assistant City Manager JR Pearson, Public Utilities Director Dan Winters and Deputy Director Steve Tompkins. We enlisted the support of Mike Hubbard, long time City Consultant with a strong background in public utilities project and analysis. Our attorney was brought on to our City team as well. Both Brooks and Mike have been involved with previous Makushin geothermal efforts. We have the right people engaged to help position this project for success and to develop an agreement that is in the best interests of the citizens of Unalaska.

On January 15 and 16, 2020, the City team met with OCCP representatives for a working meeting in Anchorage. The initial focus of the meeting was to develop a conceptual framework that OCCP could take to its potential lenders to determine if financing can be obtained.

Following this meeting, discussions and work continued. Focus shifted to the PPA, understanding the project, identifying challenges, mitigating risks, expanding opportunities, identifying what would need to be done should the project move forward, and refining displaced costs. OCCP communicated that they planned to proceed with their fieldwork and research, which would help reduce the number of uncertainties and assumptions. We reached out to processors to garner their interest in the project and encourage them to attend the February 25, 2020 Council meeting, where OCCP would be presenting on their project. The City team, including Brooks Chandler and Mike Hubbard, met with the OCCP team while they were in town that week. Given travel and weather challenges, this meeting was not as in-depth as planned.

City staff met and talked with processors throughout March and April. At that time, processors were unable to make a long term commitment. Mike Hubbard followed up and had a teleconference with processors to ensure they had an understanding of the overall concept of the project and potential agreements. The City team held a conference call with OCCP on April 24, 2020 and communicated the feedback we were getting from the processors. This was not done in person due to COVID related challenges. We all agreed that the next step was for OCCP, along with the City, to meet with the processors.

Those meetings were never held, but OCCP provided a detailed document outlining several concepts for consideration to the City on May 19, 2020. We responded with some initial thoughts and questions in a timely fashion.

On May 26, 2020, City Council issued a directive to provide a report and cost/benefit/risk analysis regarding a PPA at a particular commitment level. Our focus then shifted to the Council Directive issued on May 26, 2020 to provide. Mike Hubbard prepared the formal report and analysis that included both cost risk and benefits. Brooks Chandler provided a memo related to non-recourse financing as another component of the risk assessment. This material was presented to Council at the June 23, 2020 Council Meeting. At the end of that meeting Council issued a directive to negotiate and work cooperatively with OCCP to develop a PPA for loads between 80mkwhr and 100mkwhr.

Given the complex nature of this topic and the time required to discuss it, City Council participated in a stand-alone Special Meeting and Executive Session on July 21, 2020. This date was selected in coordination with OCCP. City Council provided direction to the City Team for further negotiations with OCCP.

City Council participated in a follow-up Executive Session on August 11, 2020. The City Team provided an update on the continued negotiations. City Council then issued a formal directive for the continued negotiation. Since that time, the City team has been working in accordance with that direction.

DISCUSSION: OC has united forces with Chena Power to create OCCP. OCCP requires a PPA with the City of Unalaska to obtain financing for the Geothermal Project. There is much excitement and interest in the potential for a geothermal project and what it might

mean for our community. It could result in growth and the expansion of our economic base. Indeed, this is a very exciting opportunity, but not an opportunity that can be taken lightly.

A PPA is a comprehensive document with a magnitude of impacts. Throughout this process, Mike Hubbard has provided Council with detailed analysis and findings. Additionally, Brooks Chandler has provided Council with informational memos and guidance. Related materials may be found in previous Council Packets or were reviewed in executive session.

For the past 7 plus months, your City team representing the City of Unalaska has been doing its job in working to reach a tentative agreement to share with Council that we believe would be in the best interest of the community and the rate payers. We have made every effort to provide relevant, unbiased, and objective information to help you in this deliberative process. As always, it is the City Council's responsibly to evaluate this information, weigh the potential risks and benefits, and to ultimately make the decision you feel is best for the community as a whole.

The PPA before you this evening has been drafted based on City Council Directives, and has been agreed to by OCCP.

ALTERNATIVES: Council has three primary options on how to proceed with the Resolution 2020-55 and the PPA. These include:

1. Approve Resolution 2020-55, thereby approving the PPA and authorizing the City Manager to sign the agreement.
2. Disapprove Resolution 2020-55, thereby disapproving the PPA.
3. Table the consideration of Resolution 2020-55, thereby not acting on the PPA at this time. This would allow for time to engage in negotiations with self-generating processors in efforts to obtain written agreements with them prior to entering into a PPA with OCCP.

FINANCIAL IMPLICATIONS: Financial implications related to the details of the PPA, including commitments by both sides for additional studies and infrastructure improvements as well as payments, will vary based on the finalized PPA details.

Primary financial implications of signing a PPA with OCCP at this point relate to the cost of purchasing power and the financial benefits with purchasing power from a City perspective. Ultimately, these costs are passed along to the rate payers. Mike Hubbard has provided the following tables to touch on these implications in 5 different scenarios:

1. The City does not increase its base load of about 40 million kWh.
2. The City increased sales by 30 Million kWh for a total of 70 Million kWh, and everyone pays proportionate share.

3. The City increased sales by 30 Million kWh for a total of 70 Million kWh, and all new purchasers, self – generators, pay only the Makushin power purchase price with the City paying the difference.
4. The City increases sales by 60 Million kWh for a total of 100 Million kWh, and everyone pays proportionate share.
5. The City increases sales by 85 Million kWh (60 Million kWh from self-generating processors and 25 Million kWh from heat) for a total of 125 Million kWh, and everyone pays proportionate share.

Cost. One question is about the net cost of purchasing Makushin power from the City’s perspective. This is important as Council considers entering into a 30-year agreement to purchase this power at a fixed rate. The top half of the table below is the estimated annual expenditures and the bottom half is the cumulative expenditures from the initial year.

Sales (Million kWh)			Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
City	Other	Total	Total Annual City Expenditure						
40	0	40	\$ 16,300,000	\$ 16,961,845	\$ 17,827,070	\$ 18,736,430	\$ 19,692,176	\$ 20,696,675	\$ 21,752,413
40	30	70							
	Full Rate*		9,314,286	9,692,483	10,186,897	10,706,531	11,252,672	11,826,671	12,429,950
	Reduced Rate*		11,410,000	11,873,292	12,478,949	13,115,501	13,784,523	14,487,672	15,226,689
40	60	100	6,520,000	6,784,738	7,130,828	7,494,572	7,876,870	8,278,670	8,700,965
65	60	125	9,535,500	9,922,680	10,428,836	10,960,811	11,519,923	12,107,555	12,725,162
			Total Cumulative (from Initial Year) City Expenditure						
40	0	40	\$ 16,300,000	\$ 83,146,382	\$ 170,534,064	\$ 262,379,397	\$ 358,909,765	\$ 460,364,152	\$ 566,993,732
40	30	70							
	Full Rate*		9,314,286	47,512,218	97,448,037	149,931,084	205,091,294	263,065,230	323,996,418
	Reduced Rate*		11,410,000	58,202,467	119,373,845	183,665,578	251,236,836	322,254,906	396,895,612
40	60	100	6,520,000	33,258,553	68,213,626	104,951,759	143,563,906	184,145,661	226,797,493
65	60	125	9,535,500	48,640,633	99,762,428	153,491,947	209,962,213	269,313,029	331,691,333

* Full Rate assumes that costs of Makushin are shared proportionately among all users. Reduced Rate assumes that all sales above the City loads pay for Makushin based on 100 million kWh of sales.

NOTE: Sales in excess of 100 million kWh/year may result in the need to expand the Facility, and costs would increase from that shown.

Savings. The other related question is about the net benefits as compared to providing power without Makushin from the City’s perspective. This accounts for financial benefits of reduced operating costs, minimal fuel costs, revenues from delivery charges from self-generating processors, and revenues from self-generating processors. The top half of the table below is the estimated annual savings (losses) and the bottom half of the cumulative savings (losses) from the initial year. These benefits are based on the oil price assumptions presented at the July 21 Council meeting.

Sales (Million kWh)			Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
City	Other	Total	Total Annual Savings (Loss)						
40	0	40	\$ (10,467,964)	\$ (10,254,317)	\$ (10,270,823)	\$ (10,517,688)	\$ (10,732,979)	\$ (10,909,887)	\$ (11,040,645)
40	30	70							
	Full Rate*		(3,332,250)	(2,834,955)	(2,030,650)	(1,864,950)	(1,646,925)	(1,368,722)	(1,021,472)
	Reduced Rate*		(5,427,964)	(5,015,764)	(4,322,702)	(4,273,919)	(4,178,776)	(4,029,723)	(3,818,211)
40	60	100	(387,964)	222,790	1,625,419	1,969,850	2,375,426	2,850,441	3,404,224
65	60	125	2,301,536	3,021,494	4,566,885	5,061,361	5,624,635	6,265,393	6,993,372
Total Cumulative (from Initial Year) City Savings									
40	0	40	\$ (10,467,964)	\$ (52,325,166)	\$ (103,143,473)	\$ (155,249,563)	\$ (208,497,801)	\$ (262,710,250)	\$ (317,672,104)
40	30	70							
	Full Rate*		(3,332,250)	(15,941,003)	(27,507,445)	(37,183,071)	(45,876,177)	(53,301,958)	(59,133,348)
	Reduced Rate*		(5,427,964)	(26,631,252)	(49,433,253)	(70,917,565)	(92,021,718)	(112,491,635)	(132,032,542)
40	60	100	(387,964)	(937,337)	4,276,966	13,414,433	24,454,365	37,726,980	53,607,019
65	60	125	2,301,536	12,781,816	32,415,087	56,707,033	83,674,476	113,687,065	147,160,985
* Full Rate assumes that costs of Makushin are shared proportionately among all users. Reduced Rate assumes that all sales above the City loads pay for Makushin based on 100 million kWh of sales.									
** Additional sales by City assumed to be for heating sales with customers fuel switching for heat. Heating customers are assumed to pay the full Makushin rate, and savings shown are for electric customers only and do not include savings or losses to heating customers.									
NOTE: Sales in excess of 100 million kWh/year may result in the need to expand the Facility, and costs would increase from that shown.									

Impact to Ratepayers. To provide an indication of how important these costs and benefits shown above are, the impacts on customers' monthly bills are shown below for the first ten years of operations. These impacts are based on:

- 1) The average user for each rate class;
- 2) The comparison of Makushin costs with costs associated with continued use of diesel; and
- 3) The oil price assumptions presented on July 21.

	kWh/month/cust		NOTE: Billing impacts for scenario with Heat sales is based on heating customers paying full Makushin rate. Impact to Monthly Bill is for electric bill only and does not reflect savings or losses incurred by heating customers.									
Residential	448											
Small General Service	1,634											
Large General Service	12,575											
Industrial	152,086											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10		
Rate Increase (Decrease) from Continued Use of Diesel (\$/kWh)												
City Only	0.262	0.264	0.265	0.261	0.256	0.251	0.253	0.254	0.255	0.257		
City + 30 million Full Rate	0.083	0.083	0.084	0.077	0.071	0.060	0.060	0.059	0.059	0.051		
City + 30 million Reduced Rat	0.136	0.136	0.137	0.131	0.125	0.115	0.115	0.116	0.116	0.108		
City + 60 million	0.010	0.009	0.009	0.002	(0.006)	(0.021)	(0.022)	(0.023)	(0.024)	(0.041)		
City + 60 million + Heat	(0.058)	(0.059)	(0.060)	(0.068)	(0.076)	(0.091)	(0.093)	(0.095)	(0.097)	(0.114)		
Monthly Bill Increase (Decrease)												
City Only												
Residential	\$ 117.11	\$ 117.95	\$ 118.79	\$ 116.82	\$ 114.72	\$ 112.49	\$ 113.11	\$ 113.72	\$ 114.32	\$ 114.91		
Small General Service	427.58	430.65	433.70	426.51	418.85	410.69	412.96	415.19	417.38	419.53		
Large General Service	3,290.95	3,314.57	3,338.08	3,282.76	3,223.78	3,161.00	3,178.43	3,195.58	3,212.43	3,228.97		
Industrial	39,800.85	40,086.49	40,370.80	39,701.85	38,988.53	38,229.27	38,440.04	38,647.40	38,851.20	39,051.29		
City + 30 million kWh @ Full Rate												
Residential	\$ 37.28	\$ 37.34	\$ 37.39	\$ 34.62	\$ 31.72	\$ 26.99	\$ 26.79	\$ 26.57	\$ 26.33	\$ 22.72		
Small General Service	136.11	136.33	136.50	126.40	115.80	98.54	97.81	97.01	96.14	82.94		
Large General Service	1,047.60	1,049.26	1,050.59	972.87	891.26	758.47	752.82	746.65	739.95	638.40		
Industrial	12,669.74	12,689.77	12,705.82	11,765.92	10,778.94	9,172.98	9,104.58	9,029.99	8,949.03	7,720.85		
City + 30 million kWh @ Reduced Rate												
Residential	\$ 60.73	\$ 61.02	\$ 61.30	\$ 58.78	\$ 56.12	\$ 51.63	\$ 51.68	\$ 51.71	\$ 51.72	\$ 48.36		
Small General Service	221.71	222.78	223.82	214.60	204.88	188.51	188.68	188.79	188.83	176.57		
Large General Service	1,706.46	1,714.70	1,722.69	1,651.69	1,576.87	1,450.94	1,452.21	1,453.03	1,453.40	1,358.98		
Industrial	20,637.97	20,737.69	20,834.22	19,975.61	19,070.72	17,547.67	17,563.02	17,573.02	17,577.49	16,435.59		
City + 60 million kWh												
Residential	\$ 4.34	\$ 4.09	\$ 3.82	\$ 0.73	\$ (2.49)	\$ (9.22)	\$ (9.75)	\$ (10.30)	\$ (10.88)	\$ (18.18)		
Small General Service	15.85	14.92	13.94	2.68	(9.10)	(33.67)	(35.60)	(37.61)	(39.71)	(66.39)		
Large General Service	121.97	114.84	107.30	20.62	(70.04)	(259.13)	(274.02)	(289.51)	(305.62)	(511.00)		
Industrial	1,475.10	1,388.89	1,297.64	249.36	(847.08)	(3,133.93)	(3,313.99)	(3,501.36)	(3,696.23)	(6,180.10)		
City + 60 million kWh + Heat												
Residential	\$ (25.75)	\$ (26.30)	\$ (26.88)	\$ (30.27)	\$ (33.80)	\$ (40.85)	\$ (41.69)	\$ (42.56)	\$ (43.46)	\$ (51.09)		
Small General Service	(94.01)	(96.03)	(98.12)	(110.51)	(123.42)	(149.13)	(152.22)	(155.40)	(158.67)	(186.54)		
Large General Service	(723.56)	(739.15)	(755.23)	(850.53)	(949.91)	(1,147.79)	(1,171.57)	(1,196.04)	(1,221.21)	(1,435.75)		
Industrial	(8,750.80)	(8,939.27)	(9,133.80)	(10,286.40)	(11,488.20)	(13,881.46)	(14,168.99)	(14,464.91)	(14,769.41)	(17,364.02)		

Additionally, there are known expenses the City is agreeing to contribute in this PPA:

- Up to \$5 million for upgrading the City distribution system, with OCCP committing up to \$7 million. We are agreeing to initially fund the integration and interconnection study, but will be reimbursed from OCCP after the fact.

LEGAL: City Attorney, Brooks Chandler, has been engaged in the PPA development and negotiations with OCCP from the beginning.

STAFF RECOMMENDATION: The City team remains supportive of this project and are excited about what it might mean for the future of our community. The PPA before you this evening has been prepared in accordance with City Council Directives.

As your City Manager, I do, however, recommend tabling Resolution 2020-55 and allowing for time to obtain written commitments from self-generating processors for the purchase of power. These commitments would significantly lessen the financial risk to the City, and the City would be better positioned to sell the power we are agreeing to purchase through the PPA with OCCP. This benefits all rate payers, and in the end, is beneficial to the entire project and community.

Mechanically, this would be accomplished by a Council member first moving to approve and then moving to postpone indefinitely. Council can only postpone to a date certain if that date is the very next meeting. The target date to have these commitments with self-generators and the PPA with OCCP appear before City Council could be the first meeting in January.

No matter what Council chooses to do this evening, my staff and I are ready to support the decision and move forward in accordance with Council's direction.

PROPOSED MOTION: I move to approve Resolution 2020-55.

ATTACHMENTS:

- Memo from City Attorney
- PPA between OCCP and City of Unalaska

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MEMORANDUM

TO: Unalaska City Council



FROM: Brooks Chandler
City Attorney

DATE: August 21, 2020

RE: Geothermal Power Purchase Agreement

At the August 11 city council meeting the city council directed staff to accept the OCCP proposal to share in the upside with the “meter” on the upside sharing starting at 100,000,000 kWh in annual sales. The OCCP proposal as described on page 3 item 5 in a letter to the City Council was “OCCP and City will split the upside for electrical sales above 100M kWh”. OCCP had not in fact proposed the “share in the upside” to start at 100,000,000 kWh per year but on a monthly basis so additional negotiations were required to translate a sharing in the upside to annual kWh sales.

Council also directed staff to negotiate for a daily rate of \$20,000 per day in liquidated damages and to require OCCP to promise to construct two subsea cables so as to provide greater system reliability.

Council’s goals have been accomplished as reflected in the final draft of the power purchase agreement. The two subsea cable requirement is contained in the definitions of “Facility” in Section 1(i) and “Interconnection Plan” in Section 1(m). Section 16 sets the daily liquidated damages amount at \$20,000.

The “split the upside” requirement is stated in Section 5 (h) and uses a mathematical formula set out in Exhibit F. Here is how it works using the 125,000,000 kWh in annual sales

that is the example in Exhibit F. This is a 50/50 split based on kWh sold above 100,000,000 as determined by the rate per kWh paid by the City. The additional payment to OCCP in the example is 2,037,500 an additional 12.5% of the annual 16,300,000 payment. 12.5% is a 50-50 split of the 25% increase in kWh sold above the 100,000,000 kWh threshold. OCCP gets 12.5% of this upside. The City gets 12.5% of the upside.

This provision will allow OCCP the opportunity to recover some, all or more than all of the additional \$5,000,000 they have promised to invest in heat pump infrastructure should the project exceed the point where the additional meter payment starts “running”. This clearly would generate a “win-win” for OCCP and city ratepayers.

Other provisions of the agreement and our assessment of risks have been described in our memoranda of March 10, 2020, July 17, 2020 and July 27, 2020 and are not repeated here.

POWER PURCHASE AGREEMENT

BETWEEN

CITY OF UNALASKA, a first-class Alaska municipal corporation

AND

OUNALASHKA CORPORATION/CHENA POWER, LLC, an Alaska limited liability company

Parties

This POWER PURCHASE AGREEMENT, dated August 31, 2020 (Agreement) is made between the City of Unalaska, a first-class Alaska municipal corporation (Purchaser) and Ounalashka Corporation/Chena Power, LLC (Seller) a licensed Alaska limited liability company duly organized under the laws of the State of Alaska.

Recitals

Whereas, the Purchaser owns and operates water, sewer and electric public utilities for the City of Unalaska;

Whereas, the Seller intends to develop and build a geothermal power system to generate electricity for sale to the Purchaser (Makushin Geothermal Project); and

Whereas, the Purchaser desires to purchase electric power from the Seller under the terms and conditions set forth herein; and

Whereas, upon complete satisfaction of the conditions precedent set forth in this Agreement, the Purchaser and Seller intend for this Agreement to become binding and fully enforceable on the Parties.

Now, therefore, the Purchaser and the Seller (jointly the Parties) in order to achieve the foregoing do agree and commit as follows.

Terms and Conditions

1. DEFINITIONS

- (a) “Agreement” means this Power Purchase Agreement.
- (b) “Actual Project Capability” means a Project Capability, as determined by an independent third-party engineer, that is less than the stated Project Capability and

such that the Purchaser is unable to meet 100% electrical demand with Energy from the Facility.

- (c) **“City Distribution System”** means all city-owned equipment interconnected with the City distribution and transmission lines up to the Delivery Point.
- (d) **“Commercial Operations Date”** means the date on which the last of the following events occurs: 1) construction of the Facility and the transmission lines from the Facility to the Delivery Point have been substantially completed in accordance with the terms and conditions of this Agreement and Applicable Laws and the Facility and transmission lines possess all the other material characteristics necessary for delivery of Energy to the Delivery Point pursuant to this Agreement; 2) the Facility has successfully completed all tests which must be performed prior to commercial operation as required by applicable laws, start up and testing procedures required by the Engineering Procurement Construction Contract between OCCP, LLC and its manufacturers and installers and has demonstrated as confirmed by an independent engineer retained by Seller in a written report consistent with Prudent Electrical Practices or the terms of the Interconnection/Integration Plan that the Facility is fully available to be operated and able to provide not less than the Project Capability to the Delivery Point and that output can be dispatched into the Purchaser’s system without disruption and on a commercial basis; 3) Seller has obtained all governmental approvals and Permits required to begin commercial operations and operate and maintain the Facility in accordance with this Agreement, and all such Permits and approvals are final and in full force and effect; and; 4) Seller and Purchaser have obtained the insurance specified in Section 18.
- (e) **“Commercial Operation Deadline”** means May 31, 2024 which is the date by which the Facility must have reached the Commercial Operations Date, or such other date as provided in this Agreement or as may be agreed to in a writing signed by both Parties.
- (f) **“Delivery Point”** means the interconnection point(s) between the Seller’s Facility and the City Distribution System. This may be comprised of a single point or points for transferring energy between the Seller’s Facility and the City Distribution System.
- (g) **“Energy”** means geothermal energy for electrical power generation expressed in kWh generated from the Facility and provided to Purchaser by Seller under this Agreement.

- (h) **“Equivalent Availability Factor”** means the ratio of hours the Facility is available for power generation at Project Capacity to the number of hours in a particular calendar month. The removal or derating of any operational component which would limit the ability to generate at Plant Capacity to the Delivery Point shall be considered Unavailable. An example of how Equivalent Availability Factor is calculated is attached as Exhibit D.
- (i) **“Facility”** means any Facility/facilities or component/components of/to the Makushin Geothermal Project used to produce Energy owned by the Seller including all electric power interconnection and transmission equipment located on Seller’s side of the Delivery Point. Transmission equipment shall include two subsea cables each capable of transmitting Energy to the Delivery Point. Facility includes an electric generating facility with a net output of 30 MVA at the Delivery Point, using geothermal fluid as the fuel source and located near the existing ST-1 well (“Project Site”). Additional capacity added to the Facility after the Commercial Operation Date shall not be subject to this Agreement unless the Parties have executed and approved an amendment to this Agreement.
- (j) **“Fixed Payment”** means the annual payment Purchaser and Seller agree will be paid for electrical energy which may be utilized during the initial Year of the Term and thereafter increased based on Section 5 requirements. The fixed payment shall be divided into 12 equal monthly payments.
- (k) **“Force Majeure”** means (a) any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, civil disturbances, sabotage, blockade, expropriation, confiscation, fire, unusual or extreme adverse weather-related events or natural disasters (such as lightning, landslide, earthquake, tornado, hurricane, storm or flood), pandemic, epidemic or any order, regulation or restriction imposed by any Governmental Authority, or (b) any other event of circumstance, which, in each case of clauses (a) and (b), (i) prevents a Party from performing any of its obligations under this Agreement, (ii) could not reasonably be anticipated as of the date of this Agreement, (iii) is not within the reasonable control of, or the result of negligence, willful misconduct, breach of contract, intentional act or omission or wrongdoing on the part of the affected Party (or any subcontractor or Affiliate of that Party), and (iv) which by the exercise of due diligence the affected Party is unable to overcome or avoid or cause to be avoided; provided, nothing in this clause (iv) shall be construed so as to require either Party to accede or agree to any provision not satisfactory to it in order to settle and terminate a strike or labor dispute in which it may be involved. A Force Majeure does not include any of the following: (1) events arising from the failure by Seller to construct, operate or maintain the Facility in

accordance with this Agreement; (2) any increase of any kind in any cost; (3) delays in or inability of a Party to obtain financing or other economic hardship of any kind; or (4) any changes in the financial condition of Purchaser, Seller, or any subcontractor or supplier affecting the affected Party's ability to perform its obligations under this Agreement.

- (l) **"Initial Synchronization"** means the date upon which the Facility is first synchronized at the Delivery Point with Purchaser's system.
- (m) **"Interconnection / Integration Plan"** means the document agreed by the Parties that represents requirements for system interconnection and integration of power to the Purchaser's existing system. The plan shall include two subsea cables each capable of transmitting Energy to the Delivery Point and shall consider city, state, federal codes and standards, in conjunction with the geothermal plant design basis and shall incorporate Prudent Electrical practices to integrate the City Distribution System taking into account methodology to improve Purchaser's Electrical System Integrity to the extent agreed in Section 11, or as mutually agreed in the actual plan which is to be attached as Exhibit B, when completed.
- (n) **"kWh"** means a kilowatt-hour of electric energy.
- (o) **"Local Tax"** means ad valorem real and personal property taxes levied by the City of Unalaska on the Facility.
- (p) **"Metered Energy"** means the Energy delivered to Purchaser by Seller at the Delivery Point as measured by the Purchaser's supplied Meter at the Delivery Point.
- (q) **"Metering Equipment"** means equipment required to provide a complete metering circuit including; cabinets, potential transformers (PT's), current transformers (CT's), raceway and interconnection wiring.
- (r) **"Month"** means a calendar month.
- (s) **"Outage"** means a duration of time in which the facility cannot provide 100% of required demand, requiring the Purchaser or self-generators to run additional generation, interrupt loads, or reduce loads. Outages shall be measured in hours. An outage of any period of time up to 60 minutes shall be equal to 1 hour. A sum of all single outages less than 60 minutes, in a 24-hour period shall be a maximum of 24 hours.
- (t) **"Peak Capacity"** has been reached when a measurement of power in MVA or KW has exceeded 1.5% for any duration of time, i.e., 30 MVA Peak Capacity = 30.405 MVA.

