



City and Borough of Wrangell  
Borough Assembly Meeting  
AGENDA

Tuesday, May 10, 2022  
6:00 PM

Location: Borough Assembly Chambers

**1. CALL TO ORDER**

- a. PLEDGE OF ALLEGIANCE led by Assembly Member Bob Dalrymple
- b. CEREMONIAL MATTERS - None.

**2. ROLL CALL**

- 3. PERSONS TO BE HEARD** - *Section WMC 3.05.040 (C) states that: The chair may call to order any person who is breaching the peace or being disorderly by speaking without recognition, engaging in booing or catcalls, speaking vulgarities, name calling, personal attacks, or engaging in other conduct which is determined by the chair to be disruptive of the meeting. Any person so disrupting a meeting of the assembly may be removed and barred from further attendance at the meeting unless permission to return or remain is granted by a majority vote of the assembly.*

- a. **CORRESPONDENCE:** Bruce McQueen Letter re: Port Commission's discussion on Requiring Vessel Insurance

**4. AMENDMENTS TO THE AGENDA**

**5. CONFLICT OF INTEREST**

- 6. CONSENT AGENDA** - *Matters listed under the consent agenda are considered to be routine and will be enacted by one motion and one vote. there will be no separate discussion of these items. If the borough mayor, assembly member, manager, or clerk requests discussion on any item, that item will be removed from the consent agenda and will be considered under unfinished business (no motion is necessary to move an item from the consent agenda).*

**MOTION ONLY:** *Move to Approve the Consent Agenda, as submitted.*

- a. **ORDINANCE No. 1025** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING SECTIONS 5.02.050, INVESTMENTS AND 5.02.080, MATURITIES, OF THE WRANGELL MUNICIPAL CODE
- b. **RESOLUTION No. 05-22-1686** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA AMENDING THE FY22 BUDGET IN THE MUNICIPAL LIGHT & POWER FUND BY TRANSFERRING \$330,500 FROM THE FUND RESERVES TO THE CAPITAL EXPENDITURES ACCOUNT AND AUTHORIZING ITS EXPENDITURES FOR THE 12MW POWER PLANT UPGRADES CAPITAL PROJECT
- c. Minutes of the April 26, 2022 Regular Assembly Meeting
- d. Minutes of the May 4, 2022 Special Assembly Meeting

**7. BOROUGH MANAGER'S REPORT**

- a. Borough Manager's Report

**8. BOROUGH CLERK'S REPORT**

- a. Borough Clerk's Report

**9. MAYOR AND ASSEMBLY BUSINESS**

**10. MAYOR AND ASSEMBLY APPOINTMENTS**

**11. PUBLIC HEARING**

- a.** **ORDINANCE No. 1024** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS IN CHAPTER 14.13, IMPOUNDMENT OF VESSELS, IN THE WRANGELL MUNICIPAL CODE

**12. UNFINISHED BUSINESS**

- a.** **RESOLUTION No. 04-22-1690** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AUTHORIZING THE SALE OF PUBLIC LAND IN CONFORMANCE WITH WRANGELL MUNICIPAL CODE CHAPTER 16.12, SPECIFICALLY, LOT A, BLOCK 54, WMC REPLAT, PLAT 2016-6, WRANGELL RECORDING DISTRICT (*Postponed from the April 26, 2022 Assembly Meeting*)

**13. NEW BUSINESS**

- a.** Approval of FY 2023 Wrangell Public Schools Budget and Local Funding Contribution in the Amount of \$1,592,000
- b.** Discussion and possible direction to discuss a potential Timber Cruise at the Sunny Bay property (*requested by Assembly Member DeBord*)
- c.** Approval of Tax Contribution Agreement between Southeast Alaska Regional Health Consortium (SEARHC) and the City and Borough of Wrangell
- d.** Approval of City & Borough Tidelands Annual 2022 Five-Year Reassessments

**14. ATTORNEY'S FILE** – Available for Assembly review in the Borough Clerk's office

**15. EXECUTIVE SESSION**

- a.** **EXECUTIVE SESSION:** Update and Discussion on the Tax Contribution Agreement Proposal between SEARHC and the City and Borough of Wrangell

**16. ADJOURNMENT**

Bruce McQueen Item a.  
P.O. Box 1726  
Wrangell, AK 99929  
01 May 2022

Wrangell Port Commission  
P.O. Box 531  
Wrangell, AK

I want to go on record opposed to any vessel insurance requirements or additional fees for uninsured vessels. My comments below are in response to the information provided in the recent Sentinel article and the agenda and meeting minutes of the Port Commission. While I understand that vessel casualties, like the recent sinking of the *T/V BEE* in Shoemaker Harbor, do place a financial strain on CBW resources, the proposals being discussed will place an undue financial burden on harbor users, and may contribute little to vessel safety. Based upon the meeting minutes the discussion to date has offered no evidence that insurance has actually covered the cost of vessels that sank in Alaska harbors, and frankly requiring uninsured vessels to pay into a *sinking fund* seems like a ploy to hide a substantial moorage increase.

I own a Svendsen built landing craft that is billed as 30' LOA: which costs about \$1000 annual moorage. The boat is aluminum with a self-bailing deck and has zero thru-hull fittings. I believe this design is less likely to sink at the dock than many skiffs that discussion to date seems to favor exempting, and it certainly doesn't present the clean up challenge of a vessel like the *BEE*. I choose to *self-insure* the boat against sinking because I think the likelihood of sinking is remote, and insurance premiums and periodic marine surveys to obtain commercial insurance are costly. I have the engines maintained annually, and spend enough time keeping the bottom cleaned that I keep good track of the hull condition. Under the discussed \$2/ft/month fee schedule for my sized boat I would be charged an additional \$720 annually: which would amount to approximately a 75% annual moorage increase. That is also \$720 a year that I no longer have to maintain my boat.

The Port Commission agenda packet online listed 4 harbors (Seward, Whittier, Kodiak and Juneau), apparently as a sort of case study. The powerpoint slide for Seward and Whittier only mention liability coverage, which I understand is designed primarily to cover injury, and generally does not cover vessel damage or loss. The Kodiak slide mentions that insurance or a certification of seaworthiness can be required "*If the City believes that a vessel is unseaworthy...*" Only the Juneau slide mentioned actually requiring insurance or paying a \$0.25 monthly moorage surcharge. I don't believe that any of those first three cases provides any precedent for the CBW discussion, and there is a big difference between Juneau's \$0.25 fee and the hundreds of dollars being discussed by CBW! Missing from the vessel insurance discussion was how many Alaskan harbors *don't* require insurance or assess an addition fee, and there was no analysis to indicate historically how many vessel sinkings in Alaskan ports have actually been covered by insurance. Even if a boat is 'insured' there is some likelihood that salvage wouldn't be covered if any of a number of conditions might be discovered in a casualty analysis. Just because a couple ports in Alaska have insurance language in their harbor ordinances doesn't mean adding that is an effective means of mitigating the cost of any future sinkings for CBW.

Any focus on insurance requirements detracts from my main concern as a taxpayer and harbor user. When the *T/V BEE* sank I understand it had been impounded and was the legal responsibility of the CBW. Completely absent from the Port Commission agenda packet and minutes was any discussion about a review of harbor operating procedures to help ensure boats under CBW care are safeguarded. Was the *BEE* subject to a marine inspection at any time in connection with it being impounded? If not, how was the CBW confident of the condition of the *BEE* and what measures were necessary to ensure its safety? The list of unaddressed questions that come to my mind could go on at some length. Were any additional pumps installed, how often did the installed pumps cycle on, how much water did the *BEE* normally take on in a given period, was there a high water sensor that could have alerted harbor staff to raising water? Was the 'daily check' a walk by sighting from the pier, or a relatively detailed on board check that documented pump operation, water in the hold, etc? The Sentinel article mentioned the *BEE* couldn't be removed from the water because the impound lot was full. Should a vessel in that condition ever be impounded and left in the water? While even the most well maintained vessels are subject to failures that could cause them to sink at the dock, my impression of the *BEE* from passing it every time I entered or left Shoemaker was that it was a miracle that it floated as long as it did. That it sank while under the "ownership" of the CBW suggests to me that the primary concern moving forward should be an internal review of harbor procedures to attempt to ensure that the harbor department has the equipment and procedures to deal with boats in their care.

Vessel losses are an unfortunate reality. I believe most vessel owners will do all they can to step up and salvage their vessel, whether they are insured or not. Abandoned vessels are another issue. I would guess that abandoned vessels that are impounded for failure to pay moorage will be unlikely to have paid their insurance premiums or any uninsured vessel fees. I don't believe there is any 'magic ordinance' that the CBW could enact that will guard against any future expenses. Certainly the proposed uninsured boat fee would give the CBW more financial resources to respond to future *T/V BEEs*, but only by placing a significant financial burden on responsible boat owners. I suggest that the best use of CBW resources at this point is to completely drop any discussion of insurance requirements or uninsured vessel fees, review impound procedures to help ensure abandoned and unseaworthy vessels are dealt with in a timely manner, and review and revise internal harbor standard operating procedures to ensure vessels under CBW care are properly safeguarded.

Thanks for the opportunity to express my concerns, and I welcome any questions about my position.

Sincerely,  
/s/  
Bruce McQueen

Copy: CBW Assembly and City Manager

**CITY & BOROUGH OF WRANGELL, ALASKA  
BOROUGH ASSEMBLY AGENDA STATEMENT**

<u>AGENDA ITEM TITLE:</u>	<u>DATE:</u>	May 10, 2022
	<u>Agenda Section</u>	<b>6</b>

**ORDINANCE No. 1025** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING SECTIONS 5.02.050, INVESTMENTS AND 5.02.080, MATURITIES, OF THE WRANGELL MUNICIPAL CODE

SUBMITTED BY:

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Mason Villarma, Finance Director

FISCAL NOTE:

<b>Expenditure Required: \$XXX Total</b>		
FY 21: \$	FY 22: \$XXXXXX	FY23: \$
<b>Amount Budgeted:</b>		
FY22 \$XXX		
<b>Account Number(s):</b>		
XXXXXX XXX XXXX		
<b>Account Name(s):</b>		
N/A		
<b>Unencumbered Balance(s) (prior to expenditure):</b>		
\$XXX		

Reviews/Approvals/Recommendations

<input type="checkbox"/>	Commission, Board or Committee
Name(s)	Planning and Zoning Commission
Name(s)	
<input type="checkbox"/>	Attorney
<input type="checkbox"/>	Insurance

ATTACHMENTS: 1. ORD 1025

This item is being considered under the Consent Agenda. Matters listed under the consent agenda are considered to be routine and will be enacted by one motion and vote. There will be no separate discussion on these items. **If the Mayor, and Assembly Member, the Manager or Clerk requests discussion and/or consideration on an item under the Consent Agenda, that item will be removed from the Consent Agenda and will be considered under Unfinished Business.**

**RECOMMENDATION MOTION:**  
Move to Approve First Reading of Ordinance No. 1025 and move to a Second Reading with a Public Hearing to be held on May 24, 2022.

**SUMMARY STATEMENT:**

During the Alaska Permanent Capital Management presentation by Blake Phillips in March, he recommended the Finance Department should revise the Borough's investment code to include municipal and corporate investment grade bonds. He also recommended expanding the maturity date from 5-years to 10-years so when the Borough experiences economic conditions that have produced high interest rates, the Borough can harbor its money in favorable securities for a longer duration.

Ordinance 1025 satisfies this request. If passed, it will be permissible for the Borough to:

- a) Invest in investment grade municipal and corporate bonds
- b) Invest in assets that do not exceed a 10-year maturity from the investment purchase date

CITY AND BOROUGH OF WRANGELL, ALASKA  
ORDINANCE NO. 1025

AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING SECTIONS 5.02.050, INVESTMENTS AND 5.02.080, MATURITIES, OF THE WRANGELL MUNICIPAL CODE

BE IT ORDAINED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA:

[The changes to the existing code are shown as follows: the words that are underlined are to be added and the words that are bolded and in brackets are to be deleted.]

SEC. 1. Action. The purpose of this ordinance is to amend Sections 5.02.050, Investments and 5.02.080, Maturities, of the Wrangell Municipal Code.

SEC. 2. Amendment, Section 5.02.050 of the Wrangell Municipal Code is hereby amended as follows:

**5.02.050 Investments.**

Investments shall be restricted to the following, at time of purchase:

...

**B. [Fully insured certificates of deposit, savings deposits, and other interest-bearing deposit accounts in member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC)] Certificate of Deposit issues which have a secondary market and are issued by a financial institution that is rated at least "A" by one of the major rating services or for which principal and interest is FDIC insured.**

**C. [Fully collateralized certificates of deposits, savings deposits, or other interest-bearing deposit accounts of member banks insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC). Such deposits shall be fully collateralized for any amount of the deposit in excess of the FDIC or FSLIC insurance limits then in force] Commercial paper which is rated at least A-1/P-1.**

**D. [Repurchase agreements where the general checking balance at the end of each business day is used to buy a security (as allowed under WMC 5.02.050(A), (B) or (C)) from the bank and held overnight. The bank agrees to repurchase the security at the beginning of the next business day and deposit back to the general checking. All repurchase agreements**

**must meet all the investment guidelines as described in this chapter] Repurchase agreements with at least 102% collateral.**

E. US dollar denominated obligations of municipalities and corporations that are rated investment grade by at least two of the major rating agencies.

F. US asset backed securities rated “AAA” by at least one of the major rating agencies.

**[E] G.** Investment in lower risk equity securities, mutual funds, and exchange traded funds shall be allowed if, and only if, all the following criteria are satisfied:

1. The cash to be invested originates from an enterprise fund; and
2. The enterprise fund has an unrestricted net asset balance of greater than or equal to \$1,000,000; and
3. The cash harbored in a security provided in this subsection (E) does not exceed 10 percent of the enterprise fund’s unrestricted fund balance at the beginning of the most recent fiscal period; and
4. The underlying investment can be readily convertible to cash within 30 days; and
5. All investment income is reinvested or withdrawn and remitted to the respective enterprise fund based proportionally on the principal amount contributed to the initial investment.

**5.02.080 Maturities**

All investments shall have maturities measured from the date of purchase which do not exceed **[five] ten** years, except for investments that shall be put to specific uses (such as defeasance of debt or establishment of a linking fund) where the matching or maturity to the use is most important.

SEC. 3. Classification. This ordinance is of a permanent nature and shall be codified in the Wrangell Municipal Code.

SEC. 4. Effective Date. This ordinance shall be effective upon adoption.

PASSED IN FIRST READING: \_\_\_\_\_, 2022

PASSED IN SECOND READING: \_\_\_\_\_, 2022

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Stephen Prysunka, Borough Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, MMC, Borough Clerk

**CITY & BOROUGH OF WRANGELL, ALASKA  
BOROUGH ASSEMBLY AGENDA STATEMENT**

<u>AGENDA ITEM TITLE:</u>	<u>DATE:</u>	May 10, 2022
	<u>Agenda Section</u>	<b>6</b>

**RESOLUTION No. 05-22-1686** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA AMENDING THE FY22 BUDGET IN THE MUNICIPAL LIGHT & POWER FUND BY TRANSFERRING \$330,500 FROM THE FUND RESERVES TO THE CAPITAL EXPENDITURES ACCOUNT AND AUTHORIZING ITS EXPENDITURES FOR THE 12MW POWER PLANT UPGRADES CAPITAL PROJECT

SUBMITTED BY:

Amber Al-Haddad, Capital Facilities Director

FISCAL NOTE:

<b>Expenditure Required: \$330,500</b>		
FY 21: \$	FY 22: \$330,500	FY23: \$
<b>Amount Budgeted:</b>		
<b>Account Number(s):</b>		
<b>Account Name(s):</b>		
<b>Unencumbered Balance(s) (prior to expenditure):</b>		

Reviews/Approvals/Recommendations

<input checked="" type="checkbox"/>	Commission, Board or Committee
Name(s)	Planning and Zoning Commission
Name(s)	
<input type="checkbox"/>	Attorney
<input type="checkbox"/>	Insurance

ATTACHMENTS: 1. Res 05-22-1686.

This item is being considered under the Consent Agenda. Matters listed under the consent agenda are considered to be routine and will be enacted by one motion and vote. There will be no separate discussion on these items. **If the Mayor, and Assembly Member, the Manager or Clerk requests discussion and/or consideration on an item under the Consent Agenda, that item will be removed from the Consent Agenda and will be considered under Unfinished Business.**

**RECOMMENDATION MOTION (Consent Agenda Item):**  
**Move to Approve Resolution No. 05-22-1686.**

## SUMMARY STATEMENT:

Based on the yearly power use records, the yearly energy usage in Wrangell has doubled and the peak demand usage has tripled over the last fifteen years. Due to additional power demand throughout the system, the current standby diesel plant needs certain further retrofits to fully support the loads during peak loading events and when SEAPA hydro is unavailable.

With the addition of the 20-cylinder generator, the Power Plant has the capacity to provide 12MW of power output; however, there still exists a bottleneck of power distribution at the point of the ring buss which restricts the full 12MW power capacity. To gain the full benefit of the additional 3MW of backup generation, and to support our growing power load, retrofitting certain physical components is required, including increasing the conductor size to the transformers, installing two new switches to isolate the transformers to prevent faults due to in-rush, and replacing the existing three 2-MW transformers with three 3-MW transformers.

The transformers represent the primary bottleneck to the power distribution system and serve to restrict the amount of load that can be pushed out to the system. Replacing the remaining three 2MW units with three 3MW units will help provide the added capacity to the electrical distribution system.

Due to global supply chain disruptions, shipping delays, and an unpredictable market rebound, the Borough wishes to begin the procurement process for the 3MW transformers, allowing a procurement solicitation to be issued in May 2022. Suppliers have suggested a delivery time of anywhere from 24 weeks to 60 weeks for transformers.

An amount of \$330,500 is estimated as the funding needed to procure the three 3-MW transformers for the 12MW Power Plant Upgrades capital project. A breakdown of the full project cost estimate is:

<b>PROJECT COST ESTIMATE</b>			
<b>BREAKDOWN</b>	<b>ESTIMATE</b>	<b>BUDGET REQUEST</b>	
3MW Transformer	\$330,000	WML&P Reserves	\$ 570,000
Design	7,400		
Construction/Materials	\$212,600		
Force Account Labor	\$20,000		
Total Estimate	\$570,000	Budget Total	\$570,000
<b>Project Cost Estimate Discussion</b>			
The project cost estimate reflects a recent engineer's estimate; however, the cost of the three transformers is a wild card in the estimate above, as we have received suggested prices ranging from \$55,000 - \$200,000 and varying lead times, with the longest suggested at 60 weeks. This estimate projects a per unit cost of \$110,000 for each of the three transformers.			

With Resolution 05-22-1691 approved, the FY 2022 Budget in the Municipal Light & Power Fund will be amended to reflect a transfer in the amount of \$330,500 from the Fund Reserves to the Capital Expenditures Budget in Municipal Light & Power Budget and with expenditure authorized for the procurement of the 3MW transformers as part of the 12MW Power Plant Upgrades capital project.

## CITY AND BOROUGH OF WRANGELL, ALASKA

RESOLUTION NO. 05-22-1686

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA AMENDING THE FY22 BUDGET IN THE MUNICIPAL LIGHT & POWER FUND BY TRANSFERRING \$330,500 FROM THE FUND RESERVES TO THE CAPITAL EXPENDITURES ACCOUNT AND AUTHORIZING ITS EXPENDITURES FOR THE 12MW POWER PLANT UPGRADES CAPITAL PROJECT

WHEREAS, the Municipal Light & Power Department has a need to upgrade the diesel generation power plant to meet the power needs of the community during peak loading events and when SEAPA hydro power is unavailable; and

WHEREAS, the more significant retrofit need is to replace the three remaining 2MW transformers with three 3MW transformers to provide the added capacity to the electrical distribution system; and

WHEREAS, due to global supply chain disruptions, shipping delays, and an unpredictable market rebound, the Borough wishes to begin the procurement process for the 3MW transformers during FY22; and

WHEREAS, an amount of \$330,500 is required to procure the three 3-MW transformers for the 12MW Power Plant Upgrades capital project.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, that:

Section 1: The City and Borough of Wrangell FY 2022 Budget is amended to reflect a transfer in the amount of \$330,500 from the Municipal Light & Power Fund Reserves to the Capital Expenditures Account in Municipal Light & Power Budget and authorize its expenditure for the 12MW Power Plant Upgrades capital project.

PASSED AND APPROVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA this 10<sup>th</sup> DAY OF MAY, 2022.

CITY & BOROUGH OF WRANGELL, ALASKA

\_\_\_\_\_  
Stephen Prysunka, Borough Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, MMC, Borough Clerk

**Minutes of Regular Assembly Meeting**  
**Held on April 26, 2022**

Vice Mayor Gilbert called the Regular Assembly meeting to order at 6:00 p.m., April 26, 2022, in the Borough Assembly Chambers. Assembly Member Howe led the pledge of allegiance, and the roll was called.

PRESENT: DALRYMPLE, POWELL (arrived at 6:04pm), GILBERT, HOWE, and DEBORD

ABSENT: PYRSUNKA and MORRISON

Borough Manager Jeff Good and Borough Clerk Lane were also present.

CEREMONIAL MATTERS – None.

PERSONS TO BE HEARD / PUBLIC CORRESPONDENCE

*Caitlin Cardinell, Executive Director of the Stikine River Jetboat Association* stated that she was wanting to bring to the attention of the Assembly, the lack of restroom facilities for when cruise ships were in town; asked that this item be added to a future budget work session for funding consideration for at least temporary use for this upcoming tourist season.

AMENDMENTS TO THE AGENDA

***M/S: Dalrymple/Powell to move Consent Agenda Items 6b (Resolution No. 04-22-1689), 6c (Resolution No. 04-22-1690), and 6d (Resolution No. 04-22-1691) from the Consent Agenda and place under Unfinished Business. Motion approved with Dalrymple, Powell, DeBord and Gilbert voted yes; Howe voted no.***

CONFLICT OF INTEREST – None.

CONSENT AGENDA

- 6a** **ORDINANCE No. 1024** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS IN CHAPTER 14.13, IMPOUNDMENT OF VESSELS, IN THE WRANGELL MUNICIPAL CODE
- 6b** **RESOLUTION No. 04-22-1689** OF THE CITY AND BOROUGH OF WRANGELL, ALASKA AUTHORIZING APPLICATION TO THE STATE OF ALASKA, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (ADEC) FOR A LOAN FROM THE ALASKA DRINKING WATER FUND FOR THE WATER TREATMENT PLANT IMPROVEMENTS PROJECT
- 6c** **RESOLUTION No. 04-22-1690** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AUTHORIZING THE SALE OF PUBLIC LAND ON THE PUBLIC SURPLUS WEBSITE IN CONFORMANCE WITH WRANGELL MUNICIPAL CODE CHAPTER 16.12, SPECIFICALLY, LOT A, BLOCK 54, WMC REPLAT, PLAT 2016-6, WRANGELL RECORDING DISTRICT
- 6d** **RESOLUTION No. 04-22-1691** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING THE FY22 BUDGET IN THE WRANGELL MUNICIPAL LIGHT & POWER FUND BY TRANSFERRING \$750,000 FROM THE FUND RESERVES TO THE CAPITAL EXPENDITURES ACCOUNT FOR THE AMI METERING PROJECT AND AUTHORIZING ITS EXPENDITURE

- 6e RESOLUTION No. 04-22-1692** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING THE FY 2022 BUDGET BY TRANSFERRING \$35,000 FROM THE GENERAL FUND RESERVES TO THE GENERAL FUND CIP FUND AND AUTHORIZING ITS EXPENDITURE FOR THE HERITAGE HARBOR BOAT RAMP APRON REPAIRS PROJECT
- 6f Minutes from the April 12, 2022, Regular Assembly Meeting
- 6g CORRESPONDENCE:** School Board Action from the April 9, 2022, Special Meeting
- 6h CORRESPONDENCE: School Board action from the April 18, 2022, Regular Meeting

*Clerks Note: Item(s) 6b, 6c, and 6d were removed from the Consent Agenda and placed under Unfinished Business.*

***M/S: Dalrymple/DeBord to approve the Consent Agenda, as adjusted. Motion approved unanimously by polled vote.***

#### BOROUGH MANAGER'S REPORT

Manager Good's report was provided.

#### BOROUGH CLERK'S REPORT

Clerk Lane's report was provided.

#### MAYOR AND ASSEMBLY BUSINESS

DeBord requested to add an agenda item to the next Agenda to discuss a potential Timber Cruise at the Sunny Bay property.

Dalrymple reported on the Forest Service project to build a Forest Service cabin on the island; project is ongoing, and they are asking for comments on the project.

Gilbert requested that an item be added to the next Agenda regarding Public Restrooms.

#### MAYOR AND ASSEMBLY APPOINTMENTS

Appointment to fill the Vacancy on the Parks & Recreation Advisory Board

Vice-Mayor Gilbert appointed Ceona Koch to fill the vacancy on the Parks & Recreation Advisory Board. There were no objections from the Assembly.

#### PUBLIC HEARING

**11a RESOLUTION No. 03-22-1675** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, CREATING THE FEE AND RATE SCHEDULE FOR THE WRANGELL WATER DEPARTMENT AND IMPLEMENTING A STRUCTURE FOR INCREASING FEES AND RATES (*Amended and postponed from the April 12, 2022 Assembly Meeting*)

Vice-Mayor Gilbert called to order the Public Hearing on this item and asked if there was an administrative report.

Manager Good explained that this item had been postponed from the April 12<sup>th</sup> meeting and that during that meeting, there was an amendment to the Resolution to increase the Water Rates to 30% instead of a 5-year projection and therefore, this item was brought back as a Public Hearing item.

Gilbert asked if there were any persons wishing to speak on this item. Hearing none, Gilbert closed the Public Hearing and asked for a motion on this item.

***M/S: Powell/DeBord to approve Resolution No. 03-22-1675.***

In response to Gilbert on the funding sequence for the new Water Treatment Plant project, Amber Al-Haddad responded that: the EDA grant of \$2,966,000 would be used first. The EDA grant requires a match to which the USDA 40-year loan at \$3,821,000 would be used. The interest rate on the USDA loan will be that established by the agency at the time of loan closing (anticipated to be toward the end of the construction phase). The USDA grant in the amount of \$3,161,000 shall be the last funding used in the project. The Borough has contributed approximately \$1,100,000 in local funds which was used to enter into a contract with DOWL for the design work. With these two grants and one, we still have a shortfall of around \$4.3 million dollars and are in the process of submitting requests for other funding opportunities, including another \$3,821,000 loan to DEC. This loan would have a repayment term of 20 years at an interest rate established by the agency. This rate is currently around 1.5% but will be based on the rate the day of the loan signing. Repayment of the DEC loan would begin one year after the project's substantial completion date. DEC has already offered a \$500,000 forgiveness of this loan, requiring use of at least \$1,000,000 of loan. If less than the \$1,000,000, the forgiveness offered would be 50% of the loan-funded project cost. Staff continue to seek additional grant funding.

