

**ASSEMBLY FINANCE COMMITTEE  
THE CITY AND BOROUGH OF JUNEAU, ALASKA  
Wednesday, June 12, 2019, 5:30 PM.  
Assembly Chambers**

- I. CALL TO ORDER**
- II. ROLL CALL**
- III. ITEMS FOR DISCUSSION**
  - a. **Airport Terminal Project**
  - b. **Utility Rates Part 2 Discussion (Follow-up to April 17, meeting)**
  - c. **Sustainable Budget Discussion**
- IV. INFORMATION ITEMS**
  - a. **Draft FTE Policy**
- V. EXECUTIVE SESSION**
  - a. **Employee Contract Negotiations**
- VI. NEXT MEETING DATE**
  - a. **Wednesday, August 14, 2019**
- VII. ADJOURNMENT**

ADA accommodations available upon request: Please contact the Clerk's office 72 hours prior to any meeting so arrangements can be made to have a sign language interpreter present or an audiotape containing the Assembly's agenda made available. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: [city.clerk@juneau.org](mailto:city.clerk@juneau.org)

**City and Borough of Juneau  
ASSEMBLY FINANCE COMMITTEE  
June 12, 2019**

**Airport North Terminal Project Financial Update & Bond Sale**

**Issue:**

Airport & Finance Dept. staff have been working on the project cost estimates and financing plan for the North Terminal demolition and rebuild CIP. These activities are still in progress and evolving. We are at a point where we are comfortable in recommending the Finance Committee and Assembly take actions to: 1) add additional funding to the project and 2) authorize the sale of revenue bonds and amend an existing GO bond authorization.

**Background:**

The airport board, staff and community have envisioned a new north terminal for a very long time. The existing structure was primarily built in 1948 with subsequent additions. In 2012 the voters approved \$6.9 million of General Obligation (GO) bonds to contribute to the total cost. Ordinance 2012-44 was adopted and authorized the selling of GO bonds. \$1 million of the bonds were sold, for the airport project, in 2013 to fund preliminary analysis and design.

In developing the project Airport (staff and board) have worked with stakeholders and the community. One of the main challenges, from a funding standpoint, was developing a project that balanced the airport, community and stakeholder needs with FAA eligibility and other available funding.

**Current Status:**

Airport staff and contractors are in the final stages of design and developing a cost estimate. The latest cost estimate for construction and move-in costs \$23.4 million. Five primary funding sources have been identified/secured: 1) federal aviation entitlement funds, 2) property taxes (GO bonds and interest), 3) airport Passenger Facility Charges (PFC), 4) airport fund balance and 5) sales tax.

Attached are two financial schedules, one that summarizes the project costs and timing of cash outflows and second one listing the amount of funding projected from the various sources. To summarize the total cost of construction and financing (includes \$2.3 million in interest costs) exceeds committed funding by \$1 million.

Assembly action is needed to authorize the sale of GO and revenue bonds. Revenue bonds are needed for cash flow purposes, as FAA and PFC revenues will be received over a 6 year period. Construction costs are incurred over 2 years. A combination of Airport Fund Balance and sales tax funds are available as funding options for the shortfall.

Ordinances (attached) requiring assembly action:

Ordinance 2019-21 - amends ordinance 2012-44. The amendments are necessary to:

1. Amend the definition & form of bond (sections 2 & 6) to include AMT (private activity) bonds in addition to fully tax exempt GO bonds.
2. Update the principal maturity schedule in section 3. The revised schedule allows the issuance of 10 year bonds versus the original plan of 20 year bonds.
3. Amend the tax covenants (section 12) to provide for required public hearing on private activity bonds.

Ordinance 2019-22 - authorizes the issuance of not to exceed \$18 million of Airport Revenue Bonds to partially fund the airport north terminal project. The funding sources to repay the bonds and interest are airport Passenger Facility Charges (PFCs) and Federal Aviation

Administration (FAA) Airport Improvement Program grants. The ordinance provides for the issuance of 7 year bonds with no early call provision.

Additional Funding Options:

The current financial summary projects a \$1 million shortfall in funding. Two funding sources have been identified to provide additional funding:

1. The airport board is discussing the recommendation of allocation of \$800,000 of Airport Fund Balance to the terminal project at their Jun 11 meeting.
2. There is \$300,000 remaining from the 2012 voter approved 1% Sales Tax allocation. All the voter approved project and grant allocations have been funded. The 2012 public vote authorized the use of 1% sales tax and GO bonds for capital projects and grants. The list of capital projects included the airport terminal and Snow Removal Equipment Facility (SREF). Allocating additional sales tax funding appears consistent with voter intent.

**Recommended Action:**

1. Based on committee review and discussion forward bond ordinances 2019-21 & 22 to the full assembly for adoption.
2. Direct staff to draft and introduce an FY20 appropriating ordinance that authorizes the transfer of \$800,000 of airport fund balance to the North Terminal capital project.
3. Direct staff to draft and introduce an FY20 appropriating ordinance that authorizes the transfer of \$300,000 of sales tax fund balance to the North Terminal capital project.

# **Juneau International Airport North Terminal Rebuild Finances - A50-102**

**June 3, 2019 (000s)**

<b>Project Financing - CBJ FY</b>	Beg. Bal	2019	2020	2021	2022	2023	2024	2025	2026 - 33	<b>Total</b>	
<b>Project Costs - Cash Outflow</b>											
1 Pre-Construction		750	750							1,500	FAA eqmpt move & electrical work
2 Construction			16,000	5,050						21,050	Includes \$1 million Contingency
3 Other			450	400						850	\$850K is for Art, furnishings & staff.
<b>Subtotal</b>	<b>0</b>	<b>750</b>	<b>17,200</b>	<b>5,450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,400</b>	
4 Interest Costs GO Bonds			130	145	130	105	75	45	130	760	10 year payoff with P-tax
5 Interest Costs Rev Bonds			340	320	280	210	145	110	75	1,480	10 year bonds & assume 5 year call
6 Revenue Bond Reserve Fund			1,695							1,695	
<b>Total</b>	<b>0</b>	<b>750</b>	<b>19,365</b>	<b>5,915</b>	<b>410</b>	<b>315</b>	<b>220</b>	<b>155</b>	<b>205</b>	<b>27,335</b>	

## **Project CIP Funding/Cash In-Flow**

1 Sales Tax			261							261	
2 Revolving Loan A50-001,-031,-033		675		(675)						0	
3 Property Tax (to repay GO Bond)			5,900							5,900	
4 PFC Cash & Funded Rev Bond		215	5,700							5,915	
5 <b>Airport Rates / Fund Balance</b>										0	
6 FAA Entitlement Funded Bonds			11,800							11,800	
<b>Subtotal</b>	<b>0</b>	<b>890</b>	<b>23,661</b>	<b>(675)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23,876</b>	
7 Revenue Bond Reserve Fund			1,695							1,695	
8 Additional P-Tax for Interest Cost									715	760	
<b>Total</b>	<b>0</b>	<b>890</b>	<b>25,356</b>	<b>(675)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>715</b>	<b>26,331</b>	

**Funding (Shortfall) - Surplus** **(1,004)** Current Funding Status

**ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA**  
**GENERAL OBLIGATION BOND**

**Serial No. 2019-21**

AN ORDINANCE AMENDING ORDINANCE SERIAL  
NO. 2012-44 REGARDING THE FINAL SERIES OF GENERAL  
OBLIGATION BONDS AUTHORIZED THEREUNDER.

Approved: June 24, 2019

Prepared by:

K&L GATES LLP  
Seattle, Washington

**City and Borough of Juneau, Alaska  
Ordinance Serial No. 2019-21  
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\* This Table of Contents and the cover page are provided for convenience only and are not a part of this ordinance.

Presented by: The Manager  
Introduced: 06/03/19  
Drafted by: Bond Counsel

## **ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA**

**Serial No. 2019-21**

### **An Ordinance Amending Ordinance Serial No. 2012-44 Regarding the Final Series of General Obligation Bonds Authorized Thereunder.**

WHEREAS, the Assembly of the City and Borough of Juneau (the “City and Borough”) adopted Ordinance Serial No. 2012-44 (the “Ordinance”), authorizing the issuance of not to exceed \$25,000,000 of general obligation bonds on December 17, 2012; and

WHEREAS, pursuant to the Ordinance, the City and Borough issued its General Obligation Bond, 2013 (the “2013 Bond”) under date of March 12, 2013 in the principal amount of \$2,600,000 to provide funds for a portion of the Projects (as such term is defined in the Ordinance); and

WHEREAS, pursuant to the Ordinance, the City and Borough issued its General Obligation Bond, 2014 (the “2014 Bond”) under date of October 30, 2014 in the principal amount of \$11,210,000 to provide funds for a portion of the Projects (as such term is defined in the Ordinance); and

WHEREAS, pursuant to the Ordinance, the City and Borough issued its General Obligation Bond, 2016 (the “2016 Bond”) under date of November 3, 2016 in the principal amount of \$2,635,000 to provide funds for a portion of the Projects (as such term is defined in the Ordinance); and

WHEREAS, the City and Borough expects to issue its final series of bonds under the Ordinance to provide funds for a portion of the Projects (as such term is defined in the Ordinance); and

WHEREAS, the Finance Director will hold a public hearing on the issuance of any series of the remaining bonds authorized that will be private activity bonds as required by Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, the Assembly intends to amend the Ordinance to provide the parameters relating to the remaining bonds authorized thereunder;

NOW, THEREFORE, BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

**Section 1. Classification.** This ordinance is a noncode ordinance.

**Section 2. Amendment of Section 2.** The definition of Bonds in Section 2 is hereby amended to read as follows (additions are underscored, and deletions are shown with the text stricken through):

***Bonds*** means the City and Borough of Juneau, Alaska General Obligation Bonds, 20[13/14/15/16/17/18/19 [(Non-AMT/AMT)]] authorized to be issued pursuant to this ordinance in one or more series.

**Section 3. Amendment of Section 3.** Section 3 of Ordinance Serial No. 2012-44 is hereby amended to read as follows (additions are underscored, and deletions are shown with the text stricken through):

**Section 3. Authorization of Bonds.** For the purpose of financing the Projects as authorized by Ordinance Serial No. 2012-33(b) and paying the costs of issuance of such bonds, the City and Borough shall issue its general obligation bonds in the aggregate principal amount of not to exceed \$25,000,000 but in any event providing no more than \$25,000,000 in net proceeds (principal amount plus premium, if any, less costs of issuance) (the “Bonds”). The Bonds shall be dated as of the date established pursuant to Section 13, shall be fully registered as to both principal and interest, shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification, and shall bear interest from their date payable on the dates and rates set forth in the respective approved Loan Agreement, and shall come due on the dates set forth in the Loan Agreement of the following years in the following estimated aggregate principal installments:



Maturity Year	Principal Amount*
2014	\$ <u>95,000</u> <del>905,000</del>
2015	<u>480,000</u> <del>765,000</del>
2016	<u>485,000</u> <del>795,000</del>
2017	<u>715,000</u> <del>830,000</del>
2018	<u>745,000</u> <del>840,000</del>
2019	<u>775,000</u> <del>875,000</del>
2020	<u>1,260,000</u> <del>920,000</del>
2021	<u>1,310,000</u> <del>965,000</del>
2022	<u>1,365,000</u> <del>1,010,000</del>
2023	<u>1,430,000</u> <del>1,065,000</del>
2024	<u>1,490,000</u> <del>1,115,000</del>
2025	<u>1,560,000</u> <del>1,170,000</del>
2026	<u>1,640,000</u> <del>1,220,000</del>
2027	<u>1,385,000</u> <del>1,265,000</del>
2028	<u>1,455,000</u> <del>1,315,000</del>
2029	<u>1,525,000</u> <del>1,370,000</del>
2030	<u>935,000</u> <del>1,440,000</del>
2031	<u>980,000</u> <del>1,510,000</del>
2032	<u>1,030,000</u> <del>1,585,000</del>
2033	<u>1,085,000</u> <del>1,665,000</del>

Total: \$21,745,000~~22,625,000~~\*

\* Principal maturities do not add to \$25,000,000, in anticipation of selling Bonds with original issue premium, generating not more than \$25,000,000 in net proceeds.

If the Bonds are sold in more than one series, the principal maturities of a series shall be applied to reduce the foregoing schedule as provided in the resolution approving the sale of that series; provided that in the aggregate the foregoing estimated principal amounts in any year are increased or decreased by no more than 15%, and *provided, further*, in the aggregate, the Bonds shall be issued in principal amounts that provide no more than \$25,000,000 (principal amount plus premium, if any, less costs of issuance) in net proceeds or \$25,000,000 in principal amount, whichever is less.