- (u) **“Permits”** means all applications, permits, licenses, franchises, certificates, concessions, consents, authorizations, approvals, registrations, orders, filings, entitlements, and similar requirements of whatever kind and however described that are required to be obtained from a Governmental Authority with respect to the development, siting, design, acquisition, construction, equipping, financing, ownership, possession, start-up, testing, operation or maintenance of the Facility, the production and delivery of Energy or any other transactions or matter contemplated by this Agreement (including those pertaining to electrical, building, zoning, environmental, and occupational safety and health requirements).
- (v) **“Plant Availability”** means that the Facility is operating at a capacity such that all power requirements of the Purchaser are met up to the Project Capability.
- (w) **“Plant Reliability”** is defined as the Facility’s ability to load follow demand, up to Project Capability.
- (x) **“Project Capability”** means the installed capability of the Facility to maintain Plant Reliability at the Delivery Point at Peak Capacity.
- (y) **“Project Finance”** means a loan from the Department of Energy or third-party lender sufficient to pay for and/or reimburse Seller for construction and initial operations costs and expenses associated with the Makushin Geothermal Project.
- (z) **“Project Site”** means the real property shown on the attached Exhibit A.
- (aa) **“Prudent Electrical Practices”** means those standards of design, engineering, construction, workmanship, operation, care and diligence normally practiced by internationally recognized engineering and construction firms and prudent operators of electric generation facilities similar to the Facility and electrical transmission systems in the Western United States during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment in the light of the facts known at the time the decision was made, could reasonably have been expected to accomplish the desired result consistent with good business practices, reliability and safety. Prudent Electrical Practice is not intended to be the optimum practice, method or act to the exclusion of all others, but rather is intended to be any of the practices, methods and/or actions generally accepted in the Western United States during the relevant time period. Prudent Electrical Practice includes taking reasonable steps to ensure that: (a) equipment, materials, resources, and supplies are available to meet the Party’s needs; (b) sufficient operating personnel or control procedures are available at all times and are adequately

experienced, trained and licensed as necessary to operate the Facility or Purchaser's system properly and efficiently, and are capable of responding to reasonably foreseeable emergency conditions; (c) preventive, routine, and non-routine maintenance and repairs are performed on a basis that ensures reliable long-term and safe operation, and are performed by knowledgeable, trained, and experienced personnel utilizing proper equipment and tools; and (d) appropriate monitoring and testing are performed to ensure equipment is functioning as designed.

- (bb) **"Purchaser"** means the City of Unalaska through its Public Utilities Department.
- (cc) **"Purchaser's Electric System Integrity"** means operation of Purchaser's electric power and transmission system in a manner that minimizes risks of injury or damage to persons and/or property and enables Purchaser to provide reliable electric power service to its customers.
- (dd) **"Seller"** means the Ounalashka Corporation/Chena Power, LLC, an Alaska limited liability company.
- (ee) **"Startup Period"** means the period that begins at Initial Synchronization and ends at the Commercial Operations Date.
- (ff) **"Year"** means each twelve (12) month period during the Term commencing on the Commercial Operation Date or the anniversary of such date.

2. GENERAL

- (a) During the Startup Period and continuing through the term of this Agreement, Seller shall deliver to Purchaser, and Purchaser shall receive from Seller electric energy output from the project Facility/facilities in accordance with the terms and conditions of this Agreement.
- (b) Subject to 2 (c) and (d) below, Seller shall sell exclusively to Purchaser; provided, however, that minimum payments are made by the Purchaser, as described in Section 5 of this Agreement.
- (c) Purchaser shall have the exclusive right to provide electric service to all new and existing customers within Purchaser's existing service area at the City's then existing tariff rates. Purchaser shall have the right of first refusal to provide electric service to all new customers located outside Purchaser's existing service area that

may request electric service from the Project, including to any operations owned and/or controlled by Seller and new customers owned in whole or in part by Ounalashka Corporation, Chena Power LLC or any subsidiary or affiliated entity at a rate equal to the City's cost of city purchased or city generated power plus applicable standard customer charges. The first right of refusal period shall expire thirty (30) days after Purchaser is provided written notice of such new customer ("Refusal Period"). At the expiration of the Refusal Period Seller shall have the exclusive right, in its sole discretion, to provide electrical service to new customer(s) under a separate agreement, the terms of which shall be negotiated exclusively between Seller and such third-party(ies). Any such Agreement between Seller and such third party(ies) shall not reduce Seller's obligation to provide 30 MVA to the Purchaser at the Delivery Point.

- (d) Seller shall convey title to and risk of loss of all energy delivered to the Purchaser at the Delivery Point.

3. FACILITY CONSTRUCTION AND COMMERCIAL OPERATION

- (a) Seller shall use reasonable commercial efforts to construct the Facility and achieve the Commercial Operation Date by the Commercial Operation Deadline. Seller shall provide Purchaser with periodic reports about the progress of the Facility construction and completion.
- (b) Seller shall provide Purchaser with at least 70 days advance notice of the date when Seller anticipates achieving Initial Synchronization.
- (c) Seller shall provide Purchaser with at least 45 days advance notice of when Seller anticipates beginning to demonstrate Commercial Operation has been achieved. Purchaser shall be allowed to observe the Facility during demonstration or testing required to establish Commercial Operation. Purchaser shall accommodate or allow reasonable correspondence and collaboration with Purchaser customers to facilitate adequate loading of Facility to allow completion of all tests required to complete the "start-up" process.
- (d) Energy exchange during the Start-Up Period shall be at no cost to the Purchaser or customers of the Purchaser.
- (e) Seller shall provide Purchaser written certification of Commercial Operations when Seller believes that all requirements under this Agreement for achieving

Commercial Operation Date of the Facility, including the conditions precedent specified in the definition of “Commercial Operation Date” in Section 1, have been satisfied. If Purchaser rejects certification of Commercial Operations, Purchaser shall state in detail the reasons for its rejection. The Parties shall immediately meet and confer to address Purchaser’s concerns. Commercial Operation shall be deemed to have occurred on the date that the requirements for Commercial Operation are satisfied, which date may be earlier or later than the date on which Purchaser accepts Seller’s certification that Commercial Operation has occurred and/or the date on which any concerns that Purchaser expresses in connection with Seller’s notice are resolved; provided the Parties acknowledge or are deemed to have acknowledged, or it is determined through dispute resolution, that all such requirements for Commercial Operation have been satisfied on such earlier date.

- (f) Seller shall provide Purchaser with as built drawings of the Facility and all equipment placed at the Delivery Point within sixty (60) days after the date of Commercial Operations.
- (g) Purchaser may inspect the Facility during the term hereof upon reasonable advance notice to Seller.

4. TERM

- (a) Subject to Sections 4 (b) and (c) below, this Agreement shall become effective on the date it is executed and delivered by both Parties and shall continue in effect for a period of thirty (30) years after the Commercial Operation Date (Term).
- (b) The Term of this Agreement may be extended by mutual agreement of the Parties for an additional period, provided that the Purchaser or the Seller request in writing an extension of this Agreement not less than eighteen (18) months prior to the expiration of the initial Term. In the event an extension request is submitted by either party, Purchaser and Seller shall each negotiate in good faith using commercially reasonable efforts to agree on the terms, conditions, and length of an extended term.
- (c) Seller and Purchaser agree that the purpose and intent of this Agreement is dependent on the successful completion of the construction of the Facility/Facilities and the related achievement of the Commercial Operation Date by the Commercial Operation Deadline. As such, in the event that either; 1) Seller fails to obtain Project Financing by June 10, 2021; or 2) construction of the Facility/Facilities is

at any time discontinued, abandoned or otherwise terminated by Seller in its sole discretion , or 3) Seller fails to provide written assurances to Purchaser that the Commercial Operation Deadline will be achieved in a form consistent with Prudent Utilities Practices, or 4) the Project fails to reach Commercial Operation by the Commercial Operation Deadline, then either Party may terminate this Agreement upon thirty (30) day's prior written notice to the other party. In the event that a party elects to terminate this Agreement pursuant to this Section 4 (c), neither Seller nor Purchaser shall have any further liability and/or obligations to the other hereunder after the termination date, except for obligations, liabilities and/or duties that accrued prior to such termination or that survive such termination by the terms of this Agreement.

5. FIXED PAYMENT

- (a) The Seller agrees to sell and the Purchaser agrees to purchase electrical energy which may be utilized immediately for a Fixed Payment of sixteen million three hundred thousand dollars per year (\$16,300,000.00). Each successive Year during the Term the Fixed Payment shall increase; 1) by one per cent (1%) plus; 2) by an amount equal to the total amount of Local Tax paid by Seller during the previous Year.
- (b) If Seller elects to construct the Project at a different location than the Project Site which decreases construction and operating costs by more than five per cent (5%), prices shall be revised downward to reflect the decreased construction and operating costs.
- (c) If Purchaser requests Seller to increase the generating capacity of the Facility above the Project Capability, the Fixed Payment shall be increased, via an addendum to this PPA in an amount to be negotiated by the Parties.
- (d) In the event the Facility fails to deliver Plant Availability at Project Capability the following adjustment to pricing and Seller actions are agreed. The intent of these adjustments are not to act as a penalty to the Seller, but to reduce Purchaser's actual financial hardship and to place Purchaser in the same position as if the Facility delivered Plant Availability at Project Capability as agreed. Purchaser and Seller recognize that determination of the actual financial impact to Purchaser in such circumstances is not easily capable of precise calculation and have adopted these provisions for that reason. This subsection does not supersede Purchaser's or Seller's rights to declare a Default under section 15.

(e) If in any month during the Term the Seller cannot provide the Plant Availability at the Delivery Point for reasons other than limitations within the Purchaser's Electric System Integrity and the Purchaser must either operate its generation equipment or generate power from its own facilities or purchase power from other sources to meet its load obligations or allow customers to self-generate power they otherwise would have been supplied by Purchaser or reimburse customers for their cost of fuel used to self-generate power, Seller shall reimburse the Purchaser the sum of the following : ("Reimbursement Payment"):

- 1) the cost of Purchaser's fuel
- 2) the cost of fuel of customers who self-generate
- 3) one cent (.01) per kilowatt hour for each kWh of energy generated by Purchaser and self-generators that would have been supplied by the Facility ("Administrative Charge"). Each successive Year during the Term the Administrative Charge shall increase by one per cent (1%).

The Reimbursement Payment or Increased Reimbursement Payment shall be treated as a deduction to the Fixed Price Payment made by the Purchaser in the following month.

(f) If at any period during the Term, Seller cannot provide the Project Capability at the Delivery Point for either a period of three consecutive calendar months, or six or more months in any Year, the Actual Project Capability will be determined and the Administrative Charge for those months shall be increased by .02 per kWh beginning with the next monthly payment ("Increased Reimbursement Payment").

(g) After Actual Project Capability has been determined, Seller shall then undertake the necessary means and methods to restore the Facility to Project Capability. The applicable Increased Reimbursement Payment shall continue until Seller has restored Project Capability. However, if instead of restoring Project Capability Seller negotiates lower Project Finance payments the Fixed Price shall be reduced in proportion to Seller's lower Project Finance payments.

(h) If Metered Energy delivered in any Year exceeds 100,000,000 kWh Purchaser shall make an additional payment to Seller calculated as set forth in Exhibit F ("Additional Payment"). The Additional Payment shall be paid in the first month of the following Year.

6. METERING AND PAYMENT OF INVOICES

- (a) Meters shall be owned and operated per city code. Purchaser shall read Purchaser's meter at the Delivery Point on the last day of each month after Initial Synchronization and continuing through the month following the end of the Term, unless otherwise mutually agreed to by the Parties. Purchaser shall prepare and render to Seller within five (5) business days after the end of each month a statement detailing daily and hourly records of Metered Energy during the preceding month. Seller shall have the right to monitor and witness such readings at its own cost and expense. Within five (5) business days after receipt of the statement of Metered Energy Seller shall prepare and render to Purchaser an invoice for Seller's calculation of the payments due to Seller for such month.
- (b) Each Year, monthly payments due shall be equal to one-twelfth of the Base Price (less applicable credits)
- (c) Purchaser shall pay the undisputed amount of Seller's invoices within thirty (30) days after receipt of the invoice. If either the invoice date or payment date is not a Business Day, then such invoice or payment shall be provided on the next following Business Day. Payment shall be made at the office of the Seller, as designated in writing by the Seller. If Purchaser disputes the accuracy of an invoice, or Seller disputes the accuracy of the statement of Metered Energy, the Parties shall use commercially reasonable efforts to resolve the dispute. Any adjustments which the Parties may subsequently agree to make regarding any such invoice shall be made by a credit or additional charge on the next invoice submitted.
- (d) If any payment due from either party under this Agreement shall not be paid when due and payable to the other party, the offending party agrees to compensate the harmed party at the amount in arrears times a rate equal to two percent (2%) over the prime rate as published by the "Money Rates" section of the New York City edition of the *Wall Street Journal*, or mutually agreed upon alternative ("Interest Rate").
- (e) At any time during normal business hours, either party shall have the right, upon reasonable prior notice to the other party, to examine and /or make copies of the records and data of the other party relating to this Agreement (including all records and data relating to or substantiating any charges paid by or to either party and including without limitation metering records of energy delivered) for the period such records and data are required to be maintained. All such records and data shall

be maintained for a minimum of seven (7) years after the creation of such records for data.

7. METER AND SUBSTATION LOCATION AND PROCEDURES

- (a) As a condition precedent the Parties agree to establish a mutually acceptable location for a new terminal switching station taking the undersea cable and fiber and converting to power acceptable for tie into the City Distribution System.
- (b) As a condition precedent the Parties agree to establish mutually acceptable locations for Metering Equipment locations.
- (c) Supply, operation, maintenance and ownership of revenue meters and all Metering Equipment shall be in accordance with paragraph 7(e), and the Interconnection/Integration Plan and Operating Procedures adopted as required by Section 11.
- (d) Purchaser and Seller shall supply each other with easements as needed for installation, operation and maintenance of equipment by the responsible party.
- (e) After the date of Commercial Operations meters shall be maintained and read by the Purchaser. Purchaser shall maintain the Meter according to the manufacturer's suggested maintenance and testing recommendations. The manufacturer's maintenance recommendations and Purchaser's maintenance records for the Meter will be made available to Seller upon reasonable written request. Meters shall be furnished and installed by Purchaser.
- (f) Purchaser shall test and calibrate the meters by comparison with accurate standards at intervals satisfactory to the Parties. Purchaser shall make special meter tests at any time at Seller's request using an independent party selected by Purchaser. The costs of all tests shall be borne by Purchaser; provided however, that if any special meter test made at Seller's request discloses that the meters are reading accurately, Seller shall reimburse Purchaser for the cost of such test. Meters registering no more than two percent (2%) above or below normal shall be deemed to be accurate. The readings of any meter which shall have been disclosed by the test to be inaccurate shall be corrected, based on the inaccuracy at the time of testing, for the shorter of (1) the number of days since the meter being tested was installed, (2) the number of days since the last test indicating that such meters were performing properly, or (3)

the one hundred eighty (180) days prior to the current test, in accordance with the percentage of inaccuracy found by such test.

- (g) To the extent that the adjustment period covers a period of deliveries for which payment has been made by Purchaser, Seller shall use the corrected measurements to re-compute the amount due (which amount shall not include interest) for the period of the inaccuracy and shall subtract the previous payments by Purchaser for such period from such re-computed amount. If the difference is a positive number, such difference shall be paid by the Purchaser to the Seller, and if the difference is a negative number, such difference shall be paid by the Seller to the Purchaser. Payment of such difference shall be made by means of a credit or an additional charge on the next statement rendered.

8. HEATING SYSTEM

Within one (1) month of executing this PPA, Seller will commission a feasibility study, at its cost, to survey Unalaska homes and business for conversion and use of air source heat pump (ASHP) technology. Assuming feasibility proven to the mutual satisfaction of Seller and Purchaser (metrics for feasibility are less greenhouse gas emissions and air pollution to the community, and less net cost to consumers for heating), Seller will design, procure, and install to entities who wish to convert their homes and business to ASHP at no cost to consumers. Seller shall pay for all design and installation costs up to a maximum of ten million dollars.

9. DISPATCH, OPERATIONS AND MAINTAINENCE.

- (a) After the Commercial Operation Date, Purchaser (or a designee on behalf of Purchaser) shall dispatch the Facility as necessary to meet Purchaser's need for electrical energy, up to the Project Capability.
- (b) Seller (or a designee on behalf of Seller) shall operate and maintain the Facility in accordance with Prudent Electrical Practices, Applicable Laws and Permits and in a manner that does not materially adversely affect Purchaser's Electric System Integrity. It shall be Seller's responsibility to provide suitable protective equipment as it concerns the Facility, such as fuses, circuit breakers, and relays, to adequately protect the Facility's and Purchaser's electric power equipment, and to ensure that the electric power interconnection for the Facility complies with all applicable legal, safety, and electrical code requirements.
- (c) To the extent not inconsistent with Prudent Electrical Practices and manufacturers' guidelines and recommendations generally applicable to the Facility, Seller shall

cause the Facility to promptly comply with all dispatch orders issued by Purchaser or on behalf of Purchaser.

- (d) At least sixty (60) days prior to the estimated date of Initial Synchronization, Seller shall provide Purchaser with a maintenance schedule for the Facility for the Facility's first year of operation. Thereafter, Seller shall submit to Purchaser annual maintenance schedules for the Facility no later than October 1 of each year that cover the twelve (12) month period starting January 1 and ending December 31 of the succeeding year and a long-term maintenance schedule that will encompass the immediately ensuing four (4) maintenance years. Purchaser shall provide written notice of any reasonable objections to the proposed then applicable annual maintenance schedule within ten (10) Business Days of Purchaser's receipt thereof. Seller shall furnish Purchaser with reasonable advance notice of any change in the annual maintenance schedule. Reasonable advance notice of any change in the annual maintenance schedule involving any shutdown of the entire Facility is as follows:

Scheduled Outage	Expected Duration	Advance Notice to Purchaser
(1)	Less than 2 days	At least 24 hours
(2)	2 to 5 days	At least 7 days
(3)	Major overhauls (over 5 days)	At least 30 days

- (e) The Facility shall be designed to operate with 100% Plant Availability and 100% Plant Reliability.
- (f) The Facility shall obtain and maintain an average Equivalent Availability Factor of ninety-five percent (95%).
- (g) Outages shall not exceed more than 87 hours in a 365-day period. If the number of Outages is exceeded, the Seller shall be required to install equipment to limit outages to less than 87 hours, provided same outages are a result of Facility.
- (h) Subject to the foregoing, Seller shall have the right to interrupt the supply of electrical power and energy for reasonable maintenance of lines, generation equipment and other facilities. Seller shall have no obligation or responsibility to Purchaser to provide standby generation in the event power delivery from the Facility is interrupted.
- (i) If either Seller's ability to supply available electric power and energy from the Facility or Purchaser's ability to receive and transmit available electrical power and energy from the Facility shall fail, be interrupted, or become defective through an act of Force Majeure, the affected party shall be excused from performance of obligations under this Agreement to the extent such performance is prevented or

delayed by such event or circumstance and the affected party shall not be liable therefore for damages caused thereby, provided the Party, as soon as practicable after becoming aware of the Force Majeure, declares the Force Majeure by giving a written notice (the "Force Majeure Notice") to the other Party and upon request by the other Party furnishes the other Party with a detailed description of the full particulars of the Force Majeure reasonably promptly (and in any event within fourteen (14) days after the request therefor), which shall include information with respect to the nature, cause and date and time of commencement of such event, and the anticipated scope and duration of the delay. The Party providing the Force Majeure Notice shall be excused from fulfilling its obligations under this Agreement until such time as the Force Majeure has ceased to prevent performance or other remedial action is taken, at which time the Party shall promptly notify the other Party of the resumption of its obligations under this Agreement. The relief provided by this section shall only apply if the affected party is taking commercially reasonable efforts to remedy such situation and such situation was not the result of the negligence or fault of the affected party. No event or circumstance shall be considered to excuse a party's obligations under this Agreement to the extent such event or circumstance could have been prevented, overcome or remedied if the affected party had exercised commercially reasonable efforts to do so, and shall expressly exclude a party's financial inability to perform.

- (j) **Operations Log.** Seller shall maintain an operations log, which shall include information on the actual average hourly, monthly and annual electric power output of the Facility, well availability and output, planned and unplanned maintenance outages, circuit breaker trip operations requiring a manual reset, partial de-ratings of equipment, and any other significant event related to the operation of the Facility. The operations record shall be available for inspection by Purchaser upon reasonable advance written request, and Seller shall make the data available on a real-time basis by remote access to Purchaser if Purchaser acquires the necessary equipment and software license to process the data by remote access.
- (k) **Monthly Reports.** If requested in writing by Purchaser, Seller shall provide to Purchaser an electronic monthly report, no later than thirty (30) days after the end of each calendar month identified in the written request, regarding the operations of the Facility that shall include: all reporting information maintained in the operations record and hourly electric power output of the Facility. The monthly report shall also include an estimate of monthly electric power output for the calendar year and such other information related to the operation of the Facility that Purchaser reasonably requests in writing.

10. OPERATING COMMITTEE AND OPERATING PROCEDURES

- (a) Purchaser and Seller shall each appoint one delegate and one alternate delegate to act on matters relating to the operation of the Facility under this Agreement. Such

delegates shall constitute the "Operating Committee". The Parties shall notify each other in writing of such appointments and any changes thereto. The Operating Committee shall have no authority to modify the terms or conditions of this Agreement.

- (b) The Operating Committee shall, acting reasonably, establish mutually agreeable written operating procedures ("Operating Procedures") in draft form no later than the Commercial Operations Date. Operating Procedures shall include: the method of day-to-day communications; metering, telemetering, telecommunications, and data acquisition procedures; operating and maintenance scheduling and reporting; operations log; and such other matters as may be mutually agreed upon by the Parties.

11. SYSTEMS INTERCONNECTION AND INTEGRATION

- (a) Within twenty months (20) of executing this Agreement, the Parties shall agree to the Interconnection/Integration Plan a copy of which shall be attached to this Agreement by reference as Exhibit B.
- (b) The Seller shall bear all cost of outside engineering, design and installation costs associated with the Interconnection and Integration requirements with the City Distribution System. The equipment necessary to interconnect at Project Capacity with the City system shall be approved by the City consistent with Prudent Electrical Practice.
- (c) Purchaser shall commission an engineering study to determine reliability upgrades required for the City Distribution System to accept Energy from the Facility. The first two million dollars, (\$2,000,000.00) in cost, for the engineering study and resulting reliability upgrades to the City Distribution System identified in the Interconnection/Integration Plan will be borne solely by the Seller. The next ten million dollars (\$10,000,000) in cost for reliability upgrades identified in the Interconnection/Integration Plan, will be shared equally by Purchaser and Seller. Seller's obligation to share costs are in addition to Seller's cost obligations under paragraph 11(b).
- (d) All equipment interconnected with the City Distribution System shall be installed in accordance with applicable City of Unalaska ordinances and the Interconnection/Integration Plan including but not limited to installation of a revenue grade meter(s) approved, installed and maintained by Purchaser, in equipment provided by the Seller at each Point of Delivery.

12. TAXES

The Parties shall pay to the appropriate taxing authority when due all sales, use and similar taxes levied on Seller's sales, and Purchaser's purchase from or use, occupancy, or operation of the Facility/facilities during or for any part of the Term.

13. COMPLIANCE WITH APPLICABLE LAW

The Parties shall comply with all local, state and federal laws, statutes, ordinances, rules, regulations, decrees, injunctions, orders and codes now or hereafter applicable to the Facility/facilities, regardless of whether they are of legislative, administrative or judicial origin or implement a new or changed governmental policy, including all of those which address planning, zoning, use, subdivision, occupancy, building, construction, maintenance, repair, health, safety, insurance, environmental conservation, environmental pollution and/or hazardous substances.

14. RIGHT OF ACCESS

Duly authorized representatives of either party shall be permitted entry and/or access to premises, facilities and property of the other party, to the extent related to the Facility/Facilities, at all reasonable times in order to carry out the provisions of this Agreement.

15. DEFAULT

- (a) Seller Events of Default. The following shall constitute an event of default on the part of Seller under this Agreement: 1) Seller shall fail to comply with any material provision of this Agreement, and such failure shall continue uncured for thirty (30) days after notice thereof by Purchaser, provided that if such failure is not capable of being cured within such period with the exercise of reasonable diligence, then such cure period shall be extended for an additional reasonable period of time (not to exceed one hundred and eighty (180) days) so long as Seller is exercising reasonable diligence to cure such failure; 2) Seller fails to achieve Commercial Operation by the Commercial Operation Deadline and such failure is not cured within ninety (90) Business Days after Notice from Purchaser; or 3) Seller abandons the Facility (i.e., ceased construction or operation of the Facility or the Facility has ceased production and delivery of the Energy for a consecutive sixty (60) day period and such cessation is not a result of an event of weather or Force Majeure) and such abandonment is not cured within sixty (60) Business Days after Notice from Purchaser.
- (b) Purchaser Events of Default. The following shall constitute events of default on the part of Purchaser under this Agreement:

- (i) Purchaser shall fail to make payments for undisputed amounts due under this Agreement to Seller within ten (10) days after notice from Seller that such payment is unpaid when due;
 - (ii) Purchaser shall fail to comply with any material provision of this Agreement (other than the obligation to pay money when due), and such failure shall continue uncured for thirty (30) days after notice thereof by Seller, provided that if such failure is not capable of being cured within such period of thirty (30) days with the exercise of reasonable diligence, then such cure period shall be extended for an additional reasonable period of time (not to exceed one hundred and eighty (180) days) so long as Purchaser is exercising reasonable diligence to cure such failure.