***Motion approved unanimously by polled vote.***

**11b ORDINANCE No. 1022 OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS IN CHAPTER 15.16, CEMETERY, AND ESTABLISHING A NEW PROCESS FOR FEES AND RATES BY REMOVING THE FEES AND RATES FROM THE WRANGELL MUNICIPAL CODE AND ADDING THEM TO A FEE AND RATE SCHEDULE**

Vice-Mayor Gilbert called to order the Public Hearing on this item and asked if there were anyone who wished to speak to this item.

Clerk Lane explained why this was being brought forward for consideration.

Gilbert asked if there were any persons wishing to speak on this item. Hearing none, Gilbert closed the Public Hearing and asked for a motion on this item.

***M/S: Howe/Powell to approve Ordinance No. 1022. Motion approved unanimously by polled vote.***

**11c RESOLUTION No. 04-22-1688 OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, ESTABLISHING THE FEE SCHEDULE FOR THE WRANGELL CEMETERIES**

Vice-Mayor Gilbert called to order the Public Hearing on this item and asked if there was an administrative report.

Clerk Lane explained why this was being brought forward for consideration.

Gilbert asked if there were any persons wishing to speak on this item. Hearing none, Gilbert closed the Public Hearing and asked for a motion on this item.

***M/S: Powell/Howe to approve Resolution No 04-22-1688. Motion approved unanimously by polled vote.***

**11d ORDINANCE No. 1023** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS IN CHAPTER 5.08, REVENUE AND FINANCE, IN THE WRANGELL MUNICIPAL CODE

Vice-Mayor Gilbert called to order the Public Hearing on this item and asked if there was an administrative report.

Manager Good explained why this was being brought forward for consideration.

Gilbert asked if there were any persons wishing to speak on this item. Hearing none, Gilbert closed the Public Hearing and asked for a motion on this item.

***M/S: Powell/DeBord to approve Ordinance No. 1023. Motion approved unanimously by polled vote.***

UNFINISHED BUSINESS

**6b 12a RESOLUTION No. 04-22-1689** OF THE CITY AND BOROUGH OF WRANGELL, ALASKA AUTHORIZING APPLICATION TO THE STATE OF ALASKA, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (ADEC) FOR A LOAN FROM THE ALASKA DRINKING WATER FUND FOR THE WATER TREATMENT PLANT IMPROVEMENTS PROJECT

***M/S: Howe/Dalrymple to approve Resolution No. 04-22-1689.***

Good explained that this loan would be helpful with moving forward with the new Water Treatment Plant Improvements project.

***Motion approved unanimously by polled vote.***

**6e12b RESOLUTION No. 04-22-1690** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AUTHORIZING THE SALE OF PUBLIC LAND ON THE PUBLIC SURPLUS WEBSITE IN CONFORMANCE WITH WRANGELL MUNICIPAL CODE CHAPTER 16.12, SPECIFICALLY, LOT A, BLOCK 54, WMC REPLAT, PLAT 2016-6, WRANGELL RECORDING DISTRICT

***M/S: Powell/Debord to approve Resolution No. 04-22-1690.***

DeBord expressed concerns with this; believes that we would be giving up site control; worried about someone purchasing this and getting in over their head; a lot of risk for what it's worth.

Dalrymple stated he thought that this would be the reserve site for if we needed this space in the future; if this were to be a preferred site, if the Public Safety building occupants needed space.

Gilbert questioned that if the auction sold for over \$1,000,000, could we legally sell this without a vote of the people.

***M/S: Powell/Dalrymple to postpone this item. Motion approved with Dalrymple, Powell, Howe and Gilbert voting yes; DeBord voted no.***

**6d 12c RESOLUTION No. 04-22-1691** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING THE FY22 BUDGET IN THE WRANGELL MUNICIPAL LIGHT & POWER FUND BY TRANSFERING \$750,000 FROM THE FUND RESERVES TO THE CAPITAL EXPENDITURES ACCOUNT FOR THE AMI METERING PROJECT AND AUTHORIZING ITS EXPENDITURE

***M/S: Howe/DeBord to approve Ordinance No. 1022.***

Good explained that this would get us to where we need to be.

***Motion approved unanimously by polled vote.***

NEW BUSINESS

13a Approval of a contract award to Johnson Construction & Supply, Inc. in the amount of \$248,989 for the Lift Station Generator Enclosure project

***M/S: Powell/Dalrymple to approve a contract award to Johnson Construction & Supply, Inc. in the amount of \$248,989 for the Lift Station Generator Enclosure project.***

Amber Al-Haddad stated that this funding would come from the Hospital Grant Project; about \$300,000 left on the grant.

***Motion approved unanimously by polled vote.***

ATTORNEY’S FILE

14 Available for Assembly review in the Borough Clerk’s office.

EXECUTIVE SESSION – None.

Regular Assembly meeting adjourned at 7:15 p.m.

\_\_\_\_\_  
Stephen Prysunka, Borough Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, MMC, Borough Clerk

## Minutes of Special Assembly Meeting

**Held on May 4, 2022**

Mayor Stephen Prysunka called the Special Assembly meeting to order at 7:00 p.m., May 4, 2022, in the Borough Assembly Chambers.

PRESENT: GILBERT, POWELL, DALRYMPLE, PRYSUNKA, AND DEBORD

ABSENT: HOWE, MORRISON

*Special Assembly Meeting recessed at 7:01 p.m.*

*Special Assembly Meeting reconvened at 8:47 p.m.*

PERSONS TO BE HEARD / PUBLIC CORRESPONDENCE – None.

CONFLICT OF INTEREST – None.

### EXECUTIVE SESSION

**6a** Executive Session: Potential Mill Property Acquisition Update and Discussion

***M/S: Gilbert/Powell pursuant to AS 44.62.310 (c)(1), that we recess into executive session to discuss matters in which the immediate knowledge would clearly have an adverse effect upon the finances of the borough, specifically for an update and to discuss the possibility of acquiring the Mill Site property. Motion approved unanimously by polled vote.***

*Recessed into Executive Session at 8:49 p.m.*

*Reconvened back into Special Session at 9:30 p.m.*

Prysunka stated that there was no action to be taken and that direction was given to the Borough Manager.

Special Assembly meeting adjourned at 9:31 p.m.

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Stephen Prysunka, Borough Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, MMC, Borough Clerk

## MEMORANDUM

**TO: HONORABLE MAYOR AND MEMBERS OF THE ASSEMBLY  
CITY AND BOROUGH OF WRANGELL**

**FROM: JEFF GOOD  
BOROUGH MANAGER**

**SUBJECT: MANAGER'S REPORT**

**DATE: May 10, 2022**

### INFORMATION:

- NIXLE- It is used for informing of lost/found persons, power outages, road closures and some COVID information. There are three options, Alert (critical/time sensitive sent to both SMS and emails) Advisory (scheduled situations, sent to both SMS and emails) and Community Messages (Event notices or cancellations). Right now, anyone interested in receiving Nixle alerts can register their cell phone number and/or email address by following the link on our website. Our webpage still refers people to enter a passcode WRGCOVID19, however this is no longer needed, it just hasn't been removed. We need to develop a communications plan.
- Trident- They have notified us that they do not intend on running this year but are hoping for next year.
- Nolan Trust- We will be applying for a grant from the Nolan Trust for repairs to the roofing
- Restrooms
  - **City Dock Bathrooms**
    - There is a lack of public restrooms downtown which poses a challenge for visitors during the tourist season. Staff have explored several options to try and address this need.
    - There is a public restroom about 670' from City Dock on Brueger St however there is only 1 stall on each side. The Nolan Center is opening their bathrooms for public use when needed.
    - The City has 6 porta potties. Porta potties hold about 65 gallons when full. During the 4<sup>th</sup> of July we need to empty the porta potties daily. During the height of a busy cruise ship season porta potties would need to be emptied at least 3 times a week. In slower times porta potties would still likely need to be emptied 1-2 times a week. Up to 390 gallons total if all 6 units were full. These porta potties typically are only used during the 4<sup>th</sup> of July and Bearfest.
    - Historically during these events the City would hire a local contractor to clear these porta potties with their septic truck. This business is no longer in operation and the truck has been sold to someone in Petersburg. Porta potties located at Petroglyph beach are easily connected into the collection system and do not require pumping.
    - The most cost effective option is to provide better signage to direct visitors to the public restrooms on Brueger St. Staff have begun procuring new signage for this purpose. Several longer term/more comprehensive solutions are provided below.
  - **Porta Potties without tying into the collection system**

- Currently we do not have equipment that could empty porta potties. The attachments we have for the vacuum truck are too big as it is designed for larger projects. Without some form of new pumping equipment porta potties would need to be loaded into a flat bed by equipment with forks. Porta Potties would need to be driven to the waste water treatment plant, emptied prior to the screens and influent and then driven back to City Dock and unloaded. Lastly, porta potties would need to be cleaned and sanitized.
- Equipment options include
  - Current Vac Truck Attachments- As this truck is old it is difficult to find new parts or attachments for it. We are still working on cost estimates for new attachments.
  - New Truck- F550 with a tank set up specifically designed for septic pumping. We are working on a cost estimate for a new. Used models can be found for Tank Slide On- this would take one of our trucks out of the fleet during the summer time. We are still working on a cost estimate for a tank slide on.
  - Trailer with a tank set up. Working on cost estimates.
  - New vac truck- this is an identified need for the future as our truck is 22 years old. We currently spend nearly as much in maintenance as we did to purchase this truck every year. Additionally, it is becoming increasingly difficult to find parts for the current truck. The vac truck is used in the water, sewer, streets, harbor and electric department. A new truck is between \$550,000-\$600,000.
  - Any equipment used to clear porta potties will require additional staff time to unload/dewater the contents of the tank. Operating a vac truck typically requires 2 operators. Smaller units can be operated with one person. Depending on the time of year, the type of equipment, and the amount of porta potties this would likely require somewhere around 140-200 working hours in a season.
- **Tying into existing collection system with Porta Potties**
  - There is a hydrant at the start of the dock and water that runs to the dock. Depending on the location of the bathrooms water would be easier than sewer to install.
  - The sewer main ends by the side door on the south side of the Stikine Inn. In order to tie porta potties into the collection system in this area the concrete would need to be cut and removed, a trench would need to be dug and a service would need to be tapped into the main. From the end of the main to the start of City Dock is about 160'. The main is close to 8' deep which would require excavating close to a 10' wide section in order to safely install these services.
  - Cost to install services from the end of the sewer main to the start of City Dock would be somewhere between \$20,000-\$25,000 (depending on the location).
- **Installing New Bathrooms**
  - Land would need to be selected. There are few options. Either some of the cul-de-sac parking lot would need to be taken up or a location would need to be selected on the edge of the yard where Sampson Tug and Barge are located. It is unknown at this time what affect that may have on their operations.
  - If a location was selected, porta potties could be temporarily installed until funding for a more permanent solution became available.
- **Brueger St bathroom Replacement**

- These bathrooms were installed in the late 1990's. If these bathrooms were updated we could rebuild in the same area with a larger facility with more stalls.
- The CBW owns the parking lot area where this bathroom is located and there are already water and sewer services available at this location.
- We are still working on a cost estimate to reconstruct these bathrooms.

## **Public Works**

### **Director: Tom Wetor**

- Below is a list of roads and locations where pot holes and cold patch have been done so far this spring. Since April of 2021 we have used 6 tons of cold patch fixing pot holes around town. We used up our supply yesterday on the south side of 1<sup>st</sup>Ave. We are currently in the process of purchasing more cold patch. In the past year we have used 900 yards of D1 patching roads and around broken water or sewer mains. We are running low on D1, I plan to use up some of what we have in materials and supplies for more during this fiscal year and we will have to do an RFP for another year supply with the next fiscal year.
- Public works is working with Johnsons Construction getting an estimate for concrete work for some longer lasting patches. We have about \$7,000 in the current budget for this work. Whatever we are not able to concrete with the funds available we will be developing a scope and RFP to address these areas once the new fiscal year begins. We plan to focus on 3<sup>rd</sup>, Case, and 1<sup>st</sup> but some sidewalks that need to be done as well.
- There are a number of catch basin that need to be raised. Specifically on Stikine Ave and Case Avenue. This may be worth while to include in the larger concrete work that needs to be done next fiscal year. We have a number of big projects we are trying to accomplish this summer and it would go a long ways to take the catch basins off of our plate.
- Below is work that has been done to date:
  - April 2022 Cold Patch
    - Mckinnon St
    - Shoemaker loop
    - Church St
    - Outer Dr
    - Wrangell Ave
    - Public Safety building parking lot
    - 1<sup>st</sup> ave- a portion of this road was done on 4/28/2022. Approximately ½ ton was used in what was patched in this one instance.
  - April 2022 Gravel Road maintenance
    - Mission St along the edges- this was filled in with 6" rock because the D1 gets washed away too easily with the lack of drainage on this road.
    - Shoemaker Harbor
    - Industrial lot roads
    - Shoemaker RV Park
    - Volunteer Park
    - City Park
    - Inner Harbor boat ramp
    - Dump road
    - Alaska Ave
    - Shoemaker Park 1<sup>st</sup> ave by the school
    - Case Avenue Patch
- A general schedule of bigger projects that need to be done include:
  - May

- Water main follow up from 2021 project
    - Smoke testing with WW
    - Back flow preventers
  - June
    - Reid St Sidewalk by school
    - Hot tap excavation at WTP
  - July
    - Etolin St service installation
  - August
    - 2 grinder station installation
    - 6 mile utility installation across Zimovia Hwy
  - These are the bigger picture projects. This does not include smaller day to day or weekly tasks such as
    - cold patch, grading, ditching, duckweed removal, lift station clearing, brush cutting, painting curbs/crosswalks, street sign maintenance, water/sewer services, street sweeping, cemetery needs, event support such as the 4<sup>th</sup> of July or bearfest, supporting the Garage and Sanitation Departments, etc.
- In addition to trying to address roads staff have also been spending a lot of time in April on the smaller tasks listed above.
  - We have done some ditching out at shoemaker,
  - cemetery needs,
  - we cleared the lift stations in April,
  - the street sweeper has been on the road a number of days in the last couple of weeks clearing sand left over from the winter,
  - there have been a lot of water and sewer service issues especially with people getting back to town after the winter,
  - staff have been spending considerable time supporting the garage and sanitation departments specifically with stud removal (there are thousands of studs in the bigger equipment tires that need to be removed by hand) and dump support with the baler operations.

## **Wrangell Municipal Light and Power Department Report May 10, 2022**

- **WML&P Status**
  - **Accomplishments**
    - put together a WML&P Inventory List for the Finance Department
    - WML&P installed 3 new Heat Rate Meters
    - Completed several "locates" for customers
    - Continue to manage our brush along the Distribution Lines
    - Made several Utility Pole deliveries
    - One new service for residential.
    - New three phase service in Industrial lot
    - New Hire Jacob Hammer as Diesel Mechanic/Ground men
    - EPS Electrician Travis arrived Wednesday April 27<sup>th</sup>, for on-site inspection of Unit 5
    - 1 request for a meter test
    - Pole attachment count for GCI and AP&T
  - **Work Orders**
    - 71 Work orders of reads, disconnects and installs were completed in April
  - **Financials:**

- In the month of **April** WML&P sold 3,260,080 KW Hours of Electricity, generating \$465,980.92 of Revenue. This can be compared to 2020 and 2021 as follows:
- 2020 - WML&P sold 3,218,250 KW Hours of Electricity, generating \$387,933.57 of Revenue.
- 2021 - WML&P sold 3,132,630 KW Hours of Electricity, generating \$418,979.11 of Revenue.

**Wrangell Parks and Recreation  
Director: Kate Thomas**

FINANCIAL, PROGRAM & FACILITY ACCESS REPORT COMPARISON	MONTH	2019	2022	%
ATTENDANCE	January	1092	724	66%
REVENUES	January	\$7,292.63	\$3,804.26	52%
POINT OF SALE	January	385 Items Sold	491 Items Sold	127%
ATTENDANCE	February	1191	770	65%
REVENUES	February	\$5,477.80	\$19,928.24	363%
<b>SEARHC Transaction for \$15,000 in February 2022.</b>				
POINT OF SALE	February	407 Items Sold	569 Items Sold	109%
ATTENDANCE	March	1311	866	66%
REVENUES	March	\$9,918.67	\$4,822.37	49%
POINT OF SALE	March	507 Items Sold	739 Items Sold	145%
ATTENDANCE	April	1392	733	53%
REVENUES	April	\$8,691.67	\$4,832.35	56%
POINT OF SALE	April	534 Items Sold	520 Items Sold	97%

- Community Center Windows- The project request for proposal will be released in the coming weeks. This project includes enclosing the exterior windows and painting the wood siding and frame that surrounds the windows. This does not include the shingle siding.
- City Park Fireplace replacement- FY23 Proposed Project Narrative from Capital Facilities Director. The City Park Pavilion Fireplace condition has reached a point whereby it presents a safety concern and the pavilion has been closed to the public for several months as we work with local contractors to determine the appropriate repairs. One of the two contractor who looked at the structure offered options for reconstruction. The contractor's opinion is that the steel structural supports holding up the chimney are slowly crushing the eroded fire bricks used as footings and the steel base holding up the chimney is broken and starting to separate. The proposed capital project is based on the recommended option to completely remove the firepit and chimney, rebuilding the firepit base, and build a light-gauge steel hood and chimney assembly instead of rebuilding a stone chimney. The hood and chimney could be supported by post similar to the current look or it could be supported by the structure itself. If the structure was used to support it, the contractor recommends performing a load test before manufacturing or installation of the hood to see what weight limitations we might encounter. This would add costs but would resolve any future issues posed by the current chimney design. Another option is to extend support posts to the ground. This option was recommended over replacing the fireplace structure in kind, based on the heating and cooling rates in the existing stone and cement materials, as well as the

site's environmental conditions. Staff continue to work with the local contractors to further define project costs and will have an update at a subsequent capital budget review.

- Volunteer Park Parking Lot- P&R is working with Public Works to improve the parking area for Volunteer Park. This includes removing the old logs, adding additional fill, grading and rolling the surface material and installing large boulders to act as the parking barrier. This project is to be completed before the fiscal year end (June 30)
- Pool Lighting Project- The initial scope of the project is complete. This includes replacing 10 old fixtures with new LED fixtures and an upgraded electrical distribution panel. The design did not account for the lower wattage between the high side of the pool and the lower side. Only 5 of the 9 light fixtures were replaced on the low side of the pool resulting in a lower output of light on that side. To ensure that there is adequate and equal distribution of light on both sides the remaining 4 light fixtures will be upgraded to the new units. Due to lead times, the new fixtures are not subject to be replaced until later this summer.
- Pool Siding- The exterior cedar siding, brick column facade and the concealed gutter of the sloped metal roof section are all in need of improvements to preserve the integrity of the building. This project will replace the exterior cedar siding with new cedar siding, remove the brick from the support columns and reface them with cedar siding to match that of the rest of the building, and re-line the concealed gutter and replace downspout components as necessary. It is expected that some portions of the exterior wall system (i.e. insulation, plywood, etc.) will require rehabilitation since water damaged was identified in the area of the concealed downspout. Work is needed to further the replacement concept through certain destructive investigations and design services to move this project forward. \$175,000 of the Borough's received Lost Revenue Relief Grant was earmarked for this project. It is the School District's plan to work with us through the planning and construction of this project for the purpose of a High School painting project.
- Shoemaker Bay Park & Recreation Area- P&R maintenance personnel are working with the Director to improve many aspects of the Shoemaker Bay Recreation Area. This includes painting all out buildings including the large barn. Other improvements include installing missing parking barriers, pressure washing the tennis court, applying new court paint to include a tennis court and two pickleball courts, pressure washing and staining the playground equipment, repairing the electrical receptacles at the Shoemaker RV Park and installing a new message center. Due to lead times on materials these tasks will be complete as materials arrive on the island.
- Private Swim Lessons- These continue to be a well sought-after service from the public. The availability has slowed down with increased demand and limited availability among staff. The department plans to continue offering these as frequently as possible. It is particularly helpful when swimmers are on the cusp of passing the deep end test and need a little additional help to get there.
- Elementary School Swim Lessons & School Programming- The department has been successful in offering lessons to 2<sup>nd</sup> and 3<sup>rd</sup> grade. These grade levels were selected based on their maturity and ability to stand in the shallow end without assistance. Thanks to staff members Briana Schilling and Lucy Robinson, along with volunteer Sarah Scambler for making this happen. Through the help of Liz Bunes the Alaska Boating Safety Association came to Wrangell to facilitate a safety course for 4<sup>th</sup> and 5<sup>th</sup> grade students. An additional course was open to the public during the evening.
- Pickleball-Indoor pickleball ended at the end of April. Equipment is available for rent through Parks & Rec for outdoor activity. There are court lines already laid at the covered

basketball court. The department intends to establish pickleball court lines at all outdoor facilities. The next location of priority is Shoemaker Bay as mentioned earlier in the report. Two pickleball courts will be overlaid at each tennis court. Only one court is available at the covered court area.

- Wrestling- The season wrapped up in mid-March will a local tournament. Participants and families alike really appreciated the opportunity to showcase their skills after years of restrictions related to COVID. This was the first public expo the department has hosted since 2019. Thanks to the overwhelming support from volunteers and the public it was a great success. P&R is looking forward to hosting a summer sports camp to include Wrestling again this summer.
- Country Line Dancing-Carrie McCormack will be hosting Country Line Dancing on Monday and Thursday throughout the month of May. The class is open to the public for a \$5 drop-in fee. It is anticipated that this will be a very popular program.
- Skate Night-Kassee Schlotzhauer has been hosting open skate night in the gym for the month of April. She took the initiative to obtain the old skates from the church to be able to supply participants with a variety of options. The activity has been very popular among families.
- Jiu Jitsu- Matt Nore and Victoria Carney have been working together to keep three opportunities for martial arts available to the public. Having two instructors allows for more participant interaction. As well, the two have slightly difference backgrounds so they are merging different styles to be able to provide a variety of skill developments.
- Children's Dance-Victoria Houser has been teaching Children's Dance classes since late 2017. While there was a hiatus due to COVID the program continues to be very popular. Victoria teaches a mix of dance moves, while primarily focusing on ballet. May 7<sup>th</sup> is scheduled for the end of the season Dance recital.
- Mount Dewey Trail Extension - **(pulled from Capital Facilities Director Report sent to the Assembly on 12/14/21)** PND Engineers identified general route layout with future development plan considered. Survey and design teams were in Wrangell the week of July 5<sup>th</sup> to identify the trail route and parking location, survey the project areas and perform a wetland delineation. Results from that effort have identified a trail route on the east slope of Mt Dewey through both forested lands and muskeg lands. A subsequent trail was identified to connect the existing Volunteer Loop trail to Ishiyama Drive. The first draft of the conceptual plan, along with a variety of cost estimates, was received in October. All cost options were well over the amount of funding in place and additional funding was sought from the FLAP program. The Borough was successful in obtaining another approximate \$450,000 for the project and are awaiting the federal Highway amendment documents. Meanwhile, coordination with the USACE is underway to determine whether we will pursue a Nationwide Permit or apply for an individual permit based on the preferred trail design selected and its proposed impacts to the wetlands. **NO CHANGE From December 2021 Report**
- Kyle Angerman Park & Playground- The State hired a grant administrator for the LWCF program. The representative reached out to Wrangell asking for a formal request to extend the grants performance period, which ends on December 31<sup>st</sup>, 2021. The necessary paperwork for extension to December 31<sup>st</sup>, 2023, has been submitted and the department is awaiting approval from the state and National Park Service. Once the extension has been granted, a budget amendment request will be submitted to address the funding shortfall. Additional funding is necessary to cover the safety surface material, as well as the increased costs for the project overall. Material costs have risen substantially throughout the

pandemic, placing additional pressure on project budgets across the state. Wrangell is among many other communities seeking an extension due to the adverse effects the pandemic has had on the construction industry. **NO CHANGE From December 2021 Report**

- Volunteer Park Name Recognition-P&R Director, Kate Thomas discussed the project concept with WCA Council Member, Virginia Oliver. Further discussion will be had in the New Year to identify common names that have a Tlingit translation that will be reflected on trail signage. **NO CHANGE From December 2021 Report**
- Skeet Range Improvements-The department learned earlier this year that it did not receive any funding from the NRA foundation grant proposal submitted in late 2021. However, P&R Director with the support of Capital Facilities and Economic Development submitted a grant proposal to the Alaska Department of Fish and Game for a total of \$150,000 to complete the full scope of improvements identified for the outdoor range. The grant program requires 25% match; however, some shooting range improvement projects may be eligible for a 10% match requirement. Notice of award will be issued in September of this year.
- Shooting Range Membership Access (Public Hearing and Comment Period)- It has been the long- term goal of the department to establish a membership fee to access the outdoor shooting range. The concept seeks to create more accountability among users, increase overall site safety, and reduce the amount of damage to the site through vandalism. As the department works to improve the site through a series of high dollar grant awards it is ever more important to protect the site to increase longevity and the enjoyment of the user. The department will host a public hearing and comment period before making any access changes to the site. It is important to note that the facility rules posted at the entrance of the site, suggest that the site will be “closed” for certain hours through the late evening and early morning, although this practice fell through many years ago.
- Weight Room Improvements- After a series of recommendations from the public to improve the weight room, the department hosted an official survey. Many participants asked for improvements such as more floor space, squat racks, increased free weights and a lat pull down machine. Other requests came in, although these were the common themes. The department is working with Rogue fitness to build a rack system that has a variety of attachments. With the launch of new equipment staff will host a series of weight room orientation and weightlifting classes for the public to access.
- Music in the Parks- P&R will host its first ever Music in the Parks on June 15<sup>th</sup>. The Powers Band will perform with a series of special guests from 6:00PM-9:00pm at Shoemaker Bay Park. Food will be available for purchase, along with fires in the burn pits and games in the lawn. Folks are requested to leave their pets at home. The department is seeking sponsorships to help offset the cost of procuring the band.

## **Irene Ingle Public Library Report**

### **Director: Margaret Villarma**

- **New Books**
  - The library recently received a large book order for our children’s library. We were able to purchase 150 new books due to the Easy Arpa Grant that we were awarded. These titles included non-fiction and fictional books. Many of the titles are accelerated reader books, so they can be used during the Summer Reading Program.