**Section 4. Amendment of Section 6.** Section 6 of Ordinance Serial No. 2012-44 is hereby amended to read as follows (additions are underscored, and deletions are shown with the text stricken through):

**Section 6. Form of Bonds.** The Bonds shall be in substantially the following form:

NO. \_\_\_\_\_ UNITED STATES OF AMERICA \$ \_\_\_\_\_  
STATE OF ALASKA

CITY AND BOROUGH OF JUNEAU  
GENERAL OBLIGATION BOND, 20[13/14/15/16/17/18/19 [(Non-  
AMT/AMT)]]

INTEREST RATES: See Below

FINAL MATURITY DATE:

REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK

PRINCIPAL AMOUNT:

THE CITY AND BOROUGH OF JUNEAU, ALASKA (the “City and Borough”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, the Principal Amount indicated above in accordance with the installment payment schedule set forth below (unless prepaid prior thereto as provided herein) and to pay interest thereon from \_\_\_\_\_, 20\_\_, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the interest rates set forth below, payable on \_\_\_\_\_ 1, 20\_\_ and semiannually thereafter on the first day of each \_\_\_\_\_ and \_\_\_\_\_.

Year of Principal Installment Payment (_____ 1)	Principal Installment Amount	Interest Rate
	\$	

Both principal of and interest on this bond are payable in lawful money of the United States of America. Installments of principal of and interest on this bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15<sup>th</sup> day of the month preceding the interest payment date, and principal of this bond shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the Finance Director of the City and Borough of Juneau, Alaska (the “Bond Registrar”).

This bond is a general obligation bond of the Borough and is issued pursuant to an election authorizing the same for the purpose of making capital improvements to facilities of the City and Borough.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under Ordinance Serial No. 2012-44 of the City and Borough (the “Bond Ordinance”) until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Bond Registrar. Capitalized terms used in this bond and not otherwise defined herein have the meanings given such terms in the Bond Ordinance.

This bond is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Alaska and ordinances duly adopted by the Assembly, including the Bond Ordinance.

This bond is subject to prepayment as stated in the Loan Agreement.

The City and Borough has obligated and bound itself to make annual levies of ad valorem taxes upon all the taxable property within the City and Borough,

without limitation as to rate or amount, in amounts sufficient, together with such other moneys of the City and Borough available for such purposes as the Assembly of the City and Borough may, from time to time, appropriate and make available to pay the principal of and interest on this bond as the same shall become due. The full faith, credit and resources of the City and Borough are hereby irrevocably pledged for the levy of such taxes and the prompt payment of such principal and interest. The pledge of tax levies for payment of principal of and interest on the bond may be discharged prior to maturity of the bond by making provision for the payment thereof on the terms and conditions set forth in the Bond Ordinance.

The bond is/is not a “private activity bond” as such term is defined in the Internal Revenue Code of 1986, as amended (the “Code”). The City and Borough has not designated the bond as a “qualified tax-exempt obligation” under Section 265(b) of the Code for investment by banks, thrift institutions and other financial institutions.

It is hereby certified that all acts, conditions and things required by the Constitution and statutes of the State of Alaska to exist, to have happened, been done and performed precedent to and in the issuance of this bond have happened, been done and performed and that the issuance of this bond does not violate any constitutional, statutory or other limitation upon the amount of bonded indebtedness that the City and Borough may incur.

IN WITNESS WHEREOF, the City and Borough of Juneau, Alaska has caused this bond to be executed by the manual or facsimile signature of its City Manager or his/her designee and attested by the manual or facsimile of the Clerk, and the official seal of the City and Borough to be impressed, imprinted or otherwise reproduced hereon, as of this \_\_\_\_ day of \_\_\_\_\_, 20[13/14/15/16/17/18/19 [(Non-AMT/AMT)]].

CITY AND BOROUGH OF JUNEAU, ALASKA

By \_\_\_\_\_ /s/ manual or facsimile  
City Manager or Designee

ATTEST:

\_\_\_\_\_  
/s/ manual or facsimile  
Clerk

The Certificate of Authentication for the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This bond is the General Obligation Bond, 20[13/14/15/16/17/18/19 [(Non-AMT/AMT)]] of the City and Borough of Juneau, Alaska, dated \_\_\_\_\_, 20[13/14/15/16/17/18/19 [(Non-AMT/AMT)]], and described in the within-mentioned Bond Ordinance.

Finance Director, City and Borough of  
Juneau, Alaska, as Bond Registrar

By \_\_\_\_\_  
Authorized Signer

**Section 5. Amendment of Section 12.** Section 12 of Ordinance Serial No. 2012-44 is hereby amended to read as follows (additions are underscored, and deletions are shown with the text stricken through):

**Section 12. Tax Covenants.** The Finance Director is an officer of the City and Borough whose duties include the holding of such hearings as may be required under the United States Internal Revenue Code of 1986, as amended (the "Code") in order to assure the tax-exempt status of the Bonds. The Finance Director will hold a public hearing on the issuance of any Bonds for private activity components of the airport, pursuant to published notice on the City and Borough's website or in a newspaper of general circulation in the City and Borough. The City and Borough covenants to undertake all actions required to maintain the tax-exempt status of interest on any such Bonds under Section 103 of the Code as set forth in the federal tax certificate(s) that will be executed at the closing for any such Bonds. The covenants of this section shall be applicable to any Bonds issued as tax-exempt obligations or Bonds that are required to observe the applicable rules and regulations under the Code for tax-exempt bonds.

(a) *Arbitrage Covenant.* The City and Borough hereby covenants that it will not make any use of the proceeds of sale of the Bonds or any other funds of the City and Borough which may be deemed to be proceeds of the Bonds pursuant to Section 148 of the Code and the applicable regulations thereunder which, if such use had been reasonably expected on the dates of delivery of the Bonds to the initial purchasers thereof, would have caused such Bonds to be "arbitrage bonds" within the meaning of said section and said regulations. The City and Borough will comply with the requirements of Section 148 of the Code and the applicable regulations thereunder throughout the term of the Bonds.

(b) *Private Person Use Limitation for Bonds.* The City and Borough covenants that for as long as the Bonds that are issued as tax-exempt governmental bonds, are outstanding, it will not permit:

(1) More than 10% of the Net Proceeds of the Bonds that are issued as tax-exempt governmental bonds to be used for any Private Person Use; and

(2) More than 10% of the principal or interest payments on the Bonds that are issued as tax-exempt governmental bonds in a Bond Year to be directly or indirectly (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City and Borough) in respect of property, or borrowed money, used or to be used for any Private Person Use.

The City and Borough further covenants that, if:

(3) More than five percent of the Net Proceeds of the Bonds that are issued as tax-exempt governmental bonds is to be used for any Private Person Use; and

(4) More than five percent of the principal or interest payments on the Bonds that are issued as tax-exempt governmental bonds in a Bond Year are (under the terms of this ordinance or any underlying arrangement) directly or indirectly: (A) secured by any interest in property used or to be used for any Private Person Use or secured by payments in respect of property used or to be used for any Private Person Use, or (B) derived from payments (whether or not made to the City and Borough) in respect of property, or borrowed money, used or to be used for any Private Person Use, then, (i) any Private Person Use of the projects described in subsection (3) hereof or Private Person Use payments described in subsection (4) hereof that is in excess of the five percent limitations described in such subsections (3) or (4) will be for a Private Person Use that is related to the state or local governmental use of the projects funded by the Bonds that are issued as tax-exempt governmental bonds, and (ii) any Private Person Use will not exceed the amount of Net Proceeds of the Bonds used for the state or local governmental use portion of the project to which the Private Person Use of such portion of the project relates. The City and Borough further covenants that it will comply with any limitations on the use of the projects by other than state and local governmental users that are necessary, in the opinion of its bond counsel, to preserve the tax status of the Bonds that are issued as tax-exempt governmental bonds. The covenants of this section are specified solely to assure the continued exemption from regular income taxation of the interest on the Bonds that are issued as tax-exempt governmental bonds. To that end, the provisions of this section may be modified or eliminated without any requirement for formal amendment thereof upon receipt of an opinion of the City and Borough's bond counsel that such modification or

elimination will not adversely affect the tax status of the Bonds that are issued as tax-exempt governmental bonds.

**Section 6. Ratification of Ordinance.** As amended by this ordinance, the Ordinance is hereby ratified approved and confirmed.

**Section 7. Effective Date.** This ordinance shall become effective thirty days after adoption.

ADOPTED this 24th day of June, 2019.

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Beth Weldon, Mayor

ATTEST:

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Beth McEwen, Clerk

## **CERTIFICATE**

I, the undersigned, Clerk of the City and Borough of Juneau, Alaska (the “City and Borough”), Do HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance Serial No. 2019-21 (the “Ordinance”) of the City and Borough as finally passed at a regular meeting of the Assembly of the City and Borough (the “Assembly”) held on the 24th day of June, 2019, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such special meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the passage of the Ordinance; that all other requirements and proceedings incident to the proper passage of the Ordinance have been duly fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of June, 2019.

---

Beth McEwen, Clerk  
City and Borough of Juneau



**ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA**  
**AIRPORT REVENUE BONDS**

**Serial No. 2019-22**

AN ORDINANCE PROVIDING FOR THE ISSUANCE AND SALE OF AIRPORT REVENUE BONDS IN ONE OR MORE SERIES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$18,000,000; PROVIDING FOR THE FORM AND TERMS OF THE BONDS; PROVIDING A METHOD OF PAYMENT THEREFOR; AND RESERVING THE RIGHT TO ISSUE REVENUE BONDS ON A PARITY WITH THE BONDS UPON COMPLIANCE WITH CERTAIN CONDITIONS.

Approved: June 24, 2019

Prepared By:

K&L GATES LLP  
Seattle, Washington

**City and Borough of Juneau, Alaska  
Ordinance Serial No. 2019-22  
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\* This Table of Contents and the cover page are for convenience of reference and are not intended to be a part of this ordinance.

Presented by: The Manager  
Introduced: 06/03/19  
Drafted by: Bond Counsel

**ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA**

**Serial No. 2019-22**

**An Ordinance Providing for the Issuance and Sale of Airport Revenue Bonds in one or more series in the Aggregate Principal Amount of Not to Exceed \$18,000,000; Providing for the Form and Terms of the Bonds; Providing a Method of Payment Therefor; and Reserving the Right to Issue Revenue Bonds on a Parity with the Bonds upon Compliance with Certain Conditions.**

WHEREAS, the City and Borough of Juneau, Alaska (the “City and Borough”) owns and operates an international airport facility (the “Airport”); and

WHEREAS, the Airport is in need of expansion, renovation and improvement (the “Projects”); and

WHEREAS, the City and Borough is authorized by its Home Rule Charter to issue revenue bonds for capital project purposes without a vote of the electors; and

WHEREAS, the bonds herein authorized will be payable from certain revenue sources available to the Airport and identified herein; and

WHEREAS, the City and Borough is authorized by the Aviation Safety and Capacity Expansion Act of 1990, as amended (the “PFC Act”) to impose and collect passenger facility charges for the purpose of financing capital improvements at the Airport; and

WHEREAS, the City and Borough receives Airport entitlement and discretionary federal grants from the Federal Aviation Administration under the Airport Improvement Program (AIP); and

WHEREAS, the Finance Director will hold a public hearing on the issuance of any series of the bonds herein authorized that will be private activity bonds as required by Section 147(f) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Assembly finds that it is in the best interest of the City and Borough to sell the bonds herein authorized in one or more series to the Alaska Municipal Bond Bank (the “Bond Bank”) on the terms and conditions set forth herein and in loan agreement(s) between the City and Borough and the Bond Bank, as authorized by this ordinance;

NOW, THEREFORE, BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

**Section 1. Classification.** This ordinance is a noncode ordinance.

**Section 2. Definitions.** As used in this ordinance, unless a different meaning clearly appears from the context:

***Accreted Value*** means with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in the proceedings authorizing their issuance as the amount representing the initial principal amount of such Capital Appreciation Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date. The Accreted Value shall be determined in accordance with the provisions of the ordinance authorizing the issuance of such Balloon Maturity Bonds.

***Additional Pledged Revenue*** means any income, receipt or revenue of the Airport (other than PFC Revenue and AIP Revenues) legally available to the payment of the principal of and interest on Bonds, each to the extent pledged under the terms of the loan agreement between the Bond Bank and the City and Borough with respect to the Bonds.

***Adjusted Costs*** means costs of Projects paid or legally obligated to be paid from PFC Revenue or AIP Revenue to date, **minus** Projected Aggregate Debt Service with respect to Bonds, **minus** amounts then on deposit in the funds and accounts created under this ordinance and available for the payment of debt service on Bonds and **minus** costs of Projects paid from the proceeds of Bonds.

***AIP Revenue*** means all Airport Improvement Program entitlement grants and AIP discretionary grants, specifically including AIP Grant Number 3-02-0133-078-2018.

***Airport*** means the international airport facility owned by the City and Borough.

***Annual Debt Service*** means the total amount of Debt Service for any Parity Bond or series of Parity Bonds or other evidences of indebtedness payable from Pledged Revenue in any fiscal year or Base Period.

***Assembly*** means the Assembly of the City and Borough of Juneau as the same shall be duly and regularly constituted from time to time.

***Balloon Maturity Bonds*** means any evidences of indebtedness of the City and Borough payable from Pledged Revenue which are so designated in the proceedings pursuant to which such indebtedness is incurred.

***Base Period*** means each of the two most recently completed fiscal years for which audited financial statements are available within the 36-month period immediately preceding the date of issuance of an additional series of Future Parity Bonds.