- (c) With Respect to Either Party. The following shall constitute events of default on the part of either Party under this Agreement: 1) a Party assigns this Agreement or any of its rights hereunder for the benefit of creditors other than a collateral assignment by Seller with respect to the financing of the Facility; 2) a petition in bankruptcy or insolvency or for reorganization or arrangement under the bankruptcy laws of the United States or under any insolvency act of any state if filed against a Party and is not dismissed within sixty (60) days of such filing, or the Party voluntarily taking advantage of any such law or act by answer; or 3) a Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;

- (d) Remedies for Default. If an event of Default occurs there will be no opportunity for cure except as specified in Sections 15 (a) and 15(b). The Party claiming Default may, for so long as the Event of Default is continuing, (i) deliver a written notice which establishes a date (which date shall be no earlier than thirty (30) days after the Non-Defaulting Party delivers notice) on which this Agreement shall be terminated (Termination Date), (ii) withhold any payments due under this Agreement, (iii) seek recovery of liquidated damages to the extent allowed under Section 16; and (iv) pursue any other remedies available at law or in equity, except to the extent such remedies are expressly limited by this Agreement.

- (e) Survival. Expiration or termination of this Agreement shall not affect any rights or obligations which have arisen or accrued prior to such expiration or termination. In addition, all rights and obligations for indemnity under Section 17 shall survive termination of this Agreement.

16. LIQUIDATED DAMAGES

Seller and Purchaser recognize that delivery of Energy is the essence of this Agreement and that the Purchaser will suffer financial loss if Energy is not delivered as promised in accordance with the Agreement. These losses include employee overtime hours, additional wear and tear on Purchaser's generation equipment, actual and estimated future expense of procuring an alternate supply of electricity, lost sales to customers who return to self-generating, lost opportunities for sales to prospective customers and general public inconvenience. They also recognize that such losses multiply over time and that there is significant difficulty and expense in proving in a legal proceeding the actual loss suffered by Purchaser if Energy is not delivered as promised. Accordingly, instead of requiring such proof, Seller and Purchaser agree that as liquidated damages for failure to supply Energy (but not as a penalty) Seller shall pay Purchaser Twenty Thousand Dollars (\$20,000) for each day a Seller Event of Default as described in Paragraph 15(a) exists up to a maximum of five million dollars (\$5,000,000).

17. INDEMNIFICATION

- (a) Each Party shall indemnify, defend and hold the other and its officers, directors, affiliates, agents, employees, contractors and subcontractors, harmless from and against any and all Claims, to the extent caused by the negligence or willful misconduct of the indemnifying Party or the indemnifying Party's own officers, directors, affiliates, agents, employees, contractors or subcontractors. In the event that any loss or damage with respect to any Claim is caused by the negligence or willful misconduct of both Seller and Purchaser, including their respective officers, directors, affiliates, agents, employees, contractors or subcontractors, such loss or damage shall be borne by Seller and Purchaser in the proportion that their respective negligence or willful misconduct bears to the total negligence or willful misconduct causing such loss or damage.
- (b) An Indemnitee seeking indemnification under this Section 16 shall give notice to the Indemnitee within twenty (20) days of receipt of notice of the assertion of any action or claim (including discovery of any loss, damage or injury giving rise to any claim by the Indemnitee), or the commencement of any action, suit, or proceeding, in respect of which indemnity may be sought hereunder. Failure to give such notice shall not relieve the Indemnitor of any liability hereunder, except that the Indemnitor shall be entitled to relief from its obligations under this Section 17 to the extent such failure to give such timely notice materially prejudiced the Indemnitor. The Indemnitee shall give the Indemnitor such information regarding the claim, action or proceeding as the Indemnitee may reasonably request. If a claim for indemnification arises from any action, suit or proceeding, the Indemnitor shall, at its expense assume the defense of such action, suit or proceeding, with counsel of its choice, reasonably satisfactory to the Indemnitee and the Indemnitor shall conduct the defense actively and diligently. The Indemnitee shall have the right, but not the duty, to participate in its own defense and to employ at its own expense counsel separate from counsel

employed by the Indemnitor. The Indemnitor shall be liable for the fees and expenses of counsel employed by the Indemnitee if the Indemnitor has not assumed the defense thereof. Whether or not the Indemnitor chooses to defend or prosecute any claim, the Indemnitees and the Indemnitor shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences as are reasonably required. The Indemnitor will not consent to the entry of any judgment on or enter into any settlement with respect to a claim without the prior written consent of the Indemnitee, which shall not be unreasonably delayed, conditioned or withheld, unless the judgment or proposed settlement involves only the payment of money damages by the Indemnitor and does not impose an injunction or other equitable relief upon the Indemnitee. The Indemnitee shall not consent to the entry of any judgment on or enter into any settlement with respect to any claim without the prior written consent of the Indemnitor, which shall not be unreasonably delayed, conditioned or withheld.

18. INSURANCE

Within ten (10) days from the date of Seller's notice pursuant to section 3(b) and continuing through the entire Term, Seller shall obtain and maintain in force, insurance coverage in accordance with the requirements stated in Exhibit C, Insurance Requirements, which is attached hereto and incorporated into this Agreement.

Within ten (10) days from the date of receipt of notice from Seller pursuant to section 3(b) and continuing until the Commercial Operations Date, Purchaser shall obtain and maintain in force, insurance coverage in accordance with the requirements stated in Exhibit C, Insurance Requirements, which is attached hereto and incorporated into this Agreement.

Each party shall deliver to the other party an insurance certificate evidencing the required coverage, limits and additional insured provisions as required by Exhibit C.

19. REPRESENTATIONS and WARRANTIES

On the Effective Date, each Party represents, warrants and covenants to the other Party that:

- (a) It has or will timely acquire all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
- (b) There is not pending, or to its knowledge, threatened against it or, in the case of Seller, any of its Affiliates, any legal proceedings that could materially adversely affect its ability to perform under this Agreement;
- (c) No Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its

obligations under this Agreement;

- (d) It is acting for its own account and its decision to enter into this Agreement is based upon its own judgment, not in reliance upon the advice or recommendations of the other Party and it is capable of assessing the merits of and understanding, and understands and accepts the terms, conditions and risks of this Agreement.
- (e) It has not relied upon any promises, representations, statements or information of any kind whatsoever that are not contained in this Agreement in deciding to enter into this Agreement;
- (f) It has entered into this Agreement in connection with the conduct of its business and it has the capacity or ability to make or take delivery of the Energy as contemplated in this Agreement; and
- (g) It shall act in good faith in its performance under this Agreement.

20. CONDITIONS PRECEDENT

This Agreement is subject to the following conditions precedent, which shall be fully satisfied on or before the dates identified for each condition precedent:

- (a) Seller shall obtain a written commitment for Project Financing, by 6/10/2021.
- (b) The Parties shall negotiate in good faith to establish the Interconnection / Integration Plan” no later than 20 months after contract execution. The Interconnection/Integration Plan shall include but not be limited to; 1) a mutually acceptable Delivery Point; 2) a location for new distribution and transmission equipment required to connect to the Purchasers existing City Distribution System at Project Capacity, and 3) locations for metering equipment.
- (c) Seller shall have provided Purchaser a utility easement allowing placement, maintenance and operation of all equipment and connections at 1) the Delivery Point and 2) a location for new distribution and transmission equipment required to connect to the Purchasers existing City Distribution System at Project Capacity in a form reasonably satisfactory to Purchaser at no cost to Purchaser by 20 months after contract execution.
- (d) Seller shall have provided Purchaser fully executed Member Guarantees in the form attached hereto as Exhibit E no later than September 1, 2020.
- (e) The Parties have required insurance in place by the dates specified in Section 18.

Termination Caused by Failure to Satisfy Conditions Precedent. This Agreement may be terminated by either party due to the failure of any such condition precedent to timely or fully occur through no fault on the part of such Party. If and when such a termination should occur neither Purchaser nor Seller shall have any further claims, rights or remedies against each other under this Agreement except for obligations, liabilities and/or duties that accrued prior to such termination or that survive such termination by the terms of this Agreement.

21. Dispute Resolution

The Parties shall attempt in good faith to resolve all disputes arising out of or related to or in connection with this Agreement promptly by negotiation, as follows. Any Party may give the other Party written notice of any dispute not resolved in the normal course of business. Senior executives of both Parties shall meet at a mutually acceptable time and place within ten (10) days after delivery of such notice, and thereafter as often as they mutually agree, to attempt to resolve the dispute. The Parties further agree to provide each other with reasonable access during normal business hours to any and all non-privileged records, information and data pertaining to any such dispute. If the matter has not been resolved within thirty (30) days from the referral of the dispute to the Parties' senior executives, or if no meeting of the Parties' senior executives has taken place within fifteen (15) days after such referral, either Party may initiate legal action for resolution of the dispute. All negotiations pursuant to this Section 21 are deemed confidential hereunder. Transfers or assignments of the Facility shall not relieve Seller of any obligation hereunder except to the extent agreed to in writing by Purchaser.

22. GENERAL PROVISIONS.

- (a) Time of Performance. Time is of the essence of this Agreement. It is the express intention of all of the parties to this Agreement that no extensions or grace periods beyond the deadlines set forth in this Agreement shall be provided, because all intended extensions and grace periods have been taken into consideration in establishing such deadlines.
- (b) Parties Bound and Benefitted. The covenants, terms and conditions contained in this Agreement shall be binding upon and inure to the benefit of the assigns and successors of the respective parties hereto.
- (c) Amendment and Novation. No amendment or novation to or of this Agreement shall be effective unless it is completely and unambiguously contained in a writing executed by all of the parties to this Agreement. No such amendment or novation shall be effective unless and until it is supported by a resolution of the board of directors of each corporation, the council of each municipal corporation or the

policy-making authority of each other entity that is a party or a successor or assign of a party to this Agreement, which has expressly approved such amendment or novation.

- (d) Marginal Titles and Headings. The marginal titles, subtitles, headings and subheadings of the paragraphs, subparagraphs, sections and subsections herein are intended to be for reference and for the sake of convenience only and shall not be construed to narrow or broaden the scope of or affect whatever interpretation or construction would otherwise be given to the plain and ordinary meanings of the words herein.
- (e) Entire Agreement. This written Agreement is fully integrated, constitutes the entire agreement between the parties with respect to the subject matter hereof, and supersedes all other prior and contemporaneous agreements, contracts, representations, promises, acknowledgments, warranties and covenants, oral or written, by and between the parties with respect to such subject matter which are not expressly included herein. In the case of any conflict or inconsistency between this Agreement and any other prior agreement between the parties relating to any property or easement conveyed or exchanged herein, this Agreement shall prevail.
- (f) Applicable Law. This Agreement and the respective rights and obligations of the parties hereunder shall be construed and interpreted as a contract under the laws of the State of Alaska, without regard to its conflicts of law principles.
- (g) Exclusive Jurisdiction/Venue. In the event that a question, dispute or requirement for interpretation or construction should arise with respect to this Agreement, the jurisdiction and venue therefor shall lie exclusively with the courts for the Third Judicial District for the State of Alaska, or, alternatively, with the United States District Court for the District of Alaska, at Anchorage, Alaska, unless a nonwaivable federal or Alaska state law should require to the contrary.
- (h) Limited Waivers. Any failure or delay by any party to object to a default or exercise any rights or remedies under this Lease shall not constitute a waiver of the right to do so in the future, unless such failure is accompanied by an express written waiver by such party.
- (i) Interpretation. The language in all parts of this Agreement shall be construed (a) according to its fair meaning and common usage and (b) not strictly for or against any party to this Agreement.

- (j) Counterparts. This Agreement may be executed in counterparts, so long as each of the parties to this Agreement executes at least one counterpart; and all such executed counterparts shall collectively constitute one and the same original document
- (k) Warranties of Authority. Each party and each natural person who executes this Agreement on behalf of such party acknowledges, warrants and represents for the benefit of the other party(ies) to this Agreement: (a) that such person is duly authorized and empowered to execute this Agreement on behalf of such party; (b) that, if a corporation, limited liability company, joint venture, trust, partnership, limited liability partnership or other entity (i) such party has been duly formed and organized and is in good standing and (ii) all necessary and appropriate resolutions and actions by such party's board of directors, general partner(s), manager(s), members or other policy-making authority authorizing such party to enter into, execute and perform this Agreement and the transactions contemplated by this Agreement have been obtained; and (c) that all steps have been taken and acts performed that are conditions precedent to making this Agreement valid, enforceable and binding against such party in accordance with its terms and conditions.
- (l) Independent Counsel. Each party to this Agreement acknowledges that it has enjoyed the advice and representation of competent independent legal counsel in negotiating, entering into and executing this Agreement or waived its right to do so. The fact that this Agreement may have been drafted in whole or in part by one such party's counsel shall not cause any part of this Agreement to be construed against such party.
- (m) Severability. In the event that any term or condition of this Agreement is declared by a court of competent jurisdiction to be void or unenforceable, the remaining terms and conditions shall nevertheless be valid and enforceable; and such void or unenforceable term shall be modified to the minimum extent necessary to be valid and enforceable to the fullest extent permitted by applicable law and enforced as such.
- (n) Survival. All of the representations, warranties and covenants of the parties shall survive any and all deadlines contemplated by this Agreement and shall remain in full force and effect unless and until otherwise satisfied, terminated or discharged.
- (o) Attorneys Fees and Legal Costs. All of the attorneys fees and legal costs incurred by the respective parties in negotiating and forming this Agreement shall be borne by the respective parties. All legal costs and attorneys fees actually incurred by any

party to this Agreement to enforce any obligations of any other party under this Agreement or any instruments executed in connection herewith shall be paid to the prevailing party by the other party and shall bear interest at the legal rate.

- (p) No Third Party Beneficiaries. Nothing in this Agreement shall be construed to create any rights in, or grant remedies to, any third party as a beneficiary of this Agreement or of any duty, covenant, obligation or understanding established under this Agreement. Neither Party, by this Agreement, dedicates any part of the Facility to the public or to the service provided under this Agreement, nor affects the status of Purchaser as an unregulated utility enterprise of a municipal corporation, or Seller as an individual or entity.

23. NOTICES AND DEMANDS

Each notice required under this Agreement or by law shall: (a) be in writing; (b) contain a clear and concise statement setting forth the subject and substance thereof and the reasons therefor; and (c) be personally delivered, electronically transmitted (Email), or duly mailed by certified mail, return receipt requested, to each party to this Agreement at its address set forth below or to such other address as that party may have most recently given notice of to all of the other parties. All such notices shall be effective (a) when actually received by the recipient or an authorized representative or agent of the recipient or (b) three (3) business days after they are mailed, whichever occurs earlier.

24. MAILING ADDRESSES/POINTS OF CONTACT

OC/CP, LLC:

Attn: Natalie A. Cale
P. O. Box 149
Unalaska, Alaska 99685
Tel. No. (907) 581-1276

City:

City of Unalaska
Attn: City Manager
P. O. Box 610
Unalaska, Alaska 99685
Tel. No. (907) 581-1251

with a copy to:

Boyd, Chandler, Falconer & Munson
Attn: Brooks W. Chandler
911 West Eighth Avenue, Suite 302
Anchorage, Alaska 99501
Tel. No. (907) 272-8401

Formation

In witness whereof, Seller and Purchaser have duly executed, delivered and formed this Agreement through their authorized representatives, the effective date of which is August 31, 2020 ("Effective Date").

OC/CP, LLC:

By: OUNALASHKA CORPORATION, an
Alaska business corporation
Its Managing Member

Dated: August 31, 2020

By Christopher P. Salts, Sr.
Christopher P. Salts
Its Chief Executive Officer

Dated: 8.31, 2020

By Margaret A. Lekanoff
Margaret A. Lekanoff
Its Secretary

CITY OF UNALASKA:

Dated: 9/3, 2020

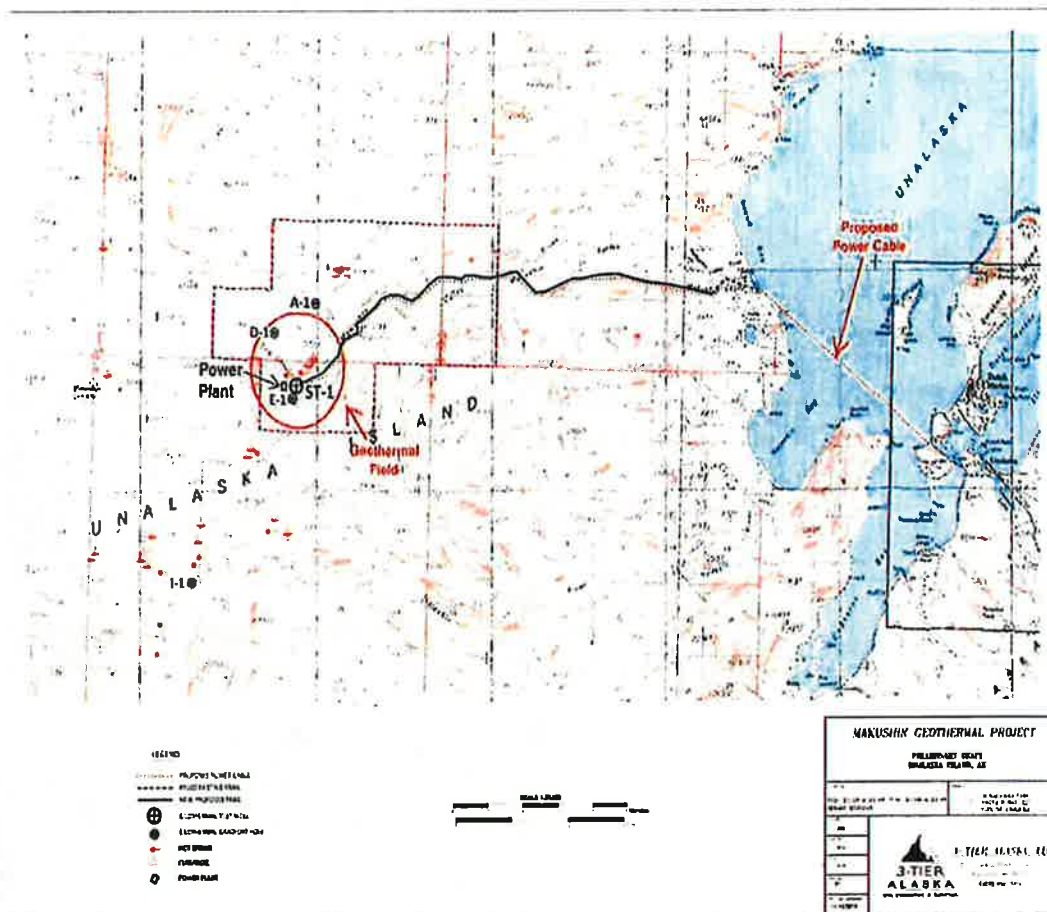
By [Signature]
Erin Reinders
Its City Manager

Exhibit A

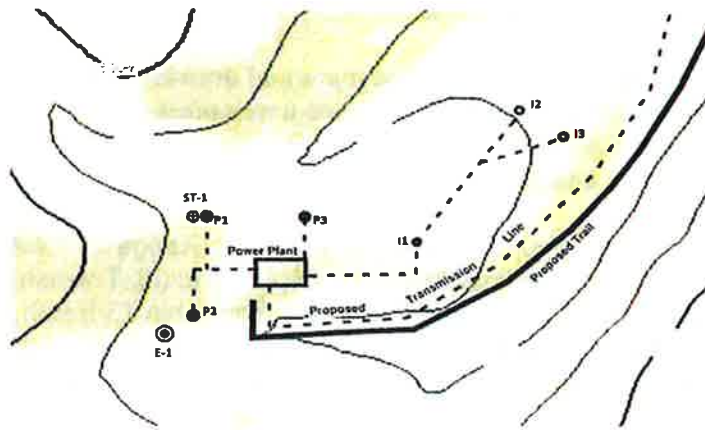
Project Site

The project site is as generally depicted on the attached maps and drawings. Actual project site will be updated to reflect the as-built status when development is complete. Specifically, the Project Site or Project is the Facility described in this PPA and is included within the following legal boundaries:

"All of the area located in Sections 30 and 31, Township 72 South, Range 118 West (Unsurveyed), Seward Meridian; Sections 25, 26, 27, 33, 34, 35, and 36, Township 72 South, Range 119 West, Seward Meridian; Sections 2 and 3, Township 73 South, Range 120 West, Seward Meridian; located within the Records of the Aleutian Island Recording District, Third Judicial District, State of Alaska and more particularly shown cross-hatched in the attached."



Power Purchase Agreement – Exhibit A- between City of Unalaska and OCCP, LLC



1. ALL DISTANCES ARE APPROXIMATE.
 2. ALL DISTANCES ARE TO BE MEASURED AS SHOWN ON THIS PLAN.
 3. ALL DISTANCES ARE TO BE MEASURED AS SHOWN ON THIS PLAN.
 4. ALL DISTANCES ARE TO BE MEASURED AS SHOWN ON THIS PLAN.

- LEGEND
- POWER
 - TRANSMISSION
 - POINT OF INTEREST
 - POINT OF INTEREST
 - POINT OF INTEREST
 - POINT OF INTEREST
 - POINT OF INTEREST

MAINTENANCE CONTRACT
 CONTRACT NO. 100-100-100-100
 PROJECT NO. 100-100-100-100
 DATE 10/10/10

3-TIER ALASKA
 3-TIER ALASKA, LLC
 100-100-100-100

Gov Lot 9, Section 2, T735, R118W, S14



1. This plan is a legal description of the
 Governmental Lot 9, Section 2,
 T735, R118W, S14.



Exhibit B

Interconnection / Integration Plan

[to be provided by the Parties within 20 months of Agreement

Exhibit C

Insurance Requirements

1. Within ten (10) days from the date of Seller's notice pursuant to section 3(b), Seller and Purchaser shall secure and maintain all insurance required.

2. Seller and Purchaser shall maintain in effect at all times specified by Section 18, insurance in accordance with the applicable laws relating to workers' compensation and employers' liability insurance, regardless of whether such coverage or insurance is mandatory or merely elective under the law.

3. Insurance coverage and limits shall be at a level as reflected in Paragraph 8 for the risks associated with the Facility contemplated by this Agreement. Required insurance coverages are to be purchased by respective Seller and Purchase at their sole expense. Purchaser may increase the limits of required coverage each five (5) years during the term of the Agreement provided the increased limits are commercially reasonable coverage limits.

4. Seller and Purchaser shall notify one or the other of any reduction of the aggregate limits under any of the required insurance policies, and if requested in writing, purchase additional limits of coverage as may be deemed appropriate by Purchaser in order to satisfy Seller's insurance obligations.

a. Seller and Purchaser shall maintain such insurance in full force and effect at all times specified by Section 18 of the Agreement. Seller shall maintain completed operations coverage, for two (2) years after the expiration or termination of this Agreement.

5. Seller and Purchaser shall ensure that any policies of insurance that Seller/Purchaser or any of its subcontractors and suppliers are required to carry as insurance by this Agreement) shall:

a. Be placed with such insurers and under such forms of policies as may be reasonably acceptable to Seller/ Purchaser.

b. With the exception of workers' compensation and employers' liability,

(i) be endorsed to name Purchaser/Seller as an additional insured; and

(ii) apply severally and not collectively to each insured against whom claim is made or suit is brought, except that the inclusion of more than one insured shall not operate to increase Seller's / Purchaser's limits of liability as set forth in the insurance policy.

c. Include within automobile coverage(s), owned, non-owned, hired and borrowed vehicles.

d. Be primary insurance with respect to the interest of Seller/ Purchaser respectively as an additional insured with any insurance maintained by Seller / Purchaser as excess and not contributory insurance with the insurance required under this Agreement.

e. Include a waiver of the insurer's right of subrogation against Seller/ Purchaser. Seller/Purchaser also hereby waives all rights of subrogation against Purchaser/Seller.

f. Provide that the policies will not be cancelled, or their limits or coverage reduced or restricted without at least thirty (30) days prior written notice to Seller / Purchaser.

6. Seller / Purchaser shall instruct and require its insurance agent/broker to complete and return an insurance certificate, in an ACORD form, as evidence that insurance policies providing the required coverage, limits and additional insured provisions as outlined within this Exhibit C are in full force and effect. Seller / Purchaser shall be fully responsible for all deductibles and self-insured retention's related to their respective insurance provided herein. At least sixty (60) days prior to the Startup Period, the completed insurance certificate form is to be returned to Seller/ Purchaser in accordance with the notice provisions included in the Agreement.

7. The insurance requirements of the Agreement and acceptability to Seller / Purchaser of insurers and insurance to be maintained by Seller/Purchaser, its subcontractors/suppliers, are not intended to and shall not in any manner limit or qualify the liabilities and obligations assumed by the insured under the Agreement. Seller /Purchaser is fully and solely responsible for the level of insurance coverage it requires of its subcontractors and suppliers. Purchaser/Seller will look to Seller/Purchaser and thereby Seller's /Purchaser's insurer for coverage for claims arising from the negligent acts or omissions of Seller/Purchaser or any subcontractor/supplier of Seller's /Purchaser's choosing.

8. Evidence of the following coverages shall be provided on an ACCORD Form or equivalent:

\$5,000,000 General Liability

\$10,000,000 Aggregate Liability

\$1,000,000 Automobile Liability

Statutory Worker's Compensation

Exhibit D

Equivalent Availability Factor

Availability measures are concerned with the fraction of time in which a unit is capable of providing service and accounts for outage frequency and duration. Equivalent Availability Factor (EAF) shows the percentage of capacity that could be delivered if it had to be dispatched. The EAF metric takes into account both scheduled maintenance and unplanned outages.

Equivalent Availability Factor (EAF) definition from IEEE Std 762-2006: "Equivalent availability factor (EAF): The fraction of a given operating period in which a generating unit is available without any outages and equipment or seasonal deratings."