- **Storytime**
  - Storytime ended April 29<sup>th</sup>. We are looking forward to having it in person in the fall. Sarah Merritt will continue reading stories to the children and helping with the craft.
- **Summer Reading Program**
  - We have been receiving many prizes and cash donations for the upcoming Summer Reading Program. We have applied to First Bank for a grant to purchase an incentive prize for anyone completing the program. We will work with the school to get the Accelerated Reader Program set up at our location. They lend us their chrome books which the kids are familiar with and use in their classroom. The chrome books are used to take their quizzes on. They receive points for the books they read and then are given coupons for each point. They can then use their coupons to enter the drawings of their choice. The program begins June 1 and ends on July 30<sup>th</sup>.
- **New Testing Computer**
  - We have received our new testing computer. This was paid for with the Easy Arpa Grant. This computer allows us to give our patrons a private and quiet room that they can take their tests in. We proctor tests for different universities and the State of Alaska.
- **National Library Week**
  - National Library week was April 3 thru April 9. We had two drawings for \$50.00 at each of the gas stations. These were purchased by the Friends of the Library. Each time you came into the library that week you could put your name into the drawings. We also had one for the children. It was a set of headphones. The winners were Judy Thompson and Shahmeer Azmat for the gift cards and Mildred Van Slyke for the headphones.
- **Chamber Dinner**
  - The staff and the Friends of the Library were the guests of honor at the Chamber Dinner this past April. The library received a beautiful plaque for 100 years of service. This plague is displayed in the library. The dinner was delicious, and everyone had a great time.
- **Internet Service**
  - The library applied for Funding Year 2022 Schools and Libraries Program (E-rate) funding. We were notified that we will be awarded \$3,780.00. This will pay for 70% of our internet cost.

**Nolan Center:  
Director: Cyni Crary**

- Friends of the Museum Board Meeting was held on May 2nd. We're planning an annual fundraising dinner to be held 5/28/2022 - hoping to inspire membership and kick off the season with new enthusiasm. Applied for Alaska Airlines tickets in hopes of selling tickets as a fundraising incentive.
- The Wrangell Museum is applying for funding (up to \$12,000) through the Grant-in-Aid (GIA) program with the Alaska State Museum (deadline June 1st).
- The Collections Management Fund grant (Rasmuson Foundation) opens September 1st and we are applying for this one as well (up to \$20,000).

- Preparing for a busy tour season - created a new QR Code system with vouchers for our cruise ship tours for more accurate billing and time efficiency.

**CITY & BOROUGH OF WRANGELL, ALASKA**

***BOROUGH CLERK'S REPORT***

**SUBMITTED BY:** Kim Lane, MMC, Borough Clerk

**Upcoming Meetings & Other Informational dates:**

**Other City Boards/Commissions:**

**May 12 – Planning & Zoning Commission Mtg.** at 6pm in the Assembly Chambers

**Community Events:**

**May 21– TAX-FREE DAY**

**May 30 –** City offices are closed for Memorial Day

**Meetings and Other events of the Borough Assembly:**

**May 11 – OMA/Parliamentary Training w/Borough Attorney** at 6pm in the Assembly Chambers

**May 12 – Ocean Victory Inaugural Call – Port** (time is to be announced)

**May 13 – City BBQ** at Shoemaker Park at 5:30 p.m.

**May 24 – Regular Borough Assembly Mtg.** at 6pm in the Assembly Chambers

IIMC Annual Conference – I will be attending the 76<sup>th</sup> Annual International Institute of Municipal Clerks conference in Littlerock Arkansas from May 19<sup>th</sup>, returning to Wrangell on May 27<sup>th</sup>. It has been two years since I have attended this educational conference. I am really looking forward to reconnecting with other Clerks from around the country and learning new tips and tricks that I can use in my role as the Clerk for Wrangell. Thank you for allowing me this opportunity.

While I am gone, Robbie Marshall will fill in for me. Since I will not be here for the May 24<sup>th</sup> meeting, he will be the acting Clerk (Deputy Clerk) for that meeting.

### **June 11<sup>th</sup> Special Primary Election for State Representative**

Absentee Voting for this Special Primary Election will take place May 27<sup>th</sup> – June 10<sup>th</sup> (excluding May 30<sup>th</sup> and weekends) from 10am – 4pm in the Borough Assembly Chambers. June 11<sup>th</sup> is a Saturday however, the Polling Place will be OPEN here at City Hall from 10am to 2pm. This Special Election is a “by mail” election only. If someone who receives a ballot in the mail wants to drop it off at the polling place (city hall – during the absentee voting hours), they can do that. Also, if someone does not receive a mailed ballot, they can come in and absentee vote.

There are 48 candidates on the June 11<sup>th</sup> Primary Special Election Ballot for United States Representative. There will be four candidates on the August 16<sup>th</sup> Primary Election, based on the June 11<sup>th</sup> Special Primary Election.

The November General Election will be a Ranked Choice election where voters will vote their 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> candidate choice. Ranked Choice voting will only occur in State and Federal General elections.

**CITY & BOROUGH OF WRANGELL, ALASKA**  
***Public Hearing* ASSEMBLY AGENDA STATEMENT**

<u>AGENDA ITEM TITLE:</u>	<u>DATE:</u>	5-10-2022
	<u>Agenda Section</u>	<b>11</b>

**ORDINANCE No. 1024** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS IN CHAPTER 14.13, IMPOUNDMENT OF VESSELS, IN THE WRANGELL MUNICIPAL CODE

SUBMITTED BY:

Steve Miller, Port Director

<u>FISCAL NOTE:</u>		
<b>Expenditure Required:</b>		
FY 20:	FY 22:	FY23:
<b>Amount Budgeted:</b>		
		\$
<b>Account Number(s):</b>		
<b>Account Name(s):</b>		
<b>Unencumbered Balance(s) (prior to expenditure):</b>		
		\$XXXXXXXX

<u>Reviews/Approvals/Recommendations</u>	
<input checked="" type="checkbox"/>	Commission, Board or Committee
Name(s)	Port Commission
Name(s)	
<input checked="" type="checkbox"/>	Attorney
<input type="checkbox"/>	Insurance

ATTACHMENTS: 1. Ord 1024 2. Existing Code Sections for reference

**MAYOR PROCEDURE:** Declare the Public Hearing open. The Mayor shall ask if there is any administrative report on the Public Hearing Item. Persons who signed up to talk on this item shall be called to the podium.

Once all persons have been heard, declare the Public Hearing closed and entertain a motion.

**RECOMMENDATION MOTION:**  
**Move to approve Ordinance No. 1024.**

**SUMMARY STATEMENT:**

The Ports and Harbors recommend these changes in the Ordinance to help with lessening the burden of derelict and impounded vessels on the Harbor and Marine service center budgets. This will give Ports and Harbors one more tool to try and recoup losses associated with the destruction and disposal of these vessel.

These changes have been approved by the Borough Attorney.

CITY AND BOROUGH OF WRANGELL, ALASKA  
ORDINANCE NO. 1024

AN ORDINANCE OF THE ASSEMBLY OF THE CITY AND BOROUGH OF  
WRANGELL, ALASKA, AMENDING CERTAIN SECTIONS IN CHAPTER 14.13,  
IMPOUNDMENT OF VESSELS, IN THE WRANGELL MUNICIPAL CODE

BE IT ORDAINED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF  
WRANGELL, ALASKA:

[The changes to the existing code are shown as follows: the words that are underlined are to be added and the words that are bolded and in brackets are to be deleted.]

The purpose of this ordinance is to amend Certain Sections in Chapter 14.13 Impoundment, sale, and when public auction not required for vessels.

SEC. 1. Amendment. Sections 14.13.025, Impoundment, 14.13.030, Sale, and 14.13.040, When public auction not required, are hereby amended as follows:

**14.13.025 Impoundment.**

In the event the hearing officer determines there is probable cause to impound the vessel, the harbormaster may proceed immediately with impoundment of the vessel. The harbormaster may impound the vessel by immobilizing it, removing it or having it removed from the water and placing it in public or commercial storage with all expenses of haul out and storage and an impound fee, pursuant to the schedule listed in [**WMC 14.11.005, to be borne by the owner of such vessel**] the approved fee and rate schedule, with the owner, master, managing agent, operator, and person in possession of the vessel to be personally, jointly and severally liable for such costs and fees. At any time prior to the sale of the vessel, the owner, operator, master or managing agent, or person in lawful possession of the vessel may redeem the vessel by a cash payment of all fees against the vessel, including interest and costs, and by correcting any cause cited for impoundment, as described within this chapter.

**14.13.035 Sale.**

...

C. No Bids. If at the public sale there are no acceptable bids for the vessel, the borough may destroy, sell at a private sale, or otherwise dispose of the vessel per WMC 14.13.040. The dispossession is to be made without liability to the [**owner, master or managing agent, person in possession of the vessel, or**] lienholder of the vessel; however, the owner shall be liable for the costs of disposing or destroying the vessel.

**14.13.040 When public auction not required.**

Public auction is not required when the appraised value of an abandoned vessel, as determined by an independent appraiser, is less than \$100.00. The appraiser must have at least one year of experience in the sale, purchase, or appraisal of vessels. Upon that determination and after public advertisement has been made once in a newspaper of general circulation, the state agency or municipality may sell the vessel by negotiation, dispose of it as junk, donate the vessel to a governmental agency, or destroy it. The owner shall be liable for the cost of disposing or destroying the vessel.

SEC. 2. Severability. If any provision of this ordinance, or any application thereof to any person or circumstances is held invalid, the remainder of this ordinance and the application to all other persons or circumstances shall not be affected thereby.

SEC. 3. Classification. This ordinance is of a permanent nature and shall be codified in the Wrangell Municipal Code.

SEC. 4. Effective Date. This ordinance shall be effective upon adoption.

PASSED IN FIRST READING: April 26, 2022

PASSED IN SECOND READING: \_\_\_\_\_, 2022

\_\_\_\_\_  
Stephen Prysunka, Borough Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, MMC, Borough Clerk

**14.13.025 Impoundment.**

In the event the hearing officer determines there is probable cause to impound the vessel, the harbormaster may proceed immediately with impoundment of the vessel. The harbormaster may impound the vessel by immobilizing it, removing it or having it removed from the water and placing it in public or commercial storage with all expenses of haul out and storage and an impound fee, pursuant to the schedule listed in WMC 14.11.005, to be borne by the owner of such vessel. At any time prior to the sale of the vessel, the owner, operator, master or managing agent, or person in lawful possession of the vessel may redeem the vessel by a cash payment of all fees against the vessel, including interest and costs, and by correcting any cause cited for impoundment, as described within this chapter. [Ord. 625 § 5, 1996.]

**14.13.035 Sale.**

A. Method of Sale. Sales will be by public outcry auction. Sealed bids will be accepted and will be read aloud at commencement of the sale.

B. Bids. The minimum acceptable bid shall be a sum equal to all fees against the vessel, including interest and costs to be paid in cash at time of sale. The proceeds of such sale shall be applied to the cost of sale, then to interest, then to fees accrued, and the balance, if any, shall be disposed of per WMC 14.13.060. Upon sale being made, the borough shall make and deliver its bill of sale, without warranty, conveying the vessel to the buyer per AS 30.30.080.

C. No Bids. If at the public sale there are no acceptable bids for the vessel, the borough may destroy, sell at a private sale, or otherwise dispose of the vessel per WMC 14.13.040. The dispossession is to be made without liability to the owner, master or managing agent, person in possession of the vessel, or lienholder of the vessel. [Ord. 871 § 7, 2013; Ord. 625 § 5, 1996.]

**14.13.040 When public auction not required.**

Public auction is not required when the appraised value of an abandoned vessel, as determined by an independent appraiser, is less than \$100.00. The appraiser must have at least one year of experience in the sale, purchase, or appraisal of vessels. Upon that determination and after public advertisement has been made once in a newspaper of general circulation, the state agency or municipality may sell the vessel by negotiation, dispose of it as junk, donate the vessel to a governmental agency, or destroy it. [Ord. 871 § 9, 2013.]

**CITY & BOROUGH OF WRANGELL, ALASKA  
BOROUGH ASSEMBLY AGENDA STATEMENT**

<u>AGENDA ITEM TITLE:</u>	<u>DATE:</u>	May 10, 2022
	<u>Agenda Section</u>	<b>12</b>

**RESOLUTION No. 04-22-1690** OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AUTHORIZING THE SALE OF PUBLIC LAND IN CONFORMANCE WITH WRANGELL MUNICIPAL CODE CHAPTER 16.12, SPECIFICALLY, LOT A, BLOCK 54, WMC REPLAT, PLAT 2016-6, WRANGELL RECORDING DISTRICT (*Postponed from the April 26, 2022 Assembly Meeting*)

SUBMITTED BY:  
Jeff Good, Borough Manager  
Carol Rushmore, Economic Development Director

FISCAL NOTE:

<b>Expenditure Required:</b> \$XXX Total		
FY 20: \$	FY 21: \$	FY22: \$
<b>Amount Budgeted:</b>		
	FY20 \$XXX	
<b>Account Number(s):</b>		
	XXXXX XXX XXXX	
<b>Account Name(s):</b>		
	Enter Text Here	
<b>Unencumbered Balance(s) (prior to expenditure):</b>		
	\$XXX	

Reviews/Approvals/Recommendations

<input type="checkbox"/>	Commission, Board or Committee
Name(s)	
Name(s)	
<input type="checkbox"/>	Attorney
<input type="checkbox"/>	Insurance

ATTACHMENTS: 1. Res 04-22-1690 2. Appraisal

**RECOMMENDATION MOTION:**

Move to approve the Revised Resolution No. 04-22-1690.

**SUMMARY STATEMENT:**

After the April 26<sup>th</sup> Assembly Meeting, Staff checked with the Borough Attorney on the concerns brought forward at the Assembly Meeting, specifically: WMC 5.10.035 When prior approval by the voters is required. The concern was if the building and

property sold for over \$1,000,000, would the approval to sell the building and property need to go to a vote of the people.

The starting bid for the building and property would start at the appraised value of \$830,000 and if the final bid came in at over \$1 million dollars, **it would need to go to a vote of the people.**

Therefore, this is what staff is recommending:

### **Option 1:**

1. That we move forward with the sale of the building and land starting on June 1<sup>st</sup> and ending on June 30<sup>th</sup>, 2022.
2. That we state in the sales documents that if the final bid **does come in over \$1 million dollars**, that the sale would need to be ratified by the voters at the regular election on October 4<sup>th</sup>.
3. That we sell the building and property by advertising instead of through the Public Surplus site since the minimum fee for using the PS site is five percent and if the final bid was \$850,000, the fee would be \$42,500.
4. That the bidder must include a Certified or Cashier's Check or cash equal to twenty percent (20%) of the bid, with their sealed bid and that personal checks will not be accepted. The balance would be due within 30 days of ratification by the voters if final bid is over \$1 million dollars. If the highest bid is under \$1 million dollars, the balance would be due within 60 days of auction closing.

If the Assembly chose this option, the Assembly would need to approve an Ordinance or Resolution in July.

Staff believes that if the bid did come in at over \$1 million dollars, the buyer would most likely not be ready for remodeling or demolition until after October. This is an unknown.

### **Option 2:**

Another option would be to place the question in front of the voters at the October 4<sup>th</sup> regular municipal election to sell the land and building **before** it goes out for bid. Essentially, we could state that in the event that the final bid received is over \$1