***Bonds*** means the not to exceed \$18,000,000 par value City and Borough of Juneau, Alaska, Airport Revenue Bond, 20\_\_[A/B] [(AMT/Non-AMT)] authorized to be issued in one or more series pursuant to this ordinance; provided, however, that the term ***Bonds*** shall mean and include Future Parity Bonds when used in the context of the Sufficiency Covenant, the Reserve Account

Requirement and the Parity Requirement and the requirement for a City and Borough Representative's Certificate or a Consultant's Certificate.

***Bond Bank*** means the Alaska Municipal Bond Bank, a public corporation and instrumentality of the State of Alaska, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended.

***Bond Bank Bonds*** means bonds to be issued by the Bond Bank to provide funds to be loaned to the City and Borough pursuant to the Loan Agreement.

***Bond Bank Reserve Agreement*** means the Reserve Depositary Agreement, between the Bond Bank Trustee and the City and Borough.

***Bond Bank Trustee*** means The Bank of New York Mellon Trust Company, N.A., as the trustee for the Bond Bank under the terms of the 2005 General Obligation Bond Resolution adopted by the Board of Directors of the Bond Bank on July 13, 2005, as amended and shall include any successor thereto as provided in said Resolution.

***Bond Fund*** means the "Airport Revenue Bond Debt Service Fund" maintained in the office of the Finance Director pursuant to this ordinance.

***Bond Register*** means the registration books for the Bonds, maintained by the Bond Registrar, for the purpose of complying with the requirements of Section 149 of the Code and listing, inter alia, the names and addresses of all registered owners of the Bonds.

***Bond Registrar*** means the Finance Director, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, and paying the principal of and interest on the Bonds.

***Capital Appreciation Bonds*** means any Future Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Capital Appreciation Bonds. If so provided in the proceedings authorizing their issuance, Future Parity Bonds may be deemed to be Capital Appreciation Bonds for only a portion of their term. On the date on which Future Parity Bonds no longer are Capital Appreciation Bonds, they shall be deemed outstanding in a principal amount equal to their Accreted Value.

***City and Borough*** means the City and Borough of Juneau, a municipal corporation organized and existing under the laws of the State of Alaska.

***City and Borough Representative*** means the City Manager or such other official or employee of the City and Borough designated in writing by the City Manager.

***City and Borough Representative's Certificate*** means a certificate dated no earlier than 30 days earlier than the delivery of the Future Parity Bonds, executed by a City and Borough Representative and stating that

(a) the Sufficiency Covenant will be met upon the issuance of the Future Parity Bonds;  
and

(b) Pledged Revenue received during the Base Period (as shown in the audited or unaudited financial statements of the City and Borough) was not less than 150% of Maximum Annual Debt Service on all Parity Bonds that will be Outstanding upon the issuance of such Future Parity Bonds;

*provided, however,* that in preparing such certificate, the City and Borough Representative

(1) shall take into account any Forecast PFC Rate Adjustment as if such new rate had been in effect during the entire Base Period and any Forecast AIP Revenue if such Forecast AIP Revenue has been appropriated, and

(2) may take into account any Additional Pledged Revenue.

*Provided further,* that the requirements for the City and Borough Representative's Certificate may be modified as approved by the Designated Representative by agreement with the Bond Bank.

**City Manager** means the city manager or interim city manager of the City and Borough.

**Code** means the United States Internal Revenue Code of 1986, as amended, together with all applicable rulings and regulations heretofore or hereafter promulgated thereunder.

**Consultant** means at any time an independent municipal financial consultant appointed by the City and Borough to perform the duties of the Consultant as required by this ordinance. For the purposes of delivering any certificate required by Section 15 hereof and making the calculation required by Section 15 hereof, the term Consultant shall also include any independent public accounting firm appointed by the City and Borough to make such calculation or to provide such certificate.

**Consultant's Certificate** means a certificate dated no earlier than 30 days earlier than the delivery of the Future Parity Bonds, executed by a Consultant and stating that

(a) the Sufficiency Covenant is estimated to be met upon the issuance of the Future Parity Bonds; and

(b) in each of the first five full calendar years (commencing with the first such year following the date of issuance of the Future Parity Bonds) following the date of issuance of the Future Parity Bonds, the amount of Pledged Revenue to be collected in each such year is estimated to be not less than 150% of Maximum Annual Debt Service on all Parity Bonds to be Outstanding after the issuance of the proposed Future Parity Bonds;

*provided, however,* that in computing the amount of Pledged Revenue, the Consultant:

(1) shall take into account any Forecast PFC Rate Adjustment on the assumption that such Forecast PFC Rate Adjustment will be in effect during the full five-year period;

(2) may take into account any Projected Additional Pledged Revenue estimated to be received during the full five-year period; and

(3) reasonable projections of PFC Revenue and AIP Revenue, based upon the methodology set forth in the certificate taking into account any projected change in the number of enplanements during the five-year period following the issuance of the Future Parity Bonds and the status of approval and funding of AIP Revenue;

provided, however, that the requirements for the Consultant's Certificate may be modified as approved by the City and Borough Representative by agreement with the Bond Bank.

***Credit Facility*** means any Qualified Letter of Credit or Qualified Insurance.

***Debt Service*** means, for any period of time,

(1) with respect to any outstanding Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the proceedings authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

(2) with respect to any outstanding Fixed Rate Bonds, an amount equal to (A) the principal amount of such Fixed Rate Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (B) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Fixed Rate Bonds, plus (C) all interest payable during such period on any such outstanding Fixed Rate Bonds and with respect to Fixed Rate Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Fixed Rate Bonds on the date specified in the proceedings authorizing such Fixed Rate Bonds; and

(3) with respect to all other series of Parity Bonds, other than Fixed Rate Bonds, Capital Appreciation Bonds, specifically including but not limited to Balloon Maturity Bonds and Parity Bonds bearing variable rates of interest, an amount for any period equal to the amount which would have been payable for principal and interest on such Parity Bonds during such period computed on the assumption that the amount of Parity Bonds as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the proceedings authorizing the issuance of such Parity Bonds, or if mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance (ii) at an interest rate equal to the yield to maturity set forth in the 40-Bond Index published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the City and Borough) and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 15 hereof, then within ten days of such certificate, (iii) to provide for essentially level

annual debt service of principal and interest over such period. Debt Service shall be net of any interest funded out of Bond proceeds. Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent authorized by ordinance or resolution.

***Federal Tax Certificate*** means the certificate(s) executed on behalf of the City and Borough upon the issuance of the Bonds and including certain representations regarding the use and application of the Bond proceeds and the payment of rebatable arbitrage, if any, with respect to the Bonds.

***Finance Director*** means the director of the finance department or interim director of the finance department of the City and Borough.

***Fitch*** means Fitch Ratings, Inc., organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, ***Fitch*** shall be deemed to refer to any other nationally recognized securities rating agency designated by the City Manager or his/her designee.

***Fixed Rate Bonds*** means those Parity Bonds other than Capital Appreciation Bonds or Balloon Maturity Bonds issued under an ordinance in which the rate of interest on such Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the proceedings authorizing their issuance, Parity Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.

***Forecast PFC Rate Adjustment*** means (i) any required reduction in the rate of the levy of PFCs that constitute PFC Revenue or (ii) any increase in the rate of the levy of PFCs if the Port has taken all actions and has received all approvals required to impose such PFCs and if legislation has been enacted to permit such increase in the rate of levy of PFCs.

***Forecast AIP Revenue*** means additional approved AIP Revenue under the Airport Improvement Program.

***Future Parity Bonds*** means any revenue bonds which the City and Borough may hereafter issue having a lien upon the Pledged Revenue for the payment of the principal thereof and interest thereon equal to the lien of the Bonds upon the Pledged Revenue.

***Governmental Components*** means the portions of the Projects identified as ***Governmental Components*** in the Federal Tax Certificate with respect to Bonds.

***Governmental Project Fund*** means the fund or account into which certain net proceeds of the Bonds issued for the Governmental Components shall be deposited.

***Government Obligations*** means direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America and bank certificates of deposit secured by such obligations.



***Loan Agreement*** means the Loan Agreement(s) for the Bonds by and between the City and Borough and the Bond Bank authorized to be entered into pursuant to Section 9 of this ordinance.

***Maximum Annual Debt Service*** means highest dollar amount of Annual Debt Service in any fiscal year or Base Period for all outstanding Parity Bonds and/or for all subordinate lien evidences of indebtedness secured by Pledged Revenue, as the context requires.

***Monthly Debt Service Deposit*** means an approximately equal amount to be deposited monthly in the Principal and Interest Account, such that the amount projected to be on hand in the Principal and Interest Account on the next succeeding debt service payment date shall be sufficient to pay the principal of and interest on Bonds then coming due, on the assumption that the deposit with respect to interest and with respect to principal shall be made in each month commencing with the month following the date of issuance of Bonds or the date following which capitalized debt service is no longer available for deposit in the Principal and Interest Account.

***Moody's*** means Moody's Investors Service, Inc., its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, ***Moody's*** shall be deemed to refer to any other nationally recognized securities rating agency designated by the City Manager or his/her designee.

***Parity Bonds*** means the Bonds and any Future Parity Bonds.

***PFC*** means passenger facility charges authorized from time to time under the PFC Act.

***PFC Act*** means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, recodified as 49 U.S. § 40117, as amended or replaced from time to time.

***PFC Authority*** means the Record of Decision dated October 3, 2017, as amended on August 31, 2018 and April 10, 2019, as the same may be amended from time to time, and any other record of decision (and amendments) relating to PFCs imposed or to be imposed by the City and Borough at the Airport.

***PFC Capital Fund*** means the fund of that name created pursuant to Section 2(b) of this ordinance.

***PFC Regulations*** means Part 158 of the Federal Aviation Regulations (14 CFR Part 158), as amended from time to time, and any other regulation issued with respect to the PFC Act.

***PFC Revenue*** means all revenue received by the City and Borough from time to time from PFCs pursuant to PFC Authority imposed by the City and Borough at the Airport pursuant to the PFC Act and PFC Regulations including any investment income with respect thereto including proceeds thereof and gains from sales of investments after such revenue has been remitted to the City and Borough as provided in the PFC Regulations, all of which are pledged to the Bonds.

***Pledged Revenue*** means PFC Revenue, AIP Revenue and Additional Pledged Revenue, if any, that has been pledged to the Bonds, and interest earnings on the Reserve Account to the extent that such earnings are available for transfer to the Principal and Interest Account.

***Principal and Interest Account*** means the subaccount of that name created within the Bond Fund pursuant to Section 8 of this ordinance.

***Private Activity Components*** means the portions of the Projects identified as ***Private Activity Components*** in the Federal Tax Certificate with respect to Bonds.

***Private Activity Project Fund*** means the fund or account into which certain net proceeds of the Bonds issued for the Private Activity Components shall be deposited.

***Projected Additional Pledged Revenue*** means anticipated receipts of Additional Pledged Revenue.

***Projected Aggregate Debt Service*** means the aggregate amount of Annual Debt Service through the scheduled maturity(ies) of one or more series of Bonds or through any optional redemption date together with premium, if any, applicable to such one or more series of Parity Bonds, in each case calculated with the goal of minimizing the aggregate dollar amount necessary to pay and redeem such series of Future Parity Bonds whether at maturity or redemption prior to stated maturity.

***Projected Costs*** means costs of Projects minus Projected Aggregate Debt Service.

***Projects*** means, collectively, the Governmental Components and the Private Activity Components.

***Projected Costs*** means costs of Projects minus Projected Aggregate Debt Service.

***Qualified Insurance*** means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) which insurance company or companies, as of the time of issuance of such policy or surety bond, are currently rated in one of the two highest Rating Categories by two of the Rating Agencies.

***Qualified Letter of Credit*** means any irrevocable letter of credit issued by a financial institution for the account of the City and Borough on behalf of registered owners of the Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is currently rated in one of the two highest Rating Categories by a Rating Agency.

***Rating Agency*** means Moody's or S&P or Fitch.

**Rating Category** means the generic rating categories of the Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

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

**Reserve Account** means the Reserve Account created in the Bond Fund pursuant to Section 8 of this ordinance.

**Reserve Requirement** means, with respect to Parity Bonds outstanding, the lesser of (a) 125% of Average Annual Debt Service, (b) 10% of the net proceeds of each series of Parity Bonds secured by the Reserve Account, or (c) Maximum Annual Debt Service.

**Revenue Fund** means the revenue funds or accounts into which Pledged Revenue are deposited.

**S&P** means S&P Global Ratings, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **S&P** shall be deemed to refer to any other nationally recognized securities rating agency designated by the City Manager or his/her designee.

**State** means the State of Alaska.

**Sufficiency Covenant** means the requirement that (i) Unspent PFC Authority **plus** (ii) approved and appropriated AIP Revenue **plus** (iii) Projected Additional Pledged Revenue is at least equal to 105% of Projected Aggregate Debt Service with respect to all outstanding Bonds; provided, however, that the Sufficiency Covenant may be modified as approved by the City and Borough Representative by agreement with the Bond Bank.

**Unspent PFC Authority** means the aggregate dollar amount of PFCs authorized to be collected by the City and Borough under PFC Authority **minus** the dollar amount of Adjusted Costs.

