



Petersburg Borough

12 South Nordic Drive
Petersburg, AK 99833

Meeting Agenda Borough Assembly Regular Meeting

Monday, February 07, 2022

12:00 PM

Assembly Chambers

Virtual Meeting Information

You are invited to a Zoom webinar.

When: Feb 7, 2022 12:00 PM Alaska

Topic: February 7, 2022 Assembly Meeting

Please click the link below to join the webinar:

[https://petersburgak-](https://petersburgak-gov.zoom.us/j/88579519419?pwd=anMyYzdBdXkvSzVaUm9Da2JwN3ovUT09)

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Passcode: 426684

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1. **Call To Order/Roll Call**
2. **Voluntary Pledge of Allegiance**
3. **Approval of Minutes**
 - A. January 18, 2022 Assembly Meeting Minutes**
4. **Amendment and Approval of Meeting Agenda**
5. **Public Hearings**
6. **Bid Awards**
7. **Persons to be Heard Related to Agenda**

Persons wishing to share their views on any item on today's agenda may do so at this time.
8. **Persons to be Heard Unrelated to Agenda**

Persons with views on subjects not on today's agenda may share those views at this time.
9. **Boards, Commission and Committee Reports**

10. Consent Agenda

11. Report of Other Officers

A. Ports and Harbors Advisory Board

Assembly Member Meucci as the Harbor Board liaison will provide an update.

B. Petersburg Medical Center Update

PMC CEO Hofstetter will provide a report.

C. Humanity in Progress

Ashley Kawashima will provide a report.

12. Mayor's Report

[A.](#) February 7, 2022 Mayor's Report

13. Manager's Report

[A.](#) February 7, 2022 Manager's Report

14. Unfinished Business

15. New Business

[A.](#) Ordinance #2022-01: An Ordinance Authorizing the Issuance of Electric Utility Revenue Bonds of Petersburg Borough Electric Utility - First Reading

If adopted, Ordinance #2022-01 will authorize the issuance of electric utility revenue bonds of Petersburg Borough Electric Utility (the "Electric Utility") in an aggregate principal amount not to exceed \$7,800,000, to finance: (i) improvements to the Electric Utility system's Blind Slough plant and the Scow Bay Standby Generation project, and to pay incidental costs incurred in connection with carrying out such improvements (the "Project"); and (ii) to pay the costs incident to financing the Project, including providing for a debt service reserve, if necessary, and paying the costs of issuance of the bonds, all as authorized by Ordinance No. 2021-12 of the Borough Assembly and ratified by the Borough's voters at an election held therein on October 5, 2021; authorizing the pledge of Net Revenue of the Electric Utility to pay debt service on the bonds; providing for the date, terms and covenants of the bonds; authorizing the sale of the bonds to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance; and establishing an effective date.

B. Public Safety Advisory Board Review

Assembly Member Kensinger requests the Public Safety Advisory Board gather information from the Police Department regarding employee retention, position duties and structure of employee work schedules.

C. Funding of Parks and Recreation Passes for Employees of Nonprofit Childcare Providers

Assembly Member Meucci requested this agenda item.

The creation of a new program to fund Parks and Recreation passes for employees of nonprofit childcare providers based on employment status.

16. Communications

A. Correspondence Received Since January 13, 2022

17. Assembly Discussion Items

A. Schedule a Work Session in late March/ early April to Discuss Childcare Provider Assistance in FY2023

This discussion item was requested by Assembly Member Meucci.

Possible Topics for the Work Session:

A flexible spending account which allows Borough employees to set aside pre-tax earnings in a fund to be use for childcare expenses, with the option of employer contributions to such a fund.

A program to offer nonprofit childcare providers a utility reimbursement program. This would cover the childcare provider's place of operations.

A program to offer employees of nonprofit childcare providers discounts for residential heating assistance based on employment status.

A reimbursement program for nonprofit childcare providers to participate in quality improvement programs.

B. Assembly Member Comments

C. Recognitions

18. Adjourn



Petersburg Borough

12 South Nordic Drive
Petersburg, AK 99833

Meeting Minutes Borough Assembly Regular Meeting

Tuesday, January 18, 2022

6:00 PM

Assembly Chambers

1. Call To Order/Roll Call

Mayor Jensen called the meeting to order at 6:00 p.m.

PRESENT

Assembly Member Bob Lynn
Assembly Member Chelsea Tremblay
Assembly Member David Kensinger
Vice Mayor Jeigh Stanton Gregor
Assembly Member Jeff Meucci
Mayor Mark Jensen
Assembly Member Thomas Fine-Walsh

2. Voluntary Pledge of Allegiance

The Pledge was recited.

3. Approval of Minutes

A. January 3, 2022 Regular Meeting Minutes

The January 3, 2022 meeting minutes were unanimously approved.

Motion made by Assembly Member Kensinger, Seconded by Assembly Member Meucci.

Voting Yea: Assembly Member Lynn, Assembly Member Tremblay, Assembly Member Kensinger, Vice Mayor Stanton Gregor, Assembly Member Meucci, Mayor Jensen, Assembly Member Fine-Walsh

4. Amendment and Approval of Meeting Agenda

The agenda was unanimously approved as submitted.

Motion made by Assembly Member Lynn, Seconded by Assembly Member Tremblay.

Voting Yea: Assembly Member Lynn, Assembly Member Tremblay, Assembly Member Kensinger, Vice Mayor Stanton Gregor, Assembly Member Meucci, Mayor Jensen,

Assembly Member Fine-Walsh

5. Public Hearings

There were no public hearings.

6. Bid Awards

There were no bid awards.

7. Persons to be Heard Related to Agenda

Persons wishing to share their views on any item on today's agenda may do so at this time.

No views were shared.

8. Persons to be Heard Unrelated to Agenda

Persons with views on subjects not on today's agenda may share those views at this time.

Mark Testoni introduced himself to the Assembly and Manager Giesbrecht stating he is a retired police officer, has been a Petersburg resident for 18 months and was recently appointed to the Public Safety Advisory Board.

9. Boards, Commission and Committee Reports

There were no reports.

10. Consent Agenda

There were no Consent Agenda items.

11. Report of Other Officers

No reports were given.

12. Mayor's Report

A. January 18, 2022 Mayor's Report

Mayor Jensen read his report into the record.

13. Manager's Report

Manager Giesbrecht provided an oral report.

14. Unfinished Business

A. Ordinance #2021-22: An Ordinance of the Petersburg Borough Adjusting the FY 2022 Budget for Known Changes - Third and final reading

Ordinance #2021-22 was amended to add a funds transfer of \$170,150 from the General Fund to the Public Works FY 2022 budget to cover unexpected expenses due

to the unusually heavy snowfall this winter. The ordinance, as amended, was unanimously approved in its third and final reading.

Motion made by Assembly Member Meucci, Seconded by Assembly Member Tremblay.

Voting Yea: Assembly Member Lynn, Assembly Member Tremblay, Assembly Member Kensinger, Vice Mayor Stanton Gregor, Assembly Member Meucci, Mayor Jensen, Assembly Member Fine-Walsh

15. New Business

There were no New Business agenda items.

16. Communications

A. Correspondence Received After December 30, 2021

17. Assembly Discussion Items

A. ARPA Funding Work Session Draft Agenda

The Assembly discussed the draft agenda for the upcoming work session.

B. Borough Employee Hiring Process

Borough Clerk/Human Resources Director Thompson outlined the employee hiring process for most Borough positions and Police Chief Kerr shared details of the employee hiring process for positions in the Police Department.

C. Assembly Member Comments

Assembly Member Tremblay shared her thoughts regarding the newly legal use of all purpose vehicles on Petersburg roads stating she is leaning toward considering this a trial period to see how it works for Petersburg and possibly putting the subject on the October 2022 Municipal Election ballot for voters to decide if APVs should be legal on Petersburg roads going forward.

Assembly Member Fine-Walsh stated it may be worth extending the trial period for APV use on Petersburg roads into next winter to allow for friends and neighbors to travel via APV from location to location to plow snow without getting a citation.

Assembly Member Stanton Gregor clarified that the Petersburg Police Department does not currently ticket individuals who travel on the road in an APV specifically for the purpose of plowing snow at their destination.

Assembly Member Lynn shared that SEARHC recently announced it is taking their Crossings Program out of Wrangell and moving the behavioral program to their facilities in Sitka. This affects 20 employees of the program as well as the economy of Wrangell as a whole.

Assembly Member Meucci stated the SHARE Coalition meeting on childcare he attended last weekend was very interesting. He thanked the Coalition for their work on the issue.

D. Recognitions

Assembly Member Tremblay recognized Martin Luther King Jr. Day and recommended a book to read titled Rising Out of Hatred. She also recognized Ron and Anne Loesch for their 45 years of hard work operating the Petersburg Pilot and new owner Orin Pierson and his staff for their continued expertise in publishing the weekly newspaper.

Assembly Member Meucci thanked everyone who helped to "dig us out" of the heavy snow over the last few weeks saying the community coming together is truly inspiring.

18. Adjourn

The meeting was adjourned at 7:02 p.m.

Motion made by Vice Mayor Stanton Gregor, Seconded by Assembly Member Tremblay.
Voting Yea: Assembly Member Lynn, Assembly Member Tremblay, Assembly Member Kensinger, Vice Mayor Stanton Gregor, Assembly Member Meucci, Mayor Jensen, Assembly Member Fine-Walsh

**Mayor's Report
For
February 7, 2022 Assembly Meeting**

1. Meeting with Senator Stedman: Mayor Jensen, Manager Giesbrecht, Utility Director Hagerman and Community and Economic Development Director Cabrera recently had a telephone conversation with Senator Stedman regarding this year's legislative session. Mayor Jensen will provide a summary of the conversation.

2. Meeting with USPS: Mayor Jensen and Manager Giesbrecht had a telephone conversation with Melissa Medeiros, USPS Customer Relations Manager and Candice Kvale, USPS Operations Manager. Mayor Jensen will provide a summary of the conversation.

3. Seeking Letters of Interest: The Petersburg Borough is accepting letters of interest from citizens who wish to serve the community by filling one of the vacant seats on the following Borough Boards/Commissions until the October 2022 Municipal Election:

Planning Commission – two vacant seats

Parks & Recreation Advisory Board – two vacant seats

Letters of interest should be submitted to Clerk Thompson at the Borough offices located at 12 S. Nordic Drive; by sending to PO Box 329, Petersburg, AK 99833; or by emailing to dthompson@petersburgak.gov.



**Borough Manager's Report
Assembly Meeting 07 February 2022**

- ❖ As things have thawed out over the last couple of weeks, Public Works has received a high volume of calls about broken meter bases and ruptured water lines.
- ❖ Plans and specs for the Public Works culvert project are being finalized. We are hoping to get this project out to bid before end of this month.
- ❖ Working on budget preparation in all departments. Supplies costs have gone up, in some cases way up.
- ❖ Harbor Board met on February 1st and reviewed the proposed rate increases and draft budget and discussed Scow Bay. They approved both the proposed rate increases and the draft budget with a few suggestions for staff to consider.
- ❖ The Large Crane was successfully rebuilt, installed and back in operation by the end of January and in time for the Tanner crab season.
- ❖ Tour ship schedule is starting to firm up – last year's number was 66 landings and so far, we are roughly at 50. Staff is optimistic a few more will get added this month and schedule will fill up a bit.
- ❖ Staff met with SEALASKA concerning supporting the Borough request for general investigation study by the USACE for Scow Bay.
- ❖ Harbor Staff met with Alan Murph concerning conceptual design for Papke's Landing.
- ❖ Congratulations to Ray for passing the 2018 UPC Plumbing Inspector exam.
- ❖ Small business owners across the state have started to receive notice of award regarding the State of Alaska's American Rescue Act Plan (ARPA) Business Relief Program. If you applied and have not heard back, be on the lookout for an email from ARPAGrant@jedc.org and/or search your SPAM folders.
- ❖ The library's 'Build a Better World' Challenge ran through Jan 31. Two winners were selected, the Friends of the Library will make a \$500 donation to the non-profit of their choice.
- ❖ The Voices of Séet Ká Kwáan radio show/podcast will launch Thursday Feb 3 on KFSK at 10am. The project is a collaboration between the library, the Petersburg Indigenous Awareness Committee and KFSK. It is funded with a grant from the Institute of Museum & Library Services and the Alaska State Library, Archives & Museums. The website is www.psglib.org/voices
- ❖ Former Petersburg resident John McCabe recently donated \$10,000 to the Petersburg Library Art Education Endowment. His contributions to date are \$131,540. The balance of the fund is \$180,453. A portion of

earnings from the fund provide ongoing support for arts programs at the library.

- ❖ The library will be closed Feb 7-10 for inventory, staff training, and projects.
- ❖ Staff installed three new turbidimeters at the water treatment plant recently. The new units are quicker to respond to changes in water turbidity which will help with quality control at the plant.
- ❖ Disinfection By-product samples from last month froze during transit to the lab so had to be retaken.
- ❖ Wastewater Staff is planning to replace the small diameter force main under the Dock Street pier that services the USCG float.
- ❖ PMPL recently issued an RFP for an in-frame overhaul of one of the Caterpillar generators.
- ❖ Our new mechanic was able to go to Wrangell recently and get some training from a Master EMD mechanic during some work on WMLP's equipment.
- ❖ Dielectric testing was recently completed on all line trucks and all hotsticks. One line saw failed testing and was destroyed. A new saw is on order.
- ❖ Thanks to Jody for her help moving the electric revenue bond issue through the Bond Bank. The Bank Board of Directors approved our application on January 27th. No final information on interest rates yet, but now that the Bond Bank has approval from their Board they will move toward solidifying terms for loans to Petersburg, Ketchikan Gateway Borough, Juneau, and Seward.
- ❖ Parks and Rec is hosting Family Game Nights in the Activity Room on Tues and Friday nights 6:30p-8:30p. Membership card is required for adult check-in. Contact Parks and Rec for more information.
- ❖ Jim conducted a tour of the department for a possible job applicant while providing an overview of what a Dispatcher/Corrections Officer duties consist of. This opportunity is available to anyone who is interested in the dispatch corrections position.
- ❖ Officer Waechter is preparing for the 17 weeklong Police Academy in Sitka.
- ❖ AML has been working with the Community Jails across Alaska to increase jail funding. Information has been gathered and a letter was sent to Department of Corrections and DPS Finance Subcommittees.
- ❖ Sandy monitored potential tsunami event because of Tonga underwater volcanic eruption on January 15, 2022 and conducted a meeting regarding tourist season and covid mitigation measures.
- ❖ Josh conducted an ETT class for five participants and is working on recertification process for volunteers (EMT-1, 2, 3).
- ❖ At-home COVID antigen test kits are available at the Police Dept, Library, and Fire Department
- ❖ The Airport Travel Testing contract ended on January 31, 2022. Thanks to PMC for running that program for the community.