The geothermal power plant will consist of a number of independent units composed of steam screw expanders, wet steam ORCs and low and high temperature brine ORCs. Each unit can be operated separately.

Each unit is capable of operating separately, and if any unit is operating and not derated, or capable of being operated, though it might not be in operation, and no matter its output and power delivered, the EAF for that unit is 100% for that time period. If all units are in the state described above the geothermal plant is at 100% EAF. Scheduled and unscheduled maintenance/outage, are also components of EAF.

It is agreed for illustrative purposes that:

1. Total equipment hours available (TEHA) per year = 5 ORCs x 24 hours/day x 365 days = 43,800 hours
2. Twelve 4-hour monthly maintenance checks (MMC) will be performed in a year (final number of hours or frequency may be different)
3. Four 12-hour quarterly maintenance checks (QMC) will be performed in a year (final number of hours or frequency may be different)
4. An annual 48-hour service check (ASC) will be performed (final number of hours may be different)
5. Unplanned failures (UF) may occur and are calculated as: number of ORC's down * number of repair hours
6. A unit may be derated (UD) for a period of time. Downtime is calculated as: derating fraction * number of days derated * 24 hours in a day

Total hours unavailable (THU) = MMC+QMC+ASC+UF+UD

Then EAF (%) = $1.0 - (\text{THU}/\text{TEHA}) * 100$

If MMC = 240, QMC = 240, and QMC = 240, then EAF (%) = $1.0 - (720 + \text{UF} + \text{UD})/\text{TEHA} * 100$

Exhibit E

Member Guaranty

THIS GUARANTEE (this "Guarantee") is made and entered into this 31st day of August, 2020, by and among Ounalashka Corporation, an Alaska Native Claims Act corporation organized under the laws of the State of Alaska, Chena Power LLC, an Alaska limited liability corporation (collectively the "Guarantor"), and the City of Unalaska an Alaska municipal corporation ("Purchaser"). Guarantor and Purchaser are each referred to herein as a "Party" and collectively as the "Parties." Capitalized terms used but not defined in this Guarantee shall have the meanings ascribed to them in the PPA (as defined below).

RECITALS

A. Guarantors are members of, Ounalashka Corporation/ Chena Power LLC, a limited liability company organized under the Laws of the State of Alaska ("Seller"). Seller has, as of the date hereof, entered into that certain Power Purchase Agreement (the "PPA") with the Purchaser, for the purchase by Purchaser of Energy.

B. Guarantor, directly or indirectly, owns all of the equity interests in Seller.

C. As a condition precedent to the execution of the PPA, the Purchaser requires the execution of this Guarantee.

NOW, THEREFORE, in order to induce the Purchaser to buy Energy from Seller as provided in the PPA, in consideration of the foregoing recitals, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor agrees as follows:

1. Guarantee. Guarantor hereby unconditionally and irrevocably guarantees to the Purchaser the prompt, punctual and full payment and performance of (a) the obligations and covenants of Seller under the PPA to pay when due any amounts owing under the PPA for Liquidated Damages under the terms of the PPA, as now or hereafter amended, in accordance with the terms and conditions thereof (the "Obligation").

2. Term. This Guarantee is a continuing guarantee of payment. This Guarantee shall remain in full force and effect until the earlier to occur of (a) the termination of the PPA in accordance with its terms and (b) the date Seller has fully discharged the Obligation.

3. Enforcement. Guarantor's obligations are primary obligations and independent of all of Seller's obligations to the Purchaser. Upon default by Seller with respect to the Obligation, the Purchaser shall have no obligation to proceed against Seller, and may proceed directly against Guarantor without proceeding against Purchaser or any other person or pursuing any other remedy. Guarantor agrees to reimburse the Purchaser for all costs and expenses (including, without limitation, court and arbitration costs and reasonable attorneys' fees) incurred by the Purchaser in connection with the enforcement of the Purchaser's rights under this Guarantee.

4. Invalidation of Payments. Guarantor's obligations hereunder shall not be affected by the commencement of any proceedings by or against Seller under the Bankruptcy Code (U.S.C. Title

11) or any other liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization or similar debtor relief laws affecting the rights of creditors generally, any stay or ruling thereunder, or the disallowance of any claim thereunder. If all or any part of any payment to or for the benefit of the Purchaser in respect of the Obligations shall be invalidated, declared to be fraudulent or preferential, set aside or required for any reason to be repaid or paid to a trustee, receiver or other third party, then any Obligation that otherwise would have been satisfied by that payment or partial payment shall be revived and continue in full force and effect as if that payment had not been made. Guarantor shall be fully and primarily liable for such Obligation and as set forth in this Guarantee.

5. Waiver of Defenses. The Purchaser may, without notice to or consent of Guarantor (a) extend or, with the prior written consent of Seller, alter, the time, manner, place or terms of payment or performance of the Obligations, or (b) waive, or, with the prior written consent of Seller, amend any terms of the PPA or any other agreement executed pursuant to the PPA, without in any way changing, releasing or discharging Guarantor from liability hereunder. Guarantor hereby waives any defenses which Seller or any other person liable for the Obligation may have or assert regarding (i) the insolvency, bankruptcy, liquidation or dissolution of Seller or such other person or (ii) the invalidity, illegality, voidability or unenforceability of all or any portion of the Obligation as a result of ultra vires or other lack of authority, defective formation or other organizational deficiencies or similar types of defenses. Guarantor further waives notice of the acceptance of this Guarantee, presentment, demand, protest, and notices of protest, nonpayment, default or dishonor of the Obligation, and all other notices or demands of any kind or nature whatsoever with respect to the Obligation. Nothing in this Guarantee shall limit or otherwise affect the rights of Purchaser under the terms of the PPA.

6. Representation and Warranties. Each Guarantor represents and warrants to the Purchaser that: (a) Guarantor has received, or will receive, direct or indirect benefit from the making of this Guarantee; (b) Guarantor is a corporation duly organized, validly existing and in good standing under the Laws of the State of Alaska; (c) Guarantor has the requisite corporate power to enter into this Guarantee and to perform its obligations hereunder; (d) the execution, delivery and performance of this Guarantee have been duly and validly authorized by all necessary corporate action on the part of Guarantor; (e) this Guarantee has been duly executed and delivered by Guarantor and constitutes the valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms; (f) the execution, delivery and performance of this Guarantee will not (i) violate any provision of the certificate of incorporation or bylaws (or other governing instruments) of Guarantor or (ii) violate any judgment, order, ruling, or regulation applicable to Guarantor; (g) the execution, delivery and performance of this Guarantee by Guarantor will not be subject to any consent, approval or waiver from any Governmental Body or other third Person; (h) Guarantor possesses the necessary financial capability to fulfill the Obligation; and (i) there are no bankruptcy, insolvency, reorganization or receivership proceedings pending against, being contemplated by or, to Guarantor's knowledge, threatened against Guarantor.

7. Assignment. This Guarantee and the rights and obligations hereunder shall not be assignable or transferable by Guarantor except with the prior written consent of the Purchaser.

8. Amendments and Waivers. No amendment, modification or waiver in respect of this Guarantee shall be effective unless, in the case of an amendment or modification, such

amendment or modification shall be in writing and signed by Guarantor and the Purchaser, and, in the case of a waiver, such waiver shall be in writing, specifically refer to this Guarantee and be signed by the Person against which such waiver is sought to be enforced.

9. Notices. All notices and other communications shall be in writing and shall be delivered by hand or sent, postage prepaid, by express mail or reputable overnight courier service to the address for the Sellers set forth in Section 23 of the PPA or, in the case of Guarantor Chena Power LLC, to the following address:

Chena Power LLC
PO Box 58740
Fairbanks, Alaska 99711
Attn: Bernie Karl

Each Party may change its address for notice by notice to the other in the manner set forth above. All notices shall be deemed to have been duly given at the time of receipt by the Party to which such notice is addressed.

10. Governing Law. This Guarantee and the legal relations between the Parties shall be governed by and construed in accordance with the Laws of the State of Alaska, without regard to principles of conflicts of Laws that would direct the application of the Laws of another jurisdiction.

11. Counterparts. This Guarantee may be executed in counterparts, each of which shall be deemed an original instrument, but all such counterparts together shall constitute but one agreement.

12. Entire Agreement. This Guarantee constitutes the entire agreement between the Parties pertaining to the subject matter hereof, and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties pertaining to the subject matter hereof.

13. Severability. If any term or other provision of this Guarantee is held invalid, illegal or incapable of being enforced under any rule of law, all other conditions and provisions of this Guarantee shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in a materially adverse manner with respect to either Party.

IN WITNESS WHEREOF, the Parties have executed this Guarantee on the day and year first written above.

[Signature page follows]

GUARANTOR:

OUNALASHKA CORPORATION

By: /s/ Christopher P. Salts, Jr.
Name: Christopher P. Salts
Title: Chief Executive Officer

GUARANTOR:

CHENA POWER, LLC

By: /s/ Bernie Karl
Name: Bernie Karl
Title: Chief Executive Officer

PURCHASER:

CITY OF UNALASKA

By: /s/ Erin Reinders
Name: Erin Reinders
Title: City Manager

Exhibit F

Additional Payment

The formula for the Additional Payment only applies when Metered Energy for a Year exceeds 100,000,000 kWh. If that occurs, an Additional Payment is due calculated as follows:

$$\text{Additional Payment} = \text{Facility Rate} \times (\text{kWh through Meter for Year}) - \text{Fixed Payment}$$

$$\text{Facility Rate} = \frac{\text{Fixed Payment}}{100 \text{ million kWh}} - \frac{\frac{\text{Fixed Payment}}{100 \text{ million kWh}} - \frac{\text{Fixed Payment}}{\text{kWh through Meter for the Year}}}{2}$$

EXAMPLE

Year 1- Fixed Payment = \$16,300,000

kWh through meter = 125,000,000

Facility Rate = 16,300,000/ 100 million kWh - [(16,300,000/ 100 million kWh) - (16,300,000/125 million kWh) / 2]

$$\text{Facility Rate} = .163 - [(.163 - .1304) / 2]$$

$$.163 - (.0326 / 2) = .1467$$

$$\text{Additional Payment} = (.1467 \times 125,000,000) - \$16,300,000$$

$$18,337,500 - 16,300,000 = 2,037,500$$

Additional Payment is 2,037,500

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2021-14

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING AMENDMENT 1 TO THE POWER PURCHASE AGREEMENT WITH OUNALASHKA/CHENA POWER, LLC AND AUTHORIZING THE CITY MANAGER TO SIGN THE AMENDMENT

WHEREAS, City of Unalaska operates a public utility to provide and distribute electricity to customers;

WHEREAS, City Council supports efforts and programs for reliable and cost effective alternative energy sources, including geothermal; and

WHEREAS, Ounalashka/Chena Power, LLC (OCCP) seeks to construct a geothermal plant and sell power to the City of Unalaska; and

WHEREAS, OCCP originally required a signed Power Purchase Agreement (PPA) with the City of Unalaska in order to obtain project financing; and

WHEREAS, City representatives negotiated a PPA with OCCP on behalf of the City of Unalaska in a manner consistent with City Council Directives; and

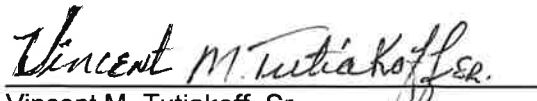
WHEREAS, the Unalaska City Council approved the PPA, and authorized the City Manager to enter into the agreement on August 25, 2020 through Resolution 2020-55; and

WHEREAS, OCCP will be unable to obtain financing by the required deadline of June 10, 2021 as outlined in the PPA; and

WHEREAS, OCCP has requested an amendment to the PPA, extending the deadline outlined in the PPA to obtain financing to June 10, 2022.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council approves Amendment Number 1 to the PPA, and authorizes the City Manager to sign the amendment.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on March 30, 2021.


Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:


Marjie Veeder, CMC
City Clerk



MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Erin Reinders, City Manager
Date: March 23, 2021
Re: Resolution 2021-14: OCCP PPA Amendment

SUMMARY: Ounalashka/Chena Power, LLC (OCCP) required a Power Purchase Agreement (PPA) with the City of Unalaska to obtain financing for their Geothermal Project. In August of 2020, City Council approved Resolution 2020-55, and authorized entering into the PPA with OCCP. OCCP has requested an amendment to the PPA, extending the deadline outlined in the PPA to obtain financing. Resolution 2021-14 approves the Amendment to the PPA and authorizes the City Manager to sign the amendment.

PREVIOUS COUNCIL ACTION: The City continues to support efforts and programs for reliable and cost effective alternate energy sources, including geothermal. City Council has identified this support as a federal priority. To this end, during the fall lobby trip to Washington DC in 2019, City representatives sat alongside representatives from the Q-tribe and OC in a meeting with the Department of Energy demonstrating support for a geothermal project on our island. In August of 2020, City Council approved Resolution 2020-55 and authorized entering into the PPA with OCCP.

November 26, 2019

- Work Session, Presentation from OCCP regarding their Geothermal Project

January 30, 2020

- Special Meeting for a Work Session for an update on OCCP geothermal project (standalone meeting)

February 25, 2020

- Work Session, Report from OCCP regarding their Makushin geothermal project

March 10, 2020

- Reports, City Attorney conflict of interest opinion related to OCCP
- Executive Session
 - Discussion regarding potential PPA between City of Unalaska and OCCP
 - Discussion regarding potential Power Sales Agreements between City of Unalaska and local seafood processing facilities

May 26, 2020

- Directive to the Manager, *“Report back to the City Council by June 16, 2020 for possible action committing to a PPA with OCCP at the Council Meeting on June 23, 2020 a cos/benefit/risk analysis for a potential Power Purchase Agreement concept that commits Unalaska for the purchase of 100MkWhr/year, at \$0.16/kWh, for 30 years taking into account the probability of securing sufficient load sources by fall of 2023 within the Unalaska City Limits.”*

June 23, 2020

- Work Session, Presentation and discussion of the financial feasibility and potential risks and rewards related to OCCP's proposed Makushin Geothermal Power Project
- Directive to the Manager, *"Negotiate and work cooperatively with OCCP LLC to develop a Power Purchase Agreement that enables the City Council to act on such agreement at the Council Meeting on July 14, 2020. Initial loads to be negotiated should be between 80mkwhr and 100mkwhr. Costs and rates to be negotiated within the Power Purchase Agreement."*

July 21, 2020

- Special Meeting for Work Session & Executive Session, Discussion of PPA with OCCP

August 11, 2020

- Executive Session, Discussion of PPA with OCCP
- Directive to the Manager, *"I move to direct staff to accept both the OCCP proposal to share in the upside and daily liquidated damages in the amount of \$20,000.00 per day with a cap of \$5 million. The heat pump contribution is to remain at \$10 million cost to OCCP. The Annual cost is to be \$16,300,000.00. The meter on the upside sharing starts at 100,000,000kwh. A minimum of two transmission lines to the delivery point of the City is required."*

August 25, 2020

- Regular Meeting, City Council approves Resolution 2020-55: Approving the PPA with OCCP and authorizing the City Manager to enter into the agreement

March 23, 2021

- Work Session, OCCP provided City Council with an update on the project in preparation of considering an amendment to the PPA at the March 23, 2021 meeting. OCCP has requested an amendment to the PPA, extending the deadline outlined in the PPA to obtain financing.

BACKGROUND: City staff began working with the OCCP team in late 2019 to address project planning and development questions and to draft a PPA. On January 15 and 16, 2020, the City team met with OCCP representatives for a working meeting in Anchorage. The focus of the meeting was developing framework of general concepts that OCCP can take to its potential lenders to determine if financing can be obtained.

Following these Anchorage meetings, discussions and work continued. Focus was on the PPA, understanding the project, identifying challenges, mitigating risks, expanding opportunities, identifying steps to be done should the project move forward, and refining displaced costs. OCCP communicated that they planned to proceed with their fieldwork and research, which will help reduce the number of uncertainties and assumptions. We reached out to processors to garner their interest in the project and encourage them to attend the February 25, 2020 Council meeting, where OCCP would be presenting on their project. The City team met with the OCCP team while they were in town that week. Given travel and weather challenges, this meeting was not as in-depth as planned.

City staff met and talked with processors throughout March and April, striving to ensure they had an understanding of the overall concept of the project and potential agreements. Processors were unwilling to make a long term commitment at that time. The City team held a conference call with OCCP on April 24, 2020 and communicated the feedback we received from the processors. This was not done in person due COVID related challenges. The next step was for OCCP, along with the City, to meet with the processors. While those meetings were never organized, OCCP did

provide a detailed document outlining several concepts to the City for consideration on May 19, 2020. We responded with some initial thoughts and questions in a timely fashion.

On May 26, 2020, City Council issued a directive to provide a report and cost/benefit/risk analysis regarding a PPA at a particular commitment level. Our focus then shifted to the Council Directive and our long time consultant, Mike Hubbard, prepared the formal report and analysis. Brooks Chandler, our City Attorney, provided a memo related to non-recourse financing as another component of the assessment. This material was presented to Council at the June 23, 2020 Council Meeting. At the end of that meeting Council issued a directive to negotiate and work cooperatively with OCCP to develop a PPA for loads between 80mkwhr and 100mkwhr.

Given the complex nature of this topic and the time required to discuss it, a stand-alone special meeting was scheduled for July 21, 2020. This date was selected in coordination with OCCP. City Council provided direction to the City Team for further negotiations with OCCP.

City Council participated in a follow-up Executive Session on August 11, 2020. The City Team provided an update on the continued negotiations. City Council then issued a formal directive for continued negotiation. The PPA was then finalized consistent with Council Directives to the City Manager. At their August 25, 2020 meeting, City Council approved Resolution 2020-55 and authorized entering into the PPA.

DISCUSSION: A copy of the PPA is attached. Since the signing of the PPA, the City Team has been regularly communicating with OCCP and are now meeting on a monthly basis. We have also welcomed Anchorage based consultant, Thomas Lovas of Energy & Resource Economics to the City's team. In accordance with the PPA, the City contracted with Electrical Power Systems (EPS) to conduct the Interconnection and Integration Study. Much of the details and results will depend on the final design of OCCP's project itself, which is not yet completed. We have also worked to support OCCP's efforts in the Air Source Heat Pump Study, as outlined in the PPA.

Council heard an update from OCCP at the March 9, 2021 meeting. In that update OCCP requested an amending the PPA to extend by one year their deadline to obtain written commitment for project financing. The letter requesting this extension is included in the packet. The June 10, 2021 deadline for OCCP to secure financing commitment was identified in the original PPA as a key conditional precedent and a term factor that allows for the City to terminate the agreement. This amendment extends the deadline for OCCP to obtain project financing by a year at the request of OCCP. It also adjusts the deadline for the Interconnection / Integration Plan accordingly, as requested by the City. As of the drafting of this memo, we have not yet received final acceptance by OCCP of our request, but do not anticipate any issues. The Amendment is attached.

The challenge with this delay is the uncertainty it creates around the Geothermal Project as the City plans for and invests in Capital Projects to support our electrical system. This is mentioned in the CMMP discussion this evening. The Draft CMMP includes funding support necessary for integration and interconnection (which have not been fully identified), and projects necessary for the existing system which may or may not be necessary if the Geothermal project proceeds. Whether or not such improvements will be necessary depend on the design of the Geothermal project (which is not yet completed), the findings of the integration and interconnection study (which can't be done until the design is finalized), and significant timing and safety considerations present now. We continue to evaluate how best to proceed given what we know at this point.

FINANCIAL IMPLICATIONS: Primary financial implications of the PPA relate to the City's cost of purchasing power and the related financial impacts. The 30 year PPA required the City pay a fixed \$16.3 million annually (with 1% annual increases), for a total of just under \$567 million, to purchase up to 100 million kWh/yr. Our base power currently is estimated at 40 million kWh/yr. Ultimately, these costs will be passed along to the rate payers. Various scenarios were prepared analyzing these financial implications created from the PPA, regarding the base load and the potential increase sales and were provided to the City Council during the negotiation process.

Additionally, the PPA contains known expenses the City agreed to, including up to \$5 million for upgrading the City distribution system, with OCCP committing up to \$7 million. The City agreed to initially fund the integration and interconnection study, but will be reimbursed from OCCP after the fact.

ALTERNATIVES: Council has two primary options on how to proceed with the Resolution 2021-14 and the PPA amendment. These include:

1. Approve Resolution 2021-14, thereby approving the Amendment to the PPA and authorizing the City Manager to sign the Amendment.
2. Disapprove Resolution 2021-14, thereby disapproving the Amendment to the PPA.

LEGAL: City Attorney Brooks Chandler has been engaged in discussions with OCCP from the beginning and remains so. He drafted the PPA Amendment, and has provided a memo. Both the Amendment and memo are attached.

STAFF RECOMMENDATION: We remain supportive of this project and are excited about what it might mean for the future of our community. The existing 2020 PPA was prepared in accordance with City Council Directives. The proposed amendment shifts some of the deadlines but leaves the underlying agreement intact. So long as Council supports the underlying PPA, I recommend that Council approve this amendment.

However, as your City Manager, I still caution Council that the PPA requires 30 years of annual payments of \$16.3 million annually (with 1% annual increases) to purchase up to 100 million kWh/yr. This purchases 60 million kWh/yr more power than is currently sold by the City annually, currently estimated to be 40 million kWh. We have no commitments in place from existing business to cover this gap. Nor are we aware of any future development that is committed to locating in Unalaska and purchasing available power. Without more specifics about the geothermal project and its completion, it is unlikely we will be able to successfully market and sell more power. This condition precedent and term factor that allows for the City to terminate the agreement was included in the PPA to allow for this sort of deliberation at the Council level. If Council has concerns about the impacts of the underlying PPA and wishes not to move forward, I recommend disapproval of this amendment.

No matter what Council chooses to do this evening, my staff and I will support the decision and move forward accordingly with Council's direction.

PROPOSED MOTION: I move to approve 2021-14.

ATTACHMENTS:

- PPA between OCCP and City of Unalaska
- Letter from OCCP Requesting Extension
- Memo from City Attorney Regarding Extension Request
- PPA Amendment

AMENDMENT NO. 1

to

POWER PURCHASE AGREEMENT

BETWEEN

CITY OF UNALASKA, a first-class Alaska municipal corporation

AND

OONALASHKA CORPORATION/CHENA POWER, LLC, an Alaska limited liability company

For good and valuable consideration the receipt of which is hereby acknowledged, the City of Unalaska, a first-class Alaska municipal corporation (Purchaser) and Ounalashka Corporation/Chena Power, LLC (Seller) a licensed Alaska limited liability company duly organized under the laws of the State of Alaska agree to amend that certain POWER PURCHASE AGREEMENT, dated August 31, 2020(Agreement) as follows:

1. Paragraph 20(a) is hereby amended to read as follows:

(a) Seller shall obtain a written commitment for Project Financing, by 6/10/2022.

2. Paragraph 4(c) is hereby amended to read as follows:

(c) Seller and Purchaser agree that the purpose and intent of this Agreement is dependent on the successful completion of the construction of the Facility/Facilities and the related achievement of the Commercial Operation Date by the Commercial Operation Deadline. As such, in the event that either; 1) Seller fails to obtain Project Financing by June 10 2022; or 2) construction of the Facility/Facilities is at any time discontinued, abandoned or otherwise terminated by Seller in its sole discretion , or 3) Seller fails to provide written assurances to Purchaser that the Commercial Operation Deadline will be achieved in a form consistent with Prudent Utilities Practices, or 4) the Project fails to reach Commercial Operation by the Commercial Operation Deadline, then either Party may terminate this Agreement upon thirty (30) day's prior written notice to the other party. In the event that a party elects to terminate this Agreement pursuant to this Section 4 (c), neither Seller nor Purchaser shall have any further liability and/or obligations to the other

In witness whereof, Seller and Purchaser have duly executed, delivered, and formed this Amendment No. 1 through their authorized representatives, the effective date of which is _____, 2021 ("Effective Date").

OC/CP, LLC:

By: OUNALASHKA CORPORATION, an
Alaska business corporation
Its Managing Member

Dated: May 11th, 2021

By Christopher P. Salts, Jr.
Christopher P. Salts
Its Chief Executive Officer

Dated: May 11th, 2021

By Margaret A. Lekanoff
Margaret A. Lekanoff
Its Secretary

CITY:

CITY OF UNALASKA, a first-class
municipal corporation

Dated: April 22nd, 2021

By [Signature]
Erin Reinders
Its City Manager

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2021-55

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING AMENDMENT 2 TO THE POWER PURCHASE AGREEMENT WITH OUNALASHKA/CHENA POWER, LLC AND AUTHORIZING THE CITY MANAGER TO SIGN THE AMENDMENT

WHEREAS, the City of Unalaska operates a public utility to provide for and distribute electricity to customers; and

WHEREAS, Ounalashka/Chena Power, LLC (OCCP) sought to construct a geothermal plant and required a signed Power Purchase Agreement (PPA) with the City of Unalaska in order to obtain project financing; and

WHEREAS, the City Council approved the PPA developed in accordance with City Council Directives, and authorized the City Manager to enter into the agreement on August 25, 2020 through Resolution 2020-55; and

WHEREAS, OCCP was be unable to obtain financing by the deadline of June 10, 2021 as outlined in the PPA and requested an amendment to the PPA; and

WHEREAS, the City Council approved Amendment Number 1 to the PPA extending the deadline outlined in the PPA to obtain financing to June 10, 2022 and authorized the City Manager to signed the amendment through resolution 2021-14 on March 30, 2021; and

WHEREAS, the City of Unalaska and OCCP have negotiated and signed a Memorandum of Agreement outlining initial upgrade projects and the cost reimbursement schedule in accordance with the PPA; and

WHEREAS, the City of Unalaska and OCCP agree that a one year extension to the Commercial Operations Date by one year from May 31, 2024 to May 31, 2025, corresponding with the one year extension to the financing deadline in the previous amendment, is necessary; and


NOW THEREFORE BE IT RESOLVED that the Unalaska City Council approves Amendment 2 to the PPA extending the Commercial Operations Date by one year, and authorizes the City Manager to sign the amendment.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on July 27, 2021.



Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:



Marjie Veeder, CMC
City Clerk



MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Erin Reinders, City Manager
Date: July 27, 2021
Re: Resolution 2021-55: Approving Amendment 2 to the Power Purchase Agreement with Ounalashka/Chena Power, LLC and authorizing the City Manager to sign the amendment

SUMMARY: In August of 2020, City Council approved Resolution 2020-55, and authorized entering into the PPA with OCCP. OCCP later requested an amendment to the PPA, extending the deadline outlined in the PPA to obtain financing by one year. In response to this request, City Council approved Resolution 2021-14, and authorized the signing of Amendment 1 in March of 2021. Amendment 2 extends the Commercial Operations Date by one year to correspond with the extension in the previous amendment. This extension provides an additional construction season, important for the City because the utility upgrades making this date possible are being significantly dialed back this year due to OCCP's delayed funding.

PREVIOUS COUNCIL ACTION: City Council has identified support for efforts and programs for reliable and cost-effective alternate energy sources, including geothermal, as a federal priority. An outline of all the Council actions related to the PPA with OCCP for geothermal power is listed below.

November 26, 2019

- Work Session, Presentation from OCCP regarding their geothermal project

January 30, 2020

- Special Meeting for a Work Session for an update on OCCP geothermal project

February 25, 2020

- Work Session, Report from OCCP regarding their Makushin geothermal project

March 10, 2020

- Reports, City Attorney conflict of interest opinion related to OCCP
- Executive Session
 - Discussion regarding potential PPA between City of Unalaska and OCCP
 - Discussion regarding potential Power Sales Agreements between City of Unalaska and local seafood processing facilities

May 26, 2020

- Directive to the Manager: *“Report back to the City Council by June 16, 2020 for possible action committing to a PPA with OCCP at the Council Meeting on June 23, 2020 a cost/benefit/risk analysis for a potential Power Purchase Agreement concept that commits Unalaska for the purchase of 100MkWhr/year, at \$0.16/kWh, for 30 years taking into account the probability of securing sufficient load sources by fall of 2023 within the Unalaska City Limits.”*

June 23, 2020

- Work Session, Presentation and discussion of the financial feasibility and potential risks and rewards related to OCCP's proposed Makushin Geothermal Power Project
- Directive to the Manager: *"Negotiate and work cooperatively with OCCP LLC to develop a Power Purchase Agreement that enables the City Council to act on such agreement at the Council Meeting on July 14, 2020. Initial loads to be negotiated should be between 80mkwhr and 100mkwhr. Costs and rates to be negotiated within the Power Purchase Agreement."*

July 21, 2020

- Special Meeting for Work Session & Executive Session, Discussion of PPA with OCCP

August 11, 2020

- Executive Session, Discussion of PPA with OCCP
- Directive to the Manager: *"I move to direct staff to accept both the OCCP proposal to share in the upside and daily liquidated damages in the amount of \$20,000.00 per day with a cap of \$5 million. The heat pump contribution is to remain at \$10 million cost to OCCP. The Annual cost is to be \$16,300,000.00. The meter on the upside sharing starts at 100,000,000 kWh. A minimum of two transmission lines to the delivery point of the City is required."*

August 25, 2020

- Regular Meeting, City Council approves Resolution 2020-55, approving the PPA with OCCP and authorizing the City Manager to enter into the agreement

March 23, 2021

- Work Session, OCCP provided City Council with an update on the project in preparation of considering an amendment to the PPA at the March 23, 2021 meeting. OCCP has requested an amendment to the PPA, extending the deadline outlined in the PPA to obtain financing.

March 30, 2021

- Special Meeting continued from the Regular Meeting on March 23, City Council approved Resolution 2021-14, approving the PPA Amendment and authorizing the City Manager to sign said amendment. The amendment extended the deadline for OCCP to obtain financing and adjust the deadlines related to the Interconnection/Integration Plan.

BACKGROUND: In August of 2020, after several months of negotiations and meetings, City Council approved Resolution 2020-55 and authorized entering into the PPA with OCCP. An outline of all the Council actions related to the PPA is listed above. [A copy of the PPA is attached.](#) The 30 year PPA requires the City pay a fixed \$16.3 million annually (with 1% annual increases). Our base load is currently 40 million kilowatt hours per year, but to make this economical we need full participation of self-generators to get up to 90 to 100 million kilowatt hours per year. We have no commitments in place from existing business to cover this gap, nor are we aware of any future development that is committed to locating in Unalaska and purchasing available power.

The PPA contains known expenses the City agreed to, including up to \$5 million for studying and upgrading the City distribution system, with OCCP committing up to \$7 million. The City agreed to initially fund the integration and interconnection study, but this cost will be reimbursed from OCCP in accordance with the PPA. To this end, the City contracted with Electrical Power Systems (EPS) to conduct the study.

OCCP requested amending the PPA to extend by one year their deadline to obtain written commitment for project financing in March of 2021. The original June 10, 2021 deadline for OCCP to secure financing commitment was identified in the original PPA as a key conditional precedent that allowed for the City to terminate the agreement if they so desired. Council supported the request and approved the first PPA Amendment. [A copy of PPA Amendment 1 is attached](#). This amendment extended the deadline for OCCP to obtain project financing to June 10, 2022 and also adjusted the deadline for the Interconnection / Integration Plan accordingly.

The challenge with this delay was the uncertainty around the Geothermal Project as the City plans for and invests in Capital Projects to support the electrical system. The FY22-31 CMMP includes the City's share of funding support necessary, per the PPA, for integration and interconnection, and projects necessary for the existing system which may or may not be necessary if the Geothermal project proceeds. Whether or not such improvements will be necessary depend on the design of the Geothermal project (which is not yet completed), the findings of the integration and interconnection study (which can't be fully completed until the design is finalized), and significant timing and safety considerations present now. We continue to evaluate how best to proceed given what we know at this point.

DISCUSSION: Since the approval of Amendment 1, Electrical Power Systems (EPS) produced an Interim Intertie Study. This interim report identifies rough order magnitude estimates for separate projects. The highest priority projects include eight separate projects totaling \$13.7 million. The new projects (second priority) include four separate projects totaling \$2.6 million. In total there are twelve separate projects totaling \$16.25 million. As the design progresses some projects may be modified, and some new projects may be required and estimates may change. Regardless, the total cost of the upgrades will likely exceed \$12 million, meaning that the OCCP obligation under the PPA will hit the \$7 million maximum and the City will likely need to contribute more than \$5 million towards upgrades. This project list in the interim study has been agreed to formally by both OCCP and City representatives through a Memorandum of Agreement (MOA). [A copy of the MOA is attached](#). The MOA also outlines the cost reimbursement schedule for OCCP's obligation identified in the PPA.

As OCCP and the City finalized the MOA it became apparent that an extension to the Commercial Operations Date was necessary. Amendment 2 extends the Commercial Operations Date by one year from May 31, 2024 to May 31, 2025, corresponding with the one year extension to the financing deadline in the previous amendment. This extension provides an additional construction season, now required because the planned utility upgrades are being significantly dialed back this year due to OCCP's delayed funding. This extension will also provide another year to potentially gain new customers, however, it is unlikely we will be able to fully market and sell more power until specifics about the geothermal project are clearly understood and the project itself is completed.

FINANCIAL IMPLICATIONS: Primary financial implications of the PPA relate to the City's cost of purchasing power. The 30 year PPA requires the City pay a fixed **\$16.3 million annually (with 1% annual increases), for a total of just under \$567 million over 30 years**. Our base load is currently 40 million kilowatt hours per year, but to make this economical we need near-full participation of current self-generators to get up to 90 to 100 million kilowatt hours per year. Although this extension will provide another year to prepare and potentially gain new customers, without more specifics about the geothermal project and its completion, it is unlikely we will be able to successfully market and sell more power. Ultimately, costs associated with the PPA will be passed along to the rate payers. Various scenarios were prepared analyzing these financial

implications created from the PPA regarding the base load and the potential increased sales were provided to the City Council during the PPA negotiation process.

The PPA also commits the City to **\$5 million for upgrading the City distribution system, with OCCP committing \$7 million, of the first \$12 million necessary for upgrades. EPS's interim Intertie report identifies rough order magnitude estimates for twelve separate upgrade projects totaling \$16.25 million.** As the design progresses some projects may be modified, and some new projects may be required and estimates may change. These projects will be necessary over the course of the next few construction seasons. Budgetary adjustments may be required to roll out these projects for necessary upgrades and to accommodate the reimbursement schedule as we implement the PPA.

ALTERNATIVES: Council has two primary options on how to proceed with the Resolution 2021-55 and the second PPA amendment. These include:

1. Approve Resolution 2021-55, thereby approving the second amendment to the PPA and authorizing the City Manager to sign the Amendment; or
2. Disapprove Resolution 2021-55, thereby disapproving the second amendment to the PPA.

LEGAL: City Attorney Brooks Chandler has been engaged in discussions with OCCP from the beginning and remains so. He was involved in finalizing the PPA, the amendments, as well as the finalizing of the referenced MOA. All of which are attached to this memo.

STAFF RECOMMENDATION: This amendment extends the Commercial Operations Date by a year in keeping with the extension outlined in the first amendment, which provided an additional year for OCCP to secure financing. These amendments do not change the underlying PPA prepared in accordance with Council directives and approved by City Council in August of 2020. This extension will allow an additional construction season to perform necessary utility upgrades that are significantly dialed back this year due to OCCP's delayed funding. For these reasons, I recommend approval of this amendment.

PROPOSED MOTION: I move to adopt Resolution 2021-55.

ATTACHMENTS:

1. PPA between OCCP and City of Unalaska
2. PPA Amendment 1
3. Memorandum of Agreement
4. PPA Amendment 2

AMENDMENT NO. 2

to

POWER PURCHASE AGREEMENT

BETWEEN

CITY OF UNALASKA, a first-class Alaska municipal corporation

AND

OUNALASHKA CORPORATION/CHENA POWER, LLC, an Alaska limited liability company

For good and valuable consideration the receipt of which is hereby acknowledged, the City of Unalaska, a first-class Alaska municipal corporation (Purchaser) and Ounalashka Corporation/Chena Power, LLC (Seller) a licensed Alaska limited liability company duly organized under the laws of the State of Alaska agree to amend that certain POWER PURCHASE AGREEMENT, dated August 31, 2020(Agreement) as previously amended by Amendment No. 1 as follows:

1. Paragraph 1(e) is hereby amended to read as follows:

(e) "Commercial Operation Deadline" means May 31, 2025 which is the date by which the Facility must have reached the Commercial Operations Date, or such other date as provided in this Agreement or as may be agreed to in a writing signed by both Parties.

2. No other provisions in the Agreement are altered by this amendment.

In witness whereof, Seller and Purchaser have duly executed, delivered, and formed this Amendment No. 2 through their authorized representatives, the effective date of which is July 28, 2021 ("Effective Date").

OC/CP, LLC:

By: OUNALASHKA CORPORATION, an
Alaska business corporation
Its Managing Member

Dated: 7/15/21, 2021

By Christopher P. Salts, Jr.
Christopher P. Salts
Its Chief Executive Officer

Dated: 7/15/21, 2021

By Margaret A. Lekanoff
Margaret A. Lekanoff
Its Secretary

CITY:

CITY OF UNALASKA, a first-class
municipal corporation

Dated: 7/28/21, 2021

By [Signature]
Erin Reinders
Its City Manager

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2022-07

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING AMENDMENT 3 TO THE POWER PURCHASE AGREEMENT WITH OUNALASHKA/CHENA POWER, LLC AND AUTHORIZING THE CITY MANAGER TO SIGN THE AMENDMENT

WHEREAS, the City of Unalaska operates a public utility to provide for and distribute electricity to customers; and

WHEREAS, Ounalashka/Chena Power, LLC (OCCP) sought to construct a geothermal plant and required a signed Power Purchase Agreement (PPA) with the City of Unalaska in order to obtain project financing; and

WHEREAS, the City Council approved the PPA developed in accordance with City Council Directives, and authorized the City Manager to enter into the agreement on August 25, 2020 through Resolution 2020-55; and

WHEREAS, OCCP was be unable to obtain financing by the deadline of June 10, 2021, as outlined in the PPA and requested an amendment to the PPA; and

WHEREAS, the City Council approved Amendment Number 1 to the PPA extending the deadline outlined in the PPA to obtain financing to June 10, 2022, and authorized the City Manager to sign the amendment through Resolution 2021-14 on March 30, 2021; and

WHEREAS, the City of Unalaska and OCCP negotiated and on July 15, 2021, signed a Memorandum of Agreement (MOA) outlining initial upgrade projects and the cost reimbursement schedule in accordance with the PPA; and

WHEREAS, the City Council approved Amendment Number 2 to the PPA extending the Commercial Operations Date deadline outlined in the PPA by one year from May 31, 2024, to May 31, 2025, and authorized the City Manager to sign the amendment through Resolution 2021-55 on July 27, 2021; and

WHEREAS, OCCP has requested Amendment Number 3 of the PPA to extend the financing and commercial completion deadlines, and further requested Amendment 1 of the MOA to align with this new schedule; and

WHEREAS, the City of Unalaska and OCCP have agreed that extending the deadline to obtain financing to December 10, 2023; to finalize the Interconnection/Integration Plan and identify necessary easements to January 1, 2024; and the commercial operation date to May 31, 2027 are necessary; and

WHEREAS, the City of Unalaska and OCCP have also agreed in the value of OCCP to provide written reports to the City regarding potential customers beginning on March 1, 2022; and

WHEREAS, the City of Unalaska and OCCP have negotiated Amendment Number 1 of the MOA in accordance with the PPA and its Amendments, and will sign once Amendment Number 3 of the PPA is approved by City Council.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council approves Amendment 3 to the PPA extending these deadlines and reporting requirements, and authorizes the City Manager to sign the amendment.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 22, 2022.



Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:



Marjie Veeder, CMC
City Clerk



MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Erin Reinders, City Manager
Date: July 27, 2021
Re: Resolution 2022-07: Approving Amendment 3 to the Power Purchase Agreement with Ounalashka/Chena Power, LLC and authorizing the City Manager to sign the amendment

SUMMARY: In August of 2020, City Council approved Resolution 2020-55, and authorized entering into a Power Purchase Agreement (PPA) with Ounalashka/Chena Power, LLC (OCCP). Since that time, Council has approved two amendments to the PPA. Additionally an MOU was developed to help implement the PPA. What is before Council this evening is as a result of a request from OCCP to further amend the PPA and the MOA. If Council approves Amendment 3 through Resolution 2022-07 tonight, staff will then move forward with amending the MOA as well. The Amendment has been developed based on the direction received from Council on February 8, 2022.

PREVIOUS COUNCIL ACTION: Council identified, as a federal priority, support for efforts and programs for reliable and cost-effective alternate energy sources, including geothermal. An outline of Council actions related to the PPA with OCCP is listed below.

November 26, 2019

- Work Session, Presentation from OCCP regarding their geothermal project

January 30, 2020

- Special Meeting for a Work Session for an update on OCCP's geothermal project

February 25, 2020

- Work Session, Report from OCCP regarding their geothermal project

March 10, 2020

- Reports - City Attorney conflict of interest opinion related to OCCP
- Executive Session
 - Discussion regarding potential PPA between City of Unalaska and OCCP
 - Discussion regarding potential Power Sales Agreements between City of Unalaska and local seafood processing facilities

May 26, 2020

- Directive to the Manager: *“Report back to the City Council by June 16, 2020 for possible action committing to a PPA with OCCP at the Council Meeting on June 23, 2020 a cost/benefit/risk analysis for a potential Power Purchase Agreement concept that commits Unalaska for the purchase of 100MkWhr/year, at \$0.16/kWh, for 30 years taking into account the probability of securing sufficient load sources by fall of 2023 within the Unalaska City Limits.”*

June 23, 2020

- Work Session - Presentation and discussion of the financial feasibility and potential risks and rewards related to OCCP's proposed Makushin Geothermal Power Project
- Directive to the Manager: *"Negotiate and work cooperatively with OCCP LLC to develop a Power Purchase Agreement that enables the City Council to act on such agreement at the Council Meeting on July 14, 2020. Initial loads to be negotiated should be between 80mkwhr and 100mkwhr. Costs and rates to be negotiated within the Power Purchase Agreement."*

July 21, 2020

- Special Meeting for Work Session & Executive Session, Discussion of PPA with OCCP

August 11, 2020

- Executive Session, Discussion of PPA with OCCP
- Directive to the Manager: *"I move to direct staff to accept both the OCCP proposal to share in the upside and daily liquidated damages in the amount of \$20,000.00 per day with a cap of \$5 million. The heat pump contribution is to remain at \$10 million cost to OCCP. The Annual cost is to be \$16,300,000.00. The meter on the upside sharing starts at 100,000,000 kWh. A minimum of two transmission lines to the delivery point of the City is required."*

August 25, 2020

- Council approves Resolution 2020-55, approving the PPA with OCCP and authorizing the City Manager to enter into the agreement

March 23, 2021

- Work Session - OCCP provided Council with an update on the project in preparation of considering an amendment to the PPA at the March 23, 2021 meeting. OCCP has requested an amendment to the PPA, extending the deadline outlined in the PPA to obtain financing.

March 30, 2021

- Special Meeting continued from the Regular Meeting on March 23, Council approved Resolution 2021-14, approving the PPA Amendment and authorizing the City Manager to sign said amendment. The amendment extended the deadline for OCCP to obtain financing and adjust the deadlines related to the Interconnection/Integration Plan.

July 27, 2021

- Regular meeting, Council approves Resolution 2021-55, approving Amendment 2 to the Power Purchase Agreement with Ounalashka/Chena Power, LLC and authorizing the City Manager to sign the amendment

February 8, 2022

- Executive Session, Discuss OCCP's requested amendment to the Power Purchase Agreement and to the Memorandum of Agreement between the City of Unalaska and Ounalashka/Chena Power, LLC

BACKGROUND: In August of 2020, after several months of negotiations and meetings, Council approved Resolution 2020-55 and authorized entering into the PPA with OCCP. An outline of all the Council actions related to the PPA is listed above. A copy of the PPA is attached. The 30 year PPA requires the City pay a fixed \$16.3 million annually (with 1% annual increases). Our base load is currently 40 million kilowatt hours per year, but to make this economical we need full participation of self-generators to get up to 90 to 100 million kilowatt hours per year. We have no

commitments in place from existing business to cover this gap, nor are we aware of any future development that is committed to locating in Unalaska and purchasing available power.

The PPA contains known expenses the City agreed to, including up to \$5 million for studying and upgrading the City distribution system, with OCCP committing up to \$7 million. The City agreed to initially fund the integration and interconnection study, but this cost will be reimbursed from OCCP in accordance with the PPA. To this end, the City contracted with Electrical Power Systems (EPS) to conduct the study.

OCCP requested amending the PPA to extend by one year their deadline to obtain written commitment for project financing in March of 2021. The original June 10, 2021 deadline for OCCP to secure financing commitments was identified in the original PPA as a key conditional precedent that allowed for the City to terminate the agreement if they so desired. Council supported the request and approved the first PPA Amendment. A copy of PPA Amendment 1 is attached. This amendment extended the deadline for OCCP to obtain project financing to June 10, 2022 and also adjusted the deadline for the Interconnection / Integration Plan accordingly.

Since the approval of Amendment 1, EPS produced an Interim Intertie Study. This project list in the interim study has been agreed to formally by both OCCP and City representatives through a Memorandum of Agreement (MOA). A copy of the MOA is attached. The MOA also outlines the cost reimbursement schedule for OCCP's obligation identified in the PPA. As OCCP and the City finalized the MOA it became apparent that an extension to the Commercial Operations Date was necessary. Amendment 2 extends the Commercial Operations Date by one year from May 31, 2024 to May 31, 2025, corresponding with the one year extension to the financing deadline in the previous amendment. A copy of PPA Amendment 2 is attached.

On January 6, 2022, the City received a written request from OCCP for Amendment 3 to the PPA and to temporarily suspend the MOA. A copy of this request is attached.

DISCUSSION: The City Team met with OCCP on January 14, 2022, to discuss this request in more detail. Basically, OCCP has requested Amendment 3 to the PPA to extend the financing and commercial completion date deadlines, and Amendment 1 of the MOA to align with this new schedule.

After Council's Executive Session on February 8, 2022, discussing this request and the various amendments, the City Team met with OCCP on February 11, 2022, and worked to develop Amendment 3 in accordance with the direction provided by Council in Executive Session. Together, we have agreed that the extension of deadlines to obtain financing to December 10, 2023; to finalize the Interconnection/Integration Plan and identify necessary easement to January 1, 2024; and the commercial operation date to May 31, 2027, are necessary for this project to continue moving forward. The City of Unalaska and OCCP have also agreed in the value of OCCP providing written reports to the City regarding potential customers beginning on March 1, 2022. This is all outlined Amendments 3 to the PPA, which OCCP has already indicated its concurrence. A copy of Amendment 3 is attached.

We have also worked with OCCP to develop Amendment 1 to the MOA to address the changes in PPA Amendment 3. A copy of Amendment 1 to the MOA is attached. Amendment 1 to the MOA will be signed after Council approves PPA Amendment 3.

FINANCIAL IMPLICATIONS: Primary financial implications of the PPA relate to the City's cost of purchasing power, which goes unchanged with this this PPA Amendment. The 30 year PPA requires the City pay a fixed **\$16.3 million annually (with 1% annual increases), for a total of just under \$567 million over 30 years.** Our base load is currently 40 million kilowatt hours per year, but to make this economical we need near-full participation of current self-generators to get up to 90-100 million kilowatt hours per year. Although this extension will provide another year to prepare and potentially gain new customers, without more specifics about the geothermal project and its completion, it is unlikely we will be able to successfully market and sell more power. Ultimately, costs associated with the PPA will be passed along to the rate payers. Various scenarios were prepared analyzing these financial implications created from the PPA regarding the base load and the potential increased sales, and were provided to the Council during the PPA negotiation process.

The PPA also commits the City to **\$5 million for upgrading the City distribution system, with OCCP committing \$7 million, of the first \$12 million necessary for upgrades. EPS's interim Intertie report identifies rough order magnitude estimates for twelve separate upgrade projects totaling \$16.25 million.** As the design of the overall geothermal project progresses, some intertie projects may be modified, some new projects may be required and estimates may change. These projects will be necessary over the course of the next few construction seasons. Budgetary adjustments may be required to roll out these projects for necessary upgrades and to accommodate the reimbursement schedule as we implement the PPA.

The uncertainty around the Geothermal Project, and the associated PPA and MOA amendments, poses challenges as the City plans for and invests in Capital Projects to support the electrical system. A budget amendment will likely be needed to adjust to the change in the cost share timing. The upcoming CMMP will be adjusted as well, especially as it pertains to the timing of OCCP's cost share. The City's focus now is the City's portion of electrical system interconnection upgrades and extensions in order to provide service to new customers and to improve reliability to the City's electrical distribution system. These improvements are also required to accept and distribute energy from the Makushin geothermal plant.

ALTERNATIVES: Council has two primary options on how to proceed with the Resolution 2022-07 and the third PPA amendment. These include:

1. Approve, thereby approving the third amendment to the PPA and authorizing the City Manager to sign the Amendment; or
2. Disapprove, thereby disapproving the third amendment to the PPA.

LEGAL: City Attorney Brooks Chandler has been engaged in discussions with OCCP from the beginning and remains so. He was involved in finalizing the PPA, the amendments, as well as the finalizing of the referenced MOA and its amendments, all of which are attached to this memo.

STAFF RECOMMENDATION: This amendment extends various deadlines in keeping with the extensions outlined in the previous amendments. These amendments do not change the underlying PPA prepared in accordance with Council directives and approved by Council in August of 2020. For these reasons, I recommend approval of this amendment.

PROPOSED MOTION: I move to adopt Resolution 2022-07.

ATTACHMENTS:

1. PPA between OCCP and City of Unalaska
2. PPA Amendment 1
3. MOA between OCCP and City of Unalaska
4. PPA Amendment 2
5. OCCP Request
6. PPA Amendment 3
7. MOA Amendment 1

AMENDMENT NO. 3

to

POWER PURCHASE AGREEMENT

BETWEEN

CITY OF UNALASKA, a first-class Alaska municipal corporation

AND

OUNALASHKA / CHENA POWER, LLC, an Alaska limited liability company

For good and valuable consideration, the receipt of which is hereby acknowledged, the City of Unalaska, a first-class Alaska municipal corporation (Purchaser) and Ounalashka / Chena Power, LLC (Seller) a licensed Alaska limited liability company duly organized under the laws of the State of Alaska agree to amend that certain POWER PURCHASE AGREEMENT, dated August 31, 2020 (Agreement) as previously amended by Amendment No. 1 and Amendment No. 2 as follows:

1. Paragraph 1(e) is hereby amended to read as follows:

(e) "Commercial Operation Deadline" means May 31, 2027 which is the date by which the Facility must have reached the Commercial Operations Date, or such other date as provided in this Agreement or as may be agreed to in a writing signed by both Parties.