million dollars, the question is being brought forward. The starting bid price would still be \$830,000.

~~~~~

Also, there was a concern brought up at the meeting about the estimated cost to refurbish the building being around \$20 million dollars. We did receive clarification after the meeting that that cost was to bring it to the compliant standards for a medical facility.

Another concern is that if a person or entity were to purchase the land and building, that it would possibly sit vacant. In our Code, there are stipulations regarding this topic (under 16.12.120-180).

If the Assembly agrees to put the building and land up for sale by advertising, we would like to advertise throughout the month of June (June 1 through June 30).

---

***The information below has not changed from the April 26<sup>th</sup> Assembly Meeting:***  
The Assembly provided direction to Administration to put out an RFP for an Appraisal of the Old Wrangell Medical Center and of the land that it sits on. That appraisal was completed by RELIANT, LLC and is complete. The appraisal is attached for review by the Assembly. The property and existing structure are valued at \$830,000.

Administration is recommending the Borough divest the former Wrangell Medical Center and its property.

The current zoning for the property and building is zoned [Open Space/Public “OS” \(WMC 20.32\)](#), which is primarily for governmental purposes. Therefore, in the auction, it would clearly state that the successful bidder would be required to submit to Planning & Zoning, a request to rezone for the purpose that they are intending for the site.

Administration has prepared the resolution (No. 04-22-1690) authorizing the sale of the property. Administration is recommending the property be sold on the Public Surplus Auction Site, with pre-registration and a (refundable) registration fee of \$5,000 required. Administration is also recommending the opening bid be set at the appraised value.

The auction will be listed on the Public Surplus Site for no less than 30 days. Wrangell Municipal Code requires thirty-day public notice prior to the sale of Borough-owned property. The auction would be posted on or after May 16, 2022. This would allow staff the time to meet and outline the terms of the sale, essentially creating the “sales package”.

Posting property on the Public Surplus Site means that the buyer would pay either a 5% premium fee if we collect the payment at auction end or an 8% premium if we have Public Surplus collect the payment at auction end. We are asking that we collect the final payment. Therefore, the premium that the buyer would be required to pay is 5%.

All the terms and conditions of the auction/sale of the property are outlined in Resolution No. 04-22-1690, which is attached.

## CITY AND BOROUGH OF WRANGELL, ALASKA

RESOLUTION NO: 04-22-1690

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, AUTHORIZING THE SALE OF PUBLIC LAND IN CONFORMANCE WITH WRANGELL MUNICIPAL CODE CHAPTER 16.12, SPECIFICALLY, LOT A, BLOCK 54, WMC REPLAT, PLAT 2016-6, WRANGELL RECORDING DISTRICT

WHEREAS, the Borough is the owner of the following described real property: Lot A, Block 54, WMC Replat, Plat 2016-6, Wrangell Recording District and Wrangell Medical Center building (WMC), 310 Bennett Street, Wrangell, AK 99929; and

WHEREAS, the land that the WMC sits on is approximately 84,988 square feet (1.95 acres); and

WHEREAS, the Borough Assembly it has determined it is in the public interest for the Borough to divest itself of the property and the WMC building; and

WHEREAS, the appropriate pre-sale work including a Hazardous Materials Assessment and an Appraisal have been completed; and

WHEREAS, the Borough Assembly desires to sell said property by advertising locally.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA:

Section 1.     **AUTHORIZATION.** The Assembly of the City and Borough of Wrangell, Alaska authorizes the Borough Manager to sell Borough-owned real property Lot A, Block 54, WMC Replat, Plat 2016-6, Wrangell Recording District, and the WMC Building.

Section 2.     **PROCEDURES FOR PUBLIC SALE.** The Assembly of the City and Borough of Wrangell establishes the following procedure for the sale of the Borough-owned real property Lot A, Block 54, WMC Replat, Plat 2016-6, Wrangell Recording District, and the WMC Building, more commonly known as the "Old Wrangell Medical Center".

1. **Local Advertising.** The property shall be made available for not less than 30 days, starting on June 1, 2022.
2. **Eligibility and Exclusions.** Eligibility for participating in the public bid auction shall be persons eighteen (18) years of age or older with the following exceptions:
  - a. No person who is delinquent in any property tax, sales tax, utility payment, or other financial obligation with the Borough may participate in the auction.
  - b. The Borough Manager, the Borough Clerk, and the Economic Development Director are prohibited from participating in the auction, either in their own name, in the name of their spouse, dependent child, or solely owned or family-owned business.

- 3. **Minimum Bid Established.** The minimum bid for this property shall be set at the properties' appraised value:

\$830,000.00

- 4. **Sale Terms.** The winning bidder shall sign a Purchase Agreement within ten (10) days of the closing of the auction. The property may be purchased with 20% of the winning bid amount as down payment, payable within five (5) business days from the signing of the Purchase Agreement, with the balance due to the Borough in sixty (60) days.
- 5. **Property Not Sold at Auction.** If the property is not sold in the initial timeframe in which the auction was listed, the property shall be made available Over the Counter as per WMC 16.12.105 starting 24 hours after the auction has closed. The property shall be listed at the full appraised values of Lot A, Block 54, WMC Replat, Plat 2016-6, Wrangell Recording District, and the WMC Building.
- 6. **Borough Manager Authorized to Administer.** The Borough Manager is authorized to develop whatever administrative procedures, forms and policies are necessary to implement this resolution.

Section 3. **PUBLIC NOTICE REQUIRED.** In conformance with Wrangell Municipal Code Section 16.12.040(b) the Borough Clerk shall give notice of the sale by publication of notice in a newspaper of general circulation in the Borough at least 30 days before the date of the sale, and the notice shall be posted within that time in at least three public places in the borough.

PASSED AND APPROVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA THIS 10th DAY OF MAY 2022.

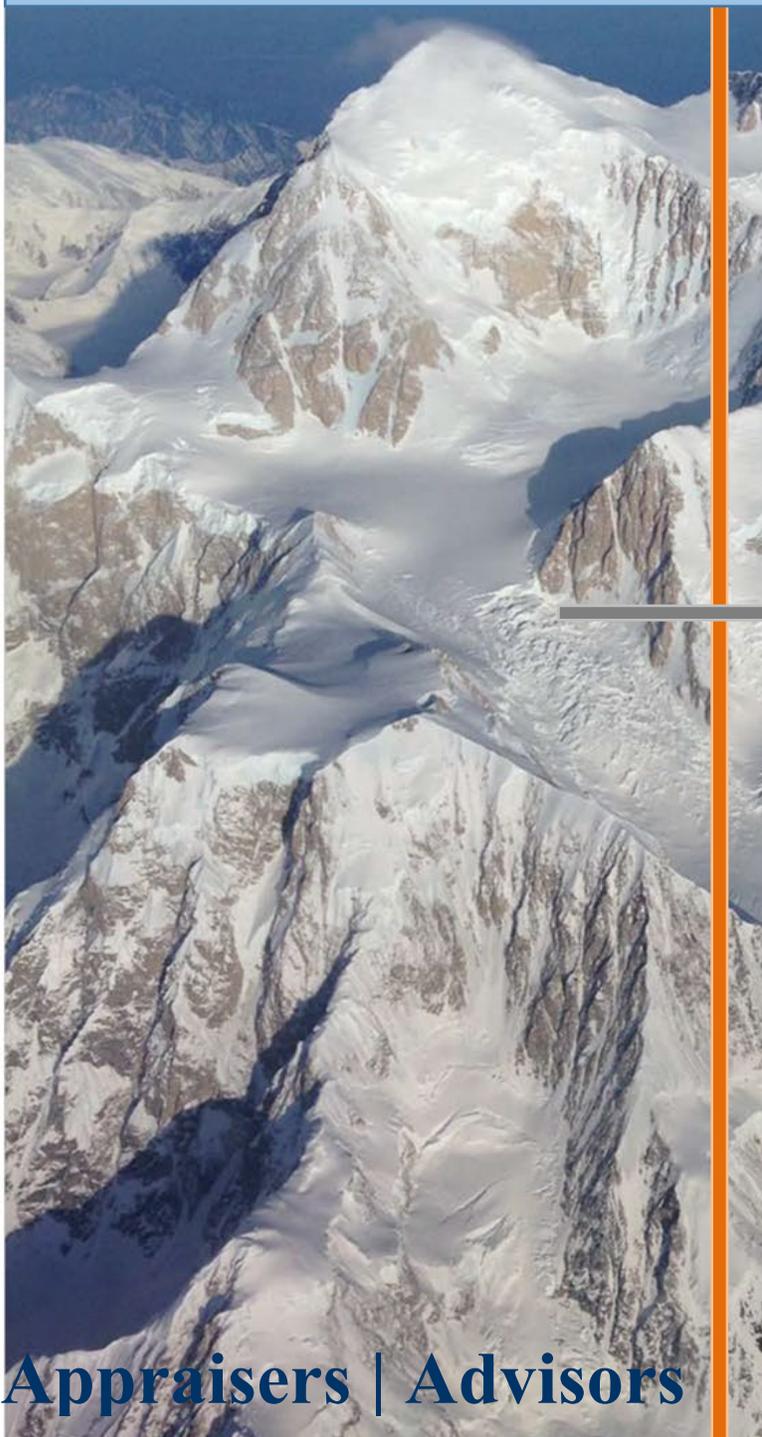
\_\_\_\_\_  
Stephen Prysunka, Borough Mayor

ATTEST: \_\_\_\_\_  
Kim Lane, MMC, Borough Clerk

# RELIANT

LLC

Item a.



**Appraisal Assignment of:**

**Wrangell Medical Center**

**310 Bennett St.  
Wrangell, AK 99929**

Latitude: 56.471796, Longitude: -132.375866

Reliant Reference Number: 22-0325b

**As of: March 26, 2022**

**Prepared for:  
City and Borough of Wrangell**

**Appraisers | Advisors**



9330 Vanguard Drive, Suite 201  
Anchorage, Alaska 99507  
Phone: (907) 929-2226  
Fax: (907) 929-2260  
Email: [admin@reliantadvisory.com](mailto:admin@reliantadvisory.com)  
[www.reliantadvisory.com](http://www.reliantadvisory.com)



### **“reliable advice = reliable decisions”**

Reliant’s goal is to provide high-quality appraisals and consultation services to our clients that will empower them to make smart business decisions. Reliant takes pride in our ability to develop concise reports in a professional and timely manner. Reliant’s experience positions us for success in each market served.

#### **Experience**

- Alaska grown—nationally known
- Over \$2.5 billion in valuations performed
- Alaska expertise with national experience
- Three designated members of the Appraisal Institute (MAIs)
- 100+ years of combined experience

#### **Quality of Work**

- Detailed reporting: enough information to support the value estimate and understand how the appraiser arrived at that value
- Professional reporting: double-sided, full-color reports
- Comprehensive market research and confirmation of comparables
- Quality analysis, including use of ARGUS cash flow software  
User-friendly reports

#### **Timeliness**

- Reliant LLC will not make commitments they cannot meet
- Standard turnaround times are 3–4 weeks
- 10 business day turnaround times available upon request for most property types

#### **Services**

Reliant LLC is a full-service real estate appraisal/valuation and consulting/advisory firm providing research, analysis and reporting on a wide variety of property types throughout Alaska. Our services include:

- Appraisal/valuation
- Appraisal review
- Buy/sell or lease analysis
- Cash flow modeling
- Due diligence
- Eminent domain/condemnation
- Estate planning and documentation
- Historic appraisals
- Investment analysis and modeling
- Litigation and arbitration support
- Market feasibility and analysis
- Market studies and research
- Property tax consulting and appeals
- Settlement Trust land appraisals
- Site and building selection
- STARK Law compliant rent studies

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9330 Vanguard Drive, Suite 201  
Anchorage, Alaska 99507  
Phone: (907) 929-2226  
Fax: (907) 929-2260  
Email: admin@reliantadvisory.com  
www.reliantadvisory.com

# Letter of Transmittal

April 21, 2022

Mr. Jeff Good  
Borough Manager  
City and Borough of Wrangell  
PO Box 531  
Wrangell, AK 99929

RE: **Wrangell Medical Center**  
310 Bennett St.  
Wrangell, AK 99929

Dear Mr. Good:

At your request, an appraisal of the above referenced property has been prepared. The results of the assignment are presented in *Appraisal Report* format. The purpose of the assignment is to estimate the market value of the real estate in its current As Is condition. The *Fee Simple* interest in the subject has been analyzed.

The client(s) of this assignment is City and Borough of Wrangell. The intended user(s) of the report is the Client, for the intended use of prospective sale purposes. Although other parties may in some cases obtain a copy of this report, it should not be relied upon by anyone other than the intended user(s), or for anything other than the intended use.

This assignment has been prepared and presented in conformance with the scope of work developed in consultation with the client, the current Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation, as well as the bylaws of the Appraisal Institute.

The property is a 22-bed critical access hospital and long-term care facility that was originally constructed in 1967. There have been subsequent additions and remodeling over the years. The facility is currently closed and will likely remain closed until remodeling or demolition takes place. A complete interior and exterior walk-through of the subject has been made, and photographs taken by Mr. Greg Bucklin, MAI, on March 26, 2022. Mr. Wold did not conduct a walk-through of the property for purposes of this appraisal; however, he is familiar with the property and the neighborhood. Market information and data regarding other similar real estate has been obtained. This data has been analyzed using appropriate techniques and methodologies necessary to develop a credible and reliable estimate of market value.



RE: **Wrangell Medical Center**

As a result of research and analysis, the value estimate(s) for the subject is/are as follows:

| <b>FINAL MARKET VALUE ESTIMATE</b> |                       |
|------------------------------------|-----------------------|
| <b>Wrangell Medical Center</b>     |                       |
| <b>Property Rights</b>             | <b>Fee Simple</b>     |
| <b>Condition</b>                   | <b>As Is</b>          |
| <b>Effective Date of Appraisal</b> | <b>March 26, 2022</b> |
| <b>Final Market Value Estimate</b> | <b>\$830,000</b>      |

The value estimates are based on a marketing period of approximately 12 months and an exposure period of approximately 12 months. The value opinion reported above is qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the body of the report. This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits and Addendum. Thank you for the opportunity to be of service. If you have any questions, please feel free to call.

Respectfully submitted,

**Kim Wold**  
Senior Appraiser  
Alaska Certified General – No. 52  
kim@reliantadvisory.com

# Certification

The undersigned certify that, to the best of their knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are their personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. They have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. They have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Engagement in this assignment was not contingent upon their developing or reporting predetermined results.
6. Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value/assignment result or direction in value/assignment result that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this assignment.
7. Analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. A personal walk-through of the subject property has not been made by Mr. Wold.
11. No one provided significant real property appraisal assistance to the persons signing this certification and they are competent and qualified to perform the appraisal assignment.
12. They have not provided a previous service, as an appraiser or in any other capacity, regarding the subject within the three years prior to accepting this assignment.
13. As of the date of this report, Kim Wold has completed the requirements of the continuing education program for Candidates / Practicing Affiliates of the Appraisal Institute, and for certified appraisers in the State of Alaska.



**Kim Wold**

Alaska Certified General – No. 52

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# Assignment-Specific Premises & Special Risk Factors

## Overview

The information presented in this section is for convenience purposes only and the intended user should read and understand the report in its entirety as there may be additional highly relevant information contained within the body of the report.

General assumptions and limiting conditions, which apply to all assignments, are presented in the report Addenda. In addition, the following assumptions and limiting conditions are presented separately in this chapter because they are specific to the current assignment. All the assumptions and limiting conditions, whether general or specific and regardless of location within the report, are of equal relevance and importance, and should be carefully reviewed and understood by the intended user(s).

## Assignment-Specific Extraordinary Assumptions, Limiting Conditions

Extraordinary assumptions and extraordinary limiting conditions specific to this assignment follow. The value estimate(s) presented in this report may be amended if the extraordinary assumptions or limiting conditions are found to be false. The reader is advised that the use of these assumptions and limiting conditions might have affected the assignment results.

1. It is assumed that the subject would be rezoned to Commercial when / if the property is transferred to a private party.

## Assignment-Specific Hypothetical Conditions

Hypothetical conditions specific to this assignment are as follows. The reader is advised that the use of these hypothetical conditions (if any) might have affected the assignment results.

This appraisal is not predicated on any hypothetical conditions.

## Special Risk Factors

A special risk factor is defined as a risk that is extraordinary (atypical and unusual), whose potential impacts are not easily quantifiable, that may presently, or at some point in the future, impact the subject and/or all asset classes of real estate, including the subject.

No special risk factors are present.

# Assignment Overview

## Identity of Property

|                                                    |                                                                                                                                                                                                                                                                                                       |
|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Name</b>                                        | Wrangell Medical Center                                                                                                                                                                                                                                                                               |
| <b>Brief Description</b>                           | The property is a 22-bed critical access hospital and long-term care facility that was originally constructed in 1967. There have been subsequent additions and remodeling over the years. The facility is currently closed and will likely remain closed until remodeling or demolition takes place. |
| <b>Address</b>                                     | 310 Bennett St.<br>Wrangell, AK 99929                                                                                                                                                                                                                                                                 |
| <b>Geo Coordinates</b>                             | Latitude: 56.471796, Longitude: -132.375866                                                                                                                                                                                                                                                           |
| <b>Physical Location</b>                           | The subject is located on the easterly side of Bennett St, between First Ave and Reid St.                                                                                                                                                                                                             |
| <b>Assessor’s Tax Parcel Number(s)<sup>1</sup></b> | 02-131-351                                                                                                                                                                                                                                                                                            |
| <b>Abbreviated Legal Description</b>               | <i>Lot A, Block 54, WMC Replat, Plat 2018-6, Wrangell Townsite Survey. (Per Department of Natural Resources Records)</i>                                                                                                                                                                              |
| <b>Current Use</b>                                 | Commercial Development / Former Hospital                                                                                                                                                                                                                                                              |
| <b>Appraised Use</b>                               | Commercial Development / Former Hospital                                                                                                                                                                                                                                                              |
| <b>Highest and Best Use</b>                        |                                                                                                                                                                                                                                                                                                       |
| <b>AS VACANT</b>                                   | May include development as medical-office, healthcare facility or other unidentified use once feasibility has been ascertained.                                                                                                                                                                       |
| <b>AS IMPROVED</b>                                 | Highest and best use as improved is remodeling of the existing improvements to permit medical related use.                                                                                                                                                                                            |

## Scope of Assignment

|                                       |                                                                                                                                                                   |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Value Definition(s)</b>            | The following definition(s) of value is/are utilized in this report:                                                                                              |
| <b>MARKET VALUE (OCC)<sup>2</sup></b> | <i>The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller</i> |

<sup>1</sup> Per Tax Assessor Records.

<sup>2</sup> Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.43 Definitions [g].

*each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to the buyer under conditions whereby:*

- a. the buyer and seller are typically motivated;*
- b. both parties are well informed or well advised, and acting in what they consider their own best interests;*
- c. a reasonable time is allowed for exposure in the open market;*
- d. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto;*
- e. and the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.*

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Other Definitions</b>            | Please refer to the Terms & Definitions section presented in the Addenda for additional definitions of significant terminology used in this report.                                                                                                                                                                                                                                                               |
| <b>Purpose</b>                      | To estimate the market value of the real estate in its current As Is condition.                                                                                                                                                                                                                                                                                                                                   |
| <b>Intended Use</b>                 | The intended use of the assignment is for prospective sale purposes. It should not be relied upon for any other uses.                                                                                                                                                                                                                                                                                             |
| <b>Client(s)</b>                    | City and Borough of Wrangell                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Intended User(s)</b>             | City and Borough of Wrangell (the Client)                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Property Interest Appraised`</b> | This is an appraisal of the real property. Any intangible and personal property is specifically excluded from this valuation.                                                                                                                                                                                                                                                                                     |
| <b>Property Rights Appraised</b>    | Fee Simple                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Report Presentation</b>          | This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary of the appraisal process, subject and market data, and valuation analyses. The level of detail and discussion presented varies with the significance of the information to the appraisal, within the context of the intended use and intended user(s). |
| <b>Walk-Through Date</b>            | March 26, 2022                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Effective Date<sup>3</sup></b>   | March 26, 2022                                                                                                                                                                                                                                                                                                                                                                                                    |

<sup>3</sup> The analyses and conclusions of the assignment are based upon the known market conditions as of the date of report and are valid as of that date but may not be representative of market value either before or after this date.

**Report Date** April 21, 2022

**Scope of Work**

**Overview** Current USPAP requires the appraiser(s) to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem, intended user(s) and intended use.

**Limitations to Scope of Work** USPAP permits limitations to the scope of work consistent with the appraisal problem, intended user and intended use. The scope of work has been limited by the General Assumptions & Limiting Conditions, Assignment-Specific Extraordinary Assumptions and Limiting Conditions, and Assignment-Specific Hypothetical Conditions discussed throughout this report and Addenda. The Scope of Work has also been limited based on the level of information / documentation available to the appraiser. Please reference the assignment-specific extraordinary assumptions, limiting conditions and hypothetical conditions presented in the prior chapter. There are no other major limitations to the scope of work for this assignment.

**Compliance** The analysis and reporting of this assignment are compliant with the following:

- Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of the Appraisal Foundation.
- The bylaws of the Appraisal Institute.

**Special Client Instructions** None

**Subject Walk Through** A complete interior and exterior walk-through of the subject has been made, and photographs taken by Mr. Greg Bucklin, MAI, on March 26, 2022. Mr. Wold did not conduct a walk-through of the property for purposes of this appraisal; however, he is familiar with the property and the neighborhood. The scope of this walk-through is presented on the following table.

| <b>SCOPE OF WALK THROUGH</b>   |                |
|--------------------------------|----------------|
| <b>Item</b>                    | <b>Viewed?</b> |
| Neighborhood                   | Yes            |
| Subject Exterior               | Yes            |
| Subject Interior               | Yes            |
| Subject Restrooms              | Partial        |
| Subject Roof                   | No             |
| Subject Mechanical Rooms       | Partial        |
| Subject Crawl Spaces or Attics | No             |
| Subject Ceiling Spaces         | No             |

**Information Provided to Appraiser for Consideration**

Primary data was obtained by the appraiser during the property walk-through. Secondary sources of property data include client, borrower, and public records. The scope of work is specific to the information on the subject provided to the appraiser by the client or property contact. A partial list of items provided follows:

- Building sketch
- Plat map
- Environmental study
- Engineering study
- Demolition costs

The following information was not available to the appraiser:

- Three years of historic operating data
- Tax returns
- Architectural plans
- As built
- Building area study
- Title report
- Preliminary commitment for title insurance
- dy
- Construction costs
- Renovation costs
- Recent capital improvements
- Feasibility study
- Market study
- A prior appraisal
- Purchase and sale agreement
- Listing agreement
- Closing documents / settlement statements

**Market Analysis**

Extensive research on macro and micro economic conditions within the subject's market has been conducted. Extensive research on current market conditions within the subject's sector of the real estate market has been conducted. The Appraisal Institute recognizes two categories of market analysis: inferred and fundamental. Inferred analyses (Level A and B) are basic methods by which future supply and demand conditions are inferred by current and general market conditions (secondary data). In fundamental analyses (Level C and D), general information is supplemented by detailed data to forecast supply and demand, as well as subject-specific absorption and capture (primary data). The market analysis performed in this assignment is based on inferred demand.

**Approaches to Value**

**LAND VALUATION** This approach was developed because it is necessary to develop a credible and reliable estimate of market value for this property type or it has been requested by the client.

**COST APPROACH** This approach was developed because it is not typically utilized by buyers and sellers in this market for this type and age of property.

**SALES COMPARISON APPROACH** This approach was developed because it is necessary to develop a credible and reliable estimate of market value for this property type or it has been requested by the client.

**INCOME CAPITALIZATION APPROACH** This approach was not developed because the subject is not an income producing property and this approach does not reflect typical market behavior for this property type.

### Valuation Process

The valuation process may include research and analysis performed as part of a prior assignment, as well as new research performed specifically for this assignment, and included but was not limited to the following:

1. The problem or nature of assignment was identified.
2. A scope of work was created that lead to credible results that are appropriate for the appraisal problem, intended user and intended use.
3. Information necessary to complete the assignment was requested and obtained from the client / property contact.
4. An area, city and neighborhood analysis has been performed.
5. An analysis of the subject's physical and economic characteristics has been performed.
6. Interviews have been performed with property representatives (owners, property managers or leasing agents), tenants, planners, assessors, brokers, investors, developers and other individuals with useful knowledge and insight on the subject.
7. Knowledgeable market participants have been interviewed on the market conditions for properties like the subject.
8. An examination of current zoning codes affecting the property has been performed.
9. The functional utility of the site and/or improvements has been determined.
10. A detailed examination of the subject's economic characteristics has been made to determine the property's risk profile and economic potential.
11. A highest and best use analysis for the property was performed.

- 12. Extensive research to identify transactions involving similar properties was performed.
- 13. An analysis of the subject and available data was performed using commonly accepted valuation techniques and methodologies.
- 14. The quantity and quality of available data was considered along with the applicability of the methodology used, and a reconciliation was performed to arrive at the final value estimate(s).

**Ownership and Sales Information**

**Current Owner of Record** According to Owner, the appraised interest in the subject is presently owned by City and Borough of Wrangell.

**Three Year Transaction History** Disclosure and analysis of the subject’s transaction history (sales, agreements of sale, options, and listings) within the prior three years is required by USPAP and, if applicable, is presented below.

**NO RECENT ACTIVITY** No transactions involving the subject within the prior three years are known or have been disclosed. A search of State of Alaska Department of Natural Resource records indicates that the subject has not changed ownership within the last three years.

**Competency of Appraiser**

The appraisers have previously performed similar assignments and meet the Competency Rule of USPAP. Please refer to the Experience Data presented in the Addendum for further information on the appraiser’s background and experience.