PETERSBURG BOROUGH, ALASKA
PETERSBURG BOROUGH
ELECTRIC UTILITY REVENUE BOND, 2022

Not to Exceed \$7,800,000

ORDINANCE NO. 2022-01

AN ORDINANCE authorizing the issuance of electric utility revenue bonds of Petersburg Borough Electric Utility (the "Electric Utility") in an aggregate principal amount not to exceed \$7,800,000, to finance: (i) improvements to the Electric Utility system's Blind Slough plant and the Scow Bay Standby Generation project, and to pay incidental costs incurred in connection with carrying out such improvements (the "Project"); and (ii) to pay the costs incident to financing the Project, including providing for a debt service reserve, if necessary, and paying the costs of issuance of the bonds, all as authorized by Ordinance No. 2021-12 of the Borough Assembly and ratified by the Borough's voters at an election held therein on October 5, 2021; authorizing the pledge of Net Revenue of the Electric Utility to pay debt service on the bonds; providing for the date, terms and covenants of the bonds; authorizing the sale of the bonds to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance; and establishing an effective date.

PASSED: _____, 2022

Prepared by:

Stradling Yocca Carlson & Rauth,
a Professional Corporation
Seattle, Washington

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PETERSBURG BOROUGH, ALASKA

ORDINANCE NO. _____

AN ORDINANCE authorizing the issuance of electric utility revenue bonds of Petersburg Borough Electric Utility (the "Electric Utility") in an aggregate principal amount not to exceed \$7,800,000, to finance: (i) improvements to the Electric Utility system's Blind Slough plant and the Scow Bay Standby Generation project, and to pay incidental costs incurred in connection with carrying out such improvements (the "Project"); and (ii) to pay the costs incident to financing the Project, including providing for a debt service reserve, if necessary, and paying the costs of issuance of the bonds, all as authorized by Ordinance No. 2021-12 of the Borough Assembly and ratified by the Borough's voters at an election held therein on October 5, 2021; authorizing the pledge of Net Revenue of the Electric Utility to pay debt service on the bonds; providing for the date, terms and covenants of the bonds; authorizing the sale of the bonds to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance; and establishing an effective date.

WHEREAS, the Borough, dba Petersburg Borough Electric Utility, owns and operates an municipal electric utility (the "Electric Utility"); and

WHEREAS, at an election held in the Borough on October 5, 2021, the number and proportion of qualified electors of the Borough as required by law for the approval thereof voted in favor of a proposition authorizing the issuance of revenue bonds of the Borough payable from Net Revenue of the Electric Utility in a principal amount not to exceed \$7,800,000 to finance costs of (i) improvements to the Borough electric utility system's Blind Slough plant and the Scow Bay Standby Generation project, and to pay incidental costs incurred in connection with carrying out such improvements (the "Project"); and (ii) to pay the costs incident to financing the Project, including providing for a debt service reserve, if necessary, and paying the costs of issuance of the Bonds, all as authorized by Ordinance No. 2021-12 of the Borough Assembly (the "Assembly") passed on August 16, 2021 (the "Election Ordinance"); and

WHEREAS, the Electric Utility is a Member Utility of the Southeast Alaska Power Agency ("SEAPA"), and is a Purchasing Utility under a Long Term Power Sales Agreement (the "PSA"), pursuant to which the Borough has covenanted that the payment obligations to SEAPA under the PSA shall constitute an operating expense of the Electric Utility and shall have a priority pledge of the revenues of the Electric Utility superior to any future debt obligations; and

WHEREAS, the Borough presently has outstanding no revenue bonds payable solely from and having a priority lien on revenues of the Electric Utility, and the pledge set forth herein shall have priority over any other pledge of such revenues, subject only to the costs of Operations and Maintenance (as defined below), which include the payment obligations to SEAPA; and

WHEREAS, the Borough previously issued its Service Area 1 General Obligation Electric Utility Refunding Bond, 2020 in an aggregate principal amount of \$1,560,000, which was secured by an additional pledge of revenues of the Electric Utility on a basis subordinate to the payment of principal and interest on any subsequent issue of Electric Utility revenue bonds, such as the Bonds authorized by this ordinance;

WHEREAS, the Assembly wishes to authorize the issuance of not to exceed \$7,800,000 principal amount of the revenue bonds authorized by the Election Ordinance and approved by the Borough's voters; and

WHEREAS, it is in the best interest of the Borough to sell the bonds, in one or more series, to the Alaska Municipal Bond Bank (the "Bond Bank") on the terms and conditions set forth herein and in a loan agreement with the Bond Bank authorized by this ordinance to be entered into by the Finance Director;

THE PETERSBURG BOROUGH ORDAINS, as follows:

Section 1. Definitions. As used in this ordinance, the following words have the following meanings, unless a different meaning clearly appears from the context: "Adjusted Net Revenue" means Net Revenue, plus withdrawals from the Rate Stabilization Account and less deposits into the Rate Stabilization Account.

"Annual Debt Service" for any particular year means, for the Bonds, or of Future Parity Bonds, as applicable, an amount equal to the sum of (i) all interest payable during such year in respect of such outstanding bonds plus (ii) the Principal Installment or Installments due during such year on such outstanding bonds, calculated on the assumption that bonds outstanding on the day of calculation cease to be outstanding by reason of, but only by reason of, payment upon maturity, or earlier mandatory redemption and application to such purposes of any Sinking Fund Requirements, or payments into the Parity Bond Fund, required by the ordinance or resolution authorizing issuance of such bonds. Annual Debt Service for each Fiscal Year shall be reduced by subtracting the amount scheduled to be received by the Borough as a Tax Credit Subsidy Bond Payment (if any) in each such Fiscal Year in respect of any Parity Bonds issued as Tax Credit Subsidy Bonds.

"Assembly" means the Borough Assembly, the general legislative authority of the Borough, as duly constituted from time to time, or any successor body.

"Average Annual Debt Service" means, in reference to any one or more series of Parity Bonds, the sum of the Annual Debt Service due in each year, divided by the number of years that such bonds are scheduled to remain outstanding.

"Bond" or "Bonds" means the Petersburg Borough, Alaska, Electric Utility Revenue Bond, 2022, in one or more series, in an aggregate principal amount not to exceed \$7,800,000, authorized to be issued and sold to the Bond Bank pursuant to this ordinance.

"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 Borough pursuant to the Loan Agreement.

"Bond Premium" means proceeds of the Bonds representing an allocation of the original issue premium, if any, on the Bond Bank Bonds.

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

“Borough” means the Petersburg Borough, Alaska, a home rule borough duly organized and existing under the Constitution and laws of the State of Alaska and the Borough Charter.

“Code” means the federal Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to the Tax-Exempt Bond.

“Contract Resource Obligation” means an obligation of the Borough to make payments to another person or entity for electric energy supply, transmission or other commodity or service relating to the Electric Utility, which obligation is designated as a Contract Resource Obligation for purposes of Section 10 of this ordinance. The Long-Term Power Sales Agreement is designated as a Contract Resource Obligation.

“Coverage Requirement” means that, in any Fiscal Year, Adjusted Net Revenue must at least equal 1.25 times the Annual Debt Service due in that Fiscal Year on all Parity Bonds then outstanding.

“Covered Bonds” means, collectively, those Parity Bonds that are designated by the Borough in the ordinance authorizing their issuance as covered bonds, the payment of which is secured by amounts on deposit in the Reserve Account within the Parity Bond Fund. The Bonds authorized by this ordinance are designated as Covered Bonds.

“Debt Service Account” means the account of that name created within the Parity Bond Fund pursuant to Section 6 of this ordinance.

“Election Ordinance” means Resolution No. 2021-12 of the Assembly, passed on August 16, 2021, and ratified by the Borough’s voters in an election held in the Borough on October 5, 2021.

“Electric Utility” means the municipal light and power generation, transmission, and distribution systems now belonging to, or which may hereafter belong to, Petersburg Borough Electric Utility, as the same may be added to, improved, or extended from time to time, and operated pursuant to chapter 3.40 of the Borough Code.

“Electric Fund” means the “Petersburg Borough Electric Utility Enterprise Fund” created by Section 5 of this ordinance, into which fund all Gross Revenue must be paid.

“Finance Director” means the Finance Director of the Borough or the successor to the duties of that office.

“Fiscal Year” means the Fiscal Year used by the Borough at any time. At the time of the passage of this ordinance, the Fiscal Year is the twelve-month period beginning on July 1 and ending on June 30 of each year.

“Future Parity Bonds” means any revenue bonds of the Borough, other than the Bonds, the principal of and interest on which are payable out of money in the Petersburg Borough Electric

Utility Enterprise Fund on a parity with the payments required to be made into the Parity Bond Fund in respect of the Bonds and any Outstanding Parity Bonds.

“Government Obligations” means any bonds or other obligations that, as to principal and interest, constitute direct obligations of, or are unconditionally guaranteed by, the United States of America.

“Gross Revenue” means all of the earnings and revenues of any kind or nature received by the Borough from the operation and maintenance of the Electric Utility. Gross Revenue excludes: (1) revenues from assessments collected in any local improvement district or utility local improvement district; (2) amounts collected in respect of municipal utility taxes or payments in lieu of taxes; (3) proceeds of grants from the federal, state, or local governments; (4) gifts to the Electric Utility for capital purposes; (5) proceeds from the sale of Borough or Electric Utility property; (6) proceeds of Borough or Electric Utility obligations; (7) earnings or proceeds from any investments in any trust, defeasance or escrow fund created to defease or refund Electric Utility obligations until commingled with other earnings and revenues of the Electric Utility; (8) insurance proceeds compensating the Borough for the loss of a capital asset or the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues); and (9) Tax Credit Subsidy Payments.

“Issue Date” means, with respect to any Series of Bonds, the date of initial issuance and delivery of such Series to the Purchaser in exchange for the purchase price of such Series.

“Loan Agreement” means each Loan Agreement by and between the Borough and the Bond Bank authorized to be entered into pursuant to this ordinance.

“Long-Term Power Sales Agreement” means the agreement pursuant to which the Electric Utility acquires power from SEAPA, dated as of February 19, 2009, as it may be amended, extended or revised from time to time.

“Maximum Annual Debt Service” means with respect to any one or more series of Parity Bonds, the maximum amount of Annual Debt Service that shall become due in any Fiscal Year.

“Net Revenue” means all Gross Revenue less the Operation and Maintenance Expense.

“Operation and Maintenance Expense” means all reasonable expenses incurred by the Borough in causing the Electric Utility to be operated and maintained in good repair, working order and condition and properly treated as maintenance and operation expenses under generally accepted accounting principles applicable to similar municipal utilities, including: payments due under Contract Resource Obligations; all payments made to another person or agency for acquisition of electric energy; any deposits, premiums, assessments or other payments for insurance, if any, on the Electric Utility; amounts paid in respect of Electric Utility employee pensions and post-employment benefits (if any); and overhead and administration expenses allocated to the Electric Utility. Operation and Maintenance Expenses excludes: non-cash accounting items (e.g., depreciation, amounts treated as expenses under accounting guidelines with respect to unfunded contributions to pension or other post-employment benefit plans, non-exchange financial guarantees, environmental liabilities, and similar items); payments on contracts for the acquisition of electric energy or capability under which no energy has been furnished to the Borough (other than payments under Contract Resource Obligations); and any amounts paid in respect of municipal utility taxes or payments in lieu of taxes.

“Outstanding Parity Bonds” when used in reference to a particular date (or series of Parity Bonds), Outstanding Parity Bonds shall mean those Parity Bonds that are outstanding as of that date (or as of the issue date of such series).

“Parity Bond Fund” means the Electric Utility Parity Bond Fund created pursuant to Section 6 of this ordinance to pay and secure the payment of the Bonds and any Future Parity Bonds, which is divided into a Debt Service Account and a Debt Service Reserve Account.

“Parity Bonds” means the Bonds and any Future Parity Bonds.

“Parity Conditions” means the conditions required to be met for the issuance of Future Parity Bonds having a lien and charge on Net Revenue equal to that of the Bonds, as set forth in Section 11 of this ordinance, which is incorporated herein by this reference.

“Permitted Investments” means any investment that is a legal investment for the money of the Borough at the time of such investment.

“Principal Installment” means, as of any date of calculation and with respect to any one or more series of Parity Bonds, the principal amount of bonds of such series due on a certain future date, plus the amount of any Sinking Fund Requirement due on that date in respect of bonds of such series that are Term Bonds.

“Project” means the design, acquisition, construction, and maintenance of improvements to the Borough electric utility system’s Blind Slough plant and the Scow Bay Standby Generation project, and the incidental costs incurred in connection with carrying out such improvements, as authorized by the Election Ordinance.

“Project Funds” means the Blind Slough Hydro System Upgrade Capital Project Fund and the Standby Diesel Generator Capital Project Fund created in the Electric Fund for the payment of the costs of the Project.

“Purchaser” means the Bond Bank.

“Qualified Insurance” means any unconditional 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 service corporation is rated, at the time of issuance of such policy or surety bond, in one of the two highest rating categories by Moody’s Investors Service, Standard & Poor’s Ratings Services, and any other rating agency then maintaining a rating on the Bonds, provided, that, as of the time of issuance of such policy or surety bond, such insurance company or companies maintain a policy owner’s surplus in excess of \$500,000,000.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by a bank for the account of the Borough and for the benefit of the owners of Parity Bonds, provided that such bank maintains an office, agency or branch in the United States, and provided further, that, as of the time of issuance of such letter of credit, such bank is rated, at the time such letter of credit is issued, in one of the two highest rating categories (without regard to gradations) by Moody’s Investors Service, Standard & Poor’s Ratings Service, and any other nationally recognized rating agency.