**Rules of Interpretation.** In this ordinance, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this ordinance, refer to this ordinance as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this ordinance;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several sections of this ordinance, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this ordinance, nor shall they affect its meaning, construction or effect;

(e) Notwithstanding the foregoing definitions, the Finance Director may maintain such separate funds and accounts in such names and under such additional designations as shall be required or advisable to comply with the accounting standards and conventions followed by the City and Borough. The use of the term “Fund” is intended to meet legal requirements and is not intended to be defined as prescribed by generally accepted accounting principles;

(f) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(g) Words importing the singular number include the plural number and vice versa.

**Section 3. The Projects.** This Assembly hereby ratifies and approves the completion of the terminal reconstruction project phase 2, including the Private Activity Components and the Governmental Components (collectively, the “Projects”). The Projects have and will be undertaken in accordance with specifications and contracts for acquisition and construction approved by the Assembly from time to time.

It is hereby provided that said Projects shall be subject to such changes as to details of design or any other details of said Projects as may be authorized by the Assembly either prior to or during the actual course of construction.

The City and Borough may proceed with the construction and installation of the Projects as herein authorized, either alone or in conjunction with the construction of other facilities, and in whole, or in successive parts or units from time to time as may be found advisable.

**Section 4. Costs of the Projects.** The estimated cost of the Projects is hereby declared to be, as near as may be, the sum of up to \$24,000,000 which is expected to be paid from Airport revenues, PFC Revenue, AIP Revenue, state grants, general obligation bonds of the City and Borough, and other revenues dedicated by the City and Borough in addition to the proceeds of the Bonds.

**Section 5. Authorization of Bonds.**

(a) *Authorization.* The City and Borough shall issue and sell not to exceed \$18,000,000 of its airport revenue bonds (the “Bonds”) in one or more series for the purpose of providing permanent financing for the undertaking of the Projects, funding the Reserve Requirement and paying the costs of issuance of the Bonds.

(b) *Bond Details.* The Bonds shall be designated as the “City and Borough of Juneau, Alaska Airport Revenue Bond, 20\_\_[A/B][(AMT/Non-AMT)],” shall be dated as of the date established pursuant to Section 9, shall be fully registered as to both principal and interest, shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification, and shall bear interest from their date payable on the dates set forth in each respective approved Loan Agreement, and shall come due on the dates set forth in the approved Loan Agreement of the following years in the following estimated aggregate principal installments:

Maturity Year	Principal Amount*
2020	\$ 2,090,000
2021	2,150,000
2022	2,215,000
2023	2,300,000
2024	2,390,000
2025	2,490,000
2026	2,615,000

Total: \$16,250,000\*

\* Principal maturities do not add to \$18,000,000, in anticipation of selling Bonds with original issue premium, generating not more than \$18,000,000 in net proceeds.

If the Bonds are sold in more than one series, the principal maturities of a series shall be applied to reduce the foregoing schedule as provided in the resolution approving the sale of that series; provided that in the aggregate the foregoing estimated principal amounts may increase or decrease in any year by 25%, and *provided, further*, in the aggregate, the Bonds shall be issued in principal amounts that provide no more than \$18,000,000 (principal amount plus premium, if any, less costs of issuance) in net proceeds or \$18,000,000 in principal amount, whichever is less.

**Section 6. Registration, Exchange and Payments.** The Finance Director shall act as authenticating agent, paying agent and registrar for the Bonds (collectively, the “Bond Registrar”). The principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months. Interest on the Bonds shall be paid by check or draft of the Bond Registrar mailed (on the date such interest is due) to the Registered Owners or nominees at the addresses appearing on the Bond Register on the fifteenth day of the month preceding each interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds to the Bond Registrar by the registered owners or nominees at the office of the Bond Registrar. Notwithstanding the foregoing, so long as the Bond Bank is the Registered Owner of the Bonds, payments of principal of and interest on the Bonds shall be made to the Bond Bank in accordance with each Loan Agreement.

The Bonds may be transferred only on the Bond Register maintained by the Bond Registrar for that purpose upon the surrender thereof by the registered owner or nominee or his/her duly

authorized agent and only if endorsed in the manner provided thereon, and thereupon a new fully registered Bond of like series, principal amount, maturity and interest rates shall be issued to the transferee in exchange therefor. Upon surrender thereof to the Bond Registrar, the Bond is interchangeable for a bond or bonds in any authorized denomination of an equal aggregate principal amount and of the same series, interest rates and maturities. Such transfer or exchange shall be without cost to the Registered Owner or transferee.

The City and Borough may deem the person in whose name each Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on such Bond and for any and all other purposes whatsoever.

## **Section 7. Priority of Payments from Pledged Revenue and Capital Fund.**

(a) *Revenue Fund.* There shall be maintained a special revenue fund of the City and Borough herein referred to as the “Revenue Fund” into which all AIP Revenue, PFC Revenue and Additional Pledged Revenue shall be deposited. The Revenue Fund may be maintained under different fund or account designations at the option of the Finance Director in order to comply with the accounting procedures of the City and Borough.

(b) *Flow of Funds.* The Port's PFC Revenue, AIP Revenue and Additional Pledged Revenue, if pledged to Bonds, shall be deposited in the Revenue Fund as collected. The PFC Revenue Fund shall be held separate and apart from all other funds and accounts of the City and Borough, and the Pledged Revenue deposited therein shall be used only for the following purposes and in the following order of priority on or before the 25th day of each month following the date of adoption of this resolution and until so applied shall be pledged to the payment of and subject to a lien and charge in favor of the Bond Bank:

First, to make the Monthly Debt Service Deposit, if required by the Bond Bank or otherwise at times and in amounts as set forth in a Loan Agreement, into the Principal and Interest Account (but only to the extent that such Monthly Service Deposit is not made from amounts held as capitalized interest);

Second, to make all payments required to be made into the Reserve Account to maintain the required balance therein; and

Third, to the Capital Fund, or at the option of the City and Borough to the prior redemption of Bonds.

(c) *Capital Fund.* There is hereby authorized to be created and maintained a separate fund of the City and Borough to be designated as the “Capital Fund.” Money in the Capital Fund may be used and disbursed (i) to pay the costs of Projects, respectively authorized to be paid either from PFC Revenue or AIP Revenue, as permitted by law; or (ii) be transferred to the Revenue Fund; or (iii) to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Projects if permitted by law, including PFC Regulations, or to the extent permitted by law, including PFC Regulations, for any other lawful Airport purposes; or (iv) to pay debt service on any other obligation incurred by the City and Borough to pay costs of Projects and,

until so applied, shall be pledged to the payment of and subject to a lien and charge in favor of the Bond Bank. Money on hand in the Capital Fund may be invested in any legal investment for funds of the City and Borough.

**Section 8. Bond Fund.** A special account of the City and Borough designated as the “Airport Revenue Bond Debt Service Fund” (the “Bond Fund”) has heretofore been created in the office of the Finance Director for the purpose of paying and securing the payment of the Bonds and all Parity Bonds. The Bond Fund shall be held separate and apart from all other accounts of the City and Borough and shall be a trust account for the owner of Parity Bonds. The Bond Fund shall be divided into two separate accounts: a Principal and Interest Account for the payment of the principal of and interest on Parity Bonds and the payment of redemption premium, if any, whether due at maturity or redemption prior to maturity and a Reserve Account for the purpose of additionally securing the repayment of Parity Bonds.

(a) *Payments Into Principal and Interest Account.* The Finance Director may direct all or a portion of the original issue premium to be deposited in the Principal and Interest Account. Payments to the Principal and Interest Account shall be made monthly as provided in Section 7(b) of this ordinance. Furthermore, as long as any Parity Bonds remain outstanding, the City and Borough hereby irrevocably obligates and binds itself to set aside and pay from the Bond Fund into the Principal and Interest Account those amounts necessary, together with such other funds as are on hand and available in the Principal and Interest Account, to pay the interest or principal and interest next coming due on outstanding Parity Bonds. Such payments from the Revenue Fund shall be made on or prior to the due date for such installment of principal and interest.

(b) *Priority of Lien of Payments into Principal and Interest Account.* Said amounts so pledged to be paid into the Bond Fund with respect to the Bonds are hereby declared to be a prior lien and charge upon the Pledged Revenue superior to all other charges of any kind or nature whatsoever, except that the amounts so pledged are of equal lien to the lien and charge thereon of any Future Parity Bonds.

(c) *Reserve Account.* A Reserve Account (the “Reserve Account”) is hereby authorized to be created in the Bond Fund for the purpose of securing the payment of the principal of and interest on all Parity Bonds. The City and Borough hereby covenants to deposit into the Reserve Account on the date of issuance of the Bonds from Bond proceeds and/or from funds of the City and Borough legally available therefor an amount equal to the Reserve Requirement with respect to the Bonds.

The City and Borough further covenants and agrees that when said required deposits have been made into the Reserve Account, it will at all times maintain therein an amount at least equal to the Reserve Requirement with respect to all outstanding Parity Bonds. Whenever there is an insufficient amount in the Bond Fund, including the Reserve Account and the Principal and Interest Account to pay the principal of and interest on all outstanding Parity Bonds when due, the money in the Reserve Account may be used to pay such principal and interest. Money in the Reserve Account may be withdrawn to redeem and retire, and to pay the interest due to such date of redemption on any outstanding Bonds, so long as the money left remaining on deposit in the Reserve Account is equal to the Reserve Requirement with respect to all outstanding Parity Bonds.

The City and Borough may satisfy the Reserve Requirement, in whole or in part with a Qualified Letter of Credit or Qualified Insurance. In making the payments and credits to the Reserve Account required by this subsection (c), to the extent that the City and Borough has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Reserve Account, such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Reserve Account by this subsection (c) to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution. A Qualified Letter of Credit shall not be cancelable on less than 30 days' notice to the City and Borough, and Qualified Insurance shall be noncancellable. In the event of any cancellation of a Qualified Letter of Credit, the Reserve Account shall be funded in accordance with the third paragraph of this subsection (c) as if the Parity Bonds for whose benefit the Qualified Letter of Credit was issued which then remain outstanding had been issued on the date of such notice of cancellation.

In the event that the City and Borough elects to meet the Reserve Requirement through the use of a Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement device, the City and Borough may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement device that the City and Borough's reimbursement obligation, if any, to such entity shall be made from Pledged Revenue available after the payments described in Paragraphs First through Third in Section 7 hereof have been made.

In the event a deficiency in the Principal and Interest Account shall occur, the deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the City and Borough shall then draw from any Qualified Letter of Credit, Qualified Insurance, or other equivalent credit facility that secures the Parity Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up within one year of the date of withdrawal from Pledged Revenue after making necessary provision for making the payments described in Paragraphs First and Second in Section 7(b) hereof.

(d) *Application and Investment of Moneys in the Bond Fund.* Money in the Principal and Interest Account not needed to pay the interest or principal installment and interest next coming due on Parity Bonds may be used to prepay Parity Bonds. Money in the Bond Fund therein may be invested in any legal investment for the funds of the City and Borough. All interest earned and income derived by virtue of such investments shall remain in the Bond Fund (or respective account therein) and be used to meet the required deposits into any account therein.



**Section 9. Sale of Bonds.** The City Manager or his/her designee is authorized to negotiate and complete the sale of the Bonds in one or more series to the Bond Bank on terms and conditions consistent with this ordinance and the respective Loan Agreement for the Bonds. Following the sale of the Bond Bank Bonds for a series of Bonds, such terms and conditions, including the final principal amount, date, principal installment payment schedule, interest rates, payment dates and prepayment provisions, all as provided for in this ordinance, shall be set forth in a Loan Agreement, all subject to the Assembly's approval by resolution, which resolution may, at the option of the Assembly, provide for delegation within parameters approved by the Assembly.

**Section 10. Undertaking to Provide Ongoing Disclosure.** The City and Borough will execute a certificate for ongoing disclosure in form and substance satisfactory to the purchaser of the Bonds, and the City Manager or his/her designee is hereby authorized and directed to execute such certificate.

**Section 11. Insurance.** The Bond Bank may, with the consent of the City and Borough and on terms and conditions acceptable to the City and Borough, obtain a policy of municipal bond insurance guaranteeing the payment when due of the principal of and interest on a series of the Bond Bank's Bonds issued to provide funds for the loan to the City and Borough pursuant to a Loan Agreement. By the Loan Agreement, the City Manager or his/her designee may approve any such policy of municipal bond insurance and authorize all other officers, agents, attorneys, and employees of the City and Borough to cooperate with the bond insurer in preparing such additional agreements, certificates, and other documentation on behalf of the City and Borough, consistent with this ordinance, as shall be necessary or advisable in providing for such policy of municipal bond insurance.

The City Manager or his/her designee also may obtain a surety policy in order to satisfy the Reserve Requirement on the condition that the surety policy meets the requirements of Qualified Insurance on terms and conditions determined to be acceptable to the City Manager or his/her designee. The City Manager or his/her designee may execute such additional agreements or certificates and provide such documentation to the issuer of such surety policy as shall be necessary or advisable in providing for such surety policy.