2. Paragraph 4(c) is hereby amended to read as follows:

(c) Seller and Purchaser agree that the purpose and intent of this Agreement is dependent on the successful completion of the construction of the Facility/Facilities and the related achievement of the Commercial Operation Date by the Commercial Operation Deadline. As such, in the event that either; 1) Seller fails to obtain Project Financing by December 10, 2023; or 2) construction of the Facility/Facilities is at any time discontinued, abandoned or otherwise terminated by Seller in its sole discretion, or 3) Seller fails to provide written assurances to Purchaser that the Commercial Operation Deadline will be achieved in a form consistent with Prudent Utilities Practices, or 4) the Project fails to reach Commercial Operation by the Commercial Operation Deadline, then either Party may terminate this Agreement upon thirty (30) day's prior written notice to the

other party. In the event that a party elects to terminate this Agreement pursuant to this Section 4 (c), neither Seller nor Purchaser shall have any further liability and/or obligations to the other hereunder after the termination date, except for obligations, liabilities and/or duties that accrued prior to such termination or that survive such termination by the terms of this Agreement

3. Paragraph 11(a) is hereby amended to read as follows:

(a) The Parties shall agree to the Interconnection/Integration Plan a copy of which shall be attached to this Agreement by reference as Exhibit B, by January 1, 2024.

4. Paragraph 20(a) is hereby amended to read as follows:

(a) Seller shall obtain a written commitment for Project Financing by 12/10/2023.

5. Paragraph 20(b) is hereby amended to read as follows:

(b) The Parties shall negotiate in good faith to establish the Interconnection / Integration Plan” by January 1, 2024. The Interconnection/Integration Plan shall include but not be limited to; 1) a mutually acceptable Delivery Point; 2) a location for new distribution and transmission equipment required to connect to the Purchasers existing City Distribution System at Project Capacity, and 3) locations for metering equipment.

6. Paragraph 20(c) is hereby amended to read as follows:

(c) Seller shall have provided Purchaser a utility easement allowing placement, maintenance and operation of all equipment and connections at 1) the Delivery Point and 2) a location for new distribution and transmission equipment required to connect to the Purchasers existing City Distribution System at Project Capacity in a form reasonably satisfactory to Purchaser at no cost to Purchaser by January 1, 2024.

7. A new paragraph 2(e) is added to read as follows:

(e) Commencing March 1, 2022 Seller shall use its best efforts to identify potential new customers within and outside Purchaser’s existing service area who may be willing to receive electric service from Purchaser. Such efforts shall not, however, include offering such potential customers terms and conditions for electric service.

Seller shall provide Purchaser with written reports on at least a quarterly basis containing the names and contact information for potential customers.

7. Exhibit B is hereby amended to read as follows:
Interconnection / Integration Plan
[to be provided by the Parties by January 1, 2024]

8. No other provisions in the Agreement are altered by this amendment.

In witness whereof, Seller and Purchaser have duly executed, delivered, and formed this Amendment No. 3 through their authorized representatives, the effective date of which is March 11, 2022 ("Effective Date").

OC/CP, LLC:

By: OUNALASHKA CORPORATION, an
Alaska business corporation
Its Managing Member

Dated: 3-11, 2022

By Natalie A. Cale
Natalie Cale
Its Interim Chief Executive Officer

Dated: 3/11, 2022

By Margaret A. Lekanoff
Margaret A. Lekanoff
Its Secretary

CITY:

CITY OF UNALASKA, a first-class
municipal corporation

Dated: 3/11, 2022

By [Signature]
Erin Reinders
Its City Manager

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2024-06

A RESOLUTION OF THE UNALASKA CITY COUNCIL IDENTIFYING THE CITY OF UNALASKA'S STATE PRIORITIES FOR FY25

WHEREAS, the City of Unalaska identifies its critical infrastructure needs by maintaining a yearly planning process called the Capital and Major Maintenance Plan with a planning horizon of ten (10) years; and

WHEREAS, these projects are vetted and approved by the City Council and then are shared with the Alaska State Legislature through the CAPSIS process for consideration of funding by the State Legislature during the Fiscal Year 2025 Legislative session; and

WHEREAS, Unalaska and the International Port of Dutch Harbor have been the number one commercial fishing port in the United States for poundage for more than 30 years and the industry in Unalaska positively impacts the economy of the State of Alaska in many sectors; and

WHEREAS, the City of Unalaska supports the commercial fishing industry and wants to maintain a thriving, sustainable infrastructure now and into the future.

NOW THEREFORE BE IT RESOLVED that the City of Unalaska hereby identifies its State Legislative Priorities as:

- | | |
|--|-------------|
| 1. Captains Bay Road - Waterline Extension | \$4,721,463 |
| 2. Robert Storrs Small Boat Harbor Improvements (A & B Floats) | \$3,500,000 |
| 3. Unalaska Marine Center & Light Cargo Dock Dredging | \$2,700,000 |
| 4. Tom Madsen Airport Terminal Building Upgrades, Planning/Engineering | \$500,000 |

BE IT FURTHER RESOLVED that the City of Unalaska hereby identifies its top capital project funding priority as the Captains Bay Road Waterline Extension Project.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 27, 2024.

Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:

Estkarlen P. Magdaong
City Clerk

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: William Homka, City Manager
Date: February 27, 2024
Re: Resolution 2024-06: Identifying the City of Unalaska's State Priorities for FY25

SUMMARY: Every year the City Council identifies, via resolution, the capital project priorities to place in the State Legislative queue which is called CAPSIS (Capital Project Submission and Information System). Our approach is to keep it simple and very straight forward. Legislators don't have the time to read a long resolution with information that they don't much care about. Our message gets to the point and explains our projects in CAPSIS and in the briefing memo which will be distributed to our delegation in Juneau prior to our visits there next month. You will recognize many of the projects that are contained in the resolution. You may wish to add or subtract projects as this is within your authority.

PREVIOUS COUNCIL ACTION: Council last adopted a State Priorities resolution in January 2023 identifying priorities at the time (Resolution 2023-04).

BACKGROUND: The outside influences on this resolution include what happens in Washington, because if you receive funding from the Federal Government it can be leveraged to obtain funding from the State Legislature. The legislature likes to see community participation as well. The City of Unalaska is fortunate in that it has money to participate. There are many communities in the state who cannot meet the match requirements of many grant programs. Also, just because we ask for money from State and Federal legislative and congressional processes does not mean we are not also looking for grants.

DISCUSSION: The following projects were last year's priorities:

FY24 (Last Year) Project Priorities

1. Captains Bay Road, Phase 1	\$7,000,000
2. Airport Terminal Building Planning and Engineering	\$500,000
3. Electrical Interconnection Project (Federal allocation \$2.5M)	\$3,200,000
4. Unalaska Marine Center & Light Cargo Dock Dredging	\$2,700,000
5. Robert Storrs Small Boat Harbor Improvements	\$3,500,000

For FY25, the following four projects were entered in CAPSIS, as the deadline was February 16, 2024. It is suggested that Resolution 2024-06 contain the same list of state legislative priorities.

FY25 (Current Year) Project Priorities

1. Captains Bay Road - Waterline Extension	\$4,721,463
2. Robert Storrs Small Boat Harbor Improvements (A & B Floats)	\$3,500,000
3. Unalaska Marine Center & Light Cargo Dock Dredging	\$2,700,000
4. Tom Madsen Airport Terminal Building Upgrades, Planning/Engineering	\$500,000

Attached to this memo are the project descriptions entered in CAPSIS.

ALTERNATIVES: Council may choose to add or subtract projects, as well as modify the top funding priority.

FINANCIAL IMPLICATIONS: There are critical issues happening in the commercial fishing industry that will ultimately impact revenue streams for the City of Unalaska. There are also projects for which the city needs funding assistance.

LEGAL: No legal review required.

STAFF RECOMMENDATION: Staff recommends approval of this resolution, along with direction on Council's top funding priority.

PROPOSED MOTION: I move to adopt Resolution 2024-06. An amendment may be in order if Council wishes to change the top capital project funding priority.

CITY MANAGER COMMENTS: I support the staff recommendation.

ATTACHMENTS: CAPSIS Project Submissions

1. [Captains Bay Road - Waterline Extension](#)
2. [Robert Storrs Small Boat Harbor Improvements \(A & B Floats\)](#)
3. [Unalaska Marine Center & Light Cargo Dock Dredging](#)
4. [Tom Madsen Airport Terminal Building Upgrades, Planning/Engineering](#)

Project Title: Unalaska - Captains Bay Road Waterline Extension

TPS Number: 59616

Priority: 1

Agency: Commerce, Community and Economic Development
Grants to Municipalities (AS 37.05.315)

Grant Recipient: Unalaska

FY2025 State Funding Request: \$4,721,463

One-Time Need

Brief Project Description:

This project will extend watermain along Captains Bay Road in Unalaska to allow the City to provide continuous water service to all customers (residential, industrial, etc.) and properly maintain current water storage infrastructure. This project would allow the City to decommission a WWII era wood stave waterpipe that is estimated to leak 78.8 million gallons of treated water a year.

Funding Plan:

Total Project Cost:	\$5,907,863
Funding Already Secured:	(\$1,186,400)
FY2025 State Funding Request:	(\$4,721,463)
Project Deficit:	\$0

Explanation of Other Funds:

In May 2022 the City of Unalaska appropriated \$800,000 to be used for construction in 2024. The original source of funds was the American Rescue Plan Act (ARPA) of 2021.

2022, Dec. - \$386,400 - Denali Commission Grant received for design.

2023, Feb. - \$3,621,463 - Current CAPSIS request to provide balance of funds to complete this project.

Detailed Project Description and Justification:

Unalaska's water system can not run at full capacity since its 2.6 million, 38' tall Pyramid Creek Storage Tank must maintain water level of 29' to provide water to the North Pacific Fuel (NPF) area along Captains Bay Road. NPF is served by an antiquated 6" wood stave pipe that is in poor condition. The wood stave service pipe tees from the Pyramid Creek mainline, travels over a hill, and then down the Pyramid Creek Valley to serve NPF. The crest of the hill along the pipe's route is near the 29' elevation of the 38' water storage tank, resulting in the need for the water tank's water level to be maintained at 29' or higher to maintain sufficient water pressure to serve the NPF area. This results in useful storage capacity to be 1/3 third of the storage tank's capacity. Additionally, the WWII era wood stave pipe leaks at a rate of 150 gallons per minute or 216,000 gallons per day or 78.8 million gallons per year which adds stress and expense to the City's water system.

This project will provide the balance of the funds that are needed to construct a 6,000 lineal foot water main extension from Westward Seafood to NPF with 16" ductile iron pipe along Captains Bay Road to allow NPF to be served by the City's main distribution network. This will allow the City to utilize the full capacity of the existing Pyramid water storage tank as well as give us the ability to maintain this tank properly. Additionally, this improvement will ensure continuous water service to all industrial, commercial and residential customers. The existing leaking WWII era wood stave service pipe will be abandoned once the new water main extension is commissioned.

In May of 2022 City Council designated \$800,000 towards the Captain's Bay Road Waterline extension project. The original source of these funds was from American Rescue Plan Act (ARPA) of 2021. In 2022 the City applied to the Denali Commission to partially fund the design and construction of this project. The Denali Commission granted the City \$386,400 in December of 2022 for the design of this project. Currently the City is requesting the Legislature to provide the balance of the funds required to construct and complete this project.

Project Timeline:

2022 - \$800,000 City Appropriated funds to be used for construction in 2024

2022 - \$386,400 Denali Commission Grant received for design - Underway

2023 - Design and permitting to be completed (May 2023)

2025 - \$4,721,463 Balance of funds to be used for construction

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

City of Unalaska - Department of Public Utilities

Grant Recipient Contact Information:

Name: William Homka
Address: 43 Raven Way
Unalaska, AK 99685
Phone Number: (907)581-1251
Email: bhomka@ci.unalaska.ak.us

This project has been through a public review process at the local level and it is a community priority.

Community Description

The City of Unalaska is located on Unalaska and Amaknak Islands in Alaska's western Aleutian Islands where the Pacific Ocean and its international shipping lanes meet the rich fishing grounds of the Bering Sea. Unalaska's Port of Dutch Harbor is the country's largest fishing port in terms of quantity of fish landed (763 million pounds in 2019) and second in monetary value of fish caught. The City has a diverse, multicultural resident population whose diversity is enhanced by thousands of seasonal fisheries workers representing many different nationalities. Unalaska's 2020 population was 4,432 full-time residents. During the peak fishing seasons, the population increases by 5,000 to 6,000 people.

The City's water system provides fresh, clean drinking water for household use as well as the many fish processing facilities. At peak usage during Unalaska's two processing seasons, the City provides up to 7 million gallons per day (MGD) of water. The Pyramid Water Treatment Plant and Storage Tank (Figure 1),



located in the mountains above town, is the City's primary water source. This storage tank provides disinfection, emergency, and operational water storage and maintains even water pressure throughout the City. Water from the tank flows downhill and into town via a 24-inch-diameter water transmission pipe that is buried along Pyramid Creek Road (see Appendix A). The City also has

Figure 1: Pyramid Creek Water Storage Tank (credit HDR)

ground water wells that can provide approximately 3.5 MGD of water on a temporary basis if the turbidity of the City's water reservoir is too high to allow water treatment or the plant and/or storage tank require maintenance.

Problem Statement

Approximately 1/3-mile downstream of the Pyramid water storage tank, is a 6" wood stave service connection that branches to the North Pacific Fuel (NPF) facility located on Captains Bay Road. This connection provides water for eight residential units, vessels, dock, and fire protection for the entire industrial area including a fuel tank farm. This is the only service line that connects these users. When this service pipe or the storage tank needs maintenance, these users must truck in potable water since the ground water wells cannot be used due to distribution system layout and pressure limitations.

The wood stave pipe was installed during World War II and was intended as a temporary measure. The wood stave pipe that serves NPF is at least 50 years past its useful design life and requires frequent repair. The pipe leaks at a rate of approximately 150 gallons per minute, or up to 216,000 gallons per day. This is over twice the daily residential water demand for the entire community. Replacing this pipe would eliminate the leaking problem. It would also provide a noticeable benefit to the City's water supply. During times of limited precipitation and higher water demands, the raw water stores in Unalaska can dwindle



Figure 2: Leaking wood stave pipe connection to NPF (credit City of Unalaska)

inspections, sediment cleaning, tank repair, and other essential maintenance while distributing water to the customers currently being served by the existing 75-year-old 6” wood stave service pipe. Since there is no way to take the tank offline while providing continuous water to all its residential and industrial customers, the City has considered constructing a second tank at considerable cost to allow maintenance of the existing tank.

to concerningly low levels. The water currently being lost to pipe leaks would be available to other users, reducing the need for water conservation notices.

The current routing of the wood stave pipe is also problematic. This pipe is routed over a hill and then down a steep slope to the NPF facility along Captains Bay Road. The top of this hill is nearly at the same elevation as the middle of the water storage tank.

In order to provide water service with adequate pressure, the water level in the Pyramid tank must be maintained at least approximately 75 percent full at all times (Figure 3).

The Pyramid storage tank is 38 feet tall. By having to maintain the water level above 29 feet, the useful storage is only 25-30 percent of the tank’s full volume. Consequently, a large amount of treated water in the tank can’t be used. This limitation creates additional problems for the City because it is impossible to drain the tank for required

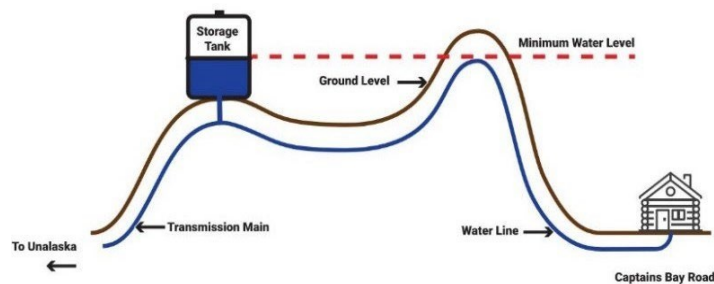


Figure 3: Hydraulic Restriction on the Storage Tank

Project Description and Benefits

This project will design and construct a 16-inch water pipeline from Westward Seafoods along Captains Bay Road to NPF to replace the existing failing wood stave pipe and will allow the City to utilize the full capacity of the existing Pyramid storage tank as well as give the City the ability to maintain this tank properly while at the same time providing continuous water service to our industrial customers.

Project Impact/Value Statement “Solving this need is the single most important step forward that the City could take for its water system in the next 20 years.” 2017 Water System Master Plan

The full potential of the Unalaska water system is hydraulically limited due to the existing wood stave pipe serving the NPF facility. A water line extended along Captains Bay Road to NPF will improve the hydraulic operation, failure resiliency, and operational flexibility of the entire Unalaska water system.

Unalaska Denali Commission Grant Application

The 2003 and 2017 City of Unalaska Water Master Plans have suggested additional water storage installation. A new pipe along Captains Bay Road to NPF would allow the Pyramid Water Tank to be operated down to 8 feet, making an additional 1.5 million gallons of stored water available for operational demands, fire flow, and emergency use throughout the city. Freeing 1.5 million gallons of existing storage capacity by installing the new pipe along Captains Bay Road means that 1.5 million fewer gallons of new storage capacity must be installed elsewhere.

Replacement of the water line would eliminate the need to install a second storage tank on Pyramid Creek Road and eliminate leakage from wood stave water line. An engineering report of a proposed second tank at the Pyramid Water Treatment Plant estimated construction costs to be \$11.8 million in 2022 dollars, with an additional \$3.8 million in additional operations and maintenance costs over 30 years. The utility estimates that the current water line leaks approximately 80 million gallons per year, which incurs a monetary loss of the leaked water as well as a higher chance of water restrictions to the served population. The estimated value of that leaked water over 30 years is around \$6.3 million. Over 30 years, this project would save approximately \$22 million dollars by allowing the utility to save both capital funds for other needed improvement projects and reduce wasted water through leakage, which improves the availability of the City's limited raw water resource.

The Project is estimated to cost approximately \$4.8 million. After the new water pipe is operational, the existing 6-inch wood stave pipe to NPF will be disconnected from the large-diameter water transmission pipe along Pyramid Creek Road and abandoned. This project would save the utility and community over \$22 million dollars, improve the operational flexibility and resiliency of the water distribution system, and improve the availability of water to all of Unalaska.

Scope of Work and Schedule

Table 1: Work Tasks, Schedule, Description and Deliverables

Task	Schedule	Description	Deliverables
Project Design	Jan 2023-Aug 2023	Consultant will perform all engineering and geotechnical studies to locate the water line along Captains Bay Road.	Geotechnical report and final design drawings.
Permitting and Public Outreach	Feb 2023-Aug 2023	Consultant will secure all necessary permits, NEPA documentation and support the City's stakeholder outreach activities.	Local Land Use Permits, ADEC Approval to Construct, NEPA Documentation (CE or EA), Section 106 Review, support responses to stakeholder and agency comments.
Waterline Construction	Aug 2023-Feb 2024	Contractor will be selected through a competitive bid to construct the new water line and abandon the old wood stave pipe.	Construct new waterline and abandon old wood stave pipeline. Fully functioning 16' water line from Westward Seafoods and NPFs.
Wood Stave Service Line Abandonment	Feb 2024-Mar 2024	Decommission wood stave pipeline, move NPF meter to new waterline, disconnect both ends of wood stave pipe.	Abandoned wood stave pipeline in place.
Project Closeout	Mar 2024-Jul 2024	As built survey, final ADEC approvals. Grant closeout	As built drawings, ADEC final approval to operate, grant close out.

Unalaska Denali Commission Grant Application

Organization, Capacity, and Delivery Method

Unalaska has an annual budget of approximately \$90 million. The City has a 12-person Finance Department including a Project Management Fixed Asset (PMFA) accountant. This position is responsible for making sure all grant requirements have been met and grant-related expenditures are documented and properly supported. All grant funds will be expended on contractor services with no City personal services, administrative, equipment or supply charges assessed to the grant.

The City's 67 person Public Works Department and Public Utilities Department have in-house engineering and utility operations expertise to manage the technical aspects of this project. The Public Works Director will have overall project management responsibilities. Contracts for preliminary engineering and NEPA documentation have been awarded through a competitive professional services request for proposals. Final design and NEPA documentation contracts will follow Unalaska's Procurement Policy. The construction contract will be awarded through a competitive bid. The project will be completed through a Design, Bid, Build process. See Appendix B for key staff resumes.

Partnerships and Leveraged Funds

Providing a secure and safe water supply is critical to Unalaska's fish processing industry and the community. Recognizing the importance of developing a resilient water utility system, the City prepared Water System Master Plans in 2003 and 2017 to provide a roadmap to address Unalaska water needs. Significant public outreach during these planning efforts led to substantial community support to modernize and expand Unalaska's water system and services. The replacement of the remaining wood stave pipe system and the full utilization of the Pyramid Valley Water Storage Tank has long been a community priority identified in these master plans.

City of Unalaska
CAPTAINS BAY ROAD - WATER MAIN EXTENSION
 Construction Cost Estimate

SCHEDULE OF WATER MAIN QUANTITIES AND ESTIMATED PRICES					
Item	Pay Item	Water Main Totals			
		Pay Unit	Unit Price	Qty	Extension
SEGMENT 2 - WSI through NPF					
301	Aggregate Surface Course	Ton	\$50	3,100	\$155,000
301(x)	Aggregate Bedding Material	Ton	\$50	7,500	\$375,000
627(1a)	16" Ductile Iron Water Conduit, Class 52	LF	\$240	6,040	\$1,449,600
627(3)	Install Valve Box	EA	\$1,000	5	\$5,000
627(5)	Fire Hydrant Installation	EA	\$12,000	3	\$36,000
627(8)	Water Service Connection	EA	\$4,000	4	\$16,000
627(9a)	Install 8" Gate Valve	EA	\$6,000	1	\$6,000
627(9b)	Install 12" Gate Valve	EA	\$9,000	1	\$9,000
627(9c)	Install 16" Butterfly Valve	EA	\$12,000	3	\$36,000
627(x)	16" Blowoff Pipe	LS	\$80,000	1	\$80,000
627(x)	Connect to Existing Water Main	EA	\$12,000	1	\$12,000
627(x)	Water Chlorine Monitoring Facility w/ SCADA, Yard Hydrant	LS	\$350,000	1	\$350,000
627(x)	Bridge Crossing	LS	\$80,000	1	\$80,000
640(1)	Mobilization/Demobilization	LS	\$500,000	1	\$500,000
640(4)	Worker Meals and Lodging, or Per Diem	LS	\$100,000	1	\$100,000
641(1)	Erosion and Pollution Control Administration	LS	\$10,000	1	\$10,000
641(2)	Temporary Erosion, Sediment and Pollution Control	LS	\$40,000	1	\$40,000
642(1)	Construction Surveying	LS	\$90,000	1	\$90,000
643(2)	Traffic Maintenance	LS	\$140,000	1	\$140,000
646(1)	CPM Scheduling	LS	\$10,000	1	\$10,000
CONSTRUCTION COST ESTIMATE TOTAL SEGMENT 2 - WSI through NPF					\$3,344,600

Construction Cost	\$3,344,600
Contingency 15%	\$501,690
Subtotal	\$3,846,290
Design Engineering (10%)	\$384,629
Construction Management / Inspection (15%)	\$576,944
Grand Total	\$4,807,863



Captain's Bay Road Waterline Extension

- Water Mains
- Water Service-To Be Abandoned
- Proposed Waterline

Council Pacl



Project Title: Unalaska - Robert Storrs Small Boat Harbor Improvement (A and B Floats)

TPS Number: 65610

Priority: 2

Agency: Commerce, Community and Economic Development
Grants to Municipalities (AS 37.05.315)

Grant Recipient: Unalaska

FY2025 State Funding Request: \$3,500,000

One-Time Need

Brief Project Description:

The Robert Storrs Small Boat Harbor Improvement Project is an entire float replacement for the aging, previously State-owned float system. This is a Tier 1 project. Unalaska City Council has identified this project as a key project funding priority.

Funding Plan:

Total Project Cost:	\$10,195,000
Funding Already Secured:	(\$6,695,000)
FY2025 State Funding Request:	<u>(\$3,500,000)</u>
Project Deficit:	\$0

Explanation of Other Funds:

As of FY22, the City has appropriated a total of \$6,695,000 for initial scoping and design, and a portion of the construction cost.

Detailed Project Description and Justification:

This project qualifies as a Tier 1 project under the AK Department of Transportation & Public Facilities Harbor Matching Grant Program. This project would include replacing deteriorated floats and reconfiguring floats and fingers of A and B Float to include updated electrical, year-round water, a fire suppression system, a public restroom, public parking and ADA required gangways. Current engineering concepts allow for 30 additional slips to accommodate the waiting list and the reconfiguration will allow for uplands development for much needed parking and public restrooms. The existing floats were an old float system that the State divested. Because of this, the floats were configured in a manner that worked with existing material. The layout is not the best use of the basin and has limited access (navigational) and minimal moorage opportunity. The floats are at the end of their useful life, they are over 40 years old. Replacing the floats would provide an opportunity to bring the Harbor up to code and maximize the mooring opportunity for small commercial fishing boats, charter boats, local users and tourists. The City was granted additional submerged tidelands from Alaska Department of Natural Resources for the expanded layout. This project was vetted through a thorough public process; permit applications are being prepared; and bid documents for a design/build construction project are being developed. The Harbor Matching Grant Program funded part of replacement of the Robert Storrs Harbor Discovery Float in 2015. This is the final stage of this Tier 1 project.

Project Timeline:

The Robert Storrs Harbor A & B Floats concept "scoping" was completed in 2013. Geotechnical data was taken and analyzed for the concept layout. The timeline for construction for A and B Floats is anticipated for the spring of 2025. Permitting applications are in process, as is the RFP for the design/build bid documents. If this project has not secured the funding for construction in FY25, it is likely the harbor will be closed until funding can be secured.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

City of Unalaska - Port of Dutch Harbor

Grant Recipient Contact Information:

Name: William Homka
Address: 43 Raven Way

Unalaska, AK 99695

Phone Number: (907)581-1251

Email: bhomka@ci.unalaska.ak.us

This project has been through a public review process at the local level and it is a community priority.