“Rate Stabilization Account” means the account of that name in the Electric Fund, established pursuant to Section 9 of this ordinance.

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

“Registered Owner” means the person in whose name each Bond is registered on the Bond Register, initially the Bond Bank.

“Reserve Account” means the Debt Service Reserve Account established pursuant to Section 6 of this ordinance.

“Reserve Requirement” means, with respect to all outstanding Covered Parity Bonds, the sum of the Reserve Requirements established in the authorizing ordinance for each series of Covered Parity Bonds then outstanding, provided that the aggregate Reserve Requirement for all Covered Parity Bonds shall not exceed the Tax Maximum. With respect to the Bonds, the Reserve Requirement shall be calculated as of the Issue Date, shall not exceed the Tax Maximum, and shall be equal to the least of Maximum Annual Debt Service on the Bonds, 125% of the Average Annual Debt Service on the Bonds, or 10% of the proceeds of the Bonds.

“Rule” means the SEC’s Rule 15c2-12 under the Securities Exchange Act of 1934.

“SEAPA” means the joint action agency known as the Southeast Alaska Power Agency, created pursuant to Title 42, Chapter 45, Article 5 of the Alaska Statutes and the Third Amended and Restated Joint Action Agency Agreement by and among the Electric Utility and other Member Utilities (as such other parties are identified therein), dated as of February 24, 2009, as the same may be amended from time to time in accordance with its terms, or any successor agency.

“SEC” means the Securities and Exchange Commission.

“Sinking Fund Requirement” means, for any Fiscal Year, the principal portion (and required redemption premium, if any) of any Term Bond that is required to be purchased, redeemed, or paid at maturity, as established in the applicable Loan Agreement or bond purchase contract.

“Subordinate Bonds” means any electric revenue bonds or obligations payable from the Electric Fund having a charge and lien on the Net Revenue subordinate to the charge and lien on the Net Revenue of the Parity Bonds.

“Tax Certificate” means the certificate executed by the Finance Director with respect to federal tax matters relating to Bonds issued as a Tax-Exempt Bonds or Tax-Credit Subsidy Bonds, in accordance with Section 16 of this ordinance.

“Tax Credit Subsidy Bond” means any bond that is designated by the Borough as a Tax Credit Subsidy Bond, pursuant to Section 54AA of the Code or any substantially similar taxable tax credit bond program, and which is further designated by the Borough as a “qualified bond” with respect to which the Borough is eligible to receive a tax credit payable by the United States Treasury to the Borough under Section 6431 or a substantially similar provision of the Code.

Tax Credit Subsidy Bond Payments means those amounts which the Borough is entitled to receive from the United States Treasury in respect of any bonds issued as Tax Credit Subsidy Bonds.

Tax Maximum means the maximum dollar amount permitted by the Code to be allocated to a debt service reserve account from bond proceeds of Tax-Exempt Bonds or Tax Credit Subsidy Bonds without requiring a balance to be invested at a restricted yield.

Taxable Bond means a series of the Bonds issued with interest that is not intended to be excludable from gross income for federal income tax purposes.

Tax-Exempt Bond means a series of the Bonds issued with interest that is intended to be excludable from gross income for federal income tax purposes.

Term Bond means any Parity Bond identified as such in the ordinance or resolution authorizing the issuance thereof that is issued subject to mandatory redemption in periodic Sinking Fund Requirements prior to its maturity date.

Section 2. Authorization for the Bonds. The Borough shall issue and sell not to exceed \$7,800,000 principal amount of the Electric Utility revenue bonds authorized by the Election Ordinance and approved by the Borough's voters at an election held on October 5, 2021, to finance a portion of the cost of the Project and to pay costs of issuance of the bonds, all as authorized by the Election Ordinance. The bonds shall be issued and sold to the Bond Bank in a tax-exempt series and/or a taxable series, each as a single bond (the "Tax-Exempt Bond" and/or the "Taxable Bonds," as applicable). The aggregate principal amount of the Bonds shall not exceed \$7,800,000. Each Bond will be identified as "Petersburg Borough, Alaska, Electric Utility Revenue Bond, 2022" (with an additional series designation, if necessary). The Bonds will be dated as established in accordance with this ordinance and the Loan Agreement, will mature on the date or dates, will be fully registered as to both principal and interest, will be numbered in such manner and with such series designation as the Registrar shall determine, will bear interest at the rate or rates and be payable on the dates and in the principal amounts as established in accordance with this ordinance. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Section 3. Registration, Payment and Transfer. The Finance Director shall act as authenticating agent, transfer agent, paying agent and registrar for the Bonds (collectively, the "Registrar"). Both 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 paid by check or draft of the Registrar mailed (on the date such interest is due) to the Registered Owner or nominee 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 Bond to the Registrar by the Registered Owner or nominee at the office of the Registrar in Petersburg, Alaska. Notwithstanding the foregoing, if the Bonds are sold to the Bond Bank pursuant to the provisions of Section 20 of this ordinance, and for so long as the Bond Bank is the owner of the Bonds, payments of principal of and interest on the Bonds shall be made to the Bond Bank in accordance with the applicable Loan Agreement.

Bonds may be transferred only on the Bond Register maintained by the Registrar for that purpose upon the surrender thereof by the Registered Owner or nominee or his or 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 rate shall be issued to the

transferee in exchange therefor. Upon surrender thereof to the Registrar, a Bond is interchangeable for a bond or bonds (in denominations of \$5,000 or any integral multiple thereof) of an equal aggregate principal amount and of the same series, interest rates, and principal payment amounts as the Bond. Such transfer or exchange shall be without cost to the Registered Owner or transferee. The Borough may deem the person in whose name a Bond is registered to be the absolute owner thereof for the purpose of receiving payment of the principal of and interest on that Bond and for any and all other purposes whatsoever.

Section 4. Prepayment. Provisions for the optional prepayment of some or all principal installments of a Bond may be established as set forth in the applicable Loan Agreement executed pursuant to Section 20. Portions of the principal amount of a Bond, in increments of \$5,000 or any integral multiple of \$5,000, may be prepaid.

So long as the Bond Bank is the owner of a Bond, notice of prepayment shall be given according to the terms of the Loan Agreement. If the Bond Bank is not the owner of a Bond, notice of prepayment thereof shall be given not less than 20 nor more than 60 days prior to the date fixed for prepayment by first class mail, postage prepaid, to the Registered Owner of the Bond at the address appearing on the Bond Register. The requirements of this section shall be deemed complied with when notice is mailed as herein provided, regardless of whether it is actually received by the owner of the Bond. Each official notice of prepayment shall be dated and shall state: (i) the prepayment date, (ii) the prepayment price or prepayment premium, if any, payable upon such prepayment; (iii) if less than all of an installment of principal is to be prepaid, the principal amount to be prepaid (which must be an integral multiple of \$5,000); (iv) that the interest on the Bond, or on the principal amount thereof to be prepaid, designated for prepayment in such notice, shall cease to accrue from and after such prepayment date; and (v) that on such date there will become due and payable on the Bond the principal amount thereof to be prepaid and the interest accrued on such principal amount to the prepayment date.

Section 5. Petersburg Borough Electric Utility Enterprise Fund.

(a) There is created a special enterprise fund of the Borough known as the "Petersburg Borough Electric Utility Enterprise Fund" (the "Electric Fund"). This fund is authorized to be established and shall be maintained at least so long as the Bonds and any Future Parity Bonds remain outstanding.

(b) The Electric Fund is created to account for revenues and expenditures of the Electric Utility within the utility department. Electric Utility revenues and expenditures will be accounted for separately within the enterprise fund. The Electric Fund is created for the purpose of depositing as collected all Gross Revenue of the Electric Utility (except the interest earned and income derived from investments of money in bond redemption funds and the accounts therein) and for paying the direct operating expenses and other expenses of the enterprise, such as debt retirement and providing for the establishment of an enterprise fund replacement reserve account for major maintenance and repairs.

(c) The Electric Fund shall be held separate and apart from all other funds and accounts of the Borough, and the funds deposited in the Electric Fund shall be used only for the following purposes and in the following order of priority:

- (1) To pay the Operation and Maintenance Expense;

(2) To make, when due, all payments required to be made into the Debt Service Account within the Parity Bond Fund to pay the principal of and interest on all Parity Bonds, including all Sinking Fund Requirements;

(3) To make all payments required to be made pursuant to a reimbursement agreement (or other equivalent document) with any provider of Qualified Insurance or a Qualified Letter of Credit; provided, however, that if there is not sufficient money to make all payments under reimbursement agreements with more than one such provider, the payments will be made on a pro rata basis;

(4) To make all payments required to be made into the Reserve Account in respect of Covered Parity Bonds;

(5) To make all payments required to be made into any revenue bond redemption fund, revenue warrant redemption fund, debt service account, reserve account, or sinking fund account created to pay and secure the payment of the principal of and interest on any Subordinate Bonds;

(6) To make all payments required to be made in in order to pay principal of and interest on any general obligations of the Borough to which the Net Revenue of the Electric Utility has been pledged;

(7) To any of the following purposes, without order of priority: to retire by redemption or purchase in the open market any outstanding revenue bonds or revenue warrants of the Electric Utility; to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the Electric Utility; to pay any municipal taxes or payments in lieu of taxes; or for any other lawful Borough purposes.

Section 6. Parity Bond Fund.

(a) *Parity Bond Fund and Accounts Therein.* A special fund of the Borough known as the "Petersburg Borough Electric Utility Revenue Parity Bond Fund" (the "Parity Bond Fund") is hereby created and is to be maintained so long as the Bonds and any Future Parity Bonds remain outstanding. The Parity Bond Fund shall be divided into a Debt Service Account and a Reserve Account, which are authorized to be created therein. The Parity Bond Fund shall be drawn upon for the sole purpose of paying the principal of (including any Sinking Fund Requirements and redemption premium, if any) and interest on Parity Bonds as the same shall become due and payable.

(b) *Payments into the Debt Service Account.* The Borough hereby obligates and binds itself irrevocably to set aside and pay into the Debt Service Account out of money in the Electric Fund, on or before the date due, the amounts necessary to pay the principal of, premium, if any, and interest on the Bonds as the same become due and payable. If there is a deficiency in the Debt Service Account for such purpose, the Borough shall make up such deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose, and, if necessary, by sale or redemption of any authorized investments in such amount as will provide cash in the Reserve Account sufficient to make up any such deficiency. Money in the Debt Service Account shall be held for the benefit of the owners of all Parity Bonds then outstanding and payable equally and ratably and without preference or distinction as between different series, installments, or maturities.

(c) *Reserve Account.* The Borough covenants that it will at all times maintain an amount in the Reserve Account sufficient to satisfy the Reserve Requirement with respect to the Covered Parity Bonds. For so long as the Bonds are held by the Bond Bank, the Reserve Account may be held by the trustee for the Bond Bank consistent with the terms Loan Agreement. Whenever there is a sufficient amount in the Parity Bond Fund, including all accounts therein, to pay the principal of, premium, if any, and interest on all Covered Parity Bonds then outstanding, the money in the Reserve Account may be used to pay the principal of, premium, if any, and interest on the Covered Parity Bonds, after all funds available for such purpose in the Debt Service Account have been so used. Money in the Reserve Account may also be withdrawn to redeem and retire, and to pay the premium, if any, and interest due to such date of redemption, of the Covered Parity Bonds, so long as the money remaining on deposit in the Reserve Account is at least equal to the Reserve Requirement determined with respect to such Covered Parity Bonds. If there is a deficiency in the Debt Service Account to pay any maturing installment of principal of or interest on any Covered Parity Bond, or to pay any Sinking Fund Requirement with respect thereto, such deficiency shall be made up by withdrawal of money from the Reserve Account. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up out of Net Revenue after making necessary provision for the payments required to be made by Section 5(c)(1) through (3) of this ordinance.

(d) *Reserve Insurance or Surety Policy.* The Borough may substitute Qualified Insurance or a Qualified Letter of Credit for amounts required to be paid into or maintained in the Reserve Account. Such Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than five years notice. In the event of any cancellation, the Reserve Account shall be funded in accordance with the provisions of this section providing for payment in the event of a deficiency therein, calculated as if the Parity Bonds that remain outstanding had been issued on the date of such notice of cancellation.

(e) *Investment of Reserves.* Money in the Reserve Account may be kept in cash or invested in any Permitted Investments. Interest earned on any such investments and/or any profits realized from the sale thereof shall be deposited in and become a part of the Parity Bond Fund.

(f) *Lien of Bonds.* The amounts pledged by this ordinance to be paid out of the Electric Fund into the Parity Bond Fund (and the Debt Service Account and Reserve Account therein) are hereby declared to be a prior lien and charge upon all the money in the Electric Fund superior to all other charges of any kind or nature except the charges required to pay the Operation and Maintenance Expense and equal in rank to the charges necessary to pay the principal of, premium, if any, and interest on any Future Parity Bonds.

(g) *Due Regard.* The corporate authorities of the Borough hereby declare, in fixing the amounts to be paid into the Parity Bond Fund, that they have exercised due regard to the Operation and Maintenance Expense and the amounts necessary to pay the principal of and interest on the Outstanding Parity Bonds and the Bonds, and have not obligated the Borough to set aside and pay into the Parity Bond Fund a greater amount of the Gross Revenue than in their judgment will be available over and above the Operation and Maintenance Expense and the charges necessary to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds.

Section 7. Security for the Bonds. The Bonds shall be designated as Parity Bonds and shall be a special limited obligation of the Borough payable from and secured solely by the Net Revenue of the Electric Utility and by money in the Debt Service Account of the Parity Bond

Fund. The Bonds are hereby designated as Covered Parity Bonds are further secured by money in the Reserve Account. The Net Revenue is pledged to make the payments into the Parity Bond Fund and the accounts therein as required by Sections 5 and 6 of this ordinance, which pledge shall constitute a lien and charge upon such Net Revenue prior and superior to all other charges whatsoever. Each Series of the Bonds designated as Parity Bonds shall be issued on parity with all Future Parity Bonds, without regard to date of issuance or authorization and without preference or priority of right or lien. The Bonds shall not constitute general obligations of the Borough, the State, or any political subdivision of the State or a charge upon any general fund or upon any money or other property not specifically pledged by this ordinance.