In connection with the initial issuance and sale of the Bonds to the Bond Bank, and notwithstanding the provisions of Section 19 of this ordinance to the contrary, the Assembly may by resolution modify any of the covenants or other provisions of this ordinance as may be required by a provider of bond insurance or a surety policy for the Bond Bank's Bonds.

**Section 12. Disposition of Proceeds of the Bonds.** The Finance Director may direct that all or a portion of the original issue premium also be deposited in the Principal and Interest Account. Unless the Reserve Requirement is satisfied with a Credit Facility or other Airport revenues, a portion of the Bond proceeds in the amount designated by the Finance Director shall be deposited in the Reserve Account in order to meet the Reserve Requirement. The City and Borough shall maintain a fund or account for the Governmental Components (the "Governmental Project Fund") and a fund or account for the Private Activity Components (the "Private Activity Project Fund"). The balance of the proceeds of sale of the Bonds of a series shall be deposited in the Governmental Project Fund or the Private Activity Project Fund, as applicable, or a subaccount therein and shall be expended solely to pay the cost of issuing and selling that series of Bonds and,

together with other available moneys of the City and Borough, shall be used to reimburse the City and Borough for funds already distributed for the costs of the Governmental Components or the Private Activity Components, respectively, and to pay the costs of completing the Governmental Components or the Private Activity Components, as the case may be. Money in the Governmental Project Fund and the Private Activity Project Fund shall be invested by the Finance Director, pending disbursement, in any legal investment for City and Borough funds, and interest earnings shall be deposited in the respective Project Fund.

**Section 13. Defeasance.** In the event that money and/or noncallable Government Obligations maturing or having guaranteed redemption prices at the option of the holder at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Bonds in accordance with the its terms, are hereafter irrevocably set aside in a special account and pledged to effect such redemption and retirement, then no further payments need be made into the Bond Fund or any account therein for the payment of the principal of and interest on the Bonds or portion thereof so provided for and the Bonds or portion thereof shall then cease to be entitled to any lien, benefit or security of this ordinance, except the right to receive the accounts so set aside and pledged, and the Bonds or portion thereof shall no longer be deemed to be outstanding hereunder.

**Section 14. Specific Covenants.** The City and Borough hereby covenants and agrees with the owners of the Bonds that for as long as the Bonds remain outstanding as follows:

(a) *Sufficiency Covenant.* The City and Borough will at all times establish, maintain and collect PFC Revenue and apply for committed AIP Revenue which, together with Projected Additional Pledged Revenue, will be sufficient to meet the Sufficiency Covenant and undertake to measure compliance with the Sufficiency Covenant as of the end of each fiscal year.

If the Sufficiency Covenant is not met, the City and Borough shall:

(1) redeem or defease Bonds in amounts sufficient to permit the City and Borough to comply with the Sufficiency Covenant; and/or

(2) identify Additional Pledged Revenue sufficient to permit a Consultant to certify compliance with the Sufficiency Covenant; and/or

(3) endeavor to obtain committed and appropriated AIP Revenue and obtain an amendment to existing PFC Authority or new PFC Authority and/or

(4) identify and agree to use other legally available funds of the City and Borough to pay Projected Costs not already paid, in an amount sufficient (together with amounts realized as a result of the other options identified hereinabove) to meet the Sufficiency Covenant.

If the Sufficiency Covenant is not met, and the steps in (1) through (4) have not been taken, the City and Borough shall not spend any money on deposit in the Capital Fund except to pay debt service on the Bonds or to make deposits to the Reserve Account.

The failure of the City and Borough to meet the Sufficiency Covenant shall not constitute a default on the Bonds unless, prior to curing such failure, the City and Borough fails to take one of the actions described in (1) through (4) above and, while such failure continues, the City and Borough disburses money from the Capital Fund for purposes other than the payment of debt service on Bonds or required deposits to the Reserve Account.

(b) *Airport Maintenance.* The City and Borough will at all times maintain and keep the Airport in good repair, working order and condition, and also will at all times operate such facilities and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Books and Records.* The City and Borough will, while the Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the Airport, and it will furnish the original purchaser or purchasers of the Bonds or any subsequent owner or owners thereof, at the written request of such owner or owners, complete operating and income statements of the Airport in reasonable detail covering any fiscal year, showing the financial condition of the Airport and compliance with the terms and conditions of this ordinance, not more than 120 days after the close of such fiscal year, and it will grant any owner or owners of at least 25% of the outstanding Bonds the right at all reasonable times to inspect the entire Airport and all records, accounts and data of the City and Borough relating thereto. Upon request of any owner of any of said Bonds, it will also furnish to such owner a copy of the most recently completed audit of the City and Borough's accounts.

(d) *Ordinance a Contract.* This ordinance shall constitute a contract with the registered owners of the Bonds, and upon any default hereunder, said owner shall have the right to institute a mandamus action in any court of competent jurisdiction to compel performance by the City and Borough in accordance with the terms of this ordinance.

(e) *Tax Covenants.* The Finance Director is an officer of the City and Borough whose duties include the holding of such hearings as may be required under the Code in order to assure the tax-exempt status of the Bonds. The Finance Director will hold a public hearing on the issuance of the Bonds for the Private Activity Components, pursuant to published notice on the City and Borough's website or in a newspaper of general circulation in the City and Borough. The City and Borough covenants to undertake all actions required to maintain the tax-exempt status of interest on the Bonds under Section 103 of the Code as set forth in the Federal Tax Certificate(s) that will be executed at the closing for the Bonds.

The City and Borough has not designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code for banks, thrift institutions and other financial institutions.

(f) *Compliance with Law.* The City and Borough will comply with all provisions of the PFC Act, ANCA, the PFC Authority and the PFC Regulations applicable to the City and Borough and all provisions thereof, and will not take any action or omit to take any action with respect to PFC Revenue, the Projects, the Airport or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination or reduction of the City and Borough's authority to impose passenger facility charges or prevent the collection and use of the PFC Revenue as contemplated by this resolution. The City and Borough covenants that all money in

the PFC Revenue Fund and the PFC Capital Fund will be used in compliance with all provisions of the PFC Act and the PFC Regulations applicable to the City and Borough and all provisions of the PFC Authority. Without limiting the generality of the foregoing, the City and Borough covenants that, to the extent necessary to comply with the foregoing covenant:

(1) The City and Borough will diligently seek approval to use PFC Revenue for the Projects within the time periods set forth in the PFC Regulations and will begin implementation of the Projects within the time periods set forth in the PFC Regulations;

(2) The City and Borough (A) will impose PFCs to the full extent such imposition has been authorized and approved by the FAA in the FAA's Record of Decision, dated October 3, 2017, as amended on August 31, 2018 and April 10, 2019, and as may be further amended in the future, and (B) will not unilaterally decrease the level of the passenger facility charge to be collected from any passenger;

(3) The City and Borough will not impose any noise or access restriction at the Airport not in compliance with ANCA;

(4) The City and Borough will take all action reasonably necessary to cause all collecting airline carriers to collect and remit to the City and Borough all PFCs at the Airport required by the PFC Regulations to be so collected and remitted; and

(5) The City and Borough will contest any attempt by the FAA to terminate, reduce or suspend the City and Borough's authority to impose, receive or use PFC at the Airport prior to the charge expiration date or the date total approved passenger facility charge revenue has been collected.

#### **Section 15. Future Parity Bonds.**

(a) *Conditions upon the Issuance of Future Parity Bonds.* As long as the Bonds remain outstanding, the City and Borough hereby further covenants and agrees that it will not issue any obligations having a lien on the Pledged Revenue prior to the lien thereon of the Bonds and further that it will not issue any Future Parity Bonds except in accordance with the conditions of this Section 15. The City and Borough hereby reserves the right to issue additional revenue obligations, which shall constitute a charge and lien upon the Pledged Revenue equal to the lien thereon of the Bonds. Except as provided in subsection (b) below, the City and Borough shall not issue any series of Future Parity Bonds or incur any additional indebtedness with a parity lien or charge on Pledged Revenue (*i.e.*, on a parity of lien with Parity Bonds at the time outstanding) unless:

(1) the City and Borough shall not have been in default of its Sufficiency Covenant for the immediately preceding fiscal year;

(2) The ordinance authorizing the issuance of such Future Parity Bonds shall provide that the Reserve Requirement shall be funded no later than the date of delivery of the

Future Parity Bonds and shall include the covenants set forth in Section 14 of this ordinance (including the tax covenant, to the extent applicable); and

(3) there shall have been filed either a City and Borough's Representative Certificate or a Consultant's Certificate.

(b) *No Certificate Required.* The certificate described in the foregoing subsection (a)(3) shall not be required as a condition to the issuance of Future Parity Bonds:

(1) if the Future Parity Bonds being issued are for the purpose of refunding outstanding Parity Bonds and the annual debt service requirements for each year in which Parity Bonds are then outstanding are not increased as a result of the refunding; or

(2) if the Future Parity Bonds are being issued to pay costs of construction of facilities of the Airport for which Parity Bonds have been issued previously and the principal amount of such Future Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Parity Bonds theretofore issued for such facilities and reasonably allocable to the facilities to be completed as shown in a written certificate of the City and Borough Representative, and there is delivered a Consultant's certificate stating that the nature and purpose of such facilities has not materially changed.

(e) *Subordinate Lien Obligations.* Nothing herein contained shall prevent the City and Borough from issuing revenue bonds or other obligations which are a charge upon the Pledged Revenue junior or inferior to the payments required by this ordinance to be made out of such Pledged Revenue to pay and secure the payment of any outstanding Parity Bonds.

(f) *Refunding Obligations.* Nothing herein contained shall prevent the City and Borough from issuing revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available.

**Section 16. Lost, Stolen or Destroyed Bonds.** In case a Bond shall be lost, stolen or destroyed, the Bond Registrar may authenticate and deliver a new Bond of like amount, date and tenor to the owner thereof upon the owner's paying the expenses and charges of the Bond Registrar and the City and Borough in connection therewith and upon his filing with the Bond Registrar and the City and Borough evidence satisfactory to both that such Bond was actually lost, stolen or destroyed and of his ownership thereof, and upon furnishing the City and Borough and the Bond Registrar with indemnity satisfactory to both.

**Section 17. Form of Bonds and Registration Certificate.** The Bonds shall be in substantially the following form:

NO. \_\_\_\_\_ UNITED STATES OF AMERICA \$ \_\_\_\_\_  
STATE OF ALASKA

CITY AND BOROUGH OF JUNEAU  
AIRPORT REVENUE BOND, 20\_\_[A/B][(AMT/Non-AMT)]

INTEREST RATES: See Below

FINAL MATURITY DATE:

REGISTERED OWNER: ALASKA MUNICIPAL BOND BANK

PRINCIPAL AMOUNT:

THE CITY AND BOROUGH OF JUNEAU, ALASKA (the “City and Borough”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, or registered assigns, but solely from Pledged Revenue, the Principal Amount indicated above in accordance with the installment payment schedule set forth below (unless prepaid prior thereto as provided herein) and to pay interest thereon from \_\_\_\_\_, 20\_\_, or the most recent date to which interest has been paid or duly provided for until payment of this bond at the interest rates set forth below, payable on \_\_\_\_\_ 1, 20\_\_ and semiannually thereafter on the first day of each \_\_\_\_\_ and \_\_\_\_\_.

Year of Principal Installment Payment (_____ 1)	Principal Installment Amount	Interest Rate
	\$	

Both principal of and interest on this bond are payable in lawful money of the United States of America. Installments of principal of and interest on this bond shall be paid by check or draft mailed to the Registered Owner at the address appearing on the Bond Register on the 15<sup>th</sup> day of the month preceding the interest payment date, and principal of this bond shall be payable upon presentation and surrender of this bond by the Registered Owner at the principal office of the Finance Director of the City and Borough of Juneau, Alaska (the “Bond Registrar”). Notwithstanding the foregoing, so long as the Bond Bank is the Registered Owner of this bond,

payments of principal of and interest on the Bond shall be made to the Bond Bank in accordance with the Loan Agreement.

This bond is an airport revenue bond of the Borough and is issued pursuant to Ordinance Serial No. 2019-22 (the “Bond Ordinance”) for the purpose of making certain improvements to the Airport.

The bond is subject to prepayment as described in the Loan Agreement.

The City and Borough hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and the Bond Ordinance.

The City and Borough does hereby pledge and bind itself to set aside from Pledged Revenue, and to pay into said Bond Fund the various amounts required by the Bond Ordinance to be paid into and maintained in said Fund, all within the times provided by said Bond Ordinance.

To the extent more particularly provided by the Bond Ordinance, the amounts so pledged to be paid from the Revenue Fund out of the Pledged Revenue into the Bond Fund and the accounts therein shall be a lien and charge thereon equal in rank to the lien and charge upon said Pledged Revenue of the amounts required to pay and secure the payment of any airport revenue bonds of the City and Borough hereafter issued on a parity with the bonds of this issue and superior to all other liens and charges of any kind or nature.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

[This bond [is][is not] a “private activity bond” as such term is defined in the Internal Revenue Cod of 1986, as amended (the “Code”). ]This bond is not a “qualified tax-exempt obligation” under Section 265(b) of the Code for banks, thrift institutions and other financial institutions.