Project Title: Unalaska - Unalaska Marine Center and Light Cargo Dock Dredging

TPS Number: 66645

Priority: 3

Agency: Commerce, Community and Economic Development
Grants to Municipalities (AS 37.05.315)

Grant Recipient: Unalaska

FY2025 State Funding Request: \$2,700,000

One-Time Need

Brief Project Description:

This project is to dredge submerged lands in front of the Unalaska Marine Center Dock and Light Cargo Dock adding depth at the dock face. This dredging is to allow larger, deep-draft vessels, from container ships to cruise ships, to utilize the docks. that will call these facilities upon completion of the USACE Entrance Channel Dredging Project.

Funding Plan:

Total Project Cost:	\$5,354,145
Funding Already Secured:	(\$2,654,145)
FY2025 State Funding Request:	(\$2,700,000)
Project Deficit:	\$0

Explanation of Other Funds:

As of FY22, the City had appropriated a total of \$109,650 for limited initial scoping and design. In FY24, in anticipation of funding for the USACE Engineers Entrance Channel Dredging Project the City of Unalaska City Council appropriated an additional \$2,544,495 and of that Council awarded \$497,000 for completion of the geotechnical investigation, bathymetry, and design for this dredging project.

Detailed Project Description and Justification:

The dredging for the Unalaska Marine Center (UMC) and the Light Cargo Dock (LCD) is one of several projects that were developed to enhance commerce and safety for deep draft vessels in Dutch Harbor proper. In 2019 The City of Unalaska completed the renovation of Unalaska Marine Center (UMC) in preparation for deeper-draft cargo vessels. The renovation project of this industrial dock extended crane rails, added gantry crane infrastructure, fuel headers, and increased load capacity. The depth at the UMC dock face currently ranges from -38 to -40 feet. In 2019, the Corp of Engineers began the feasibility for Dredging the Entrance Channel into Dutch Harbor to -58 feet, currently at -43 feet. The USACE project is to accommodate the passage of deep-draft vessels to the cargo facilities inside Dutch Harbor. The dredging at UMC and LCD marries the USACE dredging and the UMC renovation projects together to meet the demands for deep-draft cargo operations. The UMC and LCD dredging project will bring the water depth at the face of UMC to -45' MLLW making it truly deep draft and operational for the deep draft vessels soon to navigate through the entrance channel. The dredging project for UMC and LCD have been earmarked and waiting for the approval of Congressional funding for the USACE entrance channel dredging so these projects could work in concert and recognize some efficiencies by sharing resources and the permitting processes. Congressional funding has been received for the USACE Entrance Channel Dredging project and in concert the City of Unalaska is moving forward with the UMC and LCD Dredging project. The Light Cargo Dock will be dredged to -35' and will then accommodate a wider range of fuel vessels, cargo vessels and catcher-processers. The Light Cargo Dock serves as a gear transfer dock and overflow for vessels not able to confirm space at UMC. The Light Cargo Dock, currently at -23 feet, will be dredged to -35 which is the maximum depth for the dock as designed and constructed. UMC will be dredged to -45 feet in order to accommodate deep-draft container ships and tankers. The UMC and LCD Dredging Project includes costs for the geotechnical work, bathymetry studies, permitting, means of dredging, disposal site, mobilization and demobilization and construction.

Project Timeline:

It is estimated that the dredging project for the Unalaska Marine Center and the the Light Cargo Dock will coincide with the timing of the USACE Dredging to begin in the fall of 2024.

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

City of Unalaska - Port of Dutch Harbor

Grant Recipient Contact Information:

Name: William Homka
Address: 43 Raven Way
Unalaska, AK 99685
Phone Number: (907)581-1251
Email: bhomka@ci.unalaska.ak.us

This project has been through a public review process at the local level and it is a community priority.

Project Title: Unalaska - Tom Madsen Airport Terminal Upgrades: Planning and Engineering

TPS Number: 68140

Priority: 4

Agency: Commerce, Community and Economic Development
Grants to Municipalities (AS 37.05.315)

Grant Recipient: Unalaska

FY2025 State Funding Request: \$500,000

Future Funding May Be Requested

Brief Project Description:

This funding request is to begin the planning, engineering, and design for rehabilitation and expansion of the Tom Madsen Airport Terminal. The Tom Madsen Terminal is constructed on State land and the improvements will be planned, engineered and designed in support of the State Airport Master Plan.

Funding Plan:

Total Project Cost:	\$500,000
Funding Already Secured:	(\$0)
FY2025 State Funding Request:	(\$500,000)
Project Deficit:	\$0

Explanation of Other Funds:

This is a new project

Detailed Project Description and Justification:

This funding will start the planning, design and engineering of the Tom Madsen Terminal Building Upgrades and Expansion. The State of Alaska funded an Airport Master Plan update in 2020/2021. Identified areas of concern included capacity and bottlenecks for movement of passengers and baggage; security; inefficiencies in energy use; and aircraft parking on the tarmac side. The building has not kept up with the modernization of air transportation even at a rural level. This building has served Unalaska since the late 1980s and realistically will need to be addressed in order to maintain productive air service to and from Unalaska. These start up funds will lay the groundwork for planning, to include a public process. Construction is several years out.

Project Timeline:

The City will put out to bid the planning process for this project within the same fiscal year funding is approved

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

The City of Unalaska

Grant Recipient Contact Information:

Name: William Homka
Address: 43 Raven Way
Unalaska , AK 99685
Phone Number: (907)581-1251
Email: bhomka@ci.unalaska.ak.us

This project has been through a public review process at the local level and it is a community priority.

CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE 2024-04

AN ORDINANCE OF THE UNALASKA CITY COUNCIL AMENDING UCO § 3.40.040 TO ADOPT A NEW PAY RANGE MATRIX; AND AMENDING § 3.40.050 BASIS OF PAY RATES

WHEREAS, UCO § 3.40.010 states that the objectives of the City’s plan are (a) to provide an appropriate salary structure to recruit and retain an adequate supply of competent employees; and (b) to provide appropriate pay incentives for productivity and quality; and

WHEREAS, UCO § 3.40.020 requires the City Manager to periodically (but no less often than every three years) review the pay plan and make a report to the City Council discussing whether or not the pay plan accurately reflects existing conditions; and to determine the accuracy of pay ranges; and

WHEREAS, the City retained a professional consultant to conduct a classification and compensation study for our unrepresented employees, and the report of that study was presented to the City Council on February 6, 2024; and

WHEREAS, the Council discussed the compensation and classification study again on February 13, 2024, and issued a directive to the City Manager to revise the employee classification and wage scale based on the findings of the study; and

WHEREAS, the City Manager recommends the following changes in the pay plan to keep it current.

NOW THEREFORE, BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF UNALASKA, as follows:

Section 1: Classification. This Ordinance is a Code Ordinance.

Section 2: Amendment of Section 3.40.040 Pay Range Matrix. Section 3.40.040 of the Unalaska Code of Ordinances is hereby amended to read as follows [new language is underlined; and deleted language is ~~overstruck~~]:

WAGE RANGES – ANNUAL

<i>Wage Range</i>	<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
A10	\$30,886.86	\$35,538.36	\$40,168.13
A11	\$38,320.57	\$47,906.14	\$57,491.72
A12	\$40,689.79	\$50,862.24	\$61,034.69
A13	\$43,037.28	\$53,796.60	\$64,555.92
B21	\$45,406.50	\$56,752.70	\$68,098.89
B22	\$47,753.99	\$59,687.06	\$71,620.12
B23	\$50,101.48	\$62,621.42	\$75,163.09
B24/B31	\$53,057.58	\$66,316.54	\$79,575.50
B25/B32	\$56,578.81	\$70,728.94	\$84,879.08
C41	\$59,534.90	\$74,424.06	\$89,291.49

C42	\$62,512.74	\$78,140.92	\$93,769.10
C43	\$65,642.72	\$82,031.66	\$98,442.34
C44/C51	\$68,924.86	\$86,139.77	\$103,376.42
C45/C52	\$72,359.14	\$90,095.72	\$108,549.58
D61	\$73,054.70	\$94,964.58	\$116,896.21
D62	\$76,706.34	\$99,724.77	\$123,330.06
D63	\$80,553.62	\$104,702.31	\$128,872.74
E81	\$84,422.62	\$109,745.06	\$135,067.50
E82	\$88,639.41	\$115,244.27	\$141,827.40
E83	\$93,073.55	\$121,004.31	\$148,913.34
E84	\$97,725.06	\$127,046.92	\$156,368.78

WAGE RANGES – SEMIMONTHLY

<i>Wage Range</i>	<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
A10	\$1,286.95	\$1,480.77	\$1,673.67
A11	\$1,596.69	\$1,996.09	\$2,395.49
A12	\$1,695.41	\$2,119.26	\$2,543.11
A13	\$1,793.22	\$2,241.53	\$2,689.83
B21	\$1,891.94	\$2,364.70	\$2,837.45
B22	\$1,989.75	\$2,486.96	\$2,984.17
B23	\$2,087.56	\$2,609.23	\$3,131.80
B24/B31	\$2,210.73	\$2,763.19	\$3,315.65
B25/B32	\$2,357.45	\$2,947.04	\$3,536.63
C41	\$2,480.62	\$3,101.00	\$3,720.48
C42	\$2,604.70	\$3,255.87	\$3,907.05
C43	\$2,735.11	\$3,417.99	\$4,101.76
C44/C51	\$2,871.87	\$3,589.16	\$4,307.35
C45/C52	\$3,014.96	\$3,753.99	\$4,522.90
D61	\$3,043.95	\$3,956.86	\$4,870.68
D62	\$3,196.10	\$4,155.20	\$5,138.75
D63	\$3,356.40	\$4,362.60	\$5,369.70
E81	\$3,517.61	\$4,572.71	\$5,627.81
E82	\$3,693.31	\$4,801.84	\$5,909.48
E83	\$3,878.06	\$5,041.85	\$6,204.72
E84	\$4,071.88	\$5,293.62	\$6,515.37

WAGE RANGES – HOURLY

<i>Wage Range</i>	<i>Minimum</i>	<i>Midpoint</i>	<i>Maximum</i>
A10	\$14.85	\$17.09	\$19.31
A11	\$18.42	\$23.03	\$27.64
A12	\$19.56	\$24.45	\$29.34
A13	\$20.69	\$25.86	\$31.04
B21	\$21.83	\$27.28	\$32.74
B22	\$22.96	\$28.70	\$34.43

B23	\$24.09	\$30.11	\$36.14
B24/B31	\$25.51	\$31.88	\$38.26
B25/B32	\$27.20	\$34.00	\$40.81
C41	\$28.62	\$35.78	\$42.93
C42	\$30.05	\$37.57	\$45.08
C43	\$31.56	\$39.44	\$47.33
C44/C51	\$33.14	\$41.41	\$49.70
C45/C52	\$34.79	\$43.32	\$52.19
D61	\$35.12	\$45.66	\$56.20
D62	\$36.88	\$47.94	\$59.29
D63	\$38.73	\$50.34	\$61.96
E81	\$40.59	\$52.76	\$64.94
E82	\$42.62	\$55.41	\$68.19
E83	\$44.75	\$58.18	\$71.59
E84	\$46.98	\$61.08	\$75.18

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WAGE RANGES - ANNUAL

Pay Grade	Title	Department/Division	Minimum	Control Point	Maximum
100	Lifeguard	PCR / Aquatic Center	\$47,465.60	\$52,208.00	
105	Administrative Assistant I	Any	\$51,272.00	\$56,388.80	\$71,780.80
105	Head Lifeguard	PCR / Aquatic Center	\$51,272.00	\$56,388.80	\$71,780.80
110	Risk Management Assistant	Administration	\$73,299.20	\$80,620.80	\$102,627.20
110	Administrative Assistant II	Any	\$73,299.20	\$80,620.80	\$102,627.20
110	Executive Assistant I	City Manager's Office	\$73,299.20	\$80,620.80	\$102,627.20
115	Executive Assistant II	City Manager's Office	\$79,144.00	\$87,068.80	\$110,801.60
120	Human Resources Specialist	Administration	\$85,488.00	\$94,036.80	\$119,683.20
120	Executive Assistant III	City Manager's Office	\$85,488.00	\$94,036.80	\$119,683.20
120	Office Manager	Public Works	\$85,488.00	\$94,036.80	\$119,683.20
120	Engineering Technician I	Public Works	\$85,488.00	\$94,036.80	\$119,683.20
120	Office Manager	Public Safety	\$85,488.00	\$94,036.80	\$119,683.20
125	Aquatic Center Manager	PCR / Aquatic Center	\$92,331.20	\$101,566.40	\$129,272.00
125	Deputy City Clerk	City Clerk	\$92,331.20	\$101,566.40	\$129,272.00
125	Engineering Technician II	Public Works	\$92,331.20	\$101,566.40	\$129,272.00
125	Associate Planner	Planning	\$92,331.20	\$101,566.40	\$129,272.00
125	Planning & GIS Technician	Planning	\$92,331.20	\$101,566.40	\$129,272.00
130	Business & Operations Manager	Parks, Culture & Recreation	\$99,736.00	\$109,699.20	\$139,630.40
130	Civil Engineer	Public Works	\$99,736.00	\$109,699.20	\$139,630.40
130	Librarian	Parks, Culture & Recreation	\$99,736.00	\$109,699.20	\$139,630.40
130	Planner	Planning	\$99,736.00	\$109,699.20	\$139,630.40
130	Lab Coordinator	Public Utilities	\$99,736.00	\$109,699.20	\$139,630.40
135	Project & Fixed Assets Accountant	Finance	\$107,702.40	\$118,476.80	\$150,779.20
135	Network Administrator	Finance / Information Systems	\$107,702.40	\$118,476.80	\$150,779.20
135	Senior Planner	Planning	\$107,702.40	\$118,476.80	\$150,779.20
140	Risk Management Coordinator	Administration	\$116,334.40	\$127,961.60	\$162,864.00
140	Human Resources Coordinator	Administration	\$116,334.40	\$127,961.60	\$162,864.00
140	Project Manager - DPW	Public Works	\$116,334.40	\$127,961.60	\$162,864.00
140	Harbormaster	Ports & Harbors	\$116,334.40	\$127,961.60	\$162,864.00
140	Recreation Manager	Parks, Culture & Recreation	\$116,334.40	\$127,961.60	\$162,864.00
145	Controller	Finance	\$125,632.00	\$138,195.20	\$175,884.80
145	Deputy Port Director	Ports & Harbors	\$125,632.00	\$138,195.20	\$175,884.80
145	Deputy Utilities Director	Public Utilities	\$125,632.00	\$138,195.20	\$175,884.80
150	Human Resources Manager	Administration	\$135,699.20	\$149,260.80	\$189,987.20
150	IT Manager	Finance / Information Systems	\$135,699.20	\$149,260.80	\$189,987.20
150	City Librarian	Parks, Culture & Recreation	\$135,699.20	\$149,260.80	\$189,987.20
155	Director of Human Resources	Administration	\$149,260.80	\$164,195.20	\$208,956.80
155	City Clerk	City Clerk	\$149,260.80	\$164,195.20	\$208,956.80
155	Director of Parks, Culture & Recreation	Parks, Culture & Recreation	\$149,260.80	\$164,195.20	\$208,956.80
155	Director of Planning	Planning	\$149,260.80	\$164,195.20	\$208,956.80
155	Deputy Chief of Police	Public Safety	\$149,260.80	\$164,195.20	\$208,956.80
160	Director of Public Works	Public Works	\$164,195.20	\$180,606.40	\$229,881.60
160	Director of Finance	Finance	\$164,195.20	\$180,606.40	\$229,881.60
160	Fire Chief	Fire & Emergency Medical Services	\$164,195.20	\$180,606.40	\$229,881.60
160	Chief of Police	Public Safety	\$164,195.20	\$180,606.40	\$229,881.60
160	Director of Ports & Harbors	Ports & Harbors	\$164,195.20	\$180,606.40	\$229,881.60
160	Director of Public Utilities	Public Utilities	\$164,195.20	\$180,606.40	\$229,881.60
165	Deputy City Manager	Administration	\$180,606.40	\$198,660.80	\$252,844.80

WAGE RANGES - SEMIMONTHLY

Pay Grade	Title	Department/Division	Minimum	Control Point	Maximum
100	Lifeguard	PCR / Aquatic Center	\$1,977.73	\$2,175.33	
105	Administrative Assistant I	Any	\$2,136.33	\$2,349.53	\$2,990.87
105	Head Lifeguard	PCR / Aquatic Center	\$2,136.33	\$2,349.53	\$2,990.87
110	Risk Management Assistant	Administration	\$3,054.13	\$3,359.20	\$4,276.13
110	Administrative Assistant II	Any	\$3,054.13	\$3,359.20	\$4,276.13
110	Executive Assistant I	City Manager'S Office	\$3,054.13	\$3,359.20	\$4,276.13
115	Executive Assistant II	City Manager'S Office	\$3,297.67	\$3,627.87	\$4,616.73
120	Human Resources Specialist	Administration	\$3,562.00	\$3,918.20	\$4,986.80
120	Executive Assistant III	City Manager'S Office	\$3,562.00	\$3,918.20	\$4,986.80
120	Office Manager	Public Works	\$3,562.00	\$3,918.20	\$4,986.80
120	Engineering Technician I	Public Works	\$3,562.00	\$3,918.20	\$4,986.80
120	Office Manager	Public Safety	\$3,562.00	\$3,918.20	\$4,986.80
125	Aquatic Center Manager	PCR / Aquatic Center	\$3,847.13	\$4,231.93	\$5,386.33
125	Deputy City Clerk	City Clerk	\$3,847.13	\$4,231.93	\$5,386.33
125	Engineering Technician II	Public Works	\$3,847.13	\$4,231.93	\$5,386.33
125	Associate Planner	Planning	\$3,847.13	\$4,231.93	\$5,386.33
125	Planning & GIS Technician	Planning	\$3,847.13	\$4,231.93	\$5,386.33
130	Business & Operations Manager	Parks, Culture & Recreation	\$4,155.67	\$4,570.80	\$5,817.93
130	Civil Engineer	Public Works	\$4,155.67	\$4,570.80	\$5,817.93
130	Librarian	Parks, Culture & Recreation	\$4,155.67	\$4,570.80	\$5,817.93
130	Planner	Planning	\$4,155.67	\$4,570.80	\$5,817.93
130	Lab Coordinator	Public Utilities	\$4,155.67	\$4,570.80	\$5,817.93
135	Project & Fixed Assets Accountant	Finance	\$4,487.60	\$4,936.53	\$6,282.47
135	Network Administrator	Finance / Information Systems	\$4,487.60	\$4,936.53	\$6,282.47
135	Senior Planner	Planning	\$4,487.60	\$4,936.53	\$6,282.47
140	Risk Management Coordinator	Administration	\$4,847.27	\$5,331.73	\$6,786.00
140	Human Resources Coordinator	Administration	\$4,847.27	\$5,331.73	\$6,786.00
140	Project Manager - DPW	Public Works	\$4,847.27	\$5,331.73	\$6,786.00
140	Harbormaster	Ports & Harbors	\$4,847.27	\$5,331.73	\$6,786.00
140	Recreation Manager	Parks, Culture & Recreation	\$4,847.27	\$5,331.73	\$6,786.00
145	Controller	Finance	\$5,234.67	\$5,758.13	\$7,328.53
145	Deputy Port Director	Ports & Harbors	\$5,234.67	\$5,758.13	\$7,328.53
145	Deputy Utilities Director	Public Utilities	\$5,234.67	\$5,758.13	\$7,328.53
150	Human Resources Manager	Administration	\$5,654.13	\$6,219.20	\$7,916.13
150	IT Manager	Finance / Information Systems	\$5,654.13	\$6,219.20	\$7,916.13
150	City Librarian	Parks, Culture & Recreation	\$5,654.13	\$6,219.20	\$7,916.13
155	Director of Human Resources	Administration	\$6,219.20	\$6,841.47	\$8,706.53
155	City Clerk	City Clerk	\$6,219.20	\$6,841.47	\$8,706.53
155	Director of Parks, Culture & Recreation	Parks, Culture & Recreation	\$6,219.20	\$6,841.47	\$8,706.53
155	Director of Planning	Planning	\$6,219.20	\$6,841.47	\$8,706.53
155	Deputy Chief of Police	Public Safety	\$6,219.20	\$6,841.47	\$8,706.53
160	Director of Public Works	Public Works	\$6,841.47	\$7,525.27	\$9,578.40
160	Director of Finance	Finance	\$6,841.47	\$7,525.27	\$9,578.40
160	Fire Chief	Fire & Emergency Medical Services	\$6,841.47	\$7,525.27	\$9,578.40
160	Chief of Police	Public Safety	\$6,841.47	\$7,525.27	\$9,578.40
160	Director of Ports & Harbors	Ports & Harbors	\$6,841.47	\$7,525.27	\$9,578.40
160	Director of Public Utilities	Public Utilities	\$6,841.47	\$7,525.27	\$9,578.40
165	Deputy City Manager	Administration	\$7,525.27	\$8,277.53	\$10,535.20

WAGE RANGES - HOURLY

Pay Grade	Title	Department/Division	Minimum	Control Point	Maximum
100	Lifeguard	PCR / Aquatic Center	\$22.82	\$25.10	
105	Administrative Assistant I	Any	\$24.65	\$27.11	\$34.51
105	Head Lifeguard	PCR / Aquatic Center	\$24.65	\$27.11	\$34.51
110	Risk Management Assistant	Administration	\$35.24	\$38.76	\$49.34
110	Administrative Assistant II	Any	\$35.24	\$38.76	\$49.34
110	Executive Assistant I	City Manager's Office	\$35.24	\$38.76	\$49.34
115	Executive Assistant II	City Manager's Office	\$38.05	\$41.86	\$53.27
120	Human Resources Specialist	Administration	\$41.10	\$45.21	\$57.54
120	Executive Assistant III	City Manager's Office	\$41.10	\$45.21	\$57.54
120	Office Manager	Public Works	\$41.10	\$45.21	\$57.54
120	Engineering Technician I	Public Works	\$41.10	\$45.21	\$57.54
120	Office Manager	Public Safety	\$41.10	\$45.21	\$57.54
125	Aquatic Center Manager	PCR / Aquatic Center	\$44.39	\$48.83	\$62.15
125	Deputy City Clerk	City Clerk	\$44.39	\$48.83	\$62.15
125	Engineering Technician II	Public Works	\$44.39	\$48.83	\$62.15
125	Associate Planner	Planning	\$44.39	\$48.83	\$62.15
125	Planning & GIS Technician	Planning	\$44.39	\$48.83	\$62.15
130	Business & Operations Manager	Parks, Culture & Recreation	\$47.95	\$52.74	\$67.13
130	Civil Engineer	Public Works	\$47.95	\$52.74	\$67.13
130	Librarian	Parks, Culture & Recreation	\$47.95	\$52.74	\$67.13
130	Planner	Planning	\$47.95	\$52.74	\$67.13
130	Lab Coordinator	Public Utilities	\$47.95	\$52.74	\$67.13
135	Project & Fixed Assets Accountant	Finance	\$51.78	\$56.96	\$72.49
135	Network Administrator	Finance / Information Systems	\$51.78	\$56.96	\$72.49
135	Senior Planner	Planning	\$51.78	\$56.96	\$72.49
140	Risk Management Coordinator	Administration	\$55.93	\$61.52	\$78.30
140	Human Resources Coordinator	Administration	\$55.93	\$61.52	\$78.30
140	Project Manager - DPW	Public Works	\$55.93	\$61.52	\$78.30
140	Harbormaster	Ports & Harbors	\$55.93	\$61.52	\$78.30
140	Recreation Manager	Parks, Culture & Recreation	\$55.93	\$61.52	\$78.30
145	Controller	Finance	\$60.40	\$66.44	\$84.56
145	Deputy Port Director	Ports & Harbors	\$60.40	\$66.44	\$84.56
145	Deputy Utilities Director	Public Utilities	\$60.40	\$66.44	\$84.56
150	Human Resources Manager	Administration	\$65.24	\$71.76	\$91.34
150	IT Manager	Finance / Information Systems	\$65.24	\$71.76	\$91.34
150	City Librarian	Parks, Culture & Recreation	\$65.24	\$71.76	\$91.34
155	Director of Human Resources	Administration	\$71.76	\$78.94	\$100.46
155	City Clerk	City Clerk	\$71.76	\$78.94	\$100.46
155	Director of Parks, Culture & Recreation	Parks, Culture & Recreation	\$71.76	\$78.94	\$100.46
155	Director of Planning	Planning	\$71.76	\$78.94	\$100.46
155	Deputy Chief of Police	Public Safety	\$71.76	\$78.94	\$100.46
160	Director of Public Works	Public Works	\$78.94	\$86.83	\$110.52
160	Director of Finance	Finance	\$78.94	\$86.83	\$110.52
160	Fire Chief	Fire & Emergency Medical Services	\$78.94	\$86.83	\$110.52
160	Chief of Police	Public Safety	\$78.94	\$86.83	\$110.52
160	Director of Ports & Harbors	Ports & Harbors	\$78.94	\$86.83	\$110.52
160	Director of Public Utilities	Public Utilities	\$78.94	\$86.83	\$110.52
165	Deputy City Manager	Administration	\$86.83	\$95.51	\$121.56

Section 3: Amendment of Section 3.40.050 Basis of Pay Rates. Section 3.40.050(A) of the Unalaska Code of Ordinances is hereby amended to read as follows [new language is underlined; and deleted language is ~~everstruck~~]:

§ 3.40.050 BASIS OF PAY RATES.

(A) *Hiring wage rate.*

(1) Appointment to any position can be made from the minimum to the midpoint control point of the wage range based on the applicant's experience and ability over and above the qualification requirements specified for the class, prior creditable city service, or on a critical shortage of applicants.

(2) Appointment above the midpoint control point of the wage range is allowed at the Department Director level. Below the Department Director level, appointment above the midpoint control point of the wage range is at the sole discretion of the City Manager, with justification provided in writing.