Section 8. Covenants. The Borough hereby covenants with the owner of the Bonds as follows:

(a) *Rate Covenant.* That it will establish, fix, prescribe, and collect rates and charges for the sale or use of electric power and energy service or other services of the Electric Utility that, together with other income thereof, are reasonably expected to yield Net Revenue equal to at least 1.25 times the Annual Debt Service on the Parity Bonds (the "Coverage Requirement") for the forthcoming Fiscal Year. Promptly upon any material change in the circumstances that are contemplated at the time such rates and charges were most recently reviewed, but not less frequently than once in each Fiscal Year, the Borough shall review the rates and charges for services of the Electric Utility and shall promptly (and in any event no later than 180 days after the end of each Fiscal Year) revise such rates and charges as necessary to comply with the foregoing requirement, provided that such rates and charges shall in any event produce money sufficient to enable the Borough to comply with all of its covenants under this ordinance.

(b) *Maintain in Good Order.* That it will at all times maintain and keep Electric Utility and all additions and improvements thereto and extensions thereof in good repair, working order and condition, and will at all times operate such utilities and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *Sale or Disposition.*

(1) That it will not sell or otherwise dispose of all of the properties of the Electric Utility unless provision is made for payment into the Parity Bond Fund of a sum sufficient to pay the principal and interest of all the outstanding Parity Bonds in accordance with the terms thereof, nor will it sell or otherwise dispose of any single utility or utilities or any portion thereof unless provision is made for payment into the Parity Bond Fund of one of the following (as the Assembly may determine in its sole discretion):

(A) an amount that will be in the same proportion of the net principal amount of Parity Bonds then outstanding (defined as the total principal amount of such bonds then outstanding less the amount of cash and investments in the Parity Bond Fund) that the Gross Revenue attributable to the portion of the Electric Utility to be sold or disposed of for any consecutive 36 of the 48 months preceding such sale or disposition bears to total Gross Revenue for such period; or

(B) an amount that will be in the same proportion of the net principal amount of Parity Bonds then outstanding (as defined above) that the Net Revenue attributable to the portion of the Electric Utility to be sold or disposed of for any consecutive 36 of the 48 months preceding such sale or disposition bears to total Net Revenue for such period; or

(C) an amount that will be in the same proportion to the net principal amount of Parity Bonds then outstanding (as defined above) that the book value of the portion of the Electric Utility sold or disposed of bears to the book value of all of the Electric Utility immediately prior to such sale or disposition.

Any such money so paid into the Parity Bond Fund shall be used to retire Parity Bonds at the earliest possible date; provided, however, notwithstanding the foregoing provisions to the contrary, the Borough may sell or otherwise dispose of any of the works, plant, properties and facilities of the Electric Utility or any real or personal property comprising a part of the same with a value less than 5% of the net utility plant of the Electric Utility or which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the Electric Utility, or no longer necessary, material to or useful in such operation, without making any deposit into the Parity Bond Fund.

(2) The Borough may sell or otherwise dispose of any portion of the utility (i) without making a deposit into the Parity Bond Fund (as otherwise required by subsection (c)(1) of this section) if such sale or disposition would not reduce Net Revenue below the amounts required to satisfy the Coverage Requirement; or (ii) with a deposit into the Parity Bond Fund smaller than that otherwise required by subsection (c)(1) if such smaller deposit would reduce Annual Debt Service sufficiently, following such sale or disposition, to permit the Borough to satisfy the Coverage Requirement.

(d) *Annual Audit.* That it will within a period of 270 days following the close of each Fiscal Year cause an audit of the books and accounts of the Electric Utility to be made by an independent certified public accountant or firm of certified public accountants, which audit shall show the income and expenditures of the Electric Utility, the balance sheet as of the end of such Fiscal Year, comments in regard to the manner in which the Borough has carried out the requirements of this ordinance, a list and amount of insurance policies in force on any part of the Electric Utility, the number of electric customers in the aggregate and by customer classifications, if applicable (i.e., residential, commercial, etc.).

(e) *Insurance.* That it will at all times carry fire and extended coverage, commercial general liability and property damage and such other forms of insurance with responsible insurers and with policies payable to the Borough on such of the buildings, equipment, works, plants, facilities and properties of the Electric Utility as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or it will self-insure or will participate in an insurance pool or pools with reserves adequate, in the reasonable judgment of the Borough, to protect Electric Utility and the owners of the Parity Bonds against loss.

(f) *No Free Service.* That it will not furnish electric service to any customer whatsoever free of charge. This restriction does not apply to electric service furnished to the Borough or its departments for their own use.

Section 9. Rebate Account. The Finance Director is authorized to establish and maintain a special fund or account for the purpose of complying with the tax covenants set forth in Section 16 of this ordinance relating to arbitrage rebate requirements. All earnings from the investment of Tax-Exempt Bond proceeds, or money treated as Tax-Exempt Bond proceeds under the Code, including money in the Reserve Account and allocated to a Tax-Exempt Series of Bonds, in excess of the earnings invested at the yield on such Bonds determined under the

Code, shall be deposited in such fund or account, and any earnings therefrom shall be retained therein until required by the Code to be paid to the United States government or until it shall be determined that such money is not required to be so paid. Such fund or account shall be a trust fund established for the benefit of the United States government.

Section 10. Rate Stabilization Account. The Finance Director may, at any time consistent with the flow of funds set forth in Section 5 of this ordinance, deposit Net Revenue (and any other available money of the Borough, excluding principal proceeds of any Future Parity Bonds or other borrowing) into the Rate Stabilization Account. The Borough may, upon authorization by ordinance, at any time withdraw money from the Rate Stabilization Account for inclusion in the Adjusted Net Revenue for the current Fiscal Year, except that the total amount withdrawn from the Rate Stabilization Account in any Fiscal Year may not exceed an amount equal to the total debt service of the Electric Utility in that year. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the Fiscal Year for which the deposit or withdrawal will be included as Adjusted Net Revenue. Earnings from investments in the Rate Stabilization Account shall be retained in that account and shall not be included as Net Revenue unless and until withdrawn from that account as provided herein. The Borough may deposit earnings from investments in the Rate Stabilization Account into any Electric Utility fund or account as authorized by ordinance, and such deposits shall be included as Adjusted Net Revenue in the year of deposit. No deposit of Net Revenue shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the Borough from meeting the Coverage Requirement in the relevant Fiscal Year.

Section 11. Contract Resource Obligations. The Borough may at any time enter into one or more Contract Resource Obligations for the acquisition, from facilities to be constructed, of electric energy supply, transmission or other commodity or service relating to the Electric Utility. The Borough may determine that, and may agree under a future Contract Resource Obligation to provide that, all payments under that Contract Resource Obligation (including payments prior to the time that electric energy supply or transmission or other commodity or service is being provided, or during a suspension or after termination of supply or service) shall be Operation and Maintenance Expenses if the payments required to be made under the Contract Resource Obligation are not subject to acceleration and the following additional requirements are met at the time such a Contract Resource Obligation is entered into or is deemed to be a Contract Resource Obligation hereunder:

(a) No event of default has occurred and is continuing under the terms of any debt obligation of the Borough in respect of the Electric Utility; and

(b) There shall be on file a certificate of an independent licensed professional engineer or engineering firm stating that in such licensed professional's opinion:

(1) the payments to be made by the Borough in connection with the Contract Resource Obligation are reasonable for the supply or transmission rendered;

(2) the source of any new supply, and any facilities to be constructed to provide the supply or transmission, are sound from an electric energy or other commodity supply or transmission planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide supply or transmission no later than a date set forth in the independent licensed professional engineer's certification; and

(3) the Net Revenue of the Electric Utility will be sufficient to meet the Coverage Requirement for each of the five Fiscal Years following the year in which the Contract Resource Obligation is incurred, where the calculation of Net Revenue: (i) takes into account the adjustments to Net Revenue permitted under the Parity Conditions; and (ii) adjusts the Operation and Maintenance Expense by the independent licensed professional engineer's estimate of the payments to be made in accordance with the Contract Resource Obligation.

(c) The Borough's obligations to SEAPA under the Long-Term Power Sales Agreement is a Contract Resource Obligation.

(d) Nothing in this section shall prevent the Borough from entering into other agreements for the acquisition of electric energy supply, transmission or other commodity or service relating to the Electric Utility from existing facilities and from treating those payments as Operation and Maintenance Expenses. Nothing in this section shall prevent the Borough from entering into other agreements for the acquisition of electric energy supply, transmission or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on the Net Revenue of the Electric Utility subordinate to that of the Parity Bonds.

Section 12. Future Parity Bonds; Parity Conditions. The Borough hereby covenants and agrees with the owner of the Bonds for as long as they remain outstanding that the Borough will not create any special fund or funds for the payment of any other electric, light, and power revenue bonds that will rank on a parity with or have any priority over the payments out of the Petersburg Borough Electric Utility Enterprise Fund into the Parity Bond Fund (including the Debt Service Account and the Reserve Account therein). The Borough reserves the right, for the purpose of refunding any outstanding bonds that are a lien upon the Net Revenue, or for the purpose of acquiring, constructing and installing additions and improvements to and extensions of and making necessary replacements or other capital improvements to Electric Utility, to issue Future Parity Bonds and to pay into the Parity Bond Fund amounts from the Petersburg Borough Electric Utility Enterprise Fund sufficient to pay the principal of, premium, if any, and interest on such bonds, and to maintain an adequate reserve therefor, which payments may rank equally with the payments out of the Petersburg Borough Electric Utility Enterprise Fund into the Parity Bond Fund, upon compliance with the following conditions:

(1) At the time of the issuance of such Future Parity Bonds there may be no deficiency in the Parity Bond Fund or any accounts therein.

(2) If such Future Parity Bonds are to be designated as Covered Parity Bonds, the ordinance authorizing their issuance must provide that funds sufficient to satisfy the Reserve Requirement for those Future Parity Bonds is to be deposited into the Reserve Account (i) out of the proceeds of the Future Parity Bonds, and/or (ii) from Net Revenue or other sources legally available therefor, in no more than 60 substantially equal monthly installments, with the first installment to be made one month after the issuance of the Future Parity Bonds. The Reserve Requirement may also be satisfied, in whole or in part at any time, by Qualified Insurance or a Qualified Letter of Credit.

(3) So long as the Bonds remain outstanding, prior to the delivery of any Future Parity Bonds the Borough shall have on file in the office of the Borough Clerk either:

(A) a certificate of the Finance Director of the Borough, supported by the Electric Utility financial statements, demonstrating that the Adjusted Net Revenue of the

Electric Utility for any twelve consecutive months out of the 24 months preceding the dated date of the proposed Future Parity Bonds will be sufficient to satisfy the Coverage Requirement with respect to the Parity Bonds then outstanding, plus the Future Parity Bonds proposed to be issued; or

(B) a certificate of an independent professional engineer or certified public accountant dated not earlier than 90 days prior to the date of delivery of such Future Parity Bonds and showing that for each calendar or Fiscal Year after the issuance of such Future Parity Bonds, the Adjusted Net Revenue (determined and further adjusted as provided in this paragraph) will equal at least the Coverage Requirement for all Parity Bonds then outstanding, plus the Future Parity Bonds proposed to be issued. For purposes of this calculation, the Adjusted Net Revenue shall be the Adjusted Net Revenue for a period of any twelve consecutive months out of the 24 months immediately preceding the date of delivery of such proposed Future Parity Bonds as adjusted by such engineer or accountant to take into consideration changes in Net Revenue estimated to occur under one or more of the following conditions for each year after such delivery for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, shall be outstanding:

- (i) any increase or decrease in Net Revenue that would result if any change in rates and charges adopted prior to the date of such certificate and subsequent to the beginning of such 12-month period had been in force during the full 12-month period;
- (ii) any increase or decrease in Net Revenue estimated by such engineer or accountant to result from any additions, betterments and improvements to and extensions of any facilities of the Electric Utility that (a) became fully operational subsequent to the beginning of such 12-month period, (b) were under construction at the time of such certificate, or (c) will be constructed from the proceeds of the Future Parity Bonds to be issued;
- (iii) the additional Net Revenue that would have been received if any customers added to the Electric Utility subsequent to the beginning of such 12-month period were customers for the entire period.

A certificate delivered by an engineer or accountant shall be based upon, and shall have attached thereto, financial statements of the Electric Utility, certified by the Finance Director, showing income and expenses for the period upon which the same is based.

The certificate or certificates delivered pursuant to this subsection shall be conclusive and the only evidence required to show compliance with the provisions and requirements of this subsection.

(4) Notwithstanding the foregoing requirements, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of then outstanding Parity Bonds and the issuance of such refunding bonds results in a debt service savings and does not require an increase of more than \$5,000 in any year for Annual Debt Service on such refunded bonds, the certificate or certificates required by subsection (3) of this section need not be obtained.

Section 13. Subordinate Bonds. Nothing contained in this ordinance shall prevent the Borough from issuing utility revenue bonds or warrants that are a charge upon the Net Revenue of the Electric Utility or the money in the Electric Fund junior or inferior to the payments to be made into the Parity Bond Fund, or from issuing such bonds or warrants to refund maturing bonds or warrants for the payment of which money is not otherwise available.

Section 14. Form and Execution of Bond.

(a) Form of Bond; Signatures and Seal. The Bond shall be prepared in a form consistent with the provisions of this resolution and State law. The Bond shall be executed on behalf of the Borough with the manual or facsimile signature of the Borough Manager, shall be attested by the manual or facsimile signature of the Borough Clerk, and the seal of the Borough shall be impressed or a facsimile thereof imprinted thereon. Only such Bond as bears a Certificate of Authentication in the form set forth in Section 5 of this resolution, manually executed by the Registrar shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this resolution.