It is hereby certified and declared that this bond is issued pursuant to and in strict compliance with the Constitution and laws of the State of Alaska and ordinances of the City and Borough, including the Bond Ordinance, and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, City and Borough of Juneau, Alaska has caused this Bond to be executed by the manual or facsimile signature of the City Manager or his/her designee and authenticated by the manual or facsimile signature of Clerk of the City and Borough as of this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

CITY AND BOROUGH OF  
JUNEAU, ALASKA

By \_\_\_\_\_ /s/ manual or facsimile  
City Manager or Designee

ATTEST:

\_\_\_\_\_/s/ manual or facsimile  
Clerk

The Certificate of Authentication for the Bonds shall be in substantially the following form:

CERTIFICATE OF AUTHENTICATION

Date of Authentication:

This bond is the Airport Revenue Bond, 20\_\_[A/B] [(AMT/Non-AMT)] of the City and Borough of Juneau, Alaska, dated \_\_\_\_\_, 20\_\_, and described in the within-mentioned Bond Ordinance.

CITY AND BOROUGH OF JUNEAU, ALASKA  
FINANCE DIRECTOR, as Bond Registrar

By \_\_\_\_\_  
Finance Director

**Section 18. Execution of Bonds.** The Bonds shall be executed on behalf of the City and Borough with the manual or facsimile signature of the City Manager or the Finance Director or his/her respective designee, shall be attested by the manual or facsimile signature of the City and Borough Clerk, and the seal of the City and Borough shall be impressed or a facsimile thereof imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Bonds shall cease to be officer or officers of the City and Borough before the Bonds so signed shall have been authenticated or



delivered by the Bond Registrar, or issued by the City and Borough, such Bonds may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City and Borough as though those who signed the same had continued to be such officers of the City and Borough. The Bonds may also be signed and attested on behalf of the City and Borough by such persons who are at the actual date of delivery of such Bond the proper officers of the City and Borough although at the original date of such Bonds any such person shall not have been such officer of the City and Borough.

## **Section 19. Supplements and Amendments.**

(a) *Without Consent of Owner.* The City and Borough from time to time and at any time may adopt an ordinance or ordinances supplemental hereof, which ordinance or ordinances thereafter shall become a part of this ordinance, for one or more or all of the following purposes:

(1) To add to the covenants and agreements of the City and Borough in this ordinance contained and other covenants and agreements thereafter to be observed, which shall not adversely affect the interests of the owners of the Bonds, or to surrender any rights or power herein reserved to or conferred upon the City and Borough.

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this ordinance in regard to matters or questions arising under the ordinance as the Assembly may deem necessary or desirable and not inconsistent with the ordinance and which shall not adversely affect the interest of the owner of Parity Bonds.

Any such supplemental ordinance of the Assembly may be adopted without the consent of the owner of the Bonds at any time outstanding, notwithstanding any of the provisions of this section.

(b) *With Owner's Consent.* With the consent of the owners of Parity Bonds, the Assembly of the City and Borough may adopt an ordinance or ordinances supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this ordinance or of any supplemental ordinance; provided, however, that no such supplemental ordinance shall extend the fixed maturity of the Bonds, or reduce the rate of interest thereon, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof without the consent of the owner of each Parity Bond so affected.

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

(c) *Effective Date of Modification.* Upon the adoption of any supplemental ordinance pursuant to the provisions of this section, this ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the City and Borough under this ordinance shall thereafter be determined, exercised and enforced thereunder,

subject in all respect to such modification and amendments, and all the terms and conditions of any such supplemental ordinance shall be deemed to be part of the terms and conditions of this ordinance for any and all purposes. A copy of each supplemental ordinance shall be provided to the owners of the Bonds.

**Section 20. Severability.** If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City and Borough shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this ordinance and shall in no way affect the validity of the other provisions of this ordinance.

**Section 21. Effective Date.** This ordinance shall become effective thirty days after adoption.

ADOPTED this 24th day of June, 2019.

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Beth Weldon, Mayor

ATTEST:

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Beth McEwen, Clerk

CERTIFICATE

I, the undersigned, Clerk of the City and Borough of Juneau, Alaska (the “City and Borough”), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance Serial No. 2019-22 (the “Ordinance”) of the City and Borough as finally passed at a regular meeting of the Assembly of the City and Borough (the “Assembly”) held on the 24th day of June, 2019, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Assembly was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the adoption of the Ordinance; that all other requirements and proceedings incident to the proper adoption of the Ordinance have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of June, 2019.

---

Beth McEwen, Clerk  
City and Borough of Juneau

**City and Borough of Juneau**  
**ASSEMBLY FINANCE COMMITTEE**  
**June 12, 2019**

**Water and Wastewater Utility System Rate Increases**

**Issue:**

In March 2019, the Utility Advisory Board recommended that Water and Wastewater Utility rates be increased by 4% in each of the next five years. Such an increase would provide \$750,000 per full year of increased rate revenue (with compounding growth going forward). The increased revenue would be used for anticipated operating cost growth and would contribute towards \$10 million (base amount) of spending planned each year for capital improvements. The current combined utility rates are \$130.40 per month (\$1,564.80 a year) and after five consecutive 4% increase the rates would be \$158.65 per month (\$1,903.82 a year).

In April 2019, the Manager recommended an alternative: that Water and Wastewater Utility rates be increased by 2% in each of the next five years. Such an increase would provide \$375,000 per full year of increased rate revenue (with compounding growth going forward). The increased revenue would be used for anticipated operating cost growth and would contribute towards \$8 million (base amount) of spending planned each year for capital improvements. The current combined utility rates are \$130.40 per month (\$1,564.80 a year) and after five consecutive 2% increase the rates would be \$143.98 per month (\$1,727.67 a year).

Under either of the proposals above, the five rate increases are proposed to be implemented on the following schedule:

- |                                |                                      |
|--------------------------------|--------------------------------------|
| 1. Jan 1 <sup>st</sup> , 2020  | <i>FY2020 (partial) &amp; FY2021</i> |
| 2. July 1 <sup>st</sup> , 2021 | <i>FY2022</i>                        |
| 3. July 1 <sup>st</sup> , 2022 | <i>FY2023</i>                        |
| 4. July 1 <sup>st</sup> , 2023 | <i>FY2024</i>                        |
| 5. July 1 <sup>st</sup> , 2024 | <i>FY2025</i>                        |

The rate model results have been revised to reflect this schedule of increases under both the 4% and 2% scenarios.

**Recommendation:**

In response to these recommendations, the Assembly may increase rates by any amount over any period, or take no action. The Manager maintains that his recommendation of 2% increases in each of the next five years balances the two following competing needs:

1. Prudent investment in water and wastewater systems
2. Mitigation of the rising cost of living for Juneau residents

# CBJ Water Utility Updated Rate Model

REVENUE								EXPENSE			
Fiscal Year	Starting Fund Balance	Water Utility Revenues	DEC Grants	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		4,266,924	50,000	200,000			-	850,000	162,531	3,095,804	3,444,685
FY15	3,444,685	4,530,440	3,000,000	7,800,000	465,000	1,200,000	-	12,785,000	183,409	2,645,424	4,803,462
FY16	4,803,462	4,966,182	3,000,000		1,527,000		-	5,857,000	173,816	2,705,053	5,755,118
FY17	5,755,118	5,246,935	-	(5,270,000)			-	(4,380,000)	244,596	2,483,587	7,627,325
FY18	7,627,325	5,609,662	-				-	2,500,000	73,977	2,548,696	7,665,101
FY19	7,665,101	5,682,911	-		-		-	1,600,000	74,573	2,820,772	8,852,667
FY20	8,852,667	5,727,645	-		1,000,000		99,520	5,050,000	72,600	2,452,750	8,104,482
FY21	8,104,482	5,763,288	-		1,000,000		99,520	5,213,000	210,936	2,504,258	7,039,096
FY22	7,039,096	5,806,416	-		-		406,042	5,105,000	232,624	2,556,847	5,357,083
FY23	5,357,083	5,844,637	-		-		621,323	5,212,205	229,662	2,610,541	3,770,636
FY24	3,770,636	5,883,519	-		-		845,216	5,321,661	226,699	2,665,362	2,285,648
FY25	2,285,648	5,930,575	-		1,000,000		1,078,065	5,433,416	156,250	2,721,335	1,983,288
FY26	1,983,288	5,978,423	-		1,000,000		1,289,957	5,547,518	154,300	2,778,483	1,771,366
FY27	1,771,366	6,026,894	-		1,000,000		1,509,266	5,664,016	152,350	2,836,831	1,654,329
FY28	1,654,329	6,022,000	-		1,000,000		1,736,250	5,782,960	150,400	2,896,405	1,582,815
FY29	1,582,815	6,022,000	-		1,000,000		1,971,179	5,904,402	148,450	2,957,229	1,565,912

## Assumptions:

Future Rate Increase (FY20 January-June):	4.00%
Future Rate Increase (FY21 thru FY25):	4.00%
Future Rate Increase (FY26 thru FY29):	3.50%

Operational Cost Inflation (FY21 thru FY29):	2.10%
CIP Contribution Base Amount (FY22 thru FY29):	5,105,000 5 mil with interest
CIP Spending Inflation(FY22 thru FY29):	2.10%

Sales Tax 1% (FY25 thru FY29)	1,000,000
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**REVISED**

1:17 pm, Jun 10, 2019

# CBJ Wastewater Utility Updated Rate Model

REVENUE								EXPENSE			
Fiscal Year	Starting Fund Balance	WW Utility Revenues	DEC Grants	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		9,572,483	-	1,150,000	-	-	-	1,500,000	587,305	8,214,378	8,265,804
FY15	8,265,804	10,088,393	-	23,400	-	-	-	23,400	645,387	8,333,707	9,552,206
FY16	9,552,206	11,417,877	-	10,000,000	-	-	-	13,940,000	581,582	8,218,974	8,646,719
FY17	8,646,719	11,976,034	-	10,000,000	-	-	-	10,550,000	566,790	8,508,830	11,558,616
FY18	11,558,616	13,111,961	-	-	-	-	-	4,815,000	507,848	7,780,229	10,519,920
FY19	10,519,920	13,442,927	-	-	2,000,000	-	-	5,845,000	513,100	10,388,650	9,216,097
FY20	9,216,097	13,080,012	-	-	2,600,000	-	248,360	5,825,000	506,300	9,643,900	9,169,269
FY21	9,169,269	13,040,033	-	-	1,500,000	-	248,360	8,915,000	1,778,213	9,846,422	3,418,028
FY22	3,418,028	13,040,407	-	-	3,700,000	-	1,013,309	5,105,000	1,776,893	10,053,197	4,236,653
FY23	4,236,653	13,041,314	-	-	3,200,000	-	1,550,561	5,212,205	1,754,822	10,264,314	4,797,187
FY24	4,797,187	13,025,711	-	-	500,000	-	2,109,304	5,321,661	1,628,752	10,479,864	3,001,924
FY25	3,001,924	13,022,970	-	-	2,000,000	-	2,690,396	5,433,416	1,504,958	10,699,942	3,076,974
FY26	3,076,974	13,023,043	-	-	2,000,000	-	3,219,190	5,547,518	1,344,898	10,924,640	3,502,150
FY27	3,502,150	13,018,000	-	-	2,000,000	-	3,766,491	5,664,016	1,328,053	11,154,058	4,140,515
FY28	4,140,515	13,018,000	-	-	2,000,000	-	4,332,948	5,782,960	1,311,219	11,388,293	5,008,991
FY29	5,008,991	13,018,000	-	-	2,000,000	-	4,919,232	5,904,402	1,294,364	11,627,447	6,120,009

## Assumptions:

Future Rate Increase (FY20 January-June):

4.00%

Future Rate Increase (FY21 thru FY25):

4.00%

Future Rate Increase (FY26 thru FY29):

3.50%

Operational Cost Inflation (FY21 thru FY29)

2.10%

CIP Contibution Base Amount (FY22 tl 5,105,000 5 mil with interest

CIP Spending Inflation(FY22 thru FY29):

2.10%

Sales Tax 1% (FY25 thru FY29)

2,000,000

\*Special Sales Tax Funding FY19-24 \$13.5M

\*\*Should have 3-4 months of operating expenses available (approx. 3-4 million)