## Area Data

### COVID-19

The World Health Organization declared the coronavirus (COVID-19) as a global health emergency on January 30, 2020. The President declared a national emergency on March 13, 2020. The outbreak caused heightened health, economic and financial uncertainty in both local and global markets. International travel restrictions have been implemented by many countries, including the United States. Public events, meetings and assemblage were largely cancelled. Global financial markets were negatively impacted as a result of the response of governments and the public to the virus. In response, the Federal Reserve made an emergency cut to interest rates on March 16, 2020, slashing the federal funds rate by 1 percent to a range of 0-0.25 percent (effectively zero). Through various legislative acts, total COVID-19 stimulus is estimated at \$5.335 trillion dollars.<sup>4</sup> There are now multiple vaccines available that are expected to be fully distributed to the general public by the end of 2021. Most market participants believe that the COVID-19 pandemic has ended. Economic trends, including airline travel, employment data, manufacturing output, retail expenditure, stock market valuations and other data points strongly suggest that most, but not all, of the economic recovery has already occurred. Thus, at this point, the economic data indicates that there was largely a “V” shaped recession and recovery. At this point, the greatest risk is that a new vaccine resistant strain of the virus develops. The COVID-19 Delta and COVID-19 Omicron variants are two such examples, with the first causing additional lockdowns and the second posing a limited health risk without additional lockdowns. That said, the continued expectation is that 2022 will be the year that the economy approaches full recovery.

### Regional Area Data

Although elements of Alaska’s economy are directly affected by certain national and international factors (e.g. interest rates, the value of the U.S. Dollar, etc.), Alaska’s economic cycles do not typically align with the rest of the nation for several reasons. First, is that Alaska is a “resource” state and contains some of the most abundant reserves of oil, natural gas, coal, gold, silver and other precious minerals on the planet. Alaska is also plentiful in renewable natural resources, including fish and timber. In terms of natural resources, it is not an understatement to describe Alaska as being “rich”. Thus, the respective supply of these commodities, including their financial feasibility to bring to market, and prices set by global markets, are the primary influence on the economy. Second, is the relative absence of manufacturing and technology, which in recent history have been the driving factors in U.S. economic cycles. Third is Alaska’s location, which although

<sup>4</sup> Peter G. Peterson Foundation, March 15, 2021, <https://www.pgpf.org/blog/2021/03/heres-everything-congress-has-done-to-respond-to-the-coronavirus-so-far>

central to the industrialized world by air, is remote relative to the rest of the U.S. One dramatic instance of when Alaska's economy diverged from the Nation's was during the Great Recession when employment in Alaska continued to increase, resulting in 21 years of continuous job growth in the state.

Today, the State's economy is more diverse than it ever has been. However, the tripod that continues to support the economy is made up of oil/gas, government spending (with State spending being largely dependent on oil), and the other sectors (other mining/natural resources, hospitality/tourism, manufacturing/fishing, and transportation to name a few). Most of the weight continues to be on oil.

While oil production has significantly decreased from their peak in the late 1980s, the price has been volatile, ranging from above \$100/bbl at the beginning of 2014 to a low of \$10/bbl in 2020 at the start of the COVID-19 pandemic. Currently prices are in the range of \$100/bbl, which is well above the average price for the last several years. On another positive note, reserves have recently been increasing. After a 40-year battle, in 2017, the Republican-controlled House and Senate included in tax legislation a provision that would open the 1002 area of ANWR to oil and gas drilling. Since that time up to 10 billion barrels of additional reserves have been identified at three different fields, which could yield several hundred thousand barrels per day. At the same time, political resistance to oil is increasing. Due to global warming, several lenders have indicated that they will not finance any new oil field development, however, this is viewed as largely a symbolic political position that will not ultimately impact the development of financially feasible fields. President Joe Biden has unilaterally suspended all oil and gas leases in the ANWR, which is being challenged in court.

The decline in the price of oil in recent years resulted in a decline in State revenues and significant budget shortfalls.<sup>5</sup> Thus far, the budget shortfall has been addressed by a combination of tapping into reserve accounts<sup>6</sup> (all years), eliminating 50% of the Permanent Fund dividend paid to Alaska residence (2018) or tapping into the Permanent Fund's Earnings Reserve Account (ERA) (2019). For several reasons, the budget shortfall is largely a political, rather than an economic issue. First, while politically difficult, the State continues to have opportunities to cut spending over historic levels.<sup>7</sup> Second, there are no personal taxes in place at the State level and, while also politically difficult, if necessary, these could be adopted. Finally, the State has over \$82 billion within the Permanent Fund, nearly \$17 billion of which is within the ERA and so can be used to fund the State government by a simple majority vote of the Legislature (as occurred in 2019, for example).

<sup>5</sup> According to Alaska Tax Division Director Colleen Glover, every dollar change in the price of Alaska North Slope crude equates to roughly \$42 million more, or less, to the state treasury.

<sup>6</sup> As of December 31, 2021, the State had \$1.09 billion remaining in the CBRF, roughly 10% of the original balance.

<sup>7</sup> There is consensus among nearly all Alaskan's that additional spending cuts are possible. However, to the extent that the proposed spending cuts result in an actual reduction of services they become a point of vigorous debate.

The question is not therefore whether State can pay its bills, but rather what level of services its citizens desire and how it chooses to pay for those services. The major concern moving forward is the degree to which each of these respective choices would impact the general economy, which has just returned to positive economic growth after a mild three-year recession.

Also buttressing the Alaskan economy is the level of federal spending in the state. For example, in FY 2014, the U.S. government sent a total of \$11.3 billion to Alaska and its residents<sup>8</sup>. This sum made Alaska the third highest recipient of per capita federal dollars for the year (behind Maryland and Virginia). In fact, the level of federal spending in Alaska, per capita, is approximately 50% above the national average. While details have not yet been finalized, Alaska is also expected to see a healthy share of recent federal infrastructure dollars over the next few years.

Job gains in the health care industry have been consistent and strong for most of the last decade. In 2020 the health care industry initially lost 500 jobs during the COVID-19, but this loss was offset in 2021 when 900 jobs were added to aid in combating the outbreak.

Tourism has also been a bright spot with record numbers of cruise ship berthings and visitors. However, as a result of COVID-19, nearly all cruise ship trips to Alaska were cancelled. For the 2022 forecast, major cruise lines such as Holland America Line, Princess Cruises, Royal Caribbean, Celebrity, and Norwegian Cruise Line, have reported that they plan on returning to Alaska with sailings primarily from Whittier, Seward, Vancouver and Seattle. State economists expect that the combination of a strong national economy and new cruise ship entrants to the Alaskan market will have a favorable impact on this industry and Alaska. On a positive note, lodging and car rentals performed at record levels during the pandemic, indicating significant strength in the independent traveler segment of the tourist market.

While seafood harvests, pricing and supply and demand conditions remain relatively stable and healthy for most fisheries, certain segments and regions of the Alaska seafood market are experiencing a surplus of processing capacity. As a result, several processors have discontinued operations, while others have placed their portfolio of Alaska properties on the market for sale. In general, the seafood outlook is for continued health and stability for the market overall, but with certain segments and regions experiencing softness and even potentially contraction, which could impact fishermen, suppliers, and processing employment. In 2021, salmon counts, and pricing were favorable. As the result of more consumers cooking from home to combat the spread of the COVID-19 virus, the industry experienced recovery with rising demand and pricing levels.

Precious metals, including gold, continue to perform well and the mining industry is healthy at this time. Alaska Native Corporations are one of the

<sup>8</sup> [http://www.pewtrusts.org/~media/assets/2016/03/federal\\_spending\\_in\\_the\\_states\\_20052014.pdf](http://www.pewtrusts.org/~media/assets/2016/03/federal_spending_in_the_states_20052014.pdf), accessed Jan-2017

major bright spots of the Alaska economy and continue to expand their Alaska, national and international businesses.

In summary, the Alaska economy is best described as “mixed” at this time with some lingering softness in the oil industry largely being offset by strength in other areas of the economy.

The most recently available key economic indicators are summarized on the following chart.

### Alaska: Key Economic Indicators

| Item                                            | 2014     | 2015      | 2016     | 2017      | 2018     | 2019     | 2020     | 2021     |
|-------------------------------------------------|----------|-----------|----------|-----------|----------|----------|----------|----------|
| <b>Resources</b>                                |          |           |          |           |          |          |          |          |
| Oil Price (Avg. \$/Barrel)                      | \$97.74  | \$52.10   | \$43.04  | \$54.28   | \$71.44  | \$65.49  | \$41.72  | \$70.88  |
| Avg. Daily Oil Production (000s Barrels)        | 546.6    | 519.3     | 531.1    | 540.5     | 550.0    | 547.7    | 544.8    | 533.6    |
| Oil Value (Billions)                            | \$19.5   | \$9.9     | \$8.3    | \$10.7    | \$14.3   | \$13.1   | \$8.3    | \$13.8   |
| Gold Price (Avg. \$/Ounce)                      | \$1,184  | \$1,061   | \$1,152  | \$1,303   | \$1,283  | \$1,517  | \$1,734  | \$1,829  |
| GDP: Mining (Millions)*                         | \$14,046 | \$7,637   | \$6,351  | \$8,496   | \$9,302  | \$8,424  | \$4,648  | ---      |
| GDP: Agriculture, Forestry & Fishing (Millions) | \$495    | \$461     | \$405    | \$391     | \$407    | \$409    | \$331    | ---      |
| Salmon & Herring Catch (000s Ibs.)              | 812,665  | 1,163,639 | 639,519  | 1,102,192 | 652,434  | 916,685  | 538,383  | ---      |
| Salmon & Herring Exvessel Value (Millions)      | \$631    | \$502     | \$492    | \$796     | \$592    | \$715    | \$399    | ---      |
| <b>Tourism</b>                                  |          |           |          |           |          |          |          |          |
| Cruise Ship Visitors (000s)                     | 968      | 1,000     | 1,026    | 1,090     | 1,169    | 1,332    | 0        | ---      |
| Total Visitors (000s)                           | 1,660    | 2,067     | 1,858    | 1,926     | 2,026    | 2,437    | 427      | ---      |
| <b>Demographics</b>                             |          |           |          |           |          |          |          |          |
| Population                                      | 742,404  | 741,123   | 752,680  | 744,733   | 750,876  | 755,517  | 760,206  | 752,044  |
| Avg. Household Income                           | \$85,010 | \$88,585  | \$91,524 | \$93,039  | \$96,273 | \$96,534 | \$97,941 | \$99,657 |
| Per Capita Income                               | \$31,800 | \$33,111  | \$34,264 | \$34,879  | \$35,888 | \$35,589 | \$36,233 | \$37,030 |
| <b>Employment</b>                               |          |           |          |           |          |          |          |          |
| Unemployment Rate (%)                           | 6.9%     | 6.5%      | 6.9%     | 7.0%      | 6.6%     | 6.3%     | 8.2%     | 6.2%     |
| Employment (% Chng.)                            | 0.5%     | 0.3%      | -1.7%    | -1.3%     | -0.5%    | 0.5%     | -3.9%    | 2.8%     |
| <b>Alaska Permanent Fund (PF)</b>               |          |           |          |           |          |          |          |          |
| PF Distribution (\$/Person)                     | \$1,884  | \$2,072   | \$1,022  | \$1,100   | \$1,600  | \$1,606  | \$992    | \$1,114  |
| PF Value (Billions)                             | \$51.2   | \$52.8    | \$52.8   | \$59.8    | \$64.9   | \$66.3   | \$65.3   | 65.3     |
| <b>State Budget</b>                             |          |           |          |           |          |          |          |          |
| State Budget (Millions) [2014=FY14]             |          |           |          |           |          |          |          |          |
| Revenue                                         | \$10,665 | \$9,259   | \$7,063  | \$6,553   | \$6,972  | \$10,557 | \$9,925  | \$9,074  |
| Operating                                       | \$8,569  | \$11,610  | \$8,520  | \$8,078   | \$8,039  | \$8,748  | \$8,504  | \$8,868  |
| Capital                                         | \$1,972  | \$1,943   | \$1,478  | \$1,551   | \$1,414  | \$1,447  | \$1,276  | \$1,167  |
| Total Spending                                  | \$10,540 | \$13,553  | \$9,998  | \$9,629   | \$9,453  | \$10,195 | \$9,780  | \$10,035 |
| Fiscal Gap                                      | \$21,205 | \$22,812  | \$17,061 | \$16,182  | \$16,425 | \$20,752 | \$19,705 | \$19,109 |
| <b>Other</b>                                    |          |           |          |           |          |          |          |          |
| Mortgage Foreclosure & Delinquency Rates**      | 1.0%     | 0.8%      | 0.7%     | 0.7%      | 0.8%     | 0.7%     | 0.6%     | 0.4%     |
| Alaska Building Permits (Residential 1-5 Units) | 2718     | 2446      | 2198     | 2178      | 1897     | 1886     | 1669     | 160      |

Employment trends by industry are presented below on the following chart:

## AK DOL Statewide Employment Forecast

|                                             | Monthly avg, 2020 <sup>1</sup> | Monthly avg, 2021 <sup>1</sup> | Change, 2020-21 | Percent change | JOBS FORECAST     |                 |                |
|---------------------------------------------|--------------------------------|--------------------------------|-----------------|----------------|-------------------|-----------------|----------------|
|                                             |                                |                                |                 |                | Monthly avg, 2022 | Change, 2021-22 | Percent change |
| <b>Total Nonfarm Employment<sup>2</sup></b> | <b>302,600</b>                 | <b>309,700</b>                 | <b>7,100</b>    | <b>2.3%</b>    | <b>319,500</b>    | <b>9,800</b>    | <b>3.2%</b>    |
| Total Private                               | 225,800                        | 232,600                        | 6,800           | 3.0%           | 241,700           | 9,100           | 3.9%           |
| Mining and Logging                          | 11,300                         | 10,400                         | -900            | -8.0%          | 11,000            | 600             | 5.8%           |
| Oil and Gas                                 | 7,800                          | 6,700                          | -1,100          | -14.1%         | 7,100             | 400             | 6.0%           |
| Construction                                | 15,800                         | 16,000                         | 200             | 1.3%           | 16,400            | 400             | 2.5%           |
| Manufacturing                               | 11,900                         | 12,200                         | 300             | 2.5%           | 12,800            | 600             | 4.9%           |
| Transportation, Trade, and Utilities        | 58,900                         | 61,000                         | 2,100           | 3.6%           | 63,200            | 2,200           | 3.6%           |
| Wholesale Trade                             | 6,200                          | 6,100                          | -100            | -1.6%          | 6,300             | 200             | 3.3%           |
| Retail Trade                                | 33,400                         | 34,400                         | 1,000           | 3.0%           | 34,900            | 500             | 1.5%           |
| Transportation, Warehousing, and Utilities  | 19,300                         | 20,500                         | 1,200           | 6.2%           | 22,000            | 1,500           | 7.3%           |
| Information                                 | 4,900                          | 4,800                          | -100            | -2.0%          | 4,800             | 0               | 0%             |
| Financial Activities                        | 10,800                         | 10,800                         | 0               | 0%             | 10,900            | 100             | 0.9%           |
| Professional and Business Services          | 26,100                         | 26,300                         | 200             | 0.8%           | 26,600            | 300             | 1.1%           |
| Educational (private) and Health Services   | 49,400                         | 50,900                         | 1,500           | 3.0%           | 51,500            | 600             | 1.2%           |
| Health Care                                 | 38,200                         | 39,100                         | 900             | 2.4%           | 39,600            | 500             | 1.3%           |
| Leisure and Hospitality                     | 26,600                         | 29,700                         | 3,100           | 11.7%          | 33,700            | 4,000           | 13.5%          |
| Other Services                              | 10,100                         | 10,500                         | 400             | 4.0%           | 10,800            | 300             | 2.9%           |
| Total Government                            | 76,800                         | 77,100                         | 300             | 0.4%           | 77,800            | 700             | 0.9%           |
| Federal, except military                    | 15,400                         | 15,100                         | -300            | -1.9%          | 15,100            | 0               | 0%             |
| State, incl. University of Alaska           | 22,400                         | 22,600                         | 200             | 0.9%           | 22,200            | -400            | -1.8%          |
| Local and tribal, incl. public schools      | 39,000                         | 39,400                         | 400             | 1.0%           | 40,500            | 1,100           | 2.8%           |

<sup>1</sup>Preliminary estimates. <sup>2</sup>Excludes the self-employed, uniformed military, most commercial fishermen, domestic workers, and unpaid family workers.

Note: May not sum because of rounding

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Due to COVID-19, unemployment spiked to 13.7% in April 2020. By 2021, this had decreased to 6.2%. AKDOL forecasts Alaska will attain 97% recovery in 2022 and forecasts employment growth of approximately 9,800 jobs, an increase of 2.8%. The January 2022 Alaska Economic Trends report showed an 8.3% loss in jobs in 2020, a 2.3% gain in 2021 and a forecasted gain of 3.2% in 2022 which would bring jobs to 96.8% of pre-pandemic levels. The implication is that Alaska is nearly fully recovered from the pandemic and high oil prices and State budgets in the black, positioned for a return to prevailing pre-pandemic levels, which – with the exception of the 2016-2018 recession – has historically reflected slow, steady growth. One economic concern is inflation and the Federal Reserve tightening monetary policy, which has resulted in mortgage rates increasing to roughly 4.75%. Higher interest rates in turn could have an adverse impact on all segments of the real estate market.

## Wrangell Area Data

### Overview

Wrangell is one of the oldest non-native settlements in Alaska. In 1811, the Russians began fur trading with area Tlingits and built a stockade named Redoubt Saint Dionysius in 1834. The island was named for Ferdinand von Wrangel, manager of the Russian-American Company around 1830. The British of Hudson Bay Company leased the fort in 1840 and named the stockade Fort

Stikine. A large Stikine village, known as Kotzlitzna, was located 13 miles south of the fort. The Tlingits claimed their own ancient trade rights to the Stikine River and protested when the Hudson Bay Company began to use their trade routes, but two epidemics of smallpox, in 1836 and 1840, reduced the Tlingit population by half. The fort was abandoned in 1849 when furs were depleted. The fort remained under the British flag until Alaska’s purchase by the United States in 1867. In 1868 a United States military post called Fort Wrangell was established and named for the island.

The community continued to grow as an outfitter for gold prospectors, especially in 1861, 1874-1877, and 1897. Riotous activity filled gambling halls, dance halls, and the streets. Thousands of miners traveled up the Stikine River into the Cassiar District of British Columbia during 1874 and to the Klondike in 1897. Glacier Packing Company began operating in Wrangell in 1889. The Wilson & Sylvester Sawmill provided packing boxes for canneries and lumber for construction.

The city was incorporated in 1903. By 1916, fishing and forest products had become the primary industries – four canneries and a cold storage plant were constructed by the late 1920s. In the 1930s, cold packing of crab and shrimp was occurring. Abundant spruce and hemlock resources have helped to expand the lumber and wood products industry. The Alaska Pulp sawmill, Wrangell’s largest employer, closed in 1994, but was reopened on a smaller scale in 1998 by Silver Bay Logging, only to be permanently closed and subsequently dismantled by 2008.

Tourism, as well as growth in the seafood processing and marine services industries have become the economic backbone of the community. The city was dissolved and reincorporated as the City and Borough of Wrangell on June 1, 2008.

Wrangell is primarily a non-native community with a mixture of Tlingit, Russian, British, and American historical influences. Logging and fishing have supported the community.

**Geography and Climate**

The City and Borough of Wrangell is located on the northwest tip of Wrangell Island, 155 miles south of Juneau and 89 miles northwest of Ketchikan. It is near the mouth of the Stikine River, a historic trade route to the Canadian Interior.

Wrangell falls within the southeast maritime climate zone, characterized by cool summers, mild winters, and heavy rain throughout the year. Fog is common in Wrangell from September through December.

**Demographics**

The most recent census data (2010) shows Wrangell having a population of 2,369. The 2020 US Census population was 2,127. The Alaska Department of Labor population estimate was 2,096 as of July 2021.

The population mix is 67.5% White; 19.2% American Indian or Alaska Native; 9.3% Two or More Races; 3.5% Asian; with the remainder being “other race.”

**Transportation**

The city is accessible by air and water. The state-owned, paved, lighted runway allows for jet service. A seaplane base is adjacent to the runway, with another airplane float located in the Inner Harbor. Charter air taxi services are also available. The marine facilities include a breakwater at each of the three harbors with 710 slips for recreational and commercial vessels, deep draft dock which recently completed upgrades and renovations, state ferry terminal, and three boat launches. Freight arrives by barge, ship, ferry, and cargo plane. Front Street was reconstructed as part of a larger downtown revitalization project three years ago. Several new trails have been developed, including a new loop on Volunteer Park Trail and the Paddle Craft Trail, a canoe/kayak portage.

**Education**

Wrangell has one elementary, one middle, and one high school. Many students across the state attend correspondence schools.

**Economy**

The median household income in Wrangell is \$52,986 and the median family income is \$62,188. There are 237 people below the poverty level with 364 being below 125% of the poverty level. The property tax mill rate in Wrangell is 12.75 and the sales tax rate is 7%.

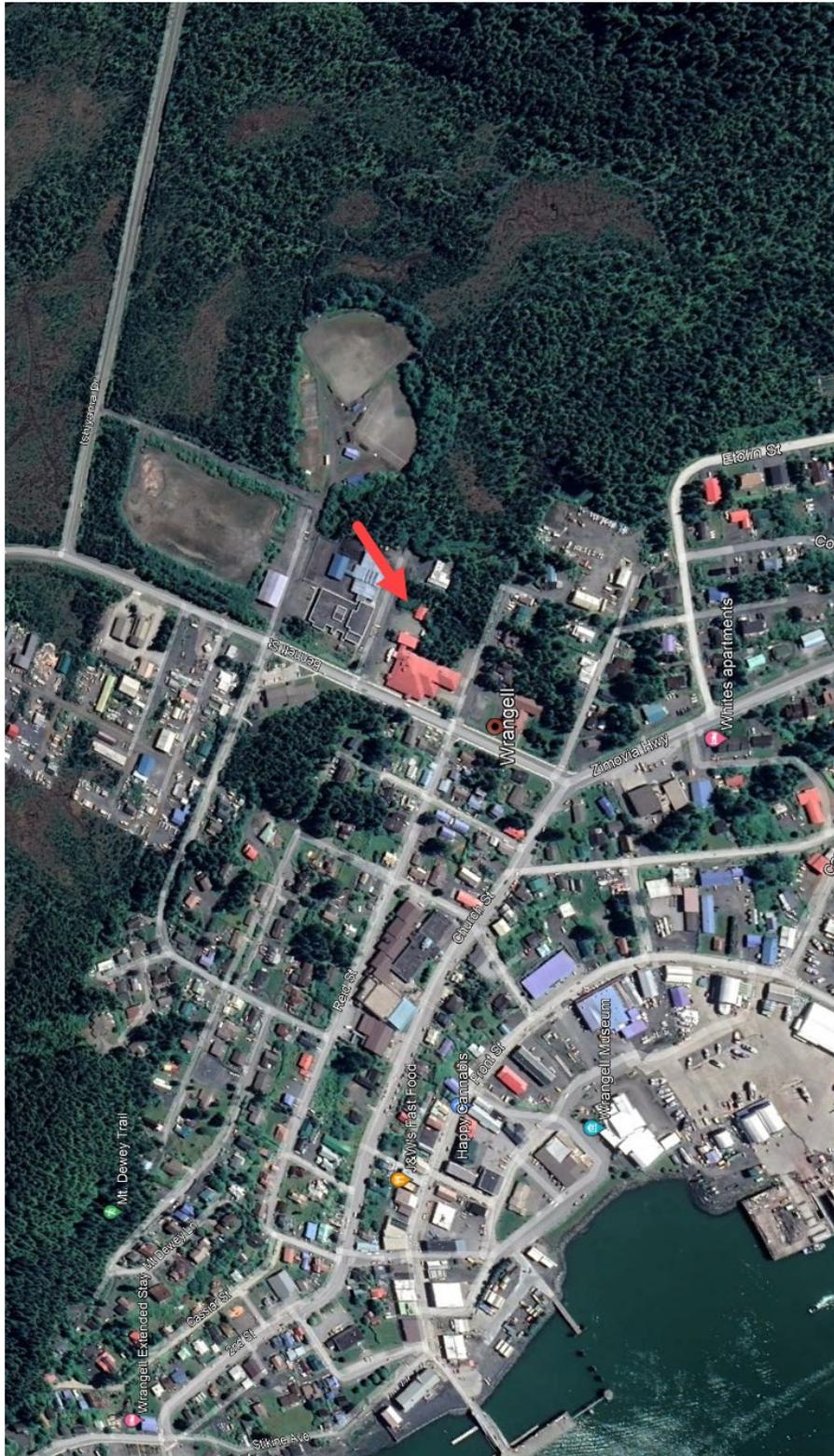
The Alaska Department of Labor shows the current unemployment rate in Wrangell to be 7.7%, which is down slightly from the 8.4% unemployment rate for the year 2020. In 2019, the unemployment rate was 6.7%.

Major industries in Wrangell include fishing, marine services, timber, tourism, and seafood processing. Local government is also a major employer in Wrangell.

**Conclusion**

The COVID-19 virus had a major negative impact on the job market, with historical unemployment numbers being recorded. By year end 2020, employment trends were once again positive. Nonetheless, 2021 forecast employment is well below 2019 levels suggesting that the economic recovery, should it continue, will extend well into 2022 and perhaps beyond. In the meantime, the outlook is for stability as the ongoing structural recovery from COVID-19 progresses.

Immediate Neighborhood Aerial Photograph



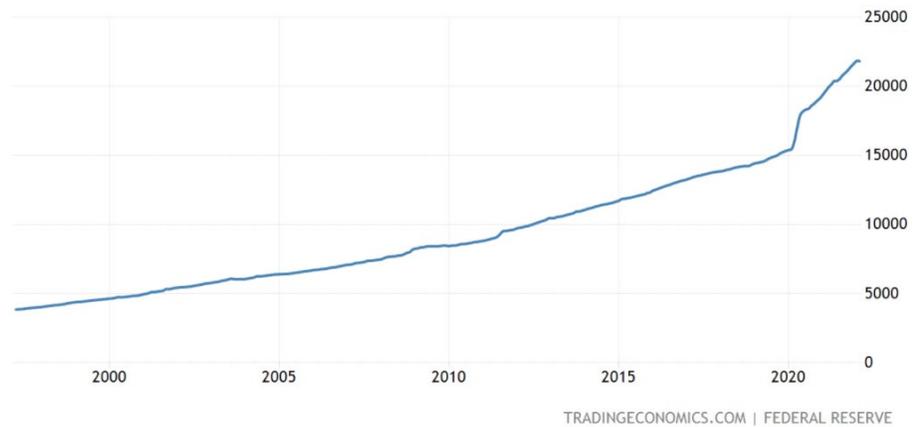
# Market Analysis

## Medical-Related

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Classification</b>                                 | Given the subject’s suitability for medical-related development, this market analysis considers conditions within the medical office and healthcare market.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Overview of Market Survey</b>                      | <p>The market analysis has been compiled from a variety of sources including an extensive survey of landlords, tenants, investors, users, property managers, real estate agents, appraisers, city assessor’s and other market participants. Other sources of data include property tax records, newspaper articles and the Multiple Listing Service (MLS). The available data has been carefully analyzed on a qualitative and quantitative basis.</p> <p>Wrangell is a small, remote community without a particularly active real estate market. It comes as no surprise that there are no real estate market studies, surveys, inventories, or other published documents on current conditions available for review.</p> |
| <b>Market Supply</b>                                  | Existing product constitutes the supply in Wrangell. The subject has been replaced by a new facility rendering the existing improvements obsolete.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Market Demand</b>                                  | The health services industry has been the fastest growing and one of the larger sectors of Alaska’s economy. It is a billion-dollar plus industry and it employs roughly 47,730 people throughout Alaska as of September 2021. In Southeast specifically, educational (private) and health services employ 4,100 people, of which the large majority is healthcare employment.                                                                                                                                                                                                                                                                                                                                             |
| <b>Equilibrium Status (Current Conditions)</b>        | Vacancy rates are virtually non-existent, as is the case for major communities in Southeast Alaska.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Near Term Market Outlook (Forecast Conditions)</b> | The outlook over the next few years would be low vacancy rates and slowly increasing rental rates and property values.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## Inflationary Trends

Construction cost inflation results from two primary sources: short-term supply chain disruptions due to COVID-19 and mid-to-longer-term inflation resulting from a combination of government spending levels and Federal Reserve monetary policy. Due to COVID-19 a shortage of labor and subcontractors is reported, which has led to increases in sub costs and delays in project delivery. The US M2 Money Supply is critical in understanding and forecasting inflation and interest rates in the U.S. and is shown on the following table.



Since 2004, the money supply has gone up nearly 500%. As shown, however, it sharply increased during COVID-19 and increased from \$15,000 billion to nearly \$22,000 billion in roughly two years. Most market participants, including the Federal Reserve itself, are now anticipating a period of inflation and higher interest rates to combat it.

Regardless of the causes, inflation has had a significant influence on replacement costs and general contractors and subcontractors are carefully factoring in anticipated cost increases into their bids. Due to market inefficiencies, it is not possible to say for certain what recent construction specific inflation trends have been, but it has been reported by market participants that projects have experienced increasing costs ranging from as little as 10% to as much as 50%.

Inflation trends will increase the competitive position of existing product, reduce the feasibility of new construction and, to the extent that they impact interest rates, make borrowing more expensive. Given that much of the private real estate market is leveraged, it may become more difficult to obtain new loans and, given unchanged equity returns, result in downward pressure on asset prices. As to the degree to which interest rates increase and whether other factors will offset their influence remains to be seen but market participants are watching the issue closely.

## COVID-19

### Transaction Data

Below, properties are ranked from least to most affected by COVID-19:

- Medical-Related Facilities
- Distribution Warehouse
- Industrial
- Office
- Multifamily
- Retail
- Public Gathering Places (Universities, Churches, etc.)
- Lodging

- Retail - Restaurant
- Retail - Tourist / Cruise Ship Dependent

Property types least impacted by COVID-19 have continued to transact throughout the pandemic at prices similar to pre-pandemic levels. For those property types that are most impacted, there is limited transaction data available at this time that reflects the impact of the COVID-19. Local market participants report that a relatively small number of sales and new leases were finalized during the worst part of the virus situation in Alaska, but these were generally deals that were initiated prior to the virus taking hold. A number of other deals that were in progress when the state closure began were temporarily put-on hold as participants took a “wait and see” approach, but as the state has reopened most of these deals have begun moving again (or have already completed). The general consensus is that the pricing and terms of these latter deals did not change materially as a result of the virus or temporarily lower oil prices. For example, of a price change, however, a local hotel sale known to have closed this year was adjusted down by approximately 3% in recognition of the COVID situation, although at that point the pandemic had only been going a few months.

On a national level, a recent CoStar article (*Commercial Property Prices Hold Steady Amid Slower Trading*) reported that their U.S. Composite Index, which reflects secondary and smaller markets, was down 1.8% from its April peak. However, the article also acknowledged that transaction volume remains depressed, and it is widely agreed that most sellers are better off waiting for the market to improve rather than selling today – provided they are not in a distressed or unusually motivated situation.