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

(b) Authentication. Only a Bond bearing a Certificate of Authentication in substantially the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution: "*Certificate Of Authentication.* This is the fully registered Petersburg Borough, Electric Revenue Bond, 2022 (Alaska Municipal Bond Bank Loan), dated ____, 2022, as described in the Bond Ordinance." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

Section 15. Defeasance. If money and/or Government Obligations, maturing at such time or times and bearing interest to be earned thereon in amounts sufficient to redeem and retire a Bond or a portion thereof in accordance with its terms, are set aside in a special account to effect such prepayment and retirement, and such money and the principal of and interest on such obligations are irrevocably set aside and pledged for such purpose, then no further payments need be made into the Parity Bond Fund for the payment of the principal of and interest on that Bond or portion thereof so provided for, and the Bond or portion thereof shall cease to be entitled to any lien, benefit or security of this ordinance except the right to receive the money so set aside and pledged, and the Bond or portion thereof shall be deemed not to be outstanding hereunder.

Section 16. Tax Covenants. For each Series of the Bonds, the Finance Director shall determine whether such Series is to be issued as Tax-Exempt Bonds, Tax Credit Subsidy Bonds,

or Taxable Bonds, and may approve such additional terms and covenants relating to federal tax matters as the Finance Director deems necessary or appropriate, including the following:

(a) *Tax Exempt Bonds.* For each Series of the Bonds issued as Tax-Exempt Bonds, the Borough covenants that it will take all actions that are reasonably within its power and necessary to prevent interest on that Series from being included in gross income for federal income tax purposes. The Borough further covenants that it will neither take any action nor make or permit any use of gross proceeds of that Series (or other funds of the Borough treated as gross proceeds of that Series) at any time during the term of such Series that will cause interest on such Series to be included in gross income for federal income tax purposes. The Borough also covenants that, to the extent the arbitrage rebate requirement of Section 148 of the Code is applicable to any Series issued as Tax-Exempt Bonds, it will take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with that Series (including the calculation and payment of any penalties that the Borough may elect to pay as an alternative to calculating rebatable arbitrage and the payment of any other penalties if required under Section 148 of the Code) to prevent interest on such Series from being included in gross income for federal income tax purposes.

(b) *Taxable Bonds; Tax Credit Subsidy Bonds.* For each Series of the Bonds issued as Taxable bonds or as Tax Credit Subsidy Bonds, if any, the Finance Director is authorized to make provision in the Bonds and related documents, to execute additional written agreements, and to make additional covenants on behalf of the Borough, all as the Finance Director may deem necessary or appropriate in order to obtain, maintain, and administer such tax status. In the case of Tax Credit Subsidy Bonds, such additional covenants and agreement may include (without limiting the generality of the foregoing) those necessary in order for the Borough (or the Purchaser, as appropriate): (i) to receive from the United States Treasury the applicable Tax Credit Subsidy Payments in respect of such Tax Credit Subsidy Bonds; and (ii) to ensure that such Series otherwise become and remain eligible for tax benefits under the Code.

(c) *Tax Certificate.* If the Bonds are issued as Tax-Exempt Bonds or Tax-Credit Subsidy Bonds, upon the issuance of the Bonds, the Finance Director is authorized to execute a federal tax certificate (the "Tax Certificate"), which will certify to various facts and representations concerning the tax treatment of the Bonds, based on the facts and estimates known or reasonably expected on the date of their issuance, and make certain covenants as may be necessary or desirable to obtain or maintain the benefits conferred under the Code relating to Tax-Exempt Bonds or Tax Credit Subsidy Bonds. The Borough covenants that it will comply with the Tax Certificate unless it receives advice from nationally recognized bond counsel or the Internal Revenue Service that certain provisions have been amended or no longer apply to the Bonds. The Finance Director is further authorized and directed to review and update the Borough's written procedures to facilitate compliance by the Borough with the covenants in this ordinance, the Tax Certificate, and the applicable requirements of the Code that must be satisfied after the Issue Date to ensure post-issuance compliance with those federal tax requirements.

(d) *Bank Qualification.* The Borough has not designated the Bonds as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

Section 17. Lost or Destroyed Bond. If a Bond is lost, stolen or destroyed, the Registrar may authenticate and deliver a new Bond of like series, amount, date, and tenor to the Registered Owner upon such owner's paying the expenses and charges of the Borough in connection with preparation and authentication of the replacement Bond and upon his or her filing with the Registrar evidence satisfactory to the Registrar that such Bond was actually lost, stolen

or destroyed and of his or her ownership, and upon furnishing the Borough with indemnity satisfactory to the Registrar.

Section 18. Execution of the Bonds. Each Bond shall be signed on behalf of the Borough by the manual or facsimile signature of the Mayor, shall be attested by the manual or facsimile signature of the Borough Clerk, and the seal of the Borough shall be impressed or imprinted thereon.

Only a Bond that bears a Certificate of Authentication in the form set forth in Section 14 hereof, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. The executed Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated, registered, and delivered hereunder and is entitled to the benefits of this ordinance.

In case any of the officers of the Borough who have signed, attested, authenticated, registered or sealed a Bond cease to be such officers before the Bond so signed, attested, authenticated, registered or sealed has been actually issued and delivered, that Bond shall be valid nevertheless and may be issued by the Borough with the same effect as though the persons who had signed, attested, authenticated, registered or sealed that Bond had not ceased to be such officers. A Bond may also be signed, attested, authenticated, registered or sealed on behalf of the Borough by such persons as at the actual date of execution of the Bond shall be the proper officers of the Borough although at the original date of the Bond any such person was not such officer.

Section 19. Application of Bond Proceeds. The Borough has previously created the special funds within the Electric Fund to pay the cost and expense of the Projects (the "Project Funds"). At the time of delivery of the Bonds, the proceeds of the sale of the Bonds shall be deposited as follows:

(a) The accrued interest to the date of delivery, if any, shall be deposited in the Parity Bond Fund and used to pay a portion of interest on the Bonds on the first interest payment date; and

(b) The remaining Bond proceeds shall be deposited in the Project Funds and used to pay costs of the Project and costs of issuance of the Bonds, as authorized by the Election Ordinance; provided, however, that any Bond Premium exceeding the costs of issuing the Bonds shall be deposited in the Parity Bond Fund.

Money remaining in the Project Funds after all such costs have been paid or reimbursed shall be applied to other purposes authorized by the Election Ordinance or deposited into the Parity Bond Fund.

Money in the Project Funds may be invested in Permitted Investments, as permitted by law. All interest earned and profits derived from such investments shall be retained in and become a part of the Project Funds.

Section 20. Sale of the Bonds; Execution and Amendment of Loan Agreement. The Finance Director and Borough Manager are authorized to complete the sale of the Bonds to the Bond Bank on terms and conditions consistent with this ordinance and a Loan Agreement for each series in substantially the form set forth on Exhibit A attached to this ordinance (each, a "Loan Agreement"). Following the sale of the Bond Bank Bonds, the terms and conditions for each

Bond, including series designation, principal amount, date, principal installment payment schedule, interest rates and prepayment provisions, all as provided for in this ordinance, shall be set forth in a Loan Agreement, subject to the Finance Director’s approval, which approval shall be conclusively evidenced by the execution of the Loan Agreement by the Finance Director and the delivery of the Loan Agreement to the Bond Bank.

The Finance Director is further authorized from time to time to approve a revised schedule of principal payment amounts and interest rates for the Bonds, in accordance with the refinancing provisions of the Loan Agreement in connection with a refunding of the Bond Bank Bonds, so long as the revised debt service schedule is financially advantageous to the Borough. The Finance Director is authorized to sign an amendment to the Loan Agreement that sets forth the revised debt service schedule, and the Borough Manager, Finance Director, Borough Attorney, Borough Clerk, and other appropriate officers of the Borough are authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, or instruments as in their judgment may be necessary, appropriate or desirable for refinancing the Bonds in connection with a refunding of the Bond Bank Bonds.

Section 21. Ongoing Disclosure. The Borough acknowledges that, under Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), the Borough may now or in the future be an “obligated person” with respect to the Bond Bank Bonds. In accordance with the Rule and as the Bond Bank may require, the Borough shall undertake to provide certain annual financial information and operating data as set forth in a Loan Agreement.

Section 22. General Authorization; Prior Acts. The Borough Manager, Finance Director, Borough Attorney, Borough Clerk, and other appropriate officers of the Borough are each hereby authorized and directed to take such steps, to do such other acts and things, and to execute such letters, certificates, agreements, or instruments as in their judgment may be necessary, appropriate, or desirable to carry out the terms and provisions of and complete the transactions.

Section 23. Prior Acts. All acts taken pursuant to the authority of this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 24. Severability. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the 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 of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Bonds.

Section 25. Effective Date. This ordinance will take effect immediately upon its passage and is not subject to referendum in accordance with the restrictions on referendum provided in Section 6.01.B.2 of the Borough Charter.

PASSED AND APPROVED by the Borough Assembly of the Petersburg Borough, Alaska, at a regular meeting of the Assembly held on _____, 2022.

PETERSBURG BOROUGH, ALASKA

By _____

Mayor

ATTEST:

Clerk

EXHIBIT A

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of the [] day of April 2022 (the “Loan Agreement”), between the Alaska Municipal Bond Bank (the “Bank”), a body corporate and politic constituted as an instrumentality of the State of Alaska (the “State”) exercising public and essential governmental functions, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended (the “Act”), having its principal place of business at Juneau, Alaska, and the **Petersburg Borough, Alaska**, a duly constituted home rule borough of the State (the “Borough”):

W I T N E S S E T H:

WHEREAS, pursuant to the Act, the Bank is authorized to issue bonds and make loans of money (the “Loan” or “Loans”) to governmental units; and

WHEREAS, the Borough is a “Governmental Unit” as defined in the General Bond Resolution of the Bank hereinafter mentioned and is authorized to accept a Loan from the Bank, evidenced by its municipal bond; and

WHEREAS, the Borough desires to borrow money from the Bank in the amount not to exceed \$7,800,000 to finance a portion of the capital costs of certain electric utility projects (the “Electric Utility Project”) and has submitted an application to the Bank for a Loan in the amount not to exceed \$7,800,000 (the “Electric Utility Loan”) to pay a portion of the costs of the Electric Utility Project; and

WHEREAS, the Borough has duly authorized the issuance of its fully registered Petersburg Borough, Alaska Electric Utility Revenue Bond, 2022 in the principal amount of \$[PAR] (the “Municipal Bond”), which Municipal Bond is to be purchased by the Bank as evidence of and security for the Borough’s obligation to repay the Electric Utility Loan in accordance with this Loan Agreement; and

WHEREAS, the application of the Borough contains the information requested by the Bank; and

WHEREAS, to provide for the issuance of bonds of the Bank to obtain from time to time money with which to make and/or refinance Loans, the Board of Directors of the Bank (the “Board”) has adopted its General Obligation Bond Resolution on July 13, 2005, as amended (the “General Bond Resolution”); and

WHEREAS, the Board approved certain modifications to the General Bond Resolution, effective on the date when all bonds issued under the terms of the General Bond Resolution, prior to February 19, 2013, cease to be outstanding; and

WHEREAS, on January 27, 2022 the Board adopted Series Resolution No. 2022-01 (the “Series Resolution” and together with the General Bond Resolution, the “Bond Resolution”), authorizing the Bank to, among other things, issue the Bank’s General Obligation Bonds, 2022 Series One (the “2022 Bonds”), make the Electric Utility Loan to the Borough and purchase the Borough’s Municipal Bond.

NOW, THEREFORE, the parties agree as follows:

1. The Bank hereby makes the Electric Utility Loan, and the Borough, hereby accepts the Electric Utility Loan in the principal amount of \$[PAR]. As evidence of the Electric Utility Loan made to the Borough and such money borrowed from the Bank by the Borough, the Borough hereby agrees to sell to the Bank the Municipal Bond in the principal amount, with the principal installment payments, and bearing interest from its date at the rate or rates per annum, stated in Exhibit A.

2. The Borough represents that it has duly adopted or will adopt all necessary ordinances or resolutions, including Ordinance No. 2021-12, passed on August 16, 2021 (the "Election Ordinance"), and Ordinance No. [___], passed on [___], 2022 (the "Municipal Bond Ordinance" and, together with the Election Ordinance, the "Borough Ordinance"). The Borough further represents to the Bank that the Borough has taken or will take all proceedings required by law to enable it to enter into this Loan Agreement and to issue its Municipal Bond to the Bank and that the Municipal Bond will constitute a revenue bond, secured by a special and limited obligation of the Borough, all duly authorized by the Borough Ordinance.

The Borough represents that the Borough Ordinance is in full force and effect and has not been amended, supplemented or otherwise modified, other than as may have been previously certified by the Borough to the Bank.

3. Subject to any applicable legal limitations, the amounts to be paid by the Borough pursuant to this Loan Agreement representing interest due on its Municipal Bond (the "Municipal Bond Interest Payments") shall be computed at the same rate or rates of interest borne by the corresponding maturities of the bonds sold by the Bank in order to obtain the money with which to make the Electric Utility Loan and to purchase the Municipal Bond (the "Loan Obligations") and shall be paid by the Borough at least seven (7) Business Days before the Interest Payment Date to provide funds sufficient to pay interest as the same becomes due on the Loan Obligations.

4. The amounts to be paid by the Borough pursuant to this Loan Agreement representing principal due on its Municipal Bond in amounts sufficient to pay the principal of the Loan Obligations as the same matures based upon the maturity schedule stated in Exhibit A (the "Municipal Bond Principal Payments"), shall be paid at least seven (7) Business Days before the payment date stated in the Municipal Bond.

5. In the event the amounts referred to in Sections 3 and 4 hereof to be paid by the Borough pursuant to this Loan Agreement are not made available at any time specified herein, the Borough agrees that any money payable to it by any department or agency of the State may be withheld from it and paid over directly to the Trustee acting under the General Bond Resolution, and this Loan Agreement shall be full warrant, authority and direction to make such payment upon notice to such department or agency by the Bank, with a copy provided to the Borough, as provided in the Act.

6. In the event that all or a portion of the Loan Obligations have been refunded and the interest rates the Bank is required to pay on its refunding bonds in any year are less than the interest rates payable by the Borough on the Municipal Bond for the corresponding year pursuant to the terms of the Municipal Bond, then both the Municipal Bond Interest Payments and the Municipal Bond Principal Payments will be adjusted in such a manner that (i) the interest rate paid by the Borough on any principal installment of the Municipal Bond is equal to the interest rate paid by the Bank on the corresponding principal installment of the Bank's refunding bonds and (ii) on a present value basis the sum of the adjusted Municipal Bond Interest Payments and Municipal Bond Principal Payments is equal to or less than the sum of the Municipal Bond Interest Payments and Municipal Bond Principal

Payments due over the remaining term of the Municipal Bond as previously established under this Loan Agreement. In the event of such a refunding of the Loan Obligations, the Bank shall present to the Borough for the Borough's approval, a revised schedule of principal installment amounts and interest rates for the Municipal Bond. If approved by the Borough the revised schedule shall be attached hereto as Exhibit A and incorporated herein in replacement of the previous Exhibit A detailing said principal installment amounts and interest rates.