\*\*\*Financial Reserve (Operational \$3M+ Capital \$4M) Target = \$7 million

**REVISED**  
1:18 pm, Jun 10, 2019

# CBJ Water Utility Updated Rate Model

## REVENUE

## EXPENSE

Fiscal Year	Starting Fund Balance	Water Utility Revenues	DEC Grants	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		4,266,924	50,000	200,000			-	850,000	162,531	3,095,804	3,444,685
FY15	3,444,685	4,530,440	3,000,000	7,800,000	465,000	1,200,000	-	12,785,000	183,409	2,645,424	4,803,462
FY16	4,803,462	4,966,182	3,000,000		1,527,000		-	5,857,000	173,816	2,705,053	5,755,118
FY17	5,755,118	5,246,935	-	(5,270,000)			-	(4,380,000)	244,596	2,483,587	7,627,325
FY18	7,627,325	5,609,662	-				-	2,500,000	73,977	2,548,696	7,665,101
FY19	7,665,101	5,682,911	-		-		-	1,600,000	74,573	2,820,772	8,852,667
FY20	8,852,667	5,727,645	-		1,000,000		49,760	5,050,000	72,600	2,452,750	8,054,722
FY21	8,054,722	5,762,957	-		1,000,000		49,760	5,213,000	210,936	2,501,805	6,941,698
FY22	6,941,698	5,812,945	-		-		201,030	4,080,000	232,624	2,551,841	6,091,208
FY23	6,091,208	5,857,005	-		-		304,571	4,161,600	229,662	2,602,878	5,258,644
FY24	5,258,644	5,901,183	-		-		410,182	4,244,832	226,699	2,654,935	4,443,543
FY25	4,443,543	5,952,949	-		1,000,000		517,906	4,329,729	156,250	2,708,034	4,720,385
FY26	4,720,385	6,004,871	-		1,000,000		627,784	4,416,323	154,300	2,762,195	5,020,222
FY27	5,020,222	6,056,947	-		1,000,000		739,860	4,504,650	152,350	2,817,439	5,342,591
FY28	5,342,591	6,022,000	-		1,000,000		854,177	4,594,743	150,400	2,873,788	5,599,838
FY29	5,599,838	6,022,000	-		1,000,000		970,781	4,686,638	148,450	2,931,263	5,826,267

### Assumptions:

Future Rate Increase (FY20 January-June):

2.00%

Future Rate Increase (FY21 thru FY25):

2.00%

Future Rate Increase (FY26 thru FY29):

2.00%

Operational Cost Inflation (FY21 thru FY29):

2.00%

CIP Contribution Base Amount (FY22 thru FY 4,080,000 5 mil with interest

CIP Spending Inflation(FY22 thru FY29):

2.00%

Sales Tax 1% (FY25 thru FY29)

1,000,000

**REVISED**

1:17 pm, Jun 10, 2019

# CBJ Wastewater Utility Updated Rate Model

REVENUE								EXPENSE			
Fiscal Year	Starting Fund Balance	WW Utility Revenues	DEC Grants	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		9,572,483	-	1,150,000	-	-	-	1,500,000	587,305	8,214,378	8,265,804
FY15	8,265,804	10,088,393	-	23,400	-	-	-	23,400	645,387	8,333,707	9,552,206
FY16	9,552,206	11,417,877	-	10,000,000	-	-	-	13,940,000	581,582	8,218,974	8,646,719
FY17	8,646,719	11,976,034	-	10,000,000	-	-	-	10,550,000	566,790	8,508,830	11,558,616
FY18	11,558,616	13,111,961	-	-	-	-	-	4,815,000	507,848	7,780,229	10,519,920
FY19	10,519,920	13,442,927	-	-	2,000,000	-	-	5,845,000	513,100	10,388,650	9,216,097
FY20	9,216,097	13,080,012	-	-	2,600,000	-	124,180	5,825,000	506,300	9,643,900	9,045,089
FY21	9,045,089	13,039,232	-	-	1,500,000	-	124,180	8,915,000	1,778,213	9,836,778	3,178,510
FY22	3,178,510	13,046,043	-	-	3,700,000	-	501,687	4,080,000	1,776,893	10,033,514	4,535,833
FY23	4,535,833	13,050,794	-	-	3,200,000	-	760,081	4,161,600	1,754,822	10,234,184	5,396,102
FY24	5,396,102	13,037,365	-	-	500,000	-	1,023,643	4,244,832	1,628,752	10,438,868	3,644,659
FY25	3,644,659	13,035,010	-	-	2,000,000	-	1,292,475	4,329,729	1,504,958	10,647,645	3,489,813
FY26	3,489,813	13,033,556	-	-	2,000,000	-	1,566,685	4,416,323	1,344,898	10,860,598	3,468,235
FY27	3,468,235	13,018,000	-	-	2,000,000	-	1,846,379	4,504,650	1,328,053	11,077,810	3,422,101
FY28	3,422,101	13,018,000	-	-	2,000,000	-	2,131,666	4,594,743	1,311,219	11,299,366	3,366,440
FY29	3,366,440	13,018,000	-	-	2,000,000	-	2,422,660	4,686,638	1,294,364	11,525,353	3,300,745

## Assumptions:

Future Rate Increase (FY20 January-June):

2.00%

Future Rate Increase (FY21 thru FY25):

2.00%

Future Rate Increase (FY26 thru FY29):

2.00%

Operational Cost Inflation (FY21 thru FY29)

2.00%

CIP Contribution Base Amount (FY22 thru FY29) 4,080,000 5 mil with interest

CIP Spending Inflation(FY22 thru FY29):

2.00%

Sales Tax 1% (FY25 thru FY29)

2,000,000

\*Special Sales Tax Funding FY19-24 \$13.5M

\*\*Should have 3-4 months of operating expenses available (approx. 3-4 million)

\*\*\*Financial Reserve (Operational \$3M+ Capital \$4M) Target = \$7 million

**REVISED**

**1:18 pm, Jun 10, 2019**



# Utility Rates



# Water and Wastewater Utility Rates

- Wastewater and Water utilities are currently in a good financial position from an annual cash flow and fund balance perspective
- On July 1, 2018, the last utility rate increase for the five year period approved by the Assembly became effective
- The current revenue projections are sufficient to cover projected annual operating expenses and allow a modest investment in CIP needs for the next couple of years
- We have developed a 10 year CIP Needs List and will continue to refine that as we move forward. Through this process it is obvious that there are more capital infrastructure needs than there are resources available.
- Our challenge remains to prioritize these needs to be pro-active and keep the utility system in a state of good repair. This will allow essential services to be provided to the community at a reasonable cost

# Utility Infrastructure

## Water

- 180 miles of pipe
  - From JD Treatment Plant to Cohen Dr.
  - Downtown Douglas to just before North Douglas Highway Boat Launch
- 1,450 hydrants
- More than 9,700 water connections
- 37 pressure reducing valves
- 9 pump stations

## Wastewater

- 3 wastewater treatment plants
- 140 miles of pipe
  - From JD Treatment Plant to Wadelich Creek on Glacier Highway except the Mendenhall Peninsula
  - Downtown Douglas to Bonnie Brae on North Douglas
- More than 7,150 sewer connections
- More than 2,775 manholes
- 45 lift stations

# Utility Advisory Board Recommendation

- Past history shows a lack of consistent and predictable rate adjustments that resulted in necessary rate increases that were large, creating “rate shock” for customers
- At the March 14, 2019 UAB meeting, the UAB voted 5-1 to recommend a 4% increase to both Water Utility and Wastewater Utility rates for each of the next 5 years
- The UAB also recommends a \$5 million annual CIP investment in both utilities for a total \$10 million CIP investment annually in utility infrastructure
- This level of rate increase and CIP investment provides sufficient revenues to fund the annual operations budget, address reasonable deferred maintenance and replacement needs and maintain a financial reserve in the Enterprise Fund
- This rate increase recommendation is based on the expectation that future special 1% sales tax approvals by the voters will result in similar allocations to utility CIP needs. The allocation of sales tax revenues mitigates the need for larger rate increases

# CBJ Water Utility Updated Rate Model UAB Recommendation

## REVENUE

## EXPENSE

Fiscal Year	Starting Fund Balance	Water Utility Revenues	DEC Grants	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		4,266,924	50,000	200,000			-	850,000	162,531	3,095,804	3,444,685
FY15	3,444,685	4,530,440	3,000,000	7,800,000	465,000	1,200,000	-	12,785,000	183,409	2,645,424	4,803,462
FY16	4,803,462	4,966,182	3,000,000		1,527,000		-	5,857,000	173,816	2,705,053	5,755,118
FY17	5,755,118	5,246,935	-	(5,270,000)			-	(4,380,000)	244,596	2,483,587	7,627,325
FY18	7,627,325	5,609,662	-				-	2,500,000	73,977	2,548,696	7,665,101
FY19	7,665,101	5,682,911	-		-		-	1,600,000	74,573	2,820,772	8,852,667
FY20	8,852,667	5,727,645	-		1,000,000		99,520	5,050,000	72,600	2,452,750	8,104,482
FY21	8,104,482	5,763,288	-		1,000,000		406,042	5,213,000	210,936	2,504,258	7,345,618
FY22	7,345,618	5,808,562	-		-		621,323	5,105,000	232,624	2,556,847	5,881,032
FY23	5,881,032	5,848,305	-		-		845,216	5,212,205	229,662	2,610,541	4,522,145
FY24	4,522,145	5,888,780	-		-		1,078,065	5,321,661	226,699	2,665,362	3,275,267
FY25	3,275,267	5,937,503	-		1,000,000		1,320,227	5,433,416	156,250	2,721,335	3,221,996
FY26	3,221,996	5,987,093	-		1,000,000		1,354,862	5,547,518	154,300	2,778,483	3,083,650
FY27	3,083,650	6,036,080	-		1,000,000		1,576,442	5,664,016	152,350	2,836,831	3,042,976
FY28	3,042,976	6,022,000	-		1,000,000		1,805,777	5,782,960	150,400	2,896,405	3,040,988
FY29	3,040,988	6,022,000	-		1,000,000		2,043,139	5,904,402	148,450	2,957,229	3,096,046

### Assumptions:

Future Rate Increase (FY20 January-June):	4.00%
Future Rate Increase (FY21 thru FY25):	4.00%
Future Rate Increase (FY26 thru FY29):	3.50%

Operational Cost Inflation (FY21 thru FY29):	2.10%
CIP Contribution Base Amount (FY22 thru 5,105,000 \$5 mil inflation adju:	CIP Spending Inflation(FY22 thru FY29): 2.10%

Sales Tax 1% (FY25 thru FY29)	1,000,000
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\*Special Sales Tax Funding FY19-24 \$2.0M

\*\*Should have 3-4 months of operating expenses available (approx. 1-1.5 million)

\*\*\*Financial Reserve (Operational \$1M+ Capital \$2M) Target = \$3 million

# CBJ Wastewater Utility Updated Rate Model UAB Recommendation

REVENUE							EXPENSE			
Fiscal Year	Starting Fund Balance	WW Utility Revenues	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		9,572,483	1,150,000	-	-	-	1,500,000	587,305	8,214,378	8,265,804
FY15	8,265,804	10,088,393	23,400	-	-	-	23,400	645,387	8,333,707	9,552,206
FY16	9,552,206	11,417,877	10,000,000	-	-	-	13,940,000	581,582	8,218,974	8,646,719
FY17	8,646,719	11,976,034	10,000,000	-	-	-	10,550,000	566,790	8,508,830	11,558,616
FY18	11,558,616	13,111,961	-	-	-	-	4,815,000	507,848	7,780,229	10,519,920
FY19	10,519,920	13,442,927	-	2,000,000	-	-	5,845,000	513,100	10,388,650	9,216,097
FY20	9,216,097	13,080,012	-	2,600,000	-	248,360	5,825,000	506,300	9,643,900	9,169,269
FY21	9,169,269	13,040,033	-	1,500,000	-	1,013,309	8,915,000	1,778,213	9,846,422	4,182,977
FY22	4,182,977	13,045,761	-	3,700,000	-	1,550,561	5,105,000	1,776,893	10,053,197	5,544,209
FY23	5,544,209	13,050,467	-	3,200,000	-	2,109,304	5,212,205	1,754,822	10,264,314	6,672,638
FY24	6,672,638	13,038,839	-	500,000	-	2,690,396	5,321,661	1,628,752	10,479,864	5,471,596
FY25	5,471,596	13,040,258	-	2,000,000	-	3,294,732	5,433,416	1,504,958	10,699,942	6,168,269
FY26	6,168,269	13,044,682	-	2,000,000	-	3,381,164	5,547,518	1,344,898	10,924,640	6,777,059
FY27	6,777,059	13,018,000	-	2,000,000	-	3,934,135	5,664,016	1,328,053	11,154,058	7,583,067
FY28	7,583,067	13,018,000	-	2,000,000	-	4,506,459	5,782,960	1,311,219	11,388,293	8,625,054
FY29	8,625,054	13,018,000	-	2,000,000	-	5,098,815	5,904,402	1,294,364	11,627,447	9,915,656

## Assumptions:

Future Rate Increase (FY20 January-June):	4.00%
Future Rate Increase (FY21 thru FY25):	4.00%
Future Rate Increase (FY26 thru FY29):	3.50%

Operational Cost Inflation (FY21 thru FY29)	2.10%
CIP Contribution Bas 5,105,000 \$5 mil inflation adjusted	CIP Spending Inflation(FY22 thru FY29): 2.10%

Sales Tax 1% (FY25 thru FY29)	2,000,000
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\*Special Sales Tax Funding FY19-24 \$13.5M

\*\*Should have 3-4 months of operating expenses available (approx. 3-4 million)