(3) Written approval of the hiring wage rate shall be made by the City Manager before appointment.

(4) Advancement to the maximum wage rate within a pay range shall be by successive merit increases.

Section 3: Effective Date. This ordinance shall take effect on April 1, 2024.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on March __, 2025.

Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:

Estkarlen P. Magdaong
City Clerk

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Marjie Veeder, Assistant City Manager
Through: William Homka, City Manager
Date: February 27, 2024
Re: Ordinance 2024-04: Amending UCO § 3.40.040 to adopt a new pay range matrix; and amending § 3.40.050 Basis of Pay Rates
and
Ordinance 2024-05: Creating Budget Amendment #5 to the Fiscal Year 2024 Budget to fund increases in wages, fringe benefits, and associated State of Alaska PERS contributions for unrepresented employees

SUMMARY: As a first step in implementing the Classification and Compensation Study requested by the Council, staff presents two ordinances for consideration. Ordinance 2024-04 places the new pay range matrix into code and makes a minor edit to refer to the control point rather than the midpoint. Ordinance 2025-05 funds the related wage increases for our existing employees for the remainder of FY24. Staff recommends adoption.

PREVIOUS COUNCIL ACTION: The final report and recommendations from McGrath Human Resources Consultants were presented to the Council at a special meeting on February 6, 2024. The Council discussed this matter again on February 13, 2024 and directed the City Manager to revise the Title 3 employee classification and wage scale based on the findings of the McGrath study.

BACKGROUND: Pay scales and wages for our Title 3 unrepresented employees are outdated and have not kept pace with the labor market or the cost of living. The last compensation study was conducted in 2013. Even though wage scales were increased by 4.5% across the board in 2019, a compensation and classification study was not completed and our pay scales have not kept pace with the market. Our Title 3 unrepresented employees have been waiting a long time for this study and for their pay scales and wages to be adjusted to market. Even though this group of employees received a 10% pay increase effective pay period ending December 31, 2022, which was retroactive to July 1, 2022 (following the approval of the IUOE 302 collective bargaining agreement), almost all of their wages are still not at the minimum of the market today.

This results in difficulty attracting new employees, current employees not being compensated fairly, and disparity and compression in relation to the pay scales of represented employees.

The City contracted with McGrath Human Resources Consultants to conduct the wage and classification study.

DISCUSSION: The first step in implementing the wage and classification study is to adopt the pay range matrix and bring the wages of our current Title 3 employees up to scale.

As far as implementing the new pay range matrix, we plan to:

- Bring the wages for all employees up to the minimum of the new pay scale.
- Then increase the wage, in a consistent manner, for the employee's years in the position, but no higher than the control point so employees have room to grow in the pay scale. This acknowledges their tenure in position and offsets compression issues; it also helps provide separation between existing employees and future hires.
- If an employee's present wage is already within the new pay scale, provide a 3% wage increase so everyone is guaranteed at least a 3% increase.
- For recently hired employees with many years of experience in their role, bring them up to no higher than the control point to acknowledge that experience.
- The new pay scales have already been trended for 2024, meaning a 3.5% COLA has been applied. Moving forward, the plan is to provide a cost of living adjustment each year in January and update the pay scales accordingly, based on an economic indicator.
- For this implementation year only, we don't recommend merit increases on July 1, 2024, due to the significant wage increases being provided; and we also don't recommend applying pay increases retroactively.
- Beginning in 2025, provide annual merit increases on July 1st based on satisfactory performance evaluations.
- Future movement within the pay scales will then occur based on satisfactory performance.

ALTERNATIVES: Alternatives include –

1. The Council can follow the recommendation of our professional consultant and the City Manager to implement new pay scales and wage increases for our Title 3 unrepresented employees.
2. The Council could increase or decrease the desired percentile of the labor market. It is not recommended to decrease the percentile, as that would cause a newly adopted pay scale to pretty quickly fall behind the market and ultimately continue the difficulties we are already experiencing.
3. The Council could do nothing (also not recommended).

FINANCIAL IMPLICATIONS: The new pay range matrix will result in newly hired employees being paid at market. It would be difficult, if not impossible, to estimate the financial implications for newly hired employees. However, the new pay range matrix, as applied to existing employees, has a financial implication for FY25, the next budget year, of approximately \$880,000 more as compared to the FY24 original budget.

The budget amendment for the remainder of FY24 requests a total of \$218,743: (a) an additional \$161,041 from the General Fund for City Administration, Clerks, Finance, Information Systems, Planning, Public Safety, Public Works and PCR; and (2) \$57,202 for the proprietary funds for Electric, Water, Wastewater, Solid Waste, Ports, Airport and Housing. Wages touch each of these funds due to the allocation of employee wages.

The FY24 budget impact, summarized by fund, is as follows:

Title 3 Increase - FY24 Budget Impact

Includes Wages, Taxes, PERS

City Manager's Office	5,689
Administration	29,396
Clerks	17,441
Finance	12,644
IS	7,030
Planning	5,781
Police & Admin	10,860
Communications	2,212
Corrections	2,212
Fire/EMS	9,026
DPW Admin	14,737
PCR Admin	2,112
Rec Programs	7,261
Community Center	9,797
Library	10,952
Aquatics Center	13,891
General Fund Total	<u>161,041</u>
Electric Utility Admin	7,765
Electric Fund Total	<u>7,765</u>
Water Utility Admin	7,308
Water Operations	785
Water Fund Total	<u>8,093</u>
Wastewater Utility Admin	6,587
Wastewater Operations	2,358
Wastewater Fund Total	<u>8,945</u>
Solid Waste Utility Admin	6,276
Solid Waste Fund Total	<u>6,276</u>
Harbor Office Admin	19,147
CEM Small Boat Harbor	1,765
Port Fund Total	<u>20,912</u>
Airport Admin/Operations	1,824
Airport Fund Total	<u>1,824</u>
Housing Admin/Operations	3,887
Housing Fund Total	<u>3,887</u>
Total Increase	218,743

LEGAL: None.

STAFF RECOMMENDATION: Staff recommends adopting both ordinances as a first step in implementing the classification and compensation study for our Title 3 unrepresented employees.

PROPOSED MOTIONS:

Ordinance 2024-04

- 1st reading: I move to introduce Ordinance 2024-04 and schedule it for public hearing and second reading on March 12, 2024.
- 2nd reading: I move to adopt Ordinance 2024-04.

Ordinance 2024-05

- 1st reading: I move to introduce Ordinance 2024-05 and schedule it for public hearing and second reading on March 12, 2024.
- 2nd reading: I move to adopt Ordinance 2024-05.

CITY MANAGER COMMENTS: I support the Staff's recommendation.

ATTACHMENTS: None.

CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE 2024-05

AN ORDINANCE OF THE UNALASKA CITY COUNCIL CREATING BUDGET AMENDMENT #5 TO THE FISCAL YEAR 2024 BUDGET TO FUND INCREASES IN WAGES, FRINGE BENEFITS AND ASSOCIATED STATE OF ALASKA PERS CONTRIBUTIONS FOR UNREPRESENTED EMPLOYEES

BE IT ENACTED BY THE UNALASKA CITY COUNCIL

- Section 1. Classification: This is a non-code ordinance.
 Section 2. Effective Date: This ordinance becomes effective upon adoption.
 Section 3. Content: The City of Unalaska FY24 Budget is amended as follows:

- A. That the following sums of money are hereby accepted and the following sums of money are hereby authorized for expenditure.
 B. The following are the changes by account line item.

Amendment #5 to Ordinance 2023-03

	Current	Requested	Revised
I. OPERATING BUDGETS			
A. General Fund			
Sources			
General Fund - Appropriated Fund Balance	\$ 566,849	\$ 157,492	\$ 724,341
PERS Non-Employer Contribution	317,311	3,549	320,860
	<u>\$ 884,160</u>	<u>\$ 161,041</u>	<u>\$ 1,045,201</u>
Uses			
City Administration	\$ 2,441,401	\$ 35,085	\$ 2,476,486
Clerks	649,340	17,441	666,781
Finance/IS	2,381,138	19,674	2,400,812
Planning	817,155	5,781	822,936
Public Safety	7,879,413	24,310	7,903,723
Public Works	6,453,759	14,737	6,468,496
Parks, Culture & Recreation	3,968,428	44,013	4,012,441
	<u>\$ 24,590,634</u>	<u>\$ 161,041</u>	<u>\$ 24,751,675</u>
B. Proprietary Funds			
Sources			
Electric Fund - Budgeted use of unrestricted net assets	\$ 3,569,924	\$ 7,600	\$ 3,577,524
Electric Fund - PERS Non-Employer Contribution	66,328	165	66,493
Water Fund - Budgeted use of unrestricted net assets	1,759,394	7,920	1,767,314
Water Fund - PERS Non-Employer Contribution	28,278	173	28,451
Wastewater Fund - Budgeted use of unrestricted net assets	1,481,168	8,752	1,489,920
Wastewater Fund - PERS Non-Employer Contribution	26,941	193	27,134
Solid Waste Fund - Budgeted use of unrestricted net assets	1,201,793	6,146	1,207,939
Solid Waste Fund - PERS Non-Employer Contribution	26,610	130	26,740
Ports Fund - Budgeted use of unrestricted net assets	1,824,011	20,440	1,844,451
Ports Fund - PERS Non-Employer Contribution	41,841	472	42,313
Airport Fund - Budgeted use of unrestricted net assets	245,693	1,781	247,474
Airport Fund - PERS Non-Employer Contribution	4,973	43	5,016
Housing Fund - Budgeted use of unrestricted net assets	160,160	3,796	163,956
Housing Fund - PERS Non-Employer Contribution	4,112	91	4,203
	<u>\$ 10,441,226</u>	<u>\$ 57,702</u>	<u>\$ 10,498,928</u>

Uses	Current	Requested	Revised
Electric Fund - Utility Administration Expenses	5,164,707	7,765	5,172,472
Water Fund - Utility Administration Expenses	1,816,514	7,308	1,823,822
Water Fund - Operating Expenses	1,588,068	785	1,588,853
Wastewater Fund - Utility Administration Expenses	1,980,404	6,587	1,986,991
Wastewater Fund - Operating Expenses	2,073,158	2,358	2,075,516
Solid Waste Fund - Utility Administration Expenses	1,724,668	6,276	1,730,944
Ports Fund - Harbor Office Expenses	7,120,438	19,147	7,139,585
Ports Fund - CEM Small Boat Harbor Expenses	1,072,634	1,765	1,074,399
Airport Fund - Admin/Operating Expenses	614,488	1,824	616,312
Housing Fund - Admin/Operating Expenses	431,442	3,887	435,329
	<u>\$ 23,586,521</u>	<u>\$ 57,702</u>	<u>\$ 23,644,223</u>

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on March ____, 2024.

 Vincent M. Tutiakoff, Sr.
 Mayor

ATTEST:

 Estkarlen P. Magdaong
 City Clerk

- 1) General Fund - Operating Budget
Add \$161,041 for Title 3 Wages & Benefits
- 2) Proprietary Funds - Operating Budgets
Add \$57,702 for Title 3 Wages & Benefits

	<u>Org</u>	<u>Object</u>	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
1) General Fund - Operating Budget					
Sources:					
Appropriated Fund Balance	01010049	49900	566,849	157,492	724,341
PERS Non-Employer Contributions	01010041	42355	317,311	3,549	320,860
Uses:					
City Manager's Office					
Salaries and Wages	01020251	51100	173,993	4,285	178,278
FICA & Medicare Emplr Match	01020251	52200	12,851	329	13,180
PERS Employer Contribution	01020251	52300	43,120	1,075	44,195
Administration					
Salaries and Wages	01020351	51100	469,887	22,141	492,028
FICA & Medicare Emplr Match	01020351	52200	35,639	1,698	37,337
PERS Employer Contribution	01020351	52300	115,928	5,557	121,485
Clerks					
Salaries and Wages	01020551	51100	315,754	13,138	328,892
FICA & Medicare Emplr Match	01020551	52200	25,416	1,005	26,421
PERS Employer Contribution	01020551	52300	78,125	3,298	81,423
Finance					
Salaries and Wages	01020651	51100	679,267	9,524	688,791
FICA & Medicare Emplr Match	01020651	52200	53,837	728	54,565
PERS Employer Contribution	01020651	52300	165,784	2,392	168,176
Information Systems					
Salaries and Wages	01020751	51100	262,646	5,293	267,939
FICA & Medicare Emplr Match	01020751	52200	21,102	406	21,508
PERS Employer Contribution	01020751	52300	59,056	1,331	60,387
Planning					
Salaries and Wages	01020851	51100	422,522	4,354	426,876
FICA & Medicare Emplr Match	01020851	52200	33,206	334	33,540
PERS Employer Contribution	01020851	52300	101,159	1,093	102,252
Police & Admin					
Salaries and Wages	01021151	51100	1,910,172	8,181	1,918,353
FICA & Medicare Emplr Match	01021151	52200	165,773	625	166,398
PERS Employer Contribution	01021151	52300	518,458	2,054	520,512
Communications					
Salaries and Wages	01021251	51100	504,267	1,666	505,933
FICA & Medicare Emplr Match	01021251	52200	42,427	128	42,555
PERS Employer Contribution	01021251	52300	125,464	418	125,882
Corrections					
Salaries and Wages	01021451	51100	600,139	1,666	601,805
FICA & Medicare Emplr Match	01021451	52200	49,914	128	50,042
PERS Employer Contribution	01021451	52300	149,582	418	150,000

Fire/EMS	Org	Object	Current	Requested	Revised
Salaries and Wages	01021551	51100	695,448	6,799	702,247
FICA & Medicare Emplr Match	01021551	52200	67,618	521	68,139
PERS Employer Contribution	01021551	52300	195,668	1,706	197,374

DPW Administration					
Salaries and Wages	01022051	51100	371,725	8,466	380,191
Temp Employees	01022051	51200	10,400	3,244	13,644
FICA & Medicare Emplr Match	01022051	52200	29,101	899	30,000
PERS Employer Contribution	01022051	52300	91,043	2,128	93,171

PCR Administration					
Salaries and Wages	01023151	51100	153,854	1,591	155,445
FICA & Medicare Emplr Match	01023151	52200	11,770	122	11,892
PERS Employer Contribution	01023151	52300	38,115	399	38,514

Rec Programs					
Salaries and Wages	01023251	51100	461,262	5,470	466,732
FICA & Medicare Emplr Match	01023251	52200	38,883	418	39,301
PERS Employer Contribution	01023251	52300	108,849	1,373	110,222

Community Center					
Salaries and Wages	01023351	51100	470,486	7,380	477,866
FICA & Medicare Emplr Match	01023351	52200	36,634	565	37,199
PERS Employer Contribution	01023351	52300	85,284	1,852	87,136

Library					
Salaries and Wages	01023451	51100	390,624	8,250	398,874
FICA & Medicare Emplr Match	01023451	52200	31,557	631	32,188
PERS Employer Contribution	01023451	52300	77,361	2,071	79,432

Aquatics Center					
Salaries and Wages	01023551	51100	289,331	11,445	300,776
FICA & Medicare Emplr Match	01023551	52200	22,597	875	23,472
PERS Employer Contribution	01023551	52300	52,187	1,571	53,758

2) Electric Fund - Operating Budget

Sources:

Budgeted use of unrestricted net assets	50015049	49910	3,569,924	7,600	3,577,524
PERS Non-Employer Contributions	50015041	42355	66,328	165	66,493

Uses:

Electric - Utility Administration

Salaries and Wages	50024051	51100	502,245	5,324	507,569
Temp Employees	50024051	51200	4,084	649	4,733
FICA & Medicare Emplr Match	50024051	52200	38,732	457	39,189
PERS Employer Contribution	50024051	52300	120,245	1,335	121,580

Water Fund - Operating Budget

Sources:

Budgeted use of unrestricted net assets	51015549	49910	1,759,394	7,920	1,767,314
PERS Non-Employer Contributions	51015541	42355	28,278	173	28,451

Uses:

Water - Utility Administration

Salaries and Wages	51024051	51100	302,670	4,982	307,652
Temp Employees	51024051	51200	1,485	649	2,134
FICA & Medicare Emplr Match	51024051	52200	23,237	428	23,665
PERS Employer Contribution	51024051	52300	72,873	1,249	74,122

Water - Operations	Org	Object	Current	Requested	Revised
Salaries and Wages	51024351	51100	582,219	592	582,811
FICA & Medicare Emplr Match	51024351	52200	48,903	45	48,948
PERS Employer Contribution	51024351	52300	148,145	148	148,293
<u>Wastewater Fund - Operating Budget</u>					
<u>Sources:</u>					
Budgeted use of unrestricted net assets	52016049	49910	1,481,168	8,752	1,489,920
PERS Non-Employer Contributions	52016041	42355	26,941	193	27,134
<u>Uses:</u>					
<u>Wastewater - Utility Administration</u>					
Salaries and Wages	52024051	51100	253,103	4,439	257,542
Temp Employees	52024051	51200	743	649	1,392
FICA & Medicare Emplr Match	52024051	52200	19,382	386	19,768
PERS Employer Contribution	52024051	52300	61,194	1,113	62,307
<u>Wastewater - Operations</u>					
Salaries and Wages	52024551	51100	575,166	1,776	576,942
FICA & Medicare Emplr Match	52024551	52200	48,975	136	49,111
PERS Employer Contribution	52024551	52300	147,630	446	148,076
<u>Solid Waste Fund - Operating Budget</u>					
<u>Sources:</u>					
Budgeted use of unrestricted net assets	53016549	49910	1,201,793	6,146	1,207,939
PERS Non-Employer Contributions	53016541	42355	26,610	130	26,740
<u>Uses:</u>					
<u>Solid Waste - Utility Administration</u>					
Salaries and Wages	53024051	51100	203,417	4,204	207,621
Temp Employees	53024051	51200	743	649	1,392
FICA & Medicare Emplr Match	53024051	52200	15,559	369	15,928
PERS Employer Contribution	53024051	52300	49,199	1,054	50,253
<u>Ports and Harbors Fund - Operating Budget</u>					
<u>Sources:</u>					
Budgeted use of unrestricted net assets	54017049	49910	1,824,011	20,440	1,844,451
PERS Non-Employer Contributions	54017041	42355	41,841	472	42,313
<u>Uses:</u>					
<u>Harbor Office</u>					
Salaries and Wages	54025051	51100	753,846	13,899	767,745
Temp Employees	54025051	51200	2,228	649	2,877
FICA & Medicare Emplr Match	54025051	52200	57,852	1,113	58,965
PERS Employer Contribution	54025051	52300	172,065	3,486	175,551
<u>CEM Small Boat Harbor</u>					
Salaries and Wages	54025451	51100	166,438	1,330	167,768
FICA & Medicare Emplr Match	54025451	52200	13,684	101	13,785
PERS Employer Contribution	54025451	52300	38,974	334	39,308

Airport Fund - Operating Budget

Sources:

	<u>Org</u>	<u>Object</u>	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
Budgeted use of unrestricted net assets	55017549	49910	245,693	1,781	247,474
PERS Non-Employer Contributions	55017541	42355	4,973	43	5,016

Uses:

Airport Admin/Operations

Salaries and Wages	55025651	51100	79,365	1,374	80,739
FICA & Medicare Emplr Match	55025651	52200	5,923	104	6,027
PERS Employer Contribution	55025651	52300	18,283	346	18,629

Housing Fund - Operating Budget

Sources:

Budgeted use of unrestricted net assets	56018049	49910	160,160	3,796	163,956
PERS Non-Employer Contributions	56018041	42355	4,112	91	4,203

Uses:

Housing Admin & Operating

Salaries and Wages	56025851	51100	55,712	2,928	58,640
FICA & Medicare Emplr Match	56025851	52200	4,284	225	4,509
PERS Employer Contribution	56025851	52300	13,706	734	14,440

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Marjie Veeder, Assistant City Manager
Through: William Homka, City Manager
Date: February 27, 2024
Re: Ordinance 2024-04: Amending UCO § 3.40.040 to adopt a new pay range matrix; and amending § 3.40.050 Basis of Pay Rates
and
Ordinance 2024-05: Creating Budget Amendment #5 to the Fiscal Year 2024 Budget to fund increases in wages, fringe benefits, and associated State of Alaska PERS contributions for unrepresented employees

SUMMARY: As a first step in implementing the Classification and Compensation Study requested by the Council, staff presents two ordinances for consideration. Ordinance 2024-04 places the new pay range matrix into code and makes a minor edit to refer to the control point rather than the midpoint. Ordinance 2025-05 funds the related wage increases for our existing employees for the remainder of FY24. Staff recommends adoption.

PREVIOUS COUNCIL ACTION: The final report and recommendations from McGrath Human Resources Consultants were presented to the Council at a special meeting on February 6, 2024. The Council discussed this matter again on February 13, 2024 and directed the City Manager to revise the Title 3 employee classification and wage scale based on the findings of the McGrath study.

BACKGROUND: Pay scales and wages for our Title 3 unrepresented employees are outdated and have not kept pace with the labor market or the cost of living. The last compensation study was conducted in 2013. Even though wage scales were increased by 4.5% across the board in 2019, a compensation and classification study was not completed and our pay scales have not kept pace with the market. Our Title 3 unrepresented employees have been waiting a long time for this study and for their pay scales and wages to be adjusted to market. Even though this group of employees received a 10% pay increase effective pay period ending December 31, 2022, which was retroactive to July 1, 2022 (following the approval of the IUOE 302 collective bargaining agreement), almost all of their wages are still not at the minimum of the market today.

This results in difficulty attracting new employees, current employees not being compensated fairly, and disparity and compression in relation to the pay scales of represented employees.

The City contracted with McGrath Human Resources Consultants to conduct the wage and classification study.

DISCUSSION: The first step in implementing the wage and classification study is to adopt the pay range matrix and bring the wages of our current Title 3 employees up to scale.

As far as implementing the new pay range matrix, we plan to:

- Bring the wages for all employees up to the minimum of the new pay scale.
- Then increase the wage, in a consistent manner, for the employee's years in the position, but no higher than the control point so employees have room to grow in the pay scale. This acknowledges their tenure in position and offsets compression issues; it also helps provide separation between existing employees and future hires.
- If an employee's present wage is already within the new pay scale, provide a 3% wage increase so everyone is guaranteed at least a 3% increase.
- For recently hired employees with many years of experience in their role, bring them up to no higher than the control point to acknowledge that experience.
- The new pay scales have already been trended for 2024, meaning a 3.5% COLA has been applied. Moving forward, the plan is to provide a cost of living adjustment each year in January and update the pay scales accordingly, based on an economic indicator.
- For this implementation year only, we don't recommend merit increases on July 1, 2024, due to the significant wage increases being provided; and we also don't recommend applying pay increases retroactively.
- Beginning in 2025, provide annual merit increases on July 1st based on satisfactory performance evaluations.
- Future movement within the pay scales will then occur based on satisfactory performance.

ALTERNATIVES: Alternatives include –

1. The Council can follow the recommendation of our professional consultant and the City Manager to implement new pay scales and wage increases for our Title 3 unrepresented employees.
2. The Council could increase or decrease the desired percentile of the labor market. It is not recommended to decrease the percentile, as that would cause a newly adopted pay scale to pretty quickly fall behind the market and ultimately continue the difficulties we are already experiencing.
3. The Council could do nothing (also not recommended).

FINANCIAL IMPLICATIONS: The new pay range matrix will result in newly hired employees being paid at market. It would be difficult, if not impossible, to estimate the financial implications for newly hired employees. However, the new pay range matrix, as applied to existing employees, has a financial implication for FY25, the next budget year, of approximately \$880,000 more as compared to the FY24 original budget.

The budget amendment for the remainder of FY24 requests a total of \$218,743: (a) an additional \$161,041 from the General Fund for City Administration, Clerks, Finance, Information Systems, Planning, Public Safety, Public Works and PCR; and (2) \$57,202 for the proprietary funds for Electric, Water, Wastewater, Solid Waste, Ports, Airport and Housing. Wages touch each of these funds due to the allocation of employee wages.

The FY24 budget impact, summarized by fund, is as follows:

Title 3 Increase - FY24 Budget Impact

Includes Wages, Taxes, PERS

City Manager's Office	5,689
Administration	29,396
Clerks	17,441
Finance	12,644
IS	7,030
Planning	5,781
Police & Admin	10,860
Communications	2,212
Corrections	2,212
Fire/EMS	9,026
DPW Admin	14,737
PCR Admin	2,112
Rec Programs	7,261
Community Center	9,797
Library	10,952
Aquatics Center	13,891
General Fund Total	161,041
Electric Utility Admin	7,765
Electric Fund Total	7,765
Water Utility Admin	7,308
Water Operations	785
Water Fund Total	8,093
Wastewater Utility Admin	6,587
Wastewater Operations	2,358
Wastewater Fund Total	8,945
Solid Waste Utility Admin	6,276
Solid Waste Fund Total	6,276
Harbor Office Admin	19,147
CEM Small Boat Harbor	1,765
Port Fund Total	20,912
Airport Admin/Operations	1,824
Airport Fund Total	1,824
Housing Admin/Operations	3,887
Housing Fund Total	3,887
Total Increase	218,743

LEGAL: None.

STAFF RECOMMENDATION: Staff recommends adopting both ordinances as a first step in implementing the classification and compensation study for our Title 3 unrepresented employees.

PROPOSED MOTIONS:

Ordinance 2024-04

- 1st reading: I move to introduce Ordinance 2024-04 and schedule it for public hearing and second reading on March 12, 2024.
- 2nd reading: I move to adopt Ordinance 2024-04.

Ordinance 2024-05

- 1st reading: I move to introduce Ordinance 2024-05 and schedule it for public hearing and second reading on March 12, 2024.
- 2nd reading: I move to adopt Ordinance 2024-05.

CITY MANAGER COMMENTS: I support the Staff's recommendation.

ATTACHMENTS: None.