7. The Borough is obligated to pay to the Bank Fees and Charges. Such Fees and Charges actually collected from the Borough shall be in an amount sufficient, together with the Borough's Allocable Proportion (as defined below) of other money available therefor under the provisions of the Bond Resolution, and other money available therefor, including any specific grants made by the United States of America or any agency or instrumentality thereof or by the State or any agency or instrumentality thereof and amounts applied therefor from amounts transferred to the Operating Fund pursuant to Section 606 of the General Bond Resolution:

- (a) to pay, as the same become due, the Borough's Allocable Proportion of the Administrative Expenses of the Bank; and
- (b) to pay, as the same become due, the Borough's Allocable Proportion of the fees and expenses of the Trustee and paying agent for the Loan Obligations.

The Borough's Allocable Proportion as used herein shall mean the proportionate amount of the total requirement in respect to which the term is used determined by the ratio that the principal amount of the Municipal Bond outstanding bears to the total of all Loans then outstanding to all Governmental Units under the General Bond Resolution, as certified by the Bank. The waiver by the Bank of any fees payable pursuant to this Section 7 shall not constitute a subsequent waiver thereof.

8. The Borough is obligated to make the Municipal Bond Principal Payments scheduled by the Bank. The first such Municipal Bond Principal Payment is due at least seven (7) Business Days prior to each date indicated in Exhibit A, and thereafter on the anniversary thereof each year. The Borough is obligated to make the Municipal Bond Interest Payments scheduled by the Bank on a semi-annual basis commencing seven (7) Business Days prior to each date indicated in Exhibit A, and to pay any Fees and Charges imposed by the Bank within 30 days after receiving the invoice of the Bank therefor.

9. The Bank shall not sell and the Borough shall not redeem prior to maturity any portion of the Borough's Municipal Bond in an amount greater than the related Loan Obligations which are then outstanding and which are then redeemable, and in the event of any such sale or redemption, the same shall be in an amount not less than the aggregate of (i) the principal amount of the Municipal Bond (or portion thereof) to be redeemed, (ii) the interest to accrue on the Municipal Bond (or portion thereof) to be redeemed to the next redemption date thereof not previously paid, (iii) the premium, if any, payable on the Municipal Bond (or portion thereof) to be redeemed, and (iv) the cost and expenses of the Bank in effecting the redemption of the Municipal Bond (or portion thereof) to be redeemed. The Borough shall give the Bank at least 50 days' prior written notice of the Borough's intention to redeem its Municipal Bond.

In the event that the Loan Obligations with respect to which the sale or redemption prior to maturity of such Municipal Bond is being made have been refunded and the refunding bonds of the Bank issued for the purpose of refunding such Loan Obligations were issued in a principal amount in excess of or less than the principal amount of the Municipal Bond remaining unpaid at the date of

issuance of such refunding bonds, the amount which the Borough shall be obligated to pay or the Bank shall receive under item (i) above shall be the principal amount of such refunding bonds outstanding.

In the event that all or a portion of the Loan Obligations have been refunded and the interest the Bank is required to pay on the refunding bonds is less than the interest the Bank was required to pay on the Loan Obligations, the amount which the Borough shall be obligated to pay or the Bank shall receive under item (ii) above shall be the amount of interest to accrue on such refunding bonds outstanding.

In the event that all or a portion of the Loan Obligations have been refunded, the amount which the Borough shall be obligated to pay or the Bank shall receive under item (iii) above, when the refunded Loan Obligations or portion thereof are redeemed, shall be the premium, if any, on the Loan Obligations to be redeemed.

Nothing in this Section shall be construed as preventing the Borough from refunding the Municipal Bond in exchange for a new Municipal Bond in conjunction with a refunding of all or a portion of the Loan Obligations.

10. Simultaneously with the delivery of the Municipal Bond to the Bank, the Borough shall furnish to the Bank evidence satisfactory to the Bank which shall set forth, among other things, that the Municipal Bond will constitute a valid and binding special and limited obligation of the Borough, secured solely by the Net Revenue of the Electric Utility and by money in the Parity Bond Fund.

11. Invoices for payments under this Loan Agreement shall be addressed to the Borough, Attention: [Karl Hagerman, Utility Director,] P.O. Box 329, Petersburg, Alaska 99833. The Borough shall give the Bank and the corporate trust office of the Trustee under the General Bond Resolution at least 30 days' prior written notice of any change in such address.

12. The Borough hereby agrees that it shall fully fund, at the time of loan funding, its debt service reserve fund (in an amount equal to \$ []) which secures payment of principal and interest on its Municipal Bond, that such fund shall be held in the name of the Borough with the Trustee, and that the yield on amounts held in such fund shall be restricted to a yield not in excess of [] percent.

13. The Borough covenants and agrees that it will establish, fix, prescribe, and collect rates and charges for the sale or use of electric power and energy service or other services of the Electric Utility that, together with other income thereof, are reasonably expected to yield Net Revenue equal to at least 1.25 times the Annual Debt Service on the Parity Bonds for the forthcoming Fiscal Year.

14. The Borough hereby agrees to keep and retain, until the date six years after the retirement of the Municipal Bond, or any bond issued to refund the Municipal Bond, or such longer period as may be required by the Borough's record retention policies and procedures, records with respect to the investment, expenditure and use of the proceeds derived from the sale of its Municipal Bond, including without limitation, records, schedules, bills, invoices, check registers, cancelled checks and supporting documentation evidencing use of proceeds, and investments and/or reinvestments of proceeds. The Borough agrees that all records required by the preceding sentence shall be made available to the Bank upon request.

15. Prior to payment of the amount of the Electric Utility Loan or any portion thereof, and the delivery of the Municipal Bond to the Bank or its designee, the Bank shall have the right to cancel all or any part of its obligations hereunder if:

(a) Any representation, warranty or other statement made by the Borough to the Bank in connection with its application to the Bank for a Loan shall be incorrect or incomplete in any material respect.

(b) The Borough has violated commitments made by it in the terms of this Loan Agreement.

(c) The financial position of the Borough has, in the opinion of the Bank, suffered a materially adverse change between the date of this Loan Agreement and the scheduled time of delivery of the Municipal Bond to the Bank.

16. The obligation of the Bank under this Loan Agreement is contingent upon delivery of the 2022 Bonds, and receipt of the proceeds thereof.

17. The Borough agrees that it will provide the Bank with written notice of any default in covenants under the Borough Ordinance within thirty (30) days after the date thereof.

18. The Borough agrees that it shall not take, or omit to take, any action lawful and within its power to take, which action or omission would cause interest on the Municipal Bond to become subject to federal income taxes in addition to federal income taxes to which interest on such Municipal Bond is subject on the date of original issuance thereof.

The Borough shall not permit any of the proceeds of the Municipal Bond, or any facilities financed with such proceeds, to be used in any manner that would cause the Municipal Bond to constitute a "private activity bond" within the meaning of Section 141 of the Code.

The Borough shall make no use or investment of the proceeds of the Municipal Bond that will cause the Municipal Bond to be an "arbitrage bond" under Section 148 of the Code. So long as the Municipal Bond is outstanding, the Borough, shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of Treasury issued thereunder, to the extent that such requirements are, at the time, applicable and in effect. The Borough shall indemnify and hold harmless the Bank from any obligation of the Borough to make rebate payments to the United States under said Section 148 arising from the Borough's use or investment of the proceeds of the Municipal Bond.

19. Upon request of the Bank, the Borough agrees that if its bonds constitute twenty percent (20%) or more of the outstanding principal of municipal bonds held by the Bank under its General Bond Resolution, it shall execute a continuing disclosure agreement prepared by the Bank for purposes of Securities and Exchange Commission Rule 15c2-12, adopted under the Securities and Exchange Act of 1934.

20. The Borough agrees that if its bonds constitute twenty percent (20%) or more of the outstanding principal of municipal bonds held by the Bank under its General Bond Resolution it shall provide to the Bank for inclusion in future official statements of the Bank and the Bank's annual reports, to the extent required by the Bank's continuing disclosure undertakings, financial and operating information of the Borough of the type and in the form requested by the Bank.

21. If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

22. This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments, and take such other actions as are necessary, to give effect to the terms of this Loan Agreement.

23. No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other term or condition hereof, nor shall a waiver of any breach of this Loan Agreement be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

24. In this Loan Agreement, unless otherwise defined herein, all capitalized terms which are defined in Article I of the General Bond Resolution shall have the same meanings, respectively, as such terms are given in Article I of the General Bond Resolution and if not defined herein or in Article I of the General Bond Resolution, shall have the meanings given to them in Exhibit B hereto.

25. This Loan Agreement shall remain in full force and effect so long as the Municipal Bond remains outstanding.

26. This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the subject matter hereof and constitutes the entire agreement between the parties hereto in respect thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Loan Agreement as of the date first set forth above.

ALASKA MUNICIPAL BOND BANK

By: _____
DEVEN J. MITCHELL
Executive Director

PETERSBURG BOROUGH, ALASKA

By: _____

Its: _____

EXHIBIT A

\$[PAR]
Petersburg Borough, Alaska
Electric Utility Revenue Bond, 2022
(the "Municipal Bond")

Due (_____ 1)	Principal <u>Amount</u>	Interest <u>Rate</u>
------------------	----------------------------	-------------------------

Principal installments shall be payable on _____ 1 in each of the years, and in the amounts set forth above. Interest on the Municipal Bond shall be payable on _____1, 20__, and thereafter on _____1 and _____ 1 of each year.

[Prepayment Provisions: The Municipal Bond principal installments are not subject to prepayment prior to maturity.]

Optional Prepayment: The Municipal Bond principal installments due on or after _____1, 20__ are subject to prepayment in whole or in part at the option of the Borough on any date on or after _____1, 20__, at a price of 100% of the principal amount thereof to be prepaid, plus accrued interest to the date of prepayment.

EXHIBIT B

Additional defined terms

“Annual Debt Service” for any particular year means, for the Municipal Bond, or of Future Parity Bonds, as applicable, an amount equal to the sum of (i) all interest payable during such year in respect of such outstanding bonds plus (ii) the Principal Installment or Installments due during such year on such outstanding bonds, calculated on the assumption that bonds outstanding on the day of calculation cease to be outstanding by reason of, but only by reason of, payment upon maturity, or earlier mandatory redemption and application to such purposes of any Sinking Fund Requirements, or payments into the Parity Bond Fund, required by the ordinance or resolution authorizing issuance of such bonds. Annual Debt Service for each Fiscal Year shall be reduced by subtracting the amount scheduled to be received by the Borough as a Tax Credit Subsidy Bond Payment (if any) in each such Fiscal Year in respect of any Parity Bonds issued as Tax Credit Subsidy Bonds.

“Code” means the federal Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to any series of Parity Bonds issued with interest that is intended to be excludable from gross income for federal income tax purposes.

“Contract Resource Obligation” means an obligation of the Borough to make payments to another person or entity for electric energy supply, transmission or other commodity or service relating to the Electric Utility, which obligation is designated as a Contract Resource Obligation for purposes of the Municipal Bond Ordinance.

“Debt Service Account” means the account of that name created within the Parity Bond Fund pursuant to the Municipal Bond Ordinance.

“Debt Service Reserve Account” means the account of that name created within the Parity Bond Fund pursuant to the Municipal Bond Ordinance.

“Electric Utility” means the municipal light and power generation, transmission, and distribution systems now belonging to, or which may hereafter belong to, Petersburg Borough Electric Utility, as the same may be added to, improved, or extended from time to time, and operated pursuant to chapter 3.40 of the Borough Code.

“Fiscal Year” means the Fiscal Year used by the Borough at any time. At the time of the passage of the Municipal Bond Ordinance, the Fiscal Year is the twelve-month period beginning on July 1 and ending on June 30 of each year.

“Future Parity Bonds” means any revenue bonds of the Borough, other than the Municipal Bond, the principal of and interest on which are payable out of money in the Petersburg Borough Electric Utility Enterprise Fund on a parity with the payments required to be made into the Parity Bond Fund in respect of the Municipal Bond and any Outstanding Parity Bonds.

“Gross Revenue” means all of the earnings and revenues of any kind or nature received by the Borough from the operation and maintenance of the Electric Utility. Gross Revenue excludes: (1) revenues from assessments collected in any local improvement district or utility local improvement

district; (2) amounts collected in respect of municipal utility taxes or payments in lieu of taxes; (3) proceeds of grants from the federal, state, or local governments; (4) gifts to the Electric Utility for capital purposes; (5) proceeds from the sale of Borough or Electric Utility property; (6) proceeds of Borough or Electric Utility obligations; (7) earnings or proceeds from any investments in any trust, defeasance or escrow fund created to defease or refund Electric Utility obligations until commingled with other earnings and revenues of the Electric Utility; (8) insurance proceeds compensating the Borough for the loss of a capital asset or the proceeds of any liability or other insurance (excluding business interruption insurance or other insurance of like nature insuring against the loss of revenues); and (9) Tax Credit Subsidy Bond Payments.

“Net Revenue” means all Gross Revenue less the Operation and Maintenance Expense.

“Operation and Maintenance Expense” means all reasonable expenses incurred by the Borough in causing the Electric Utility to be operated and maintained in good repair, working order and condition and properly treated as maintenance and operation expenses under generally accepted accounting principles applicable to similar municipal utilities, including: payments due under Contract Resource Obligations; all payments made to another person or agency for acquisition of electric energy; any deposits, premiums, assessments or other payments for insurance, if any, on the Electric Utility; amounts paid in respect of Electric Utility employee pensions and post-employment benefits (if any); and overhead and administration expenses allocated to the Electric Utility. Operation and Maintenance Expenses excludes: non-cash accounting items (e.g., depreciation, amounts treated as expenses under accounting guidelines with respect to unfunded contributions to pension or other post-employment benefit plans, non-exchange financial guarantees, environmental liabilities, and similar items); payments on contracts for the acquisition of electric energy or capability under which no energy has been furnished to the Borough (other than payments under Contract Resource Obligations); and any amounts paid in respect of municipal utility taxes or payments in lieu of taxes.