Limited transactional activity – particularly for certain property types and asset classes – is anticipated to continue for the time being, which can complicate the appraisal problem and require the use of a combination of other appraisal techniques and data sources. Speaking broadly, property owners in the softest segments are not selling at this time unless under duress (as they are instead waiting until the market recovers), while those in the stronger segments remain willing to sell but typically not at a discount.

### **Interviews with Market Participants**

The views of market participants are widely divergent, and no broad consensus can be extracted with respect to changes in market value. However, reading between the lines, some more narrow areas of consensus can be established. For leased credit assets, the market participants report that the impacts may range from no impact to a discount of up to 10%, with the most common responses indicating a value discount between 0% and 3-5%. For most type of fee simple assets, while there are widely divergent perspectives on the degree, in the short-term (meaning currently and for the next three to six months) downward pressure on market values are implied followed by a longer-term (meaning within the marketing time) recovery and stabilization. In general, market participants tend to indicate that medical office, multifamily and industrial will be the least impacted and retail (in particular cruise ship dependent retail), restaurant and lodging will be the

most impacted.

**Influence of Inflation**

While there is disagreement as to the severity, as the result of the significant COVID-19 related stimulus, market participants are anticipating increased inflationary pressures moving forward. At the same time, treasury yields remain very low and do not yet fully reflect inflationary pressures. In combination, this in turn, has increased demand for tangible assets, including real estate. Thus, for certain asset classes, post peak COVID-19 demand for real estate has arguably increased.

**Subject's Competitive Position**

**Competitive Strengths / Downward Risk Influences**

- Limited medical facilities in Wrangell
- Interest rates remain near all-time lows.
- Likelihood of new remodeling entitlements
- Building shell
- Utility services
- There are limited other property specific downward influences on risk.

**Competitive Weaknesses / Upward Risk Influences**

- COVID-19 continues to add uncertainty to the market.
- Limited financially capable buyers in the market
- Absorption uncertainty
- Presence of asbestos containing materials and lead based paint
- There are limited other property specific upward influences on risk.

**Application to Subject**

The subject is unencumbered by tenants and current market conditions have a direct impact on the property. Overall, current market conditions have a neutral influence on the market value of the subject.

# Description of Site

## Wrangell Medical Center

**Name** Wrangell Medical Center

**Address** 310 Bennett St.  
Wrangell, AK 99929

**Geo Coordinates** Latitude: 56.471796, Longitude: -132.375866

**Physical Location** The subject is located on the easterly side of Bennett St, between First Ave and Reid St.

**Assessor's Tax Parcel Number(s)<sup>9</sup>** 02-131-351

**Abbreviated Legal Description** *Lot A, Block 54, WMC Replat, Plat 2018-6, Wrangell Townsite Survey. (Per Department of Natural Resources Records)*

**Gross Site Area**

| Summary of Site Area |                         |                         |                          |                          |
|----------------------|-------------------------|-------------------------|--------------------------|--------------------------|
| Parcel ID            | Gross Land Area (Acres) | Gross Land Area (Sq Ft) | Usable Land Area (Acres) | Usable Land Area (Sq Ft) |
| 02-031-351           | 1.95                    | 84,988                  | 1.95                     | 84,988                   |

**SOURCE** Tax Assessor Records

Upon review of the site's physical and economic characteristics, there do not appear to be any factors that would reduce the usable area. Nonetheless, a survey of the site indicating usable area was not provided to the appraiser. The market value of this report assumes that all of the site's gross land area is usable. In the event that a portion of the site were found to be un-usable, the market value of the subject could be less than the current estimate.

**Excess Land / Surplus Land**

A review of the subject's land-to-building ratio and comparison with typical market parameters suggests the subject does not have excess or surplus land. Therefore, after careful consideration, the subject is concluded to not include any excess land.

**Shape** The subject has a flag-shaped configuration.

**Street Frontage** The subject has approximately 350' of frontage on Bennett St and 243' of

<sup>9</sup> Per Tax Assessor Records.

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                             | frontage on First Ave and Reid St.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Access</b>               | Access to and from the subject is considered good relative to competing properties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Exposure</b>             | Exposure of the subject is considered good relative to competing properties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Topography</b>           | The subject has generally level topography and is at grade with surrounding properties.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Soil Conditions</b>      | Soils conditions in the subject's market are not uniform and can vary widely from one site to another. No soils report was provided, however, the subject has been improved with a parking lot and building improvements for a number of years and there are no visible signs of settling. It is an ordinary assumption of this report that the soil conditions are sufficient quality to support the existing improvements including parking lot .                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Wetlands</b>             | No surface water was noted during the walk-through and the subject does not appear to contain any wetlands.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Drainage / Hydrology</b> | The adequacy of site drainage requires detailed information on rainfall, soil conditions, topography and wetlands and can only be fully ascertained by a professional engineer that specializes on hydrology. A hydrology study was not available to the appraiser. In absence of a formal hydrology study, the adequacy of drainage can only be ascertained by site observation over an extended period of time. For this reason, many drainage issues are not identified until the time of actual development. Drainage issues will also most commonly manifest during peak spring break up, when the combination of new moisture and snow melt maximize runoff. Absence of storm drain systems, low lying locations that are below grade the presence of water bodies and highways increase the risk of drainage issues. Any statement with respect to the adequacy of drainage is based on the perspective of a "typical" market participant and is not a formal conclusion that hydrology issues are not present, rather that they would not be apparent to a typical market participant. No obvious drainage issues were apparent during the site visit and no significant standing bodies of water were present. Given the previously described physical characteristics, a typical market participant with typical levels of market knowledge and expertise would most probably conclude that site drainage is typical of the market and adequate. |
| <b>Hazardous Conditions</b> | A complete environmental site assessment was not available to the appraiser. There are no known or disclosed environmental issues, or hazardous conditions, impacting the subject. The detection of hazardous materials or conditions is beyond the scope of expertise and competency of an appraiser, however, and it is recommended that any concerns relating to hazardous conditions be addressed by a qualified environmental specialist. Furthermore, it is an assumption of this report that there are no hazardous conditions present at the subject.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

**Flood Zone** The Flood Emergency Management Agency or FEMA has prepared flood insurance rate maps for various communities in the State. According to the flood insurance map, community panel number 0200980008B, issued by the Federal Emergency Management Agency and last updated June 15, 1982, the subject is located within zone “C”, described as follows:

**ZONE C / X (UNSHADED)** Minimal risk areas outside the 1-percent and .2-percent-annual-chance floodplains. No BFEs or base flood depths are shown within these zones. (Zone X (unshaded) is used on new and revised maps in place of Zone C.)

**Utilities** The subject is improved and all available utilities are present at the site.

**Aerial Photograph Exhibit**

**CITY AND BOROUGH OF WRANGELL, ALASKA**



Public Map



1 inch = 100 feet  
 Date: 12/7/2021  
**DISCLAIMER: THESE MAPS ARE FOR PLANNING PURPOSES ONLY.  
 PROPERTY LINES ARE APPROXIMATE.**



**Zoning**

OS, Open Space/Public

**OPEN  
SPACE/PUBLIC  
WRANGELL**

**Intent:** The open space/public (OS) district is intended to provide for areas containing public facilities, existing and potential public recreation sites, areas subject to natural hazards, public watersheds and areas of critical wildlife habitat. The purpose of this district is to protect public safety, health and welfare, and to maintain the integrity of significant cultural, natural and recreational resources and provide for public uses consistent with the policies of the coastal management program.

**Permitted Uses:** Quarries, mineral extraction and processing; Airport related businesses, restaurants and support services; Aviation-related repair services; Aircraft hangars; Commercial airlines terminals; Air freight storage facilities; Hospital and medical service facilities; Schools; Docks, piers, seawalls and shoreline protection devices; Recreational facilities and sites; Recreational vehicle parks; Warehouses; Uses and structures which are customarily accessory and subordinate to the above uses; Animal establishments; Municipal facilities; Communication infrastructure.

The subject’s zoning is not unduly restrictive, permits a wide variety of uses that are consistent with its highest and best use as vacant, and does not appear to materially limit the economic potential or functional utility of the property.

**Easements,  
Covenants,  
Encroachments &  
Restrictions**

A title report was not provided for the appraiser’s review. Normal easements along property boundaries for streets or utilities are assumed. It is understood that there are no legal restrictions that would adversely affect use or marketability of the property. Title and land use, however are legal issues and an attorney should be consulted relating to questions on these matters. It is an assumption of this report that there are no restrictions that would adversely affect use or marketability of the property

**Functional Utility**

There are no known physical or economic characteristics that limit the site’s development potential and level of functional utility. The subject is generally physically and economically similar to other sites within the market segment that it competes. Overall, the site is concluded to provide good functional utility.

# Description of Improvements

## Introduction

**Building Occupancy/ Use** The property is a 22-bed critical access hospital and long-term care facility that was originally constructed in 1967. There have been subsequent additions and remodeling over the years. The facility is currently closed and will likely remain closed until remodeling or demolition takes place.

**Building Area**

| SUMMARY OF AREA STATISTICS               |         |
|------------------------------------------|---------|
|                                          | (Sq Ft) |
| Gross Building Area (GBA) (1)            | 30,596  |
| Finished Interior Space (office, retail) | 100%    |
| Site Area                                | 84,988  |
| Site Coverage                            | 18%     |
| Land to Building Ratio                   | 2.78    |

(1) Source: Condition Survey by Design Southeast, May 1, 2018

No rentable or usable area figures were available to the appraiser, which is not unusual for properties of this type in similar locations. Of note, usable and rentable areas are essentially equal in cases of single-tenant buildings. Moreover, participants in smaller, less sophisticated markets such as this tend to use terms such as gross building area and rentable area somewhat interchangeably. While the definitions of these two terms are technically different, in practice the area figures would be within 5% of one another in most cases.

**FAR (Floor Area Ratio)** 0.36

## Wrangell Medical Center

**Building Overview** This is a 22-bed hospital with acute care and long-term care capability, including an emergency room, physical therapy area, administrative office, and support spaces. Details of the improvements' construction are located in the addenda.

**Condition** Below average condition, based on the *Wrangell Medical Center Building Condition Survey Structural, Building Envelope and Interior Finishes* performed by Design Southeast as of May 1, 2018. This Condition Survey is contained in the report addenda.

**Quality** Good construction quality, based on a review of competitive properties within the subject's market segment.

**Age Characteristics**

**YEAR BUILT** 1967

**YEAR RENOVATED** The building has been renovated at various times over the years.

**ACTUAL AGE** 55 years

**EFFECTIVE AGE** The effective age of a property can be less than or more than its actual age, depending on renovations, upgrades, and the level of capital reinvestment. Based on the appraiser’s walk-through of the subject, construction type, quality, current condition and economic performance, the effective age of the subject is estimated at approximately 50 years.

**ECONOMIC LIFE** Marshall Valuation Service indicates properties similar to the subject’s construction type and quality have economic lives between 45 and 50 years. In practice, with ongoing capital expenditures and reinvestment the economic life of a building can be extended well beyond the indicated range. Within the Alaska market, the economic lives of improvements have typically been between 50 and 100 years. After careful consideration, an economic life of 50 years has been estimated.

**REMAINING ECONOMIC LIFE** Based on the subject’s estimated effective age and economic life, the remaining economic life is estimated at 0 years.

**Floors / Stories** 2 stories.

**Layout** The main, covered drop-off entrance is located at the southwest corner of the building, while the emergency room entrance is located near the northeast corner. The upper level is divided into a 22-bed hospital (14 acute care and 8 long-term care use) with emergency room area and surgery unit, as well as the requisite support spaces such as administrative/office, exam rooms, sterilization, janitorial, reception, and nursing stations. The lower level has space for medical records, conference, laundry, and additional offices. The design is fairly typical of such uses throughout Alaska. Overall, the subject has an efficient design that provides good functional utility for the intended use.

**Structural Systems** The following is based on the appraiser’s walk-through, information provided by the owner, and information contained within the public record. The appraiser is not an engineer and building plans, an architect or engineer should be consulted for additional detail on structural systems.

**FOUNDATION** Poured concrete slab and footings

**STRUCTURAL SYSTEM** Wood frame (predominantly)

**ROOF / DRAINAGE** Gable roof. Metal covering.

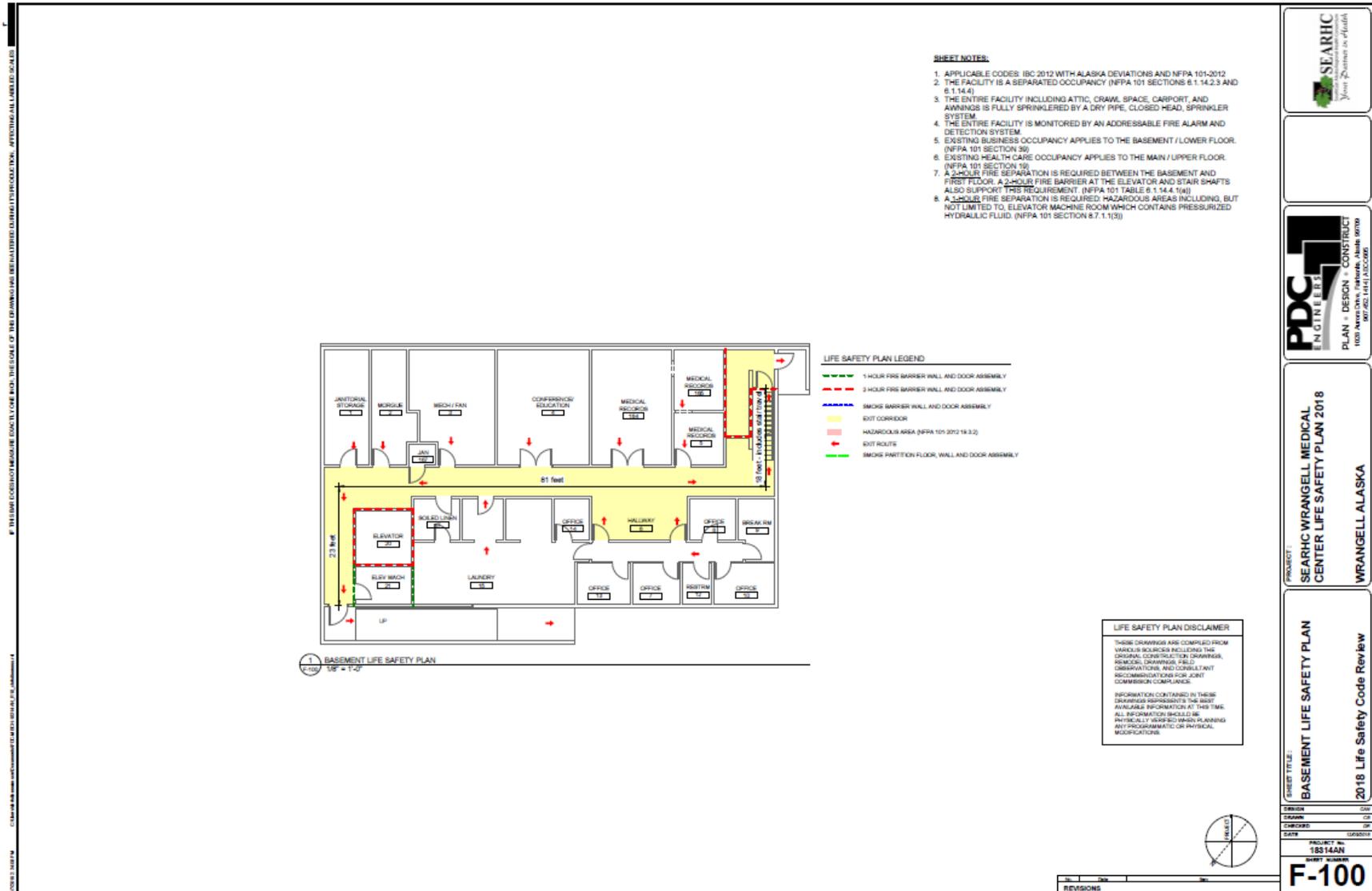
|                                |                                                                                                                                                                                                                                                                                                                 |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                | The roof is reported to be in poor condition.                                                                                                                                                                                                                                                                   |
| <b>EXTERIOR FINISH</b>         | EIFS                                                                                                                                                                                                                                                                                                            |
| <b>Mechanical Systems</b>      | The appraiser is not qualified to make a determination on the condition or functionality of mechanical systems. It is understood that the current mechanical systems are in poor working order.                                                                                                                 |
| <b>HEATING</b>                 | Full HVAC                                                                                                                                                                                                                                                                                                       |
| <b>COOLING</b>                 | Full HVAC                                                                                                                                                                                                                                                                                                       |
| <b>PLUMBING</b>                | There is an appropriate amount of plumbing, commensurate with the building's intended use. This includes sinks in exam rooms, restrooms, and a break area with kitchen, among other things.                                                                                                                     |
| <b>ELECTRICAL &amp; WIRING</b> | Three-phase<br>Electrical is assumed to be to code and typical for the subject's property type, age and market classification / segment.                                                                                                                                                                        |
| <b>ELEVATORS</b>               | 1                                                                                                                                                                                                                                                                                                               |
| <b>LIFE / SAFETY SYSTEMS</b>   | The building is sprinklered. Fire alarms and extinguishers, as applicable, are assumed to meet current fire safety codes.                                                                                                                                                                                       |
| <b>Ceiling / Clear Height</b>  | Approximately 9'-10'                                                                                                                                                                                                                                                                                            |
| <b>Interior Finish</b>         | The interior finish is typical of competitive properties within the market segment that the subject competes. Overall, the interior finish is good quality in average to worn condition. Please refer to the subject photographs presented in a following section for additional detail on the interior finish. |

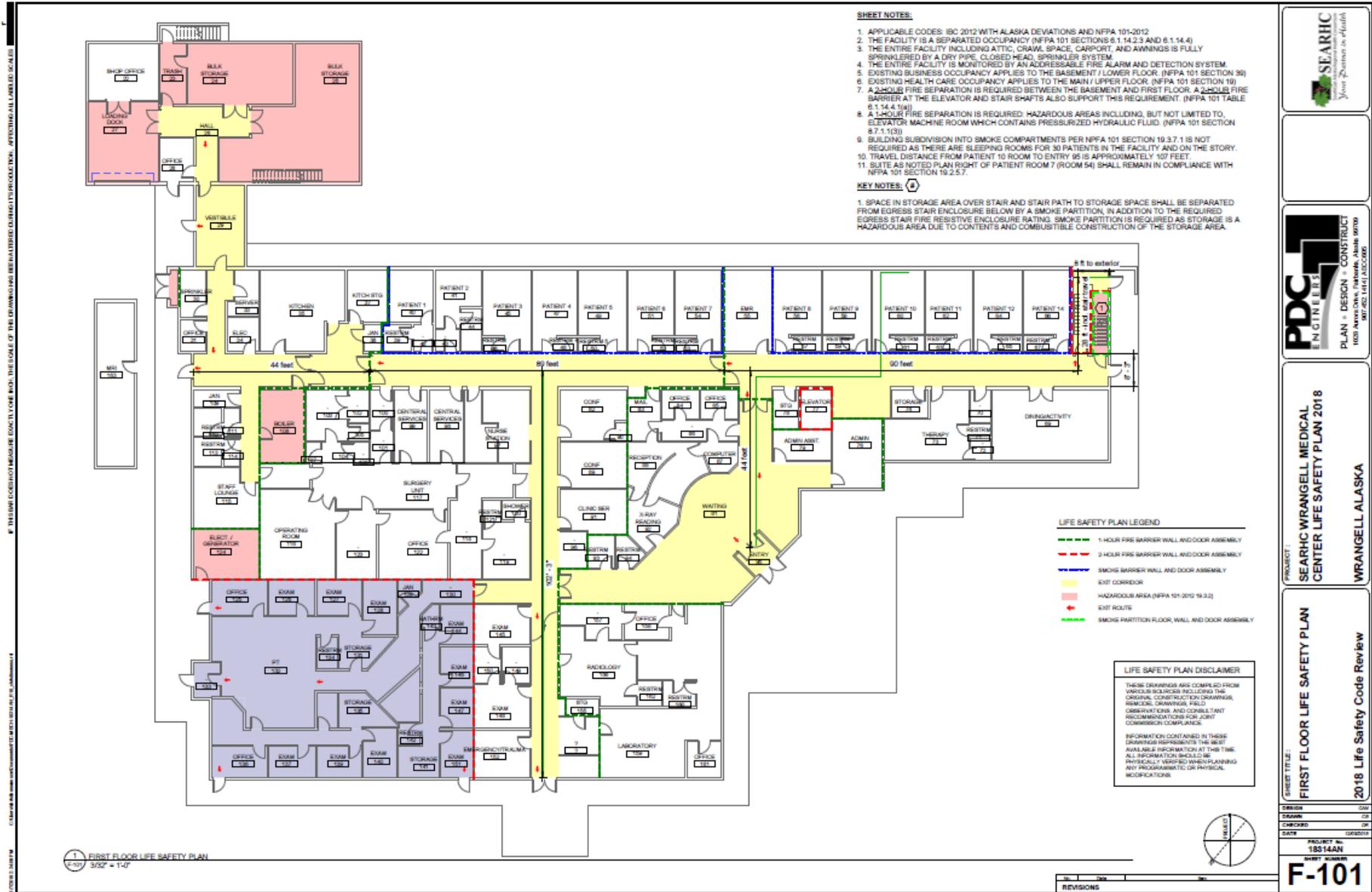
### General Property Characteristics

|                             |                                                                                                                                                                                                                                                                                                     |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>ADA Compliance</b>       | A specific survey and analysis of this property to determine whether it is in conformance with the various detailed requirements of the Americans with Disabilities Act (ADA) has not been conducted. The market value estimate assumes the property is in ADA compliance, if applicable.           |
| <b>Deferred Maintenance</b> | The detection of deferred maintenance in structural, roof, electrical, plumbing and other mechanical systems is beyond the scope of expertise of the appraiser.<br><br>Please refer to the Condition Survey contained in the report addenda for further information regarding deferred maintenance. |

|                                                     |                                                                                                                                                                                                 |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Landscaping, Surface Covering &amp; Lighting</b> | Minimal landscaping along building and site perimeters. Parking surface covering is asphalt. Exterior lighting is typical for a property of this type.                                          |
| <b>Parking</b>                                      | Overall, the subject appears to have adequate parking to meet any applicable code requirements, and it is considered comparable to other properties within its market segment.                  |
| <b>Functional Utility</b>                           | The roof, mechanical, electrical, and HVAC systems have reached the end of their useful lives. Overall, the improvements are concluded to provide poor functional utility for the intended use. |

Building Drawings / Floorplan Exhibit





# Property Assessment & Taxes

## Summary of Property Assessment & Taxes

### Real Property

Properties located within the subject’s market are assessed by the assessor every year. By statute, each property must be assessed at 100% of market value. The millage rate (on which property taxes are based) is determined annually based on spending and assessment levels. Millage rates vary constantly and are influenced by state law and services provided in each individual district. The assessed value of all properties located within a district is divided by a particular year’s budget requirements to arrive at a millage rate. Thus, actual spending determines the amount of tax, and assessment allocates the tax among property owners. Therefore, an increase or decrease in total assessment will not, by itself, result in a change in the total property tax collected.

The property’s current assessment and taxes are shown on the table that follows. It should be noted that the property is currently exempt from assessment and taxation as a government-owned facility. When/if the property transfers to private ownership, it is assumed it will be assessed and taxed commensurate with other properties in the City and Borough of Wrangell.

## Property Assessment & Tax Summary Exhibit

### MOST RECENT PROPERTY ASSESSMENT & TAXES

| Tax Parcel Number    | Assessment    |               |               | Mill Rate         | Taxes         |
|----------------------|---------------|---------------|---------------|-------------------|---------------|
|                      | Land          | Improvements  | Total         |                   |               |
| <b>Year</b>          |               |               |               |                   | <b>2021</b>   |
| 02-131-351           | \$170,000     | \$0           | \$170,000     | 1.275%            | \$2,168       |
| <i>Type / Source</i> | <i>Actual</i> | <i>Actual</i> | <i>Actual</i> | <i>Calculated</i> | <i>Actual</i> |

# Subject Photographs

Subject Photographs

Subject property viewing east from Bennett Street



Front and side elevations



Rear and side elevations



Rear elevation



Parking area



Entry



Interior view



Interior view



Interior view



Interior view



Interior view



Boiler room



Storage area



Interior view



Elevator



Generator



Interior view



Bennett St viewing east



Bennett St viewing west



# Highest & Best Use

## Definition & Methodology

“Highest & Best Use” is defined as:

*“The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.”<sup>10</sup>*

### Scope of Highest & Best Use

A specific determination of highest and best use would require specific cost estimates, which were not available to the appraiser, and is beyond the scope of this assignment. Unless otherwise indicated, the highest and best use as vacant analysis should not be construed as a feasibility study, which is beyond the scope of the current assignment. Rather, the analysis is meant to provide a general indication of highest and best use based on a qualitative review of the available evidence. Furthermore, unless otherwise indicated, the assignment is not a feasibility study of potential conversion or renovation of the property and continued use “as is” or “as proposed” is implicit in the current value estimate.

## As Vacant

### Legally Permissible

Private restrictions, zoning, building codes, historic district controls and environmental regulations determine those uses legally permissible on a site. No private restrictions or historical district controls encumber the subject site. In addition, there are no known environmental regulations that inhibit development of the site.

### Physically Possible

Size, shape, area, terrain, accessibility and availability of utilities affect the uses under which a property can be developed.

### Financially Feasible

Feasibility is indicated by construction trends in the vicinity and current market conditions. All uses that are expected to produce a positive return are regarded as financially feasible.

### Maximally Productive

When development options are available, a determination must be made as to which feasible use is the maximally profitable use.

Within this market, the presence of developer’s margin is highly specific to the individual project. That said, there are no obvious, identified uses that would attain a market developer’s margin at this time. There has been very limited new construction in the local market in recent years. The new construction that has occurred sporadically has been undertaken by owner-users whose needs were not met by the existing inventory and who were thus

<sup>10</sup> Source: The Dictionary of Real Estate Appraisal, 7<sup>th</sup> Edition. Chicago: Appraisal Institute, 2022.

forced to build, irrespective of financial feasibility. Based on a review of the subject's zoning, land use trends, neighborhood characteristics and trends, shape, size, functional utility as well as market vacancy rates, rental rates and other factors, the subject's highest and best use as vacant may include holding for future development or immediate development as medical-office, healthcare facility, or other unidentified use that provides the highest return to the underlying land once feasibility has been ascertained.

### As Improved

---

|                             |                                                                                                                                                                                                                           |
|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Demolition</b>           | For older improvements near the end of their economic life, demolition and replacement of the existing improvements with an alternative use may be the highest and best use of a site as improved.                        |
| <b>Conversion</b>           | Conversion involves a change from one use to another.                                                                                                                                                                     |
| <b>Renovation</b>           | Renovation involves a continuation of the existing use with upgrades or changes to exterior and interior finishes or improvements to functional utility.                                                                  |
| <b>Addition</b>             | If sufficient land area and parking is available, addition is a possible alternative for an improved property.                                                                                                            |
| <b>As Is</b>                | Continued use of a property in its current "as is" condition, without major changes, is a possible alternative for an improved property.                                                                                  |
| <b>Maximally Productive</b> | The existing improvements provide poor functional utility. After careful consideration, the maximally productive use of the subject as improved is remodeling of the existing improvements to permit medical related use. |

### Probable Buyer

---

The subject is currently owner-occupied and would be available for owner-occupancy by a theoretical buyer. Similar properties within the subject's market are typically owner-occupied and it is likely that an owner-user would pay the highest price for the subject. Therefore, the most probable buyer is an owner-user.

# Land Valuation

## Introduction

### Methodology

Land is customarily valued as though unimproved and available for development to the use, which would justify the highest price and the greatest net return. Sales of unimproved land most similar to the subject are investigated and the most appropriate transactions are analyzed. The land value estimate traditionally reflects the fee simple value of raw land with good soils, available access, available utilities, minimal site work completed, generally level and at grade, with no site improvements (paving, landscaping, lighting, fencing, etc.).

### Units of Comparison

Units of comparison, components into which properties may be divided for purposes of comparison, are derived from comparable sales data. Brokers, developers and other market participants indicated a common unit of comparison for properties in this market is the price per land unit.

## Comparable Data

### Sources of Data

The following transactions were obtained from various sources including web sites (Alaska Multiple Listing Service, Loopnet and Craigslist), brokers, assessors, appraisers, other individuals and most notably the Reliant, LLC internal database.

### Availability of Data

The availability of comparable data is a function of the subject's location, property type, property size, market size and market activity. There are a limited number of properties with similar physical and economic characteristics to the subject, and these are traded infrequently. Therefore, market research identified limited transactions involving properties that are directly similar to the subject, and all of the comparables required substantial upward or downward adjustment. Nonetheless, the comparable transactions bracket the subject physically and economically, and after adjustment (indicating the lower and upper value indications) provide a reasonable basis for estimating market value.

### Presentation of Data

The most relevant data for these transactions is presented on the following summary table. The following map highlights the location of the comparables relative to the subject. Photographs and relevant discussion on each comparable are also presented. Detailed sheets containing additional documentation on the physical and economic characteristics of the transactions are presented in the Addenda.

### Summary of Comparable Land Sales Exhibit

| No.   | Name                                                                                             | Usable Land SF | Utilities                        | Current Use      | Access / Exposure | Shape                          | Date                  | Actual Price | Price                  |
|-------|--------------------------------------------------------------------------------------------------|----------------|----------------------------------|------------------|-------------------|--------------------------------|-----------------------|--------------|------------------------|