\*\*\*Financial Reserve (Operational \$3M+ Capital \$4M) Target = \$7 million

# City Manager's Recommendation

- **Adjusting utility rates to mitigate the affects of inflation provides stable and predictable rate increases for customers and provides stable and predictable revenues for utility staff to plan, design and construct necessary infrastructure improvements to maintain service levels and asset conditions**
- **A 2% rate increase each year for the next 5 years will provide this level of revenue and will allow utility staff to develop projects from the 10 year CIP Needs List in a prioritized and efficient manner**
- **This will result in a sustainable CIP base investment of \$4 million annually for each utility while continuing to meet operational budget needs and maintain a reasonable fund balance**
- **The first increase should be effective in January 2020. This will coincide with the removal of the \$4 household hazardous waste fee on utility bills. A 2% rate increase for a typical single family residential customer (water and wastewater) would be \$3, resulting in a slightly lower combined utility bill**
- **The second increase should occur in July 2021. This provides 18 months between each of the last three increases, softening the impacts to customers. Subsequent increases would be effective in July 2022-2024**

# CBJ Water Utility Updated Rate Model

## REVENUE

## EXPENSE

Fiscal Year	Starting Fund Balance	Water Utility Revenues	DEC Grants	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		4,266,924	50,000	200,000			-	850,000	162,531	3,095,804	3,444,685
FY15	3,444,685	4,530,440	3,000,000	7,800,000	465,000	1,200,000	-	12,785,000	183,409	2,645,424	4,803,462
FY16	4,803,462	4,966,182	3,000,000		1,527,000		-	5,857,000	173,816	2,705,053	5,755,118
FY17	5,755,118	5,246,935	-	(5,270,000)			-	(4,380,000)	244,596	2,483,587	7,627,325
FY18	7,627,325	5,609,662	-				-	2,500,000	73,977	2,548,696	7,665,101
FY19	7,665,101	5,682,911	-		-		-	1,600,000	74,573	2,820,772	8,852,667
FY20	8,852,667	5,727,645	-		1,000,000		49,760	5,050,000	72,600	2,452,750	8,054,722
FY21	8,054,722	5,762,957	-		1,000,000		201,030	5,213,000	210,936	2,501,805	7,092,968
FY22	7,092,968	5,814,004	-		-		304,571	4,080,000	232,624	2,551,841	6,347,078
FY23	6,347,078	5,858,796	-		-		410,182	4,161,600	229,662	2,602,878	5,621,916
FY24	5,621,916	5,903,726	-		-		517,906	4,244,832	226,699	2,654,935	4,917,082
FY25	4,917,082	5,956,264	-		1,000,000		627,784	4,329,729	156,250	2,708,034	5,307,117
FY26	5,307,117	6,008,978	-		1,000,000		739,860	4,416,323	154,300	2,762,195	5,723,137
FY27	5,723,137	6,061,867	-		1,000,000		854,177	4,504,650	152,350	2,817,439	6,164,743
FY28	6,164,743	6,022,000	-		1,000,000		970,781	4,594,743	150,400	2,873,788	6,538,593
FY29	6,538,593	6,022,000	-		1,000,000		1,089,716	4,686,638	148,450	2,931,263	6,883,959

### Assumptions:

Future Rate Increase (FY20 January-June):	2.00%
Future Rate Increase (FY21 thru FY25):	2.00%
Future Rate Increase (FY26 thru FY29):	2.00%

Operational Cost Inflation (FY21 thru FY29):	2.00%
CIP Contribution Base Amount (FY22 thru 4,080,000 inflation	
CIP Spending Inflation(FY22 thru FY29):	2.00%

Sales Tax 1% (FY25 thru FY29)	1,000,000
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\*Special Sales Tax Funding FY19-24 \$2.0M

\*\*Should have 3-4 months of operating expenses available (approx. 1-1.5 million)

\*\*\*Financial Reserve (Operational \$1M+ Capital \$2M) Target = \$3 million



# CBJ Wastewater Utility Updated Rate Model

REVENUE							EXPENSE			
Fiscal Year	Starting Fund Balance	WW Utility Revenues	DEC Loans	Sales Tax*	Passenger Fees	Additional Rate Revenue	CIP Spending	Debt Service	Operating Costs	Ending Fund Balance**
FY14		9,572,483	1,150,000	-	-	-	1,500,000	587,305	8,214,378	8,265,804
FY15	8,265,804	10,088,393	23,400	-	-	-	23,400	645,387	8,333,707	9,552,206
FY16	9,552,206	11,417,877	10,000,000	-	-	-	13,940,000	581,582	8,218,974	8,646,719
FY17	8,646,719	11,976,034	10,000,000	-	-	-	10,550,000	566,790	8,508,830	11,558,616
FY18	11,558,616	13,111,961	-	-	-	-	4,815,000	507,848	7,780,229	10,519,920
FY19	10,519,920	13,442,927	-	2,000,000	-	-	5,845,000	513,100	10,388,650	9,216,097
FY20	9,216,097	13,080,012	-	2,600,000	-	124,180	5,825,000	506,300	9,643,900	9,045,089
FY21	9,045,089	13,039,232	-	1,500,000	-	501,687	8,915,000	1,778,213	9,836,778	3,556,017
FY22	3,556,017	13,048,685	-	3,700,000	-	760,081	4,080,000	1,776,893	10,033,514	5,174,377
FY23	5,174,377	13,055,264	-	3,200,000	-	1,023,643	4,161,600	1,754,822	10,234,184	6,302,677
FY24	6,302,677	13,043,711	-	500,000	-	1,292,475	4,244,832	1,628,752	10,438,868	4,826,412
FY25	4,826,412	13,043,283	-	2,000,000	-	1,566,685	4,329,729	1,504,958	10,647,645	4,954,049
FY26	4,954,049	13,043,806	-	2,000,000	-	1,846,379	4,416,323	1,344,898	10,860,598	5,222,414
FY27	5,222,414	13,018,000	-	2,000,000	-	2,131,666	4,504,650	1,328,053	11,077,810	5,461,568
FY28	5,461,568	13,018,000	-	2,000,000	-	2,422,660	4,594,743	1,311,219	11,299,366	5,696,900
FY29	5,696,900	13,018,000	-	2,000,000	-	2,719,473	4,686,638	1,294,364	11,525,353	5,928,018

## Assumptions:

Future Rate Increase (FY20 January-June):	2.00%
Future Rate Increase (FY21 thru FY25):	2.00%
Future Rate Increase (FY26 thru FY29):	2.00%

Operational Cost Inflation (FY21 thru FY29)	2.00%
CIP Contribution Bas 4,080,000 4 mil adjusted for inflation	
CIP Spending Inflation(FY22 thru FY29):	2.00%

Sales Tax 1% (FY25 thru FY29)	2,000,000
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\*Special Sales Tax Funding FY19-24 \$13.5M

\*\*Should have 3-4 months of operating expenses available (approx. 3-4 million)

\*\*\*Financial Reserve (Operational \$3M+ Capital \$4M) Target = \$7 million

Dear Assembly:

The Utility Advisory Board (UAB) recommends that both the Water and the Waste Water Utility rates be raised 4% each of the next 5 years. The UAB understands the concerns about the rising cost of living in Juneau and while Juneau's Utility rates are relatively high there are historical and current reasons for this. Understanding that the cost of the utility is part of the city's responsibility the UAB is tasked to advise the Assembly on how to maintain a financially sound Utility run as a standalone enterprise. The assembly may decide to finance the Water and Wastewater utility using other resources besides rate adjustments and that is their prerogative. The UAB's recommendation is based on the assumption that the utilities will receive at least the same sales tax allocation in FY25 – FY29 as they are receiving in the current cycle. This rate model also does not fund an average of \$7 million annually that would be needed to fully fund the 10 year anticipated CIP needs list.

A brief narrative of the History leading up to this point is necessary to understand the context of why the UAB recommends this increase. In 2003 a Utility consulting firm (FCS Consulting) was hired to create a financial model of the Juneau Utilities. This model revealed that the Water and Waste Water utility were in dire financial straits. The Utility had been operating at a net loss of \$25 million during the prior 20 years, had not funded depreciation during this period and **had not made a rate adjustment for 15 years**. Because the Utilities had not incorporated Depreciation in its rates, the long-term replacement and maintenance provisions needed were not funded. In 2004 the assembly raised rates 39% for Waste water and 19% for Water. These increases only got the Utility on an operational cost recovery basis. However, because of fear of rate shock these increases did not address the past lapse of replacement and maintenance preparation. Ten years later another study was performed in 2013, **again there had been yet another stretch of years without a rate increase**, so the assembly acted with rate increase of 8.5% and 6% for the Waste Water and water utility **but this time instituted a five-year plan that included rate adjustments each of the next five years.**

We are now in 2019 and the rate plan to cover the water and wastewater utility ends this July. The UAB believes consistent rate adjustments based upon the Rate Model are central to keeping the water and wastewater utility department financially healthy without the need for the rate shocks of the past. The goals of the past five-year plan were accomplished, and the results are that the CBJ Utilities are on better financial footing. Setting a rate schedule allows the Utility Staff to better plan. That said we have yet to fully address the maintenance and replacement needs of the Water and Wastewater Utilities in Juneau stemming in part from past actions that did not fund depreciation. However, we have started!

The UAB proposes that the assembly adopt a rate plan again to cover the next period of five years. Concurrently, the Utility Staff will focus on a ten-year plan to address the long-term issue of deferred maintenance and the replacement needs of the Water and Wastewater Utility of the CBJ. The UAB will continue to work with staff to monitor and understand imbalances in the financial plan and will keep the assembly apprised annually.

Future assembly actions can change these proposed rates during the next five-year period. The model we have used is guiding the operations financially, yet we still face long deferred maintenance issues within the complex infrastructure of the water and wastewater utilities. The UAB will continue to act and advise the assembly into the future. The UAB meets frequently with staff and are diligent in their commitment to be efficient and frugal in the management of this vital component of our community.

We recommend you adopt a five-year plan that includes a 4% rate increase for each of the Water and Wastewater Utilities. Thank you for your time and consideration.

UAB

- School Bond Debt Reimbursement \$11-23 million
- Major School Maintenance \$15-40 million
- New City Hall \$5-10 million
- Centennial Hall \$17-21 million
- New JACC \$2-7 million
- Child Care \$1-2 million annually

However, without implementing changes to expenditures or revenues in FY2021 and FY2022, there is only \$4 million of projected available savings to support these capital investments and new programs. CBJ does have additional bond debt capacity for some of the capital infrastructure needs.

**Recommendation:**

Because CBJ's budget path has become unsustainable, staff recommends that the Assembly Finance Committee commit committee time to a thorough budget review in August and September of 2019. Staff recommend that both expenditure reduction and revenue options be considered during this review. A return to the Priority Driving Budget (PDB) process that the Assembly used in 2018 is one option for a process. The results of that budget review will inform the direction that the Assembly gives to the Manager in December 2019 for the staff development of the FY2021/2022 budget.

# MEMORANDUM



**DATE:** May 31, 2019

**TO:** Directors

**FROM:** Bob Bartholomew & Jeff Rogers, Finance Directors  
Dallas Hargrave, Human Resources and Risk Management Director

**SUBJECT:** Policy: Management of Budgeted Full-time Equivalent Positions

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## Responsibility for Workforce Management

Each year the Assembly reviews, modifies, and adopts the annual budget proposed by the Manager. With their adoption of the budget, the Assembly authorizes the hiring of a workforce of a certain size, measured in full-time equivalents (FTEs). The Manager is responsible for delivering the services and programs authorized by the Assembly without exceeding the authorized workforce (FTEs). However, the Assembly and Charter grant the Manager some flexibility and discretion to manage the size of the workforce in order to effectively and efficiently deliver the services and programs authorized by the Assembly.

## Development of Annual Staffing Schedules and Personal Services Budget

During the annual budget process, Finance works with all CBJ programs on staffing schedules. Those staffing schedules detail each position in the workforce, and those schedules result in the count of FTEs and the total amount of personnel services that will be proposed in the Manager's budget. It is critically important that these staffing schedules are as accurate as possible. Problems or mistakes in the staffing schedule may not be easily rectified during the year.

## Reprogramming Staffing without Increasing Total FTEs

Any point-in-time review of positions can only be done in the context of the approved staffing schedule. Hiring a position that was not detailed on the staffing schedule will cause a program exceed the approved FTE count unless it replaces another budgeted position on the schedule. As programs manage their staffing, it may be desirable for several fractional positions to replace one full position, or vice-a-versa. Workforce reprogramming that does not exceed the budgeted count of FTEs or the budgeted personnel services can be authorized by Human Resources without further approval. Using the approved staffing schedule as the baseline, it is the responsibility of the program to provide clear documentation to Human Resources how the proposed reorganization of staffing will not exceed the budgeted FTEs or the amount budgeted for personnel services. As necessary, Finance can consult with the program and Human Resources about the impact of the proposed variation from the approved staffing schedule.

## Addition of FTEs Exceeding Budgeted Total

The Manager may authorize the hiring of positions that would cause the total number of FTEs to exceed the budgeted count if the following two conditions are met:

1. Hiring additional FTEs is within budgeted dollar amount of personnel services in the Departmental budget (or budgets in the event that two Departments can make the case for sharing a position).
2. Hiring additional FTEs is the most effective and efficient implementation of programs and services already authorized by the Assembly