“Outstanding Parity Bonds” when used in reference to a particular date (or series of Parity Bonds), Outstanding Parity Bonds shall mean those Parity Bonds that are outstanding as of that date (or as of the issue date of such series).

“Parity Bond Fund” means the Electric Utility Parity Bond Fund created pursuant to the Municipal Bond Ordinance to pay and secure the payment of the Municipal Bond and any Future Parity Bonds, which is divided into a Debt Service Account and a Debt Service Reserve Account.

“Parity Bonds” means the Municipal Bond and any Future Parity Bonds.

“Principal Installment” means, as of any date of calculation and with respect to any one or more series of Parity Bonds, the principal amount of bonds of such series due on a certain future date, plus the amount of any Sinking Fund Requirement due on that date in respect of bonds of such series that are term bonds.

“Sinking Fund Requirement” means, for any Fiscal Year, the principal portion (and required redemption premium, if any) of any term bond that is required to be purchased, redeemed, or paid at maturity, as established in this Loan Agreement or bond purchase contract.

“Tax Credit Subsidy Bond” means any bond that is designated by the Borough as a Tax Credit Subsidy Bond, pursuant to Section 54AA of the Code or any substantially similar taxable tax credit bond program, and which is further designated by the Borough as a “qualified bond” with respect to

which the Borough is eligible to receive a tax credit payable by the United States Treasury to the Borough under Section 6431 or a substantially similar provision of the Code.

“Tax Credit Subsidy Bond Payments” means those amounts which the Borough is entitled to receive from the United States Treasury in respect of any bonds issued as Tax Credit Subsidy Bonds.

CERTIFICATE

I, the undersigned, the duly appointed Clerk of the Petersburg Borough, Alaska (the "Borough"), DO HEREBY CERTIFY:

1. That the attached ordinance is a true and correct copy of Ordinance No. _____ (the "Ordinance") passed by the Borough Assembly at a regular meeting thereof held on _____, 2022, and the Ordinance has been 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 legal quorum was present throughout the meeting and a legally sufficient number of members of the Borough Assembly voted in the proper manner for the passage 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.

3. The Ordinance has not been amended, modified, or superseded or repealed since the date of its passage.

IN WITNESS WHEREOF, I have hereunto set my hand dated as of _____, 2022.

Borough Clerk
Petersburg Borough, Alaska

Debra Thompson

From: Knapp, Sam P (DNR) <sam.knapp@alaska.gov>
Sent: Thursday, January 13, 2022 8:41 AM
To: Assembly
Subject: Alaska DNR offers radon testing
Attachments: 1-06-22 State offering free radon test kits for National Radon Awareness Month.pdf

Hello,

I'm writing to let you know that the Division of Geological & Geophysical Surveys within the Department of Natural Resources is offering radon testing kits to Alaskan homeowners to celebrate National Radon Action month (January). Part of our program is to learn more about radon prevalence throughout Alaska and identify high-risk areas. Radon gas exposure is the 2nd leading cause of lung cancer in the U.S., but long-term exposure is preventable through testing and mitigation.

Going back to 2014 when the radon program was run by UAF-Cooperative Extension, no radon tests have been distributed in Petersburg, and we don't have much knowledge about the risks of radon in the community. I've attached a recent press release the DNR published on 1/6/22 explaining our program and how people can participate. Any way the Petersburg Borough government can let local citizens know about this program would be appreciated! Feel free to reach out with any questions, and thanks for helping to spread the word. For further information about the DGGS radon program, visit <https://dggs.alaska.gov/hazards/radon.html>.

Regards,

Sam Knapp

Alaska Division of Geological & Geophysical Surveys

3354 College Road, Fairbanks, AK 99709

(907) 799-6924

sam.knapp@alaska.gov

Pronouns: he, him, his

Corri A. Feige
Commissioner

www.DNR.Alaska.Gov



Department of
Natural Resources

Anchorage, Alaska

STATE OF ALASKA

PRESS RELEASE

For Immediate Release: Jan. 6, 2022

State offering free radon test kits for National Radon Action Month

(Fairbanks, AK) – January is National Radon Action Month and the Division of Geological & Geophysical Surveys (DGGs) is offering free radon test kits to Alaskans to test their homes for the colorless, odorless, cancer-causing gas.

Radon gas is the second leading cause of lung cancer in the United States, according to the U.S. Surgeon General. Radon is a radioactive gas that originates from certain types of bedrock found commonly throughout Alaska and the United States. Radon enters buildings through cracks and gaps in the foundation, where it tends to collect and concentrate indoors, especially when buildings are sealed against cold winter temperatures. Radon is only detectable through specific air testing. Winter is the best time to test since it's when indoor radon concentrations are highest and when we spend the most time indoors.

"In addition to cold temperatures and darkness, the COVID-19 pandemic is forcing Alaskans to spend even more time indoors over the winter, making it particularly important to know the radon gas concentration in your home and ensure a safe living environment," said Jennifer Athey, a geologist with DGGs' Alaska Radon Program. "Radon exposure is especially risky to people who smoke and may cause lung cancer, even in non-smokers, within five to 30 years."

The DGGs publishes an online map of radon prevalence throughout the state of Alaska. This interactive map may be found at <https://maps.dggs.alaska.gov/radon/>. Through this program, DGGs hopes to improve regional knowledge to better inform Alaskans of the risks of radon in their local areas.

"The radon map helps homeowners to know where radon has been found in Alaska so far," said Athey. "However, all Alaskans are encouraged to test their homes for radon, as any home with a foundation in contact with the ground can concentrate this hazardous gas."

To request a free radon testing kit or get more information about radon testing or home repairs, visit the DGGs "Radon in Alaska" webpage at

<https://dggs.alaska.gov/hazards/radon.html>. Fill out the online questionnaire or contact Sam Knapp at sam.knapp@alaska.gov or 907-799-6924 to request a kit.

As part of its radon awareness program, the DGGs last month organized the Alaska Radon Poster Contest for Alaska youth aged nine to 14 years old to help educate Alaskans about the risks of radon. Children competed to produce the most informative, original, and eye-catching poster as a fun and educational way to raise awareness about radon throughout the state, said Athey. Submissions could be hand-drawn or digital and needed to convey radon-related information such as origins, health risks, testing, or home mitigation in a visual format.

First place in the contest went to Leo Tape from Randy Smith Elementary School in Fairbanks, with second place going to his sister, Sophia Tape, from Pearl Creek Elementary School. Lucy Roush of Pearl Creek Elementary School was awarded third place. The top three entries received prizes that included gift certificates to Michaels arts and crafts store. Leo Tape's winning poster will be entered in the National Radon Poster Contest to be judged this month.

In addition to DGGs, the sponsors of the Alaska Radon Poster Contest included the University of Alaska Fairbanks (UAF) Cooperative Extension Service, the American Lung Association in Alaska, and the National Extension Healthy Homes Partnership.

To see this year's winning entries, please visit <https://dggs.alaska.gov/outreach/radon-poster.html>. To see entries and results from the National Radon Poster Contest in January 2022, visit <http://www.radonleaders.org/>.

The Alaska Radon Program is funded by the U.S. Environmental Protection Agency's State Indoor Radon Grant to Alaska's Department of Environmental Conservation, Division of Air Quality. The grant is implemented through a partnership of DGGs and UAF's Cooperative Extension Service.

CONTACT: Jennifer Athey, 907-451-5028, jennifer.athey@alaska.gov; Sam Knapp, 907-799-6924, sam.knapp@alaska.gov; or Alaska Radon Hotline (Art Nash), 1-800-478-8324

Katherine Holmlund
Good Beginnings & Kinder Skog
Director
PO Box 709
Petersburg, AK 99833
Work: (907-738-3044)
Email: kinderskogak@gmail.com
29 January 2022

Petersburg Borough Assembly

Mayor Mark Jensen
Vice Mayor Jeigh Stanton Gregor
Member Bob Lynn
Member David Kensinger
Member Thomas-Fine Walsh
Member Chelsea Tremblay
Member Jeff Meucci

RE: Childcare Professionals Support Request

Dear members of the Petersburg Assembly,

I wanted to express my gratitude for the work you have put forward to listen to, and hopefully, respond to the childcare crisis in Petersburg. As a childcare professional I feel like now is our time to advocate for ourselves so that years from now future childcare professionals will not be wondering where along the way they lost their voice, we are finding it right now.

Even prior to the COVID-19 pandemic childcare professionals in Petersburg poured themselves into supporting children, families, and this community. The pandemic has frayed the already thin threads of childcare, and has worn many of us too thin, yet we continue to show up for our community and our kids. It is easy for many to say, "if you don't like the job, then leave," the problem is that many of us absolutely love our jobs and are incredibly grateful to be there to support early learning and development. My programs have been fortunate to receive grant funding the past few years which have allowed us to stabilize the programs and support families, unfortunately my staff is still in the same situation as pre-pandemic times; under-valued, under-appreciated and over-worked. The ship is not just sinking anymore, it has sunk, and we are clinging together inside the life raft while some people splash ice cold water in our face and the sharks circle. So here I am, writing a letter to do the things I tell kids to do when they are stuck; ask for help, rely on a friend, and when you are unstuck make sure you reach behind you and lift the others up.

I want to express my support to the Assembly for you to utilize ARPA funds to support childcare professionals in any manner possible. This expression of support is not made for myself, it is however, very much made for my incredible staff and my peers in other facilities. They deserve better. The past few years my staff has increased their job responsibilities to include more sanitation efforts, they have taken trainings to help address the trauma of the COVID-19 pandemic and they teach kids emotional literacy and emotional stamina, and so much more. My staff has created a safe, stable, enriching environment for kids all while dealing with the collective trauma of this pandemic and they have not asked for a single thing, so I am going to ask for them, please support our childcare professionals. Please recognize the efforts being made within our community by childcare professionals to enrich the lives of children, support families, and grow as professionals.

I know we still have a long way to go as a community and a country to raise our childcare professionals up and support them, but we can start now, I kindly ask the Assembly to take action. In addition, I would like to remind all Assembly members that you have an open invitation to Good Beginnings and Kinder Skog. If you join for preschool be ready to be silly with the best kids around, and if you join the Kinder Skog adventure be dressed for the weather because nothing stops those kids.

Thank you all for your continued work towards improving our community, I know public service not an easy task and wears on your heartstrings, thank you for showing up for Petersburg.

With respect,

A handwritten signature in black ink, appearing to read "Katherine Holmlund". The signature is fluid and cursive, with the first name "Katherine" written in a larger, more prominent script than the last name "Holmlund".

Katherine Holmlund

Debra Thompson

From: Sarah Fine <sarah@finewalshlaw.com>
Sent: Wednesday, January 19, 2022 1:01 PM
To: Assembly; Stephen Giesbrecht; Debra Thompson
Subject: Requested Changes to Police Hiring Methods

Dear Borough Assembly & Management:

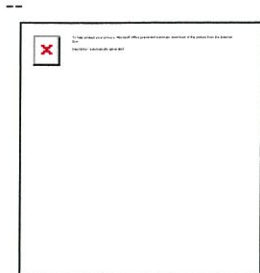
After listening to Chief Kerr's presentation at the assembly meeting I'm writing to request changes to the Police Department hiring policy. Given the circumstances of the recent officer's firing, during their polygraph and/or the psychological exam I think it would be reasonable for applicants to the police department to be asked such questions as:

1. Do you believe in white supremacy?
2. Do you believe that white people are inherently better than other people?
3. Do you believe that Alaska is the New White Homeland?
4. Do you believe that the Nazi Third Reich was the right way to run a government?

This is more than just a philosophical issue for me. As an ethnically Jewish person living full-time in Petersburg I need to believe this is a safe place for me to live and one day raise children. While no hiring process is perfect, it can always be made better. Questions such as these could have screened out the police officer the Borough recently had to fire before he was ever hired, and to that end I believe they are worth implementing.

Thank you for your time and consideration.

Sincerely,
Sarah Fine-Walsh



Sarah Fine-Walsh, Attorney
Partner | Fine & Walsh, Attorneys at Law

15 North 12th Street, Suite 226
Petersburg, Alaska 99833

907.650.7589 | sarah@finewalshlaw.com

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Re: Requested Changes to Police Hiring Methods (Sara Fine-Walsh email)

Petersburg Borough Assembly & Petersburg Community,

After the recent discussion of the Petersburg Police Departments hiring practices, it appears there may still be some concerns.

You received an email requesting changes to police hiring methods. These changes request the following questions being asked in the polygraph and/or the psychological exam.

1. Do you believe in white supremacy?
2. Do you believe that white people are inherently better than other people?
3. Do you believe that Alaska is the New White Homeland?
4. Do you believe that the Nazi Third Reich was the right way to run a government?

The in-depth background investigation method currently in use by the Petersburg Police Department has been successful in identifying the above listed concerns in previous applicants. If the applicant, makes it past the background investigation. They move on to the Pre-Employment Polygraph.

I contacted different agencies and private firms to make sure Petersburg Police Department is using up to date industry standards in polygraphs. I even contacted the Federal Bureau of Investigations (FBI) and spoke with one of their Polygraph Examiners. All information received re-enforces the Petersburg Police Department's hiring process meets or exceeds the industry standards.

Pre-Employment polygraphs consist of a lengthy pre-test interview where polygraph examiners cover multiple aspects of the applicant's entire life, then general screening test questions are formulated to confirm the applicant has not withheld information concerning different aspects of criminal activities.

Polygraph test questions cannot be formulated to address whether or not a person "believes" anything, to include other subjective opinions such as love, hate, ect. Relevant test questions should instead focus on behaviors; not believes, such as "Have you participated in..." or "Have you been a member or associate of any gang, subversive organization or supremacist group?" The polygraph examiner would then explain to the applicant what the definition of that question means for testing purpose, which can include behaviors associated to these topics.

Current pre-employment polygraphs used by the Petersburg Police Department cover the requested topics. Current questions are not exact wording as requested but elicit the desired responses and encourage conversation between applicant and polygraph examiner.