|       | Legal Description                                                                                | Acres          | Zoning                           |                  |                   | Topography                     | Transaction Type      |              |                        |
| L-1   | Trident Land - 9107<br>Lot 4BB-2, WSI Subdivision II, Plat 2003-9                                | 17,258<br>0.40 | All Utilities                    | Industrial       | Average           | Irregular Level                | Jun-17<br>Closed Sale | \$138,000    | \$138,000<br>\$8.00/SF |
| L-2   | Breuger St Land - 9106<br>0                                                                      | 2,867<br>0.07  | All Utilities                    | Vacant           | Average           | Irregular Level                | Dec-17<br>Closed Sale | \$27,500     | \$27,500<br>\$9.59/SF  |
| L-3   | NWC 3rd Ave & Bennett - 3812<br>Lot 5, Block 59B, Industrial Subd Plat 85-8, Wrangell            | 7,222<br>0.17  | Electric, Public<br>Water, Sewer | Vacant / Carwash | Average / Good    | Rectangular<br>Generally Level | Jul-20<br>Closed Sale | \$85,000     | \$50,000<br>\$6.92/SF  |
| L-4   | Lot 5, Industrial Subd - 10772<br>Lot 5, Block 59-D, Industrial Subdivision, Plat 85-8           | 7,222<br>0.17  | All Utilities                    | Vacant           | Good              | Rectangular Level              | Jul-20<br>Closed Sale | \$70,000     | \$37,300<br>\$5.16/SF  |
| L-5   | Lot 8A, Massin/Industrial Replat - 10773<br>Lot 8A, Block 59B, Plat 2018-5                       | 18,345<br>0.42 | All Utilities                    | Industrial       | Average           | Irregular Level                | Apr-21<br>Closed Sale | \$195,000    | \$86,800<br>\$4.73/SF  |
| L-6   | Lot 4A, Massin/Industrial Subd - 10774<br>Lot 4A, Block 59B, Massin/Industrial Subdivision, Plat | 5,273<br>0.12  | All Utilities                    | Industrial       | Average           | Rectangular Level              | Sep-21<br>Closed Sale | \$56,500     | \$23,800<br>\$4.51/SF  |
| Subj. | Wrangell Medical Center<br>Lot A, Block 54, WMC Replat, Plat 2018-6, Wrangell                    | 84,988<br>1.95 | All Utilities                    | Commercial       | Good / Good       | Flag Shaped Level              | Appraisal             | - - -        | \$470,000<br>\$5.53/SF |

(1) "Price" shown for analysis purposes may reflect adjustments for conditions of sale, soil conditions, utility extensions or other items. Please refer to the individual comparable's comments.

**Map of Comparable Land Sales Exhibit**



**Description of Data**

**Sale No. L-1**



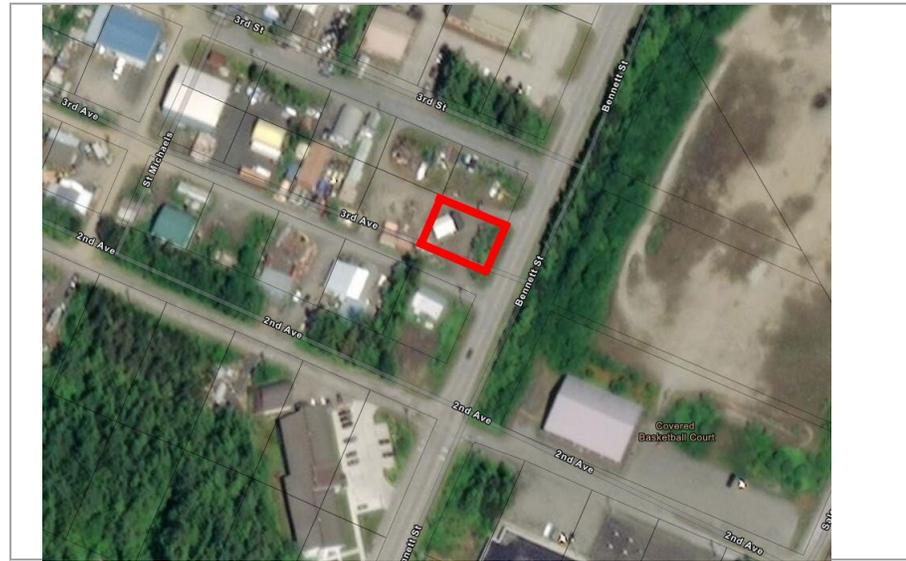
This property was purchased by the lessee from the City of Wrangell. The site is improved with a belt freezer plant and the gross sales price was \$950,000. The allocation to the land was \$138,000. The property is located a half block off Shakes Street and is accessed via an easement. The site has some frontage on Wrangell Harbor.

**Sale No. L-2**



This is a lease of a commercial site that was valued at \$27,500 by appraisal. The site is a corner lot located one block off Front Street.

Sale No. L-3



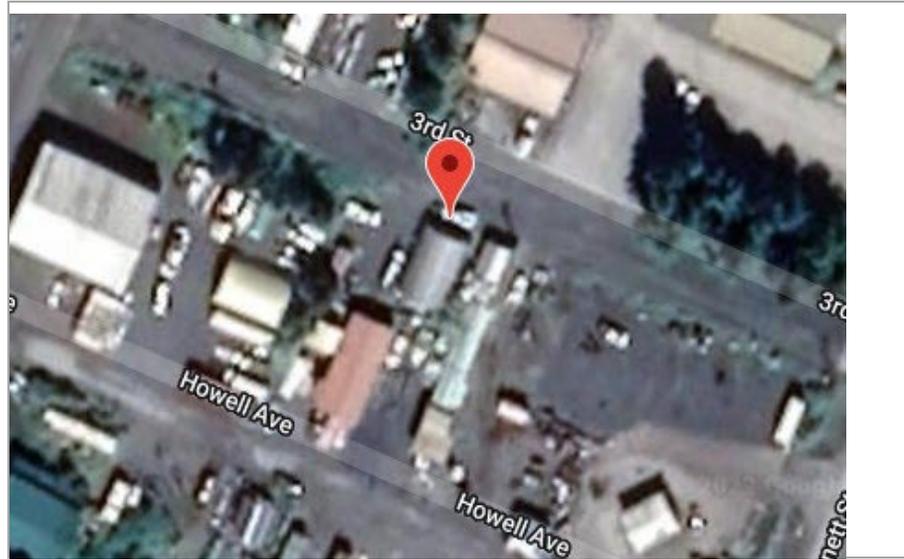
This is the sale of a small industrial/commercial lot along Bennett St, on the way to the airport. The lot has good soils and all public utilities. Although improved with older asphalt and a non-operational 720 sq ft car wash structure, the parcel was marketed as vacant land, listed in March 2019. The buyer thought the carwash could be reused - either as a conversion to a coffee shop or as a carwash with a coffee shop drive through kiosk elsewhere on the site. The structure and asphalt paving improvements have been allocated \$35,000 of the \$85,000 sale price.

Sale No. L-4



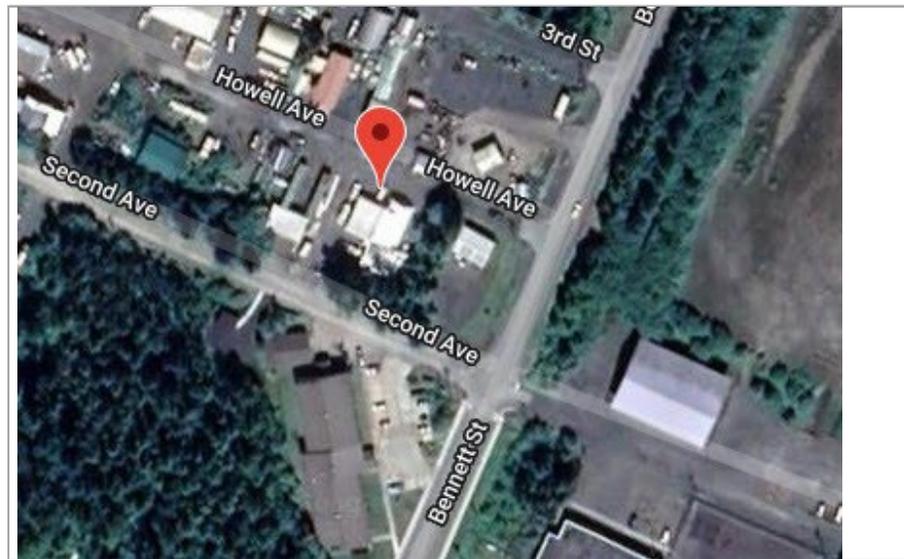
This is an industrial lot located between downtown Wrangell and the airport. The lot has asphalt surfacing. The sales price was adjusted downward by \$32,700 to account for the contribution value of the improvements.

**Sale No. L-5**



This is an industrial lot located between downtown Wrangell and the airport. The site is located on a spur road. Improvements on the site consist of a quonset hut, modular office building, and nine storage units.

**Sale No. L-6**



This is an industrial lot located between downtown Wrangell and the airport. The site is located on a secondary street. The site is improved with an industrial building that contributed \$32,700.

**Overview of Adjustments**

**Nature of Adjustments**

Adjustments to the comparables are necessary to reflect advantages and disadvantages relative to the subject. Ideally, quantitative adjustments are determined through paired sale analysis or other definitive data. However, when quantitative adjustments cannot be reliably ascertained - as is typically

the case in Alaskan markets due to data limitations – qualitative adjustments may be applied through a weighted analysis of each comparable based on its relative merits. These adjustments may be supported by available market data, discussions with local market participants, and/or supplementary information contained within the appraiser’s files.

Note that qualitative adjustments – based on the above as well as on appraiser judgment - are applied on a numeric (percentage) basis in this appraisal. Ultimately, the adjustment grid presented further in this chapter is not intended to imply that all of the adjustments were performed on a strictly quantitative basis. Rather, the adjustment grid is presented to more precisely communicate the appraiser’s opinion on the direction and degree of adjustment required to a given comparable. Moreover, it should be recognized that the elements of comparison shown in the adjustment grid are those considered most significant and relevant. While they help explain the appraiser’s reasoning and support for the reconciled value estimate, they are not the only elements of comparison considered. Other differences where adjustments have not been made explicitly are not deemed material and are therefore implicitly considered in the appraiser’s analysis of the comparables and the reconciled value estimate. Finally, certain adjustments to the transaction prices may have already been made and reflected in the initial “Analysis Prices” shown in the table, as described in the preceding comments for the individual comparables.

**Usable Land Area**

Non-usable areas due to topography, wetlands, overhead utilities or other issues are subtracted from gross site area.

**Property Rights Conveyed**

When real property rights are sold, the contract may include rights that are less than or more than all the real property rights. Examples include the inclusion of another property, personal property, or the sale of a property subject to a below market or above market lease. Therefore, the sale price of the comparable property must be adjusted to reflect the property rights that are similar to those being appraised. In this analysis, the comparables are adjusted to reflect the fee simple sale price of the real property. Adjustments to the comparables are required in cases where the property interest sold was less than or greater than the fee simple value.

**Financing Terms**

Seller-provided financing can play an important role in the sale of a project. Low down payments and terms that are significantly less stringent than those available in the market at the time of sale contribute to sale prices in excess of that obtainable by an all-cash or typically financed (by a disinterested third party) buyer. In order to analyze all properties on a comparable basis, those sales with financing not typically available for the property at the time of sale must be converted to typical terms and cash equivalency.

**Conditions of Sale**

Adjustments for conditions of sale are intended to reflect the motivations of the buyer and the seller. Conditions of sale that are outside the definition of market value must be adjusted to reflect a fully marketed property with adequate exposure and an arms-length transaction where neither the buyer nor the seller is unduly motivated. Adjustments may be required to

properties where one party was unusually motivated, foreclosure sales, properties that were not fully exposed to the market, and active listings that have not closed.

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Market Conditions</b> | In the process of completing this assignment, or as part of previously completed assignments for similar properties in this segment, consideration was given to available paired sales, rent trends, assessment trends, MLS trends, economic studies, published articles and discussions with market participants. Based on the available data, market values have generally been increasing in recent years as the available supply of substitute properties has decreased and the number of buyers actively seeking properties has increased. A 3.0% annual adjustment is made through March 26, 2022. |
| <b>Location</b>          | Location is a broad term that includes non-property specific factors such as neighborhood and surrounding demographics and property specific factors such as surrounding streets, street frontage, access, exposure, number of corners, traffic counts, adjacent properties and other factors. Where appropriate adjustments for certain components of location may be performed individually.                                                                                                                                                                                                           |
| <b>Size</b>              | <p>If an adequate supply of larger sites exists then generally smaller parcels tend to sell for higher prices per sq ft. If supply of larger parcels is limited then they occasionally sell for a premium.</p> <p>A review of data indicates that within the subject's market smaller parcels tend to sell for higher prices per sq ft than larger parcels. Larger parcels than the subject are adjusted upward while smaller parcels are adjusted downward.</p>                                                                                                                                         |
| <b>Use / Zoning</b>      | Differences in the current use or the highest and best use of a potential comparable and the subject must be analyzed. Site development potential depends heavily on zoning requirements. Zoning determines how large a structure and for what type of use a site can be developed. Adjustments are required to comparables with zoning designations that provide a lower or higher level of overall functional utility relative to the subject's zoning.                                                                                                                                                |
| <b>Soil Conditions</b>   | Soil conditions in the subject's market are not uniform and can vary widely from one site to another – or even on the same site. Soils can have a substantial influence on the functional utility and thus value of a given site. In some cases, unsuitable soils can be corrected or replaced (often at substantial cost), while in others they dictate that a non-traditional foundation system (such as driven or screw type pilings) must be used for vertical construction. Adjustment is required for comparables that differ materially from the subject.                                         |
| <b>Topography</b>        | Topography refers to whether a site is level or sloping and at, above, or below the grade of surrounding streets. Adjustment is required to those comparables that have dissimilar topography relative to the subject. In certain cases, the slope of the topography is so severe that the impacted area is not usable and is therefore excluded from usable site area. In other cases,                                                                                                                                                                                                                  |

the sloping area is still usable but is not desirable because it increases development costs and requires mitigation prior to development.

**Other**

The adjustments listed above are not inclusive of all the adjustments considered by the appraiser. Physical and economic differences where adjustments have not been explicitly made are implicitly considered in the appraiser's analysis of the comparable and value estimate.

Adjustment Grid Exhibit

| Land Analysis Grid                        |                         | L-1                 | L-2                    | L-3                     | L-4                      | L-5           | L-6           |             |            |             |            |             |      |
|-------------------------------------------|-------------------------|---------------------|------------------------|-------------------------|--------------------------|---------------|---------------|-------------|------------|-------------|------------|-------------|------|
| Name                                      | Wrangell Medical Center | Trident Land - 9107 | Breuger St Land - 9106 | NWC 3rd Ave &           | Lot 5, Industrial Subd - | Lot 8A,       | Lot 4A,       |             |            |             |            |             |      |
| City                                      | Wrangell                | Wrangell            | Wrangell               | Wrangell                | Wrangell                 | Wrangell      | Wrangell      |             |            |             |            |             |      |
| Date                                      | 3/26/2022               | 6/21/2017           | 12/31/2017             | 7/30/2020               | 7/30/2020                | 4/12/2021     | 9/13/2021     |             |            |             |            |             |      |
| Price                                     | Appraisal               | \$138,000           | \$27,500               | \$50,000                | \$37,300                 | \$86,800      | \$23,800      |             |            |             |            |             |      |
| Usable Land SF                            | 84,988                  | 17,258              | 2,867                  | 7,222                   | 7,222                    | 18,345        | 5,273         |             |            |             |            |             |      |
| \$/Sq Ft                                  | ---                     | \$8.00              | \$9.59                 | \$6.92                  | \$5.16                   | \$4.73        | \$4.51        |             |            |             |            |             |      |
| <b>Transaction Adjustments</b>            |                         |                     |                        |                         |                          |               |               |             |            |             |            |             |      |
| Property Rights                           | Fee Simple              | Fee Simple          | 0.0% Leasehold         | 0.0%                    | Fee Simple               | 0.0%          | Fee Simple    | 0.0%        | Fee Simple | 0.0%        | Fee Simple | 0.0%        |      |
| Financing                                 | Conventional            | Cash                | 0.0%                   | Cash                    | 0.0%                     | Conventional  | 0.0%          | Cash        | 0.0%       | Cash        | 0.0%       | Cash        | 0.0% |
| Conditions of Sale                        | Arms Length             | Arms Length         | 0.0%                   | Arms Length             | 0.0%                     | Arms Length   | 0.0%          | Arms Length | 0.0%       | Arms Length | 0.0%       | Arms Length | 0.0% |
| <b>Adjusted Usable Land SF Unit Price</b> |                         | <b>\$8.00</b>       | <b>\$9.59</b>          | <b>\$6.92</b>           | <b>\$5.16</b>            | <b>\$4.73</b> | <b>\$4.51</b> |             |            |             |            |             |      |
| Market Cond. Thru                         | 3/26/22                 | 3.0%                | 15.1%                  | 13.3%                   | 5.0%                     | 5.0%          | 2.9%          | 1.6%        |            |             |            |             |      |
| <b>Adjusted Usable Land SF Unit Price</b> |                         | <b>\$9.21</b>       | <b>\$10.87</b>         | <b>\$7.27</b>           | <b>\$5.42</b>            | <b>\$4.87</b> | <b>\$4.59</b> |             |            |             |            |             |      |
| Location                                  | Good                    | Excellent           | Excellent              | Good                    | Good                     | Average       | Average       |             |            |             |            |             |      |
| % Adjustment                              |                         | -30%                | -30%                   | 0%                      | 0%                       | 30%           | 30%           |             |            |             |            |             |      |
| \$ Adjustment                             |                         | -\$2.76             | -\$3.26                | \$0.00                  | \$0.00                   | \$1.46        | \$1.38        |             |            |             |            |             |      |
| Usable Land SF (Size)                     | 84,988                  | 17,258              | 2,867                  | 7,222                   | 7,222                    | 18,345        | 5,273         |             |            |             |            |             |      |
| % Adjustment                              |                         | -4%                 | -29%                   | -11%                    | -11%                     | -4%           | -15%          |             |            |             |            |             |      |
| \$ Adjustment                             |                         | -\$0.36             | -\$3.11                | -\$0.78                 | -\$0.58                  | -\$0.18       | -\$0.69       |             |            |             |            |             |      |
| Topography                                | Level                   | Level               | Level                  | Generally Level         | Level                    | Level         | Level         |             |            |             |            |             |      |
| % Adjustment                              |                         | 0%                  | 0%                     | 0%                      | 0%                       | 0%            | 0%            |             |            |             |            |             |      |
| \$ Adjustment                             |                         | \$0.00              | \$0.00                 | \$0.00                  | \$0.00                   | \$0.00        | \$0.00        |             |            |             |            |             |      |
| Shape                                     | Flag Shaped             | Irregular           | Irregular              | Rectangular             | Rectangular              | Irregular     | Rectangular   |             |            |             |            |             |      |
| % Adjustment                              |                         | 0%                  | 0%                     | 0%                      | 0%                       | 0%            | 0%            |             |            |             |            |             |      |
| \$ Adjustment                             |                         | \$0.00              | \$0.00                 | \$0.00                  | \$0.00                   | \$0.00        | \$0.00        |             |            |             |            |             |      |
| Utilities                                 | All utilities           | All Utilities       | All Utilities          | Electric, Public Water, | All Utilities            | All Utilities | All Utilities |             |            |             |            |             |      |
| % Adjustment                              |                         | 0%                  | 0%                     | 0%                      | 0%                       | 0%            | 0%            |             |            |             |            |             |      |
| \$ Adjustment                             |                         | \$0.00              | \$0.00                 | \$0.00                  | \$0.00                   | \$0.00        | \$0.00        |             |            |             |            |             |      |
| Zoning                                    | OS, Open Space/Public   | I                   | C                      | I, Industrial           | I                        | I             | I             |             |            |             |            |             |      |
| % Adjustment                              |                         | 0%                  | 0%                     | 0%                      | 0%                       | 0%            | 0%            |             |            |             |            |             |      |
| \$ Adjustment                             |                         | \$0.00              | \$0.00                 | \$0.00                  | \$0.00                   | \$0.00        | \$0.00        |             |            |             |            |             |      |
| <b>Adjusted Usable Land SF Unit Price</b> |                         | <b>\$6.08</b>       | <b>\$4.50</b>          | <b>\$6.49</b>           | <b>\$4.84</b>            | <b>\$6.15</b> | <b>\$5.27</b> |             |            |             |            |             |      |
| <b>Net Adjustments</b>                    |                         | -23.9%              | -53.1%                 | -6.3%                   | -6.3%                    | 30.0%         | 16.7%         |             |            |             |            |             |      |
| <b>Gross Adjustments</b>                  |                         | 54.2%               | 79.8%                  | 16.3%                   | 16.3%                    | 37.5%         | 47.4%         |             |            |             |            |             |      |

### Discussion & Analysis After Adjustment

The comparables bracket the physical and economic characteristics of the subject. They bracket the market value of the subject on an unadjusted basis, and inferior comparables were adjusted upward while superior comparables were adjusted downward. Prior to adjustments, the sale prices fall within a wide range. After adjustments this range is narrowed substantially, supporting the overall reasonableness of the adjustments made. A review of the gross adjustments made to the comparables indicates large physical differences between many of the comparables and the subject. Comparables requiring a lower degree of gross adjustment are generally the most reliable indicators of value. Comparables requiring higher degrees of gross adjustment are generally less reliable indicators of value, but may still be meaningful and given weight if the adjustments made were strongly supported.

Prior to adjustment, the comparables range from \$4.51 to \$9.59/sq ft, with an average of \$6.49/sq ft. After adjustment, they range from \$4.50 to \$6.49/sq ft, with an average of \$5.55/sq ft. Thus, the range before adjustment is \$5.08/sq ft, and this decreases to \$1.99/sq ft after adjustment.

Considering the degree of gross adjustments, the most meaningful data overall (L-1, L-4, L-5, L-6) range from \$4.84 to \$6.15/sq ft with an average of \$5.58/sq ft. The remaining transactions are considered supportive.

After careful consideration, based on analysis of the data presented previously as well as data contained within the appraiser’s work file the market value of the subject is estimated at \$5.50/sq ft.

### Land Value Calculation

| LAND VALUE CALCULATION |   |                  |
|------------------------|---|------------------|
| Usable Land Area       |   | 84988 Sq Ft      |
| Land Value / Sq Ft     | x | \$5.50           |
| Estimated Land Value   |   | \$467,434        |
| <b>Rounded</b>         |   | <b>\$470,000</b> |

# Cost Approach

## Introduction

### Methodology

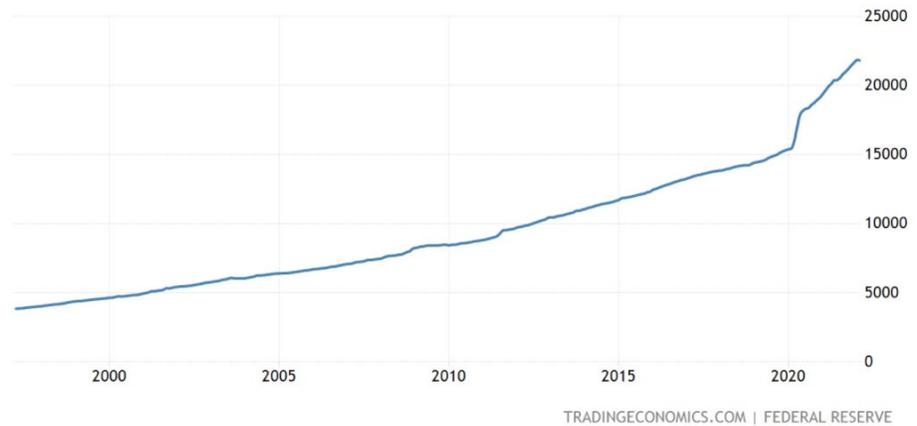
The Cost Approach is an appraisal method of arriving at a value indication for the subject by estimating the cost to replace the improvements with current materials and labor, less accrued depreciation from all causes. The estimated land value, as detailed in the previous section, is then added to the depreciated value of the improvements to reflect a total value by the cost approach.

This approach is based on the assumption that replacement costs provide a reasonable estimate of value, providing the improvements represent the highest and best use of the land, and depreciation from all causes is appropriately accounted for. Valuing the improvements separately from the land thus serves to satisfy the principle of substitution; that is, a buyer will tend to not pay more for the property than it would cost to replace.

## Replacement Cost - Marshall Valuation Service

### Inflationary Trends

Construction cost inflation results from two primary sources: short-term supply chain disruptions due to COVID-19 and mid-to-longer-term inflation resulting from a combination of government spending levels and Federal Reserve monetary policy. Due to COVID-19 a shortage of labor and subcontractors is reported, which has led to increases in sub costs and delays in project delivery. The US M2 Money Supply is critical in understanding and forecasting money supply, inflation, and interest rates in the U.S. and is shown on the following table.



Since 2004, the money supply has gone up nearly 500%. As shown, however, it sharply increased during COVID-19 and increased from \$15,000 billion to nearly \$22,000 billion in roughly two years. Most market participants, including the Federal Reserve itself, are now anticipating a

period of inflation and higher interest rates to combat it.

Regardless of the causes, inflation has had a significant influence on replacement costs and general contractors and subcontractors are carefully factoring in anticipated cost increases into their bids. Due to market inefficiencies, it is not possible to say for certain what recent construction specific inflation trends have been, but it has been reported by market participants that projects have experienced increasing costs ranging from as little as 10% to as much as 50%.

Inflation trends will increase the competitive position of existing product, reduce the feasibility of new construction and, to the extent that they impact interest rates, make borrowing more expensive. Given that much of the private real estate market is leveraged, it may become more difficult to obtain new loans and, given unchanged equity returns, result in downward pressure on asset prices. As to the degree to which interest rates increase and whether other factors will offset their influence remains to be seen but market participants are watching the issue closely.

### Overview of Marshall Valuation Service

The following cost estimate is based on a cost per sq ft method. This method estimates the replacement cost of the improvements, including contractor's profit and overhead, and indirect cost. The price per sq ft costs for the subject were obtained from the cost estimating service of Marshall Valuation Service (MVS) Commercial Estimator software, an appraiser's guide to current construction costs. The program automatically makes appropriate adjustments to reflect the current local costs for the area, building occupancy (type of building), class (type of construction), quality of construction, perimeter/shape, story height, mechanical equipment, elevators, and other factors. The adjusted base cost has been applied to the building area.

The MVS replacement cost estimates include architectural and engineering fees (including plans, plan check, building permits and survey to establish building lines and grades), normal interest on only the actual building funds during period of construction (including processing fee and service charges), local, state and federal sales taxes, GST taxes on material and labor costs, normal site preparation (including finish, grading and excavation for foundation and backfill for the structure only), utilities from the structure to the lot line for a typical setback, and contractors overhead and profit, workmen's compensation, fire and liability insurance, unemployment insurance, equipment, temporary facilities and security.

The MVS replacement cost estimates exclude developer's margin or profit, cost premiums for pilings or hillside foundations, costs associated with land development and planning, real estate taxes and other holding costs during construction, discounts or bonuses paid for financing, yard improvements (including signs, landscaping, paving, walls and yard lighting), offsite costs (including roads, utilities, parking fees, jurisdictional hookup, tap-in, impact or entitlement fees, etc.), furnishings and fixtures (usually not found in the general contract) and absorption costs (including rent loss, marketing, tenant

improvements, leasing commissions, and other costs to bring the property to a stabilized condition).

The MVS Summary sheet(s) follow this analysis.

**MARSHALL  
VALUATION  
SERVICE  
LOCATION  
MULTIPLIERS**

Marshall Valuation Service (MVS) reports cost multipliers by building class in Section 99 of its cost manual. The multipliers represent the cost adjustment relative to the average of all nationwide cost data. MVS cost multipliers for Alaska and various Alaska communities are presented below.

| CLASS           | A    | B    | C    | D    | S    |
|-----------------|------|------|------|------|------|
| <b>ALASKA</b>   | 1.24 | 1.27 | 1.27 | 1.25 | 1.29 |
| Anchorage       | 1.18 | 1.19 | 1.19 | 1.19 | 1.21 |
| Fairbanks       | 1.18 | 1.19 | 1.20 | 1.20 | 1.21 |
| Juneau          | 1.24 | 1.30 | 1.33 | 1.27 | 1.30 |
| Kenai Peninsula | 1.17 | 1.18 | 1.18 | 1.18 | 1.19 |
| Ketchikan       | 1.26 | 1.31 | 1.29 | 1.25 | 1.31 |
| Kodiak          | 1.32 | 1.34 | 1.31 | 1.28 | 1.34 |
| Mat-Su Valley   | 1.13 | 1.15 | 1.15 | 1.13 | 1.16 |
| Sitka           | 1.28 | 1.31 | 1.30 | 1.28 | 1.35 |

The MVS program automatically incorporates the applicable cost multiplier for Alaska, Anchorage, Fairbanks, Juneau, Kenai Peninsula, Ketchikan, Kodiak, Mat-Su Valley and Sitka. If the subject is not located in one of these communities, the default multiplier would be one the software would determine is the closest city for where the materials would come from. MVS has indicated to us that “If the city is not listed in the book you should use the nearest city where materials would come from to use as guides to interpolate the multiplier to use. It will be up to users to determine the between figure and multiplier. Our software will do this interpolation automatically but the book does not.” Based on our review of prevailing construction costs, a factor of 1.30 is used for Wrangell.

**Occupancy Type**

Based on the subject’s configuration and type of improvements the following MVS occupancies have been selected.

**331 HOSPITAL**

Designed as complete health care facilities, hospitals typically include a number of different health services within one building or groups of buildings. Typical areas found include diagnostic, surgery, patient care, delivery, nursery, emergency, administration, service areas, and pharmacies. The amount of actual area associated with all or some of these specific areas varies with the size of the building and the number of people served by the hospital. The types of facilities available in the hospital generally are commensurate with the overall quality of the structure. Lower quality hospitals have large ward area while higher quality ones have a large amount of private rooms. These quality variations result in the amount of area per bed ranging between 625 and 1,700 square feet. Exterior finishes vary with decorative marble, granite, concrete, and metal and glass panels in the better qualities, and brick, block, and masonry veneers with very little ornamentation at the lower quality. Plaster or drywall is found on the interiors with suspended acoustic tile ceilings. Floor finishes are commonly ceramic, vinyl, or some other type of resilient floor cover. Signal systems,