Petersburg Borough Police Department

PO Box 329 Petersburg, AK 99833 · Phone (907)772-3838 Fax (907)772-3504

www.petersburgak.gov



Once the polygraph examination is completed the applicant moves on the psychological evaluation. I reached out to Public Safety Psychological Services who provide the psychological evaluations for the Petersburg Police Department. I inquired about Bias's in pre-employment psychological evaluations, and I was reassured by Public Safety Psychological Services that biases are covered in the evaluations of police officers.

Public Safety Psychological Services provided me with a PowerPoint on Bias. I was also provided Bias Assessment Practices which covers Assessing Bias and Intolerance in the Preemployment Psychological Screening Process.

When you combine all the current hiring practices of the Petersburg Police Department, the Petersburg Police Department is providing the best possible police officer for the community.

As Chief of Police, I want to reassure the Petersburg Community the Petersburg Police Department takes great pride in the quality of service it provides to this community. Petersburg Police Department not only serves the community but views the Petersburg Community as its partner. Working together we can provide a better future for generations to come.

Respectfully,

A handwritten signature in blue ink, appearing to be "James Kerr", is written over a light blue circular stamp.

James Kerr
Chief of Police
Petersburg Police Department

Petersburg Borough Police Department

PO Box 329 Petersburg, AK 99833 · Phone (907)772-3838 Fax (907)772-3504

www.petersburgak.gov



Public Safety Psychological Services

Assessing Bias and Intolerance in the Preemployment Psychological Screening Process

The goal of hiring applicants for police positions who are “culturally competent” is worthwhile, especially in view of the significant demographic changes in the area. However, implementing that goal may present both legal and practice challenges.

As you know, it is the responsibility of the psychological screener to select applicants who are free from serious emotional problems (stability standard) and who possess personal traits and characteristics that match the values of the organization and possess the mature capacity to serve the community in a safe and effective manner (suitability standard).

We do have psychological tests, questionnaires and interview protocols that help us meet the traditional goals of stability and suitability determination. The standard of care for psychologists is to identify any test-based concerns, then search for corroboration of testing concerns in the applicant’s background investigation results, the polygraph report and what the applicant admits to the psychologist during the face-to-face interview. A consensus of screening psychologists would agree that psychologically failing an applicant based solely on testing indicators of negative traits or characteristics is not appropriate. That is, except in extreme cases an applicant’s traits and characteristics are only sufficient to justify a rejection if those traits/characteristics can be linked to problem performance of essential job requirements, and that usually requires evidence that the negative traits have been manifest in the applicant’s previous behavior. Simply having test indicators of a trait like “abrasiveness” or “irresponsibility” – unless it can be confirmed in their work or personal history, or the psychological interview – would be regarded as insufficient cause for rejection.

We are presenting this review of our practice standard to provide a context for the discussion about strategies for what many people desire: “screening out candidates with significant bias towards various types of people – specifically because of race, gender, religion, identity, socio-economic status and/or other protected category.”

To be clear, we believe most admissions of discriminatory behavior are linked to essential job dimensions and we think we are justified in making a negative employment decision in these cases. However, failing applicants based on psychological grounds for attitudes or beliefs that have not been manifest in an applicant’s behavior toward others is a slippery slope. At the present time, if we identify applicants who admit to attitudes that we regard as intolerant/prejudiced (e.g. using ethnic or sexist comments, or making ethnic jokes, not at work), but they have not acted on those attitudes, we present our concern to the agency in the narrative psychological report but defer to the employer to make the hiring determination. We recommend consulting with the agency’s legal team to decide whether acting more aggressively in the case of suspected intolerant/racist attitudes is defensible.

Current Methods/Procedures to Identify Intolerance in Job Applicants



Public Safety Psychological Services

Long before the concept of “cultural competence” was introduced our firm employed questions and test measures designed to identify job applicants who have engaged in behavior that we regard as discriminatory (see attached examples from the Psychological History Questions (PsyQ). Many management concerns are focused on the issues addressed in our PsyQ questions.

In addition, one of the two principal tests we use to screen job applicants (the CPI) contains a scale measuring Tolerance, which was originally designed to measure anti-Semitism. In fact, the behavioral anchors of the Tolerance construct are just as relevant to today’s concern about intolerance of other people based on race, language, religion, gender or sexual orientation. Our firm has conducted research establishing the relevance of Tolerance and the related CPI scale Empathy, with the goal of selecting police officers who do not have a pattern of intolerant behavior toward citizens, suspects and other officers (Roberts, R., et. al., 2017; Roberts, R., 2016). We advise psychologists that use our CPI Selection Report to apply cutoffs on the Tolerance and Empathy scale to identify which applicants should be questioned carefully regarding attitudes and behaviors that could be regarded as implicitly or explicitly biased toward other people based on their being in a protected class

Our firm will continue to try and address the issues of concern by using testing, questionnaires and interview inquiries that are legal, and that have demonstrated a correlation with job relevant dimensions, or are capable of being validated as required by our professional standards.

An interim, alternative approach to addressing the issues raised by some administrators would be to direct the department’s polygraph operators add the questions identified to the set of polygraph inquiries. If bias questions are asked and answered under polygraph conditions (when connected to the instrument) applicants do provide a wealth of information that can be considered by management prior to extending the applicant a COE and referring them to the psychological.

The Challenge of Employing Bias Indicators as Employment Selection Criteria

It may seem reasonable to use a purported indicator of bias as part of a preemployment psychological screening battery, such as the frequently referenced Implicit Association Test (IAT), but there is considerable evidence that this instrument lacks both validity and reliability in a research context (see attached article), and there is no evidence that the IAT or any other “bias” indicator has been validated as a predictor of negative job outcomes in police officers.

It is important to note that all research efforts need information about the individuals being studied that can be determined legally, and that are verifiable. This constraint presents a challenge for all researchers, particularly in the public safety context. Any research addressing the issues raised by Ms. Jelks would require information about the applicants/officers that would serve as predictor variables in the study (are they white, black, bilingual, LGBT or straight, Catholic or Muslim, etc.), but those inquiries may be prohibited by federal law and/or union policy. For example, to investigate religious bias, you would need to ask applicants/officers about religion, and that’s illegal. The same goes for asking about LGBT status. Even if you have the data about the applicants/officers in the study, research in this area faces a major challenge because the most obvious criterion to examine doesn’t exist. That is, police agencies routinely terminate officers for sexual misconduct, excessive use of force, stealing or other integrity issues - but they never



Public Safety Psychological Services

document biased behavior directed toward gays, homeless, bilinguals, religious minorities, on any other target population. This lack of a robust “bias” criterion has limited current and past psychological screening validity research relevant to the negative job outcomes listed above. The good news is that some agencies are starting to track police-citizen incidents in terms of bias, such as the project underway in the New York City Police Department. If other agencies are willing to provide that kind of outcome data that can be used as research criteria, we will be able to make progress in achieving our goal of selecting applicants who are not a high risk of becoming biased police officers.

In summary, we assure you that our firm is committed to ensuring that we develop evidence-based psychological tests and questionnaires to address these concerns.

Thanks for the opportunity to address these important issues,

Cerise M. Vablais, MBA, PhD, ABPP
Mike Roberts, Ph.D., ABPP
Ryan Roberts, J.D., Ph.D.
Co-Owners, Public Safety Psychological Services, PLLC

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(425) 775-4477

BIAS, RACISM, AND HIRING: WHAT WE KNOW, WHAT WE DON'T AND WHAT WE NEED: PRE-EMPLOYMENT PSYCHOLOGICAL SCREENING

CERISE M. VABLAIS, MBA, PHD, ABPP

PUBLIC SAFETY PSYCHOLOGICAL SERVICES, PLLC

OCTOBER 14, 2020

HELP@PSSPC.NET

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WHERE WE WERE....

- 1967- The need to assess police officer applicants was first acknowledged by the President's Commission on Law Enforcement and Administration of Justice
 - Recommended that all law enforcement agencies conduct psychological testing to screen out poorly suitable applicants
- 1973 – National Advisory Council on Criminal Justice Standards and Goals recommended all applicants seen by a qualified psychologist or psychiatrist
- California enacted its own regulations requiring that “police officer candidates be found free of mental or emotional conditions that would affect their ability to perform law enforcement duties, as determined by a qualified psychologist or physician.” (Peace Officer Standards and Training – POST)

DEVELOPMENT OF THE POST DIMENSIONS

- Phase 1: Review of past peace officer job analyses
 - Psychologists who were members of the IACP – Police Psychological Services Section were asked to provide job information related to psychological traits
 - Reviewed job descriptions, outcome studies, performance issues
 - An initial list of "psychologically relevant performance problems, job functions and job demands" was developed
- Phase 2: Development of the POST Job Analysis Questionnaire
 - Traits identified in Phase 1 were evaluated by rates to assess their importance to job performance
- Phase 3: Focus Groups
 - Groups were conducted to validate the initial list of psychological traits
- Phase 4: Critical Incidents
 - Reviewed both positive and negative performance incidents in significant events to assess for behavioral traits and their effectiveness in a given situation

FINAL POST DIMENSIONS

1. Social Competence
2. Teamwork
3. Adaptability/Flexibility
4. Conscientiousness/Dependability
5. Impulse Control/Attention to Safety
6. Integrity/Ethics
7. Emotional Regulation/Stress Tolerance
8. Decision-Making/Judgment
9. Assertiveness/Persuasiveness
10. Avoiding Substance Abuse and Other Risk-Taking Behavior

WHERE WE ARE NOW:

- Wide variations in national standards for hiring!
- Washington State
 - Pre-employment required for all LEOs and for all FFs for departments of a certain size
 - Not required for COs and 911, other job categories
- Part of the national conversation **SHOULD** be the importance of competent screening
 - Some states **STILL** do not require pre-employment psychological evaluation for LEOs, many to most do not require for firefighters or dispatcher, corrections and other positions

PRE-EMPLOYMENT PSYCHOLOGICAL EVALUATION

- Suitability
 - Possess personal traits and characteristics that match the values of the organization
 - Possess the maturity and capacity to serve the community in a safe and effective manner
- Stability
 - Select applicants who are free of serious emotional problems
- State of Where we Are
 - Limited Predictive Validity on current measures but.... We are working on that and YOU can help

SUITABILITY ASSESSMENT REPORT (SAR)

- Personal History Report (PHQ)
 - History of Citizen Complaints (Current public safety employees)
 - Ask about bias complaints, excessive use of force, etc.
 - Asks about prejudices against another group of people (True/False)
 - Asks if they have ever been a member or supporter of a group that seeks to deny civil rights to others (True/False)
 - Asks about rejections from other public safety hiring processes
- Supplemental Personal History Questionnaire (Pre-COE)
 - "What is the most negative interaction you have had with a person of a different ethnic or racial background?"

POST COE PSYCHOLOGICAL EVALUATION

- Psychological History Report (PsyQ)
 - Has never been/Has been the subject of complaints or disciplinary action for verbal or physical behavior directed against women, minorities, or other protected groups.
 - Does not make/has made jokes or negative comments at work about women, minorities, or other protected groups.
 - Does not think/Thinks it is acceptable to make jokes or negative
 - Has no prejudices/Has prejudices against groups
- During psychological interview, we ask: “What is the most negative interaction you have had with a person of a different racial or ethnic background?”
- Note on Virtual Interviewing/Digital Footprint

PRELIMINARY RESEARCH:

- Candidates with higher scores on Dominance (Do) were at greater risk for subsequently being rated by supervisors as having control of conflict problems. (CPI-434)
- Continued support for the CPI-PPSR's probability of involuntary departure equation as being predictive of performance issues
- Preliminary finding that candidates with lower scores of the Tolerance (To) scale are more likely to have verbal conflicts and to have a lower tolerance for individuals with beliefs different than their own

WHERE WE NEED TO GO:

New Changes to California Law:

- peace officers shall meet all of the following minimum standards:
 - (f) Be found to be free from any physical, emotional, or mental condition, including bias against race or ethnicity, gender, nationality, religion, disability, or sexual orientation, that might adversely affect the exercise of the powers of a peace officer.
- **SEC. 2.**
- Section 1031.3 is added to the Government Code, to read:
- **1031.3.**
- (a) The Commission on Peace Officer Standards and Training, by January 1, 2022, shall study, review, and update their regulations and associated screening materials related to the emotional and mental condition evaluation required by Section 1031 to incorporate both of the following:
 - (1) Identification of explicit bias towards race or ethnicity, gender, nationality, religion, disability, or sexual orientation.
 - (2) Identification of implicit bias towards race or ethnicity, gender, nationality, religion, disability, or sexual orientation.

CULTURAL COMPETENCY 11TH POST DIMENSION?

- Psychologists Casey Stewart, David Corey and Sandra Jenkins have proposed an 11th dimension:
 - Multiculturalism, defined as the “recognition of how cultural factors (e.g., race, ethnicity, language, sexual orientation, gender, age, disability, class status, education, and religious or spiritual orientation) play out in individuals and society, as well as how applicants are influenced by their own unique identities.”
- Challenge will be developing valid tests to measure these constructs

PROPOSED QUESTIONS:

Ask throughout the hiring process – oral interview, background investigation and psychological interview

- Tell me about your experience studying, working or living with people of diverse backgrounds? What surprised you about these experiences? What did you learn?
- How do you define cultural competency? What do you do to increase your own cultural competency?
- Define explicit bias. Define implicit bias. What do you think of those terms?
- FOR LEO applicants: How do you think policing can address the current national concerns raised by communities of color?

WHAT WE NEED FROM YOU!

- Background investigation, polygraph report, THE MORE information the better
- National call to action
 - Pre-employment psychological evaluations in ALL jurisdictions for ALL public safety personnel
- We need to know when things don't work out! Outcome data is the ONLY way to make better tests that increase predictive validity
 - This is especially true because inappropriate and/or illegal acts by first responders, especially in the area of bias are a “low base rate phenomenon” – so ANY information we can get is helpful
 - Engage your supervisors and command staff in a discussion about the necessity to take note of inappropriate behavior that shows bias, either explicit or implicit

QUESTIONS?

Cerise M. Vablais, MBA, PhD, ABPP

cvablais@psspc.net

425.775.4477