special oxygen piping and pneumatic conveyors are commonly found. They conform to the overall quality and design of the structure. Most hospitals have complete heating, ventilating, and air conditioning systems and emergency power equipment. The costs include Group I equipment that is installed in or attached to the building as a part of the general contract. Since hospitals have higher requirements for heating, cooling and ventilation, use component 617 (complete HVAC) for HVAC costs. The following are not included in the costs: Canopies and balconies, Group II equipment that may be installed and becomes a part of the real property, but is typically not a part of the general contract (such as autoclaves, permanent surgical lights and other equipment) and Group III equipment that is movable personal property (such as furniture, fixtures, instruments, etc.)

**Building Class** Based on the subject’s construction type, the following MVS building class has been selected for the subject.

**CLASS D:  
WOOD- OR  
STEEL-FRAMED  
EXTERIOR  
WALLS** Class D buildings are characterized by combustible construction. The exterior walls may be made up of closely spaced wood or steel studs as in the case of a typical frame house. Exterior covers may be wood siding, shingles, stucco, brick or stone veneer or some other type of material. Floors and roofs are supported on wood or steel joists or trusses. The floor may be a concrete slab on the ground. Construction Type V (wood-frame) of the Uniform, Type IV Basic and Type VI Standard Building Code are included in this class, as are ISO Class 1 buildings. This class is also referred to as Unprotected-protected One-hour Construction.

**Quality Rank** The cost rank, or quality of construction, determines the level of the calculated costs. MVS rank system considers exterior walls, interior finish, mechanicals and HVAC systems. A cost rank is estimated for each occupancy and can range from 0.5 up to 5.0. The four basic cost ranks are:

**LOW (RANK 1)** These tend to be very plain buildings that conform to minimum building code requirements. Interiors are plain with little attention given to detail or finish. Typically, there are minimum mechanical and low-cost finishes throughout.

**AVERAGE (RANK 2)** These buildings are the most commonly found and meet building code requirements. There is some ornamentation on the exterior with interiors having some trim items. Lighting and plumbing are adequate to service the occupants of the building.

**GOOD (RANK 3)** These are generally well-designed buildings. Exterior walls usually have a mix of ornamental finishes. Interior walls are nicely finished and there are good quality floor covers. Lighting and plumbing include better quality fixtures.

**EXCELLENT (RANK 4 TO 5)** Usually, these buildings are specially designed, have high-cost materials and exhibit excellent workmanship. Both exteriors and interiors have custom and ornamental features. Lighting and plumbing include high-cost fixtures.

**ADJUSTMENT TO QUALITY RANKING ALASKA** The quality ranking is an important input for MVS. Unfortunately, MVS does not receive large amounts of cost data directly from the Alaska market. A comparison of MVS estimated cost and actual cost indicates that MVS typically understates construction costs within Alaska by varying degrees depending on location and property type. For urban markets with road access an upward adjustment of “1” quality ranking is typically required to result in realistic cost estimates. For rural markets without road access, an upward adjustment of “2” to “3” ranks is needed.

**Story Height** The story height is the average story height for each occupancy. In a one-story building, story height is measured from the floor surface to the roof eave. Parapets (extensions of the wall above the roof line) are not included in story height. For building with multiple stories, the average story height can be computed by dividing the total building height by the number of stories or by entering the story heights in separately for each floor.

**Perimeter / Shape** The shape of a building also impacts its cost of construction and is best measured by the perimeter of the building. Perimeter is the total linear feet of wall that encloses the floor area, based on exterior dimensions. Where perimeter measurements are not available, the shape of the building can be indicated by a numerical reference where:

- 1=Square
- 2=Rectangular or Slightly Irregular
- 3=Irregular
- 4=Very Irregular

**Base Cost** Based on the inputs into MVS, the cost comparisons contained in its database, and adjustment to the subject’s specifications, the base costs for the subject improvements are indicated.

**Other Costs** Unless otherwise indicated, other costs are also provided by MVS.

**SITE IMPROVEMENTS** Normal site preparation under the building improvements (including finish, grading and excavation for foundation and backfill for the structure only) is included in MVS. Non building improvement related site improvements include grading, filling and soils work, sub base gravel, paving, lighting, fencing, gates and landscaping or other improvements to the site that are real property. Depending on a property’s size, shape, type, amount of parking versus landscaping and other factors, site improvements are typically \$1.50/sq ft up to \$7.00/sq ft of total usable site area less the building footprint. Generally, site improvements for larger areas with gravel parking that require minimal landscaping are towards the low end of the range (an industrial building with a high land-to-building ratio for example), while site improvements for smaller areas with paved parking that require extensive landscaping are towards the high end of the range (a stand-alone bank, restaurant or other retail use with a low land-to-building ratio for example).

No contribution value for site improvements has been estimated due to the potential for future remodeling or demolition rendering them valueless.

## MVS Summary Report Exhibit

4/10/22, 12:37 PM

CoreLogic | Commercial Estimator - Report

### CoreLogic - SwiftEstimator Commercial Estimator - Summary Report

#### General Information

|                          |                                      |                         |               |
|--------------------------|--------------------------------------|-------------------------|---------------|
| <b>Estimate ID:</b>      | 22-0325 Wrangell Medical Center      | <b>Date Created:</b>    | 4-10-2022     |
| <b>Property Owner:</b>   | City and Borough of Wrangell         | <b>Date Updated:</b>    |               |
| <b>Property Address:</b> | 310 Bennett St<br>Wrangell, AK 99929 | <b>Date Calculated:</b> | 04-10-2022    |
| <b>Local Multiplier:</b> | 1.3                                  | <b>Cost Data As Of:</b> | 04-2022       |
| <b>Architects Fee:</b>   |                                      | <b>Report Date:</b>     | using default |

#### Section 1

|                            |             |                                  |  |
|----------------------------|-------------|----------------------------------|--|
| <b>Area</b>                | 30596       | <b>Overall Depreciation %</b>    |  |
| <b>Stories in Section</b>  | 2           | <b>Physical Depreciation %</b>   |  |
| <b>Stories in Building</b> | 2           | <b>Functional Depreciation %</b> |  |
| <b>Shape</b>               | irregular   | <b>External Depreciation %</b>   |  |
| <b>Perimeter</b>           | (auto-calc) |                                  |  |
| <b>Effective Age</b>       |             |                                  |  |

#### Occupancy Details

| Occupancy                         | %          | Class | Height | Quality |
|-----------------------------------|------------|-------|--------|---------|
| 331 Hospital                      | 100        | D     | 12     | 4.0     |
| <b>Occupancy Total Percentage</b> | <b>100</b> |       |        |         |

#### System : Elevators

|                             | %/Units | Quality | Depr % | Other |
|-----------------------------|---------|---------|--------|-------|
| 651 Elevators : Passenger # | 1       | Occ.    |        | 2     |

#### System : HVAC (Heating)

|                                          | %/Units    | Quality | Depr % | Other |
|------------------------------------------|------------|---------|--------|-------|
| 604 HVAC (Heating) : Hot Water           | 100        | Occ.    |        | 2     |
| 609 HVAC (Heating) : Ventilation         | 100        | Occ.    |        | 2     |
| <b>Total Percent for HVAC (Heating):</b> | <b>200</b> |         |        |       |

#### System : Sprinklers

|                                      | %/Units    | Quality | Depr % | Other |
|--------------------------------------|------------|---------|--------|-------|
| 681 Sprinklers : Sprinklers          | 100        | Occ.    |        |       |
| <b>Total Percent for Sprinklers:</b> | <b>100</b> |         |        |       |

#### Calculation Information (All Sections)

|                             | Units         | Unit Cost       | Total Cost New      | Less Depreciation | Total Cost Depreciated |
|-----------------------------|---------------|-----------------|---------------------|-------------------|------------------------|
| <b>Basic Structure</b>      |               |                 |                     |                   |                        |
| Base Cost                   | 30,596        | \$448.82        | \$13,732,097        |                   | \$13,732,097           |
| Exterior Walls              | 30,596        | \$61.26         | \$1,874,311         |                   | \$1,874,311            |
| Heating & Cooling           | 61,192        | \$11.43         | \$899,730           |                   | \$899,730              |
| Elevators                   | 1             | \$158,275.00    | \$158,275           |                   | \$158,275              |
| Sprinklers                  | 30,596        | \$8.50          | \$260,066           |                   | \$260,066              |
| <b>Basic Structure Cost</b> | <b>30,596</b> | <b>\$546.62</b> | <b>\$16,724,479</b> | <b>\$0</b>        | <b>\$16,724,479</b>    |

Cost data by CoreLogic, Inc.

\*\*\*Except for items and costs listed under ♦Addition Details, ♦ this SwiftEstimator report has been produced utilizing current cost data and is in compliance with the Marshall & Swift Licensed User Certificate. This report authenticates the user as a current Marshall & Swift user.\*\*\*

## Developer's Margin

|                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Market Properties</b>                                         | For properties with numerous potential users developer's margin can be obtained through either speculative or build-to-suit construction. For investors a developer's margin must be achievable for construction to be financially feasible. While a developer's margin may be attained by users, its presence is not necessary for construction to occur since even though it is not financially feasible from a real estate perspective it may be financially feasible from a business perspective. The presence of developer's margin is highly specific to an individual property. For market properties similar to the subject developer's margins currently range from a low of 5% up to a high of 25%. |
| <b>Limited Market or Special Purpose Properties<sup>11</sup></b> | Special purpose properties generally have limited conversion potential and are constructed expressly for a particular user with a designated special use in mind. They are developed to fulfill a business need, not to attain a profit on the real estate and when profit is present it accrues to the business rather than the real estate.                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Conclusion</b>                                                | Under its existing use as is, the subject has physical and economic characteristics consistent with a special purpose property. Therefore, we have not included a developer's profit margin.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

## Depreciation

|                                |                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Introduction</b>            | Depreciation is a loss in value from the reproduction (or replacement) cost of improvements due to any cause as of the date of appraisal. The value difference may emanate from physical deterioration, functional depreciation, external depreciation, or any combination of these sources. A description of the various sources of depreciation follows.                                       |
| <b>PHYSICAL DEPRECIATION</b>   | Physical deterioration is evidenced by wear and tear, decay, cracks, incrustations, or structural defects. Physical deterioration can be either curable or incurable. Incurable physical deterioration applies to both short-lived items (roof, plumbing, HVAC, etc.) and long-lived items (structural).                                                                                         |
| <b>FUNCTIONAL DEPRECIATION</b> | Functional depreciation can be either curable or incurable and is caused by a flaw in or a deficiency or super-adequacy in the structure, material or design.                                                                                                                                                                                                                                    |
| <b>EXTERNAL DEPRECIATION</b>   | External depreciation is incurable and caused by negative influences in property values outside of the owners control such as market conditions, property uses, zoning, financing, or legal influences.                                                                                                                                                                                          |
| <b>Effective Age</b>           | Effective age is estimated by the appraiser by weighing the actual age of a property against its current condition. In certain cases, the effective age is equal to the actual age, while in other cases it may be more or less than the actual age. The concept of effective age acknowledges that properties rarely depreciate on a linear basis. Construction type and quality play important |

<sup>11</sup> Source: The Appraisal of Real Estate, Fourteenth Edition, Chicago: Appraisal Institute, 2013.

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                       | <p>roles, as does ongoing maintenance and capital infusion. The subject's effective age was estimated in the Description of Improvements chapter.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Economic Life</b>                                  | <p>As discussed in the Description of Improvements chapter, economic life is estimated using MVS information based on actual economic lives for properties of similar construction type, occupancy and quality.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Effective Age / Economic Life Method</b>           | <p>The effective age and economic life expectancy of a structure are the primary concepts used by an appraiser in measuring depreciation with age-life relationships. Under this method, total depreciation is estimated by calculating the ratio of the effective age of a property to its economic life expectancy and applying this ratio to the property's total cost new. Note that this method does not typically reflect abnormal, property specific depreciation or external depreciation.</p>                                                                                                                                                                                                       |
| <b>Marshall Valuation Service Depreciation Tables</b> | <p>The MVS Cost Estimator software provides depreciation calculations to account for physical and functional depreciation. Depreciation is estimated based on a statistical compilation of actual depreciation present at similar properties of similar effective ages and economic lives. Economic life is determined by the software based on building class and quality. The software recognizes that depreciation does not typically occur on a linear basis but rather on a logarithmic basis. As a result, this method is fairly accurate for both older and newer properties. Note that this method does not typically reflect abnormal, property specific depreciation or external depreciation.</p> |
| <b>Property Specific Depreciation</b>                 | <p>The analysis presented above assumes that the subject exhibits normal depreciation typical of similar properties in the market. Any property specific depreciation not typical of the market must be separately considered.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>External Depreciation</b>                          | <p>The preceding methods do not fully account for external depreciation. External obsolescence was present due to potential demolition and remediation costs. The contribution value of the improvements can be viewed either as a cold shell available for remodeling or salvage value if demolished.</p>                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Reconciled Depreciation Estimate</b>               | <p>The methods for estimating depreciation fall within a fairly narrow range. After careful consideration all methods of measuring depreciation are concluded to be reliable and given equal weight.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

## Summary of Cost Approach Exhibit

| Valuation Component                                      |    | Wrangell<br>Medical Center<br>Hospital |
|----------------------------------------------------------|----|----------------------------------------|
| Gross Building Area                                      |    | 30,596                                 |
| Pro Rata Share                                           |    | 100%                                   |
| <b>REPLACEMENT COST NEW</b>                              |    |                                        |
| MVS Commercial Estimator                                 |    |                                        |
| Base Cost                                                |    | \$16,724,479                           |
| Site Improvements                                        |    | \$0                                    |
| <b>Reconciled Replacement Cost (Excl. Profit)</b>        |    | <b>\$16,724,479</b>                    |
| Plus: Developer's Margin                                 | 0% | <u>\$0</u>                             |
| <b>Replacement Cost New (Incl. Profit)</b>               |    | <b>\$16,724,479</b>                    |
| Per Sq Ft                                                |    | \$547 /SF                              |
| <b>LESS: DEPRECIATION</b>                                |    |                                        |
| Effective Age / Economic Life Method                     |    |                                        |
| Year Built                                               |    | 1967                                   |
| Actual Age                                               |    | 55 Yrs.                                |
| Effective Age / Actual Age Ratio                         |    | <u>90.9%</u>                           |
| Effective Age                                            |    | 50 Yrs.                                |
| Economic Life                                            |    | 50 Yrs.                                |
| Percent Depreciated (Eff. Age / Economic Life)           |    | 100.0%                                 |
| <b>Reconciled Physical &amp; Functional Depreciation</b> |    | <b>90.0%</b>                           |
| <b>Property Specific Depreciation</b>                    |    | <b>0.0%</b>                            |
| <b>External Depreciation</b>                             |    | <b>7.5%</b>                            |
| <b>Total Percent Depreciation</b>                        |    | <b>97.5%</b>                           |
| <b>Total Depreciation</b>                                |    | <b>(\$16,306,367)</b>                  |
| <b>DEPRECIATED BUILDING VALUE</b>                        |    |                                        |
|                                                          |    | <b>\$418,112</b>                       |
| <b>PLUS: LAND VALUE</b>                                  |    | <b>\$470,000</b>                       |
| <b>MARKET VALUE ESTIMATE (ROUNDED)</b>                   |    | <b>\$890,000</b>                       |

# Sales Comparison Approach

## Introduction

|                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Methodology</b>        | The Sales Comparison Approach is based on the premise that market value of the property is directly related to recent sale prices of competitive properties and the availability of substitute properties with similar utility and desirability. The most similar sales of properties are investigated and compared to the subject in this analysis.                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Unit of Comparison</b> | Units of comparison, components into which properties may be divided for purposes of comparison, are derived from comparable sales data. Brokers, developers and other market participants indicated that price per sq ft of gross building area (GBA), rentable area and usable area are all accepted units of comparison within this market. The BOMA definitions of rentable and usable building area have changed over time and the reported building area therefore is dependent on when a property owner last performed a building area study. Furthermore, usable building area can change based on type of occupancy and configuration. In the subject's market segment, the most common and reliable unit of comparison is the price per sq ft of GBA, and so this is the unit utilized in the Sales Comparison Approach. |

## Physical Comparison

|                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Overview</b>             | This method explicitly considers physical dissimilarities between the comparables and the subject. Data are examined to establish the prices, real property rights conveyed, transaction dates, financing terms, motivations, locations, physical and functional conditions. Adjustments to the comparables are necessary to reflect advantages and disadvantages relative to the subject.                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Sources of Data</b>      | The following transactions were obtained from various sources including web sites (Alaska Multiple Listing Service, Costar), brokers, assessors, appraisers, other individuals and most notably the Reliant, LLC internal database.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Availability of Data</b> | The availability of comparable data is a function of the subject's location, property type, property size, market size and market activity. There are a limited number of properties with similar physical and economic characteristics to the subject, and these are traded infrequently. Therefore, the sales search was expanded to include other areas of Alaska. Market research identified limited transactions involving properties that are directly similar to the subject, and all of the comparables required fairly large upward or downward adjustment. Nonetheless, the comparable transactions bracket the subject physically and economically, and after adjustment (indicating the lower and upper value indications) provide a reasonable basis for estimating market value. |

**Presentation of Data**

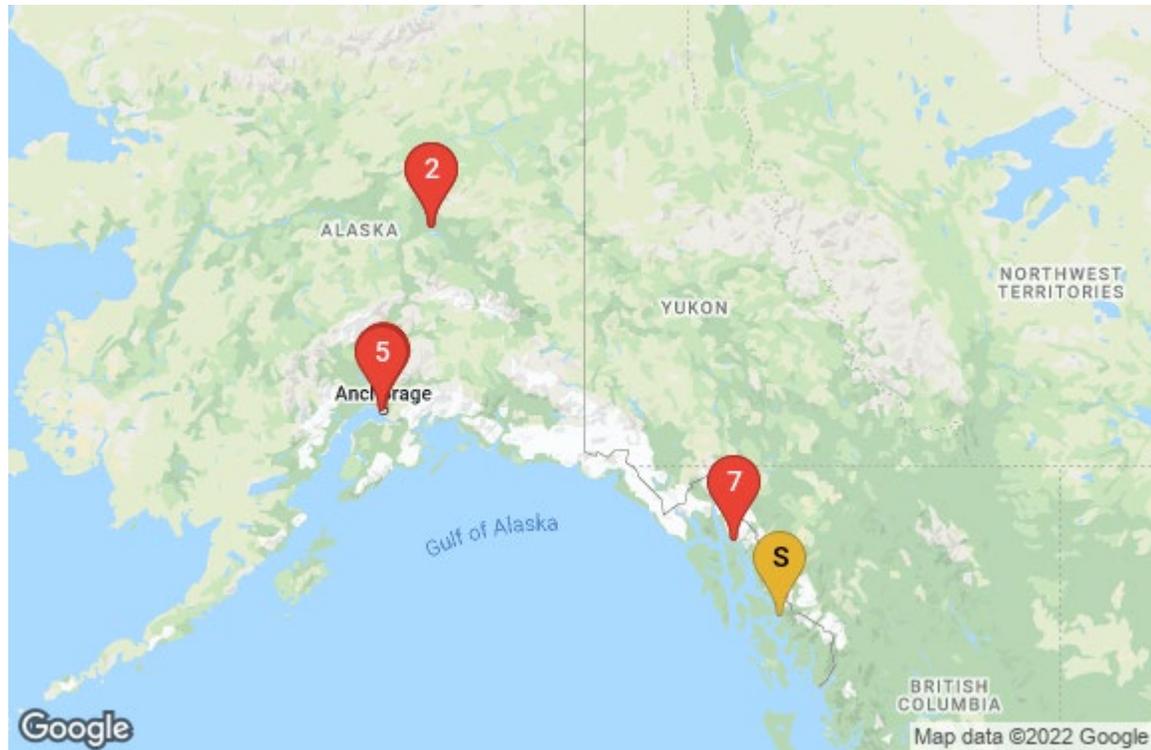
The most relevant data for these transactions is presented on the following summary table. The following map highlights the location of the comparables relative to the subject. Photographs and relevant discussion on each comparable are also presented. Additional documentation on the physical and economic characteristics of these transactions are presented on the detail sheets in the Addenda.

**Summary of Improved Sale Comparable Exhibit**

| No.          | Name                                                                             | GBA    | Date                  | Actual Price              | Price Less Land       |
|--------------|----------------------------------------------------------------------------------|--------|-----------------------|---------------------------|-----------------------|
| No.          | Address                                                                          |        | Transaction Type      | Property Rights           | \$ / GBA              |
| I-1          | Marriott Springhill Suites Site - 970<br>553, 555 First Ave. & , 550, 552 Second | 36,400 | May-99<br>Closed Sale | \$550,000<br>Fee Simple   | -\$99,773<br>-\$2.74  |
| I-2          | ACS Globe Bldg. - 1073<br>645 Fifth Ave.                                         | 19,286 | Dec-07<br>Closed Sale | \$410,000<br>Fee Simple   | \$198,704<br>\$10.30  |
| I-3          | Matanuska Maid Dairy Bldg. - 650<br>814 W. Northern Lights Blvd.                 | 54,445 | Sep-08<br>Closed Sale | \$1,525,000<br>Fee Simple | -\$25,800<br>-\$0.47  |
| I-4          | Lathrop Bldg. - 1075<br>519 1st Avenue                                           | 37,412 | Mar-11<br>Listing     | \$575,000<br>Leased Fee   | \$322,500<br>\$8.62   |
| I-5          | TDX Aviation Park Facility - 1813<br>4902 Spenard Road                           | 29,700 | Oct-12<br>Closed Sale | \$4,500,000<br>Fee Simple | -\$268,283<br>-\$9.03 |
| I-6          | Elks/Rockwell Building - 7724<br>109 Franklin Street                             | 15,924 | Dec-12<br>Closed Sale | \$1,150,000<br>Fee Simple | -\$131,940<br>-\$8.29 |
| I-7          | First National Bank Building - 7716<br>238 Front Street                          | 12,580 | Mar-16<br>Closed Sale | \$600,000<br>Fee Simple   | \$5,700<br>\$0.45     |
| I-8          | 707 A Street - 3691<br>707 A Street                                              | 20,424 | Jan-18<br>Closed Sale | \$1,075,000<br>Fee Simple | \$214,000<br>\$10.48  |
| <b>Subj.</b> | Wrangell Medical Center                                                          | 30,596 | Appraisal             | ---                       | \$10                  |
| <b>Subj.</b> | 310 Bennett St.                                                                  | #N/A   |                       |                           |                       |

(1) elements. Estimated land value is then deducted for analysis purposes.

**Map of Improved Sale Comparables Exhibit**



### Description of Data

#### Sale No. I-1



This is the sale of land for the development of a Marriott Springhill Suites in downtown. The site was formerly known as the old bar block' and new development at the site required demolition of all the old improvements. In the late 1990s the city requested proposals for new development of the site, requiring that the entire block remain intact as one parcel. The city selected Town Square Properties' proposal. Demolition included minor asbestos removal and tipping fees at the landfill totaling approximately \$100,000. This cost was roughly offset by a total of \$100,000 in rebates the developers received for meeting specific development deadlines. Due to the city's motivation and the development process, this sale may be regarded as below market value.'

#### Sale No. I-2



This is the City of Fairbanks' sale of the Globe Building to Alaska Communications Systems (ACS). The building was marketed beginning in the fall of 2004 when the Fairbanks City Council determined the building

was no longer required for municipal purposes and should be sold off. The building was advertised at the assessed value of \$766,000 to multiple potential buyers, during which time the city received three offers: \$300,000, \$250,000, and \$410,000. The city rejected the offers due to price, contingency, and liability concerns. The building's marketability was impeded for a couple of reasons. First, on-site parking is minimal. Second, a portion of the building was subject to a below market lease to ACS in which ACS pays a portion of utility and maintenance costs only. Lastly, the building had a multitude of maintenance issues as well as asbestos. The city received an offer from ACS for \$410,000 which it accepted. Overall, this was an arms-length transaction with typical financing, and was representative of market conditions at the time of sale.

### Sale No. I-3



This is the former Matanuska Maid building in Midtown Anchorage located between Northern Lights and Benson in a very high traffic, high exposure location. Mat Maid sold the property in 2008 via a sealed bid auction that was widely publicized. The improvements were configured as a dairy and were in poor condition and some asbestos contamination. The winning bid was \$1,525,000. Costs to convert the improvements from dairy to pure distribution warehouse use and remove asbestos were \$1 million. Deferred maintenance was estimated at \$250,000. Due to poor truck access, maneuvering room and configuration the improvements provided limited functional utility and were not suitable for continued use as distribution warehouse. Post sale the buyer converted the property to mini storage space at substantial expense. This is an excellent example of the impact that poor truck access has on value. Overall, this is a arms length market transaction representative of a distribution warehouse property offering limited functional utility.

**Sale No. I-4**



This older building was foreclosed on by Wells Fargo in 2009. The listing was originally priced at \$1,200,000 but has been reduced to \$575,000. As an older building, the improvements are compromised with contained asbestos, estimates to cure range from \$106.92/sq ft. to \$160.38/sq ft.

**Sale No. I-5**



This is the sale of the former National Guard Armory located at the northwest corner of Spenard Road and West International Airport Road. The site is influenced by both the midtown and airport markets, and is just across Aviation Avenue from Spenard Lake. The site was improved with a 28,433 sq ft concrete block building originally built in 1962. The property was auctioned off by the MOA and the successful bid was \$4,500,000. There was prior known contamination on the property, however, a no further action letter had been issued and no impact on the sale was noted. Post sale expenditures include demolition of the existing building, which includes small amounts of asbestos, at an estimated cost of \$269,000 (based on the accepted bid). The property was sold with deed restrictions requiring an aviation theme, meeting space and gift shop that negatively impacted the sale

price. The buyer put a \$900,000 bond in place, which is payable to the seller, if the terms of the deed restrictions are not met. On the other hand, the buyer is the adjacent hotel owner, that wanted to secure ownership of the site to prevent development of a competing hotel.

**Sale No. I-6**



This building was originally the Elks Lodge until 2006 when it was converted to a restaurant/bar and event space. The 7,694 sq ft ground floor has the restaurant/bar and three restrooms. The second floor is 7,182 sq ft, mostly open ballroom with another commercial kitchen, bar and storage. The 1,048 sq ft third level is a 2-bedroom apartment. At sale the shell of the building was structurally fit, but the interior required significant renovation. Since the 2012 sale the first floor electric and plumbing was completely updated to code. As of spring 2020 the property is listed for sale for \$1.56 million, or \$97.97 per sq ft of GBA.

**Sale No. I-7**



Downtown Juneau historic building with frontage on both Front Street and N Franklin Street. The purchaser planned to renovate the building with new

retail storefronts and apartments above. The top floor was formerly used as a theater and requires repurposing. Since the sale the Franklin Street space has been renovated and leased to Devils Club Brewing.

### Sale No. I-8



This was the arm's length sale of a downtown property that required significant updating and some deferred maintenance. The purchase price was \$1,075,000 however after upgrades, based on numbers provided by the broker, the analysis price is \$1,650,000. The property was purchased by several local investors and is currently being renovated including removal of asbestos, a new HVAC, upgraded elevator and remodeling of all restrooms.

## Overview of Adjustments

### Nature Adjustments & Adjustment Grid

Adjustments to the comparables are necessary to reflect advantages and disadvantages relative to the subject. Ideally, quantitative adjustments are determined through paired sale analysis or other definitive data. However, when quantitative adjustments cannot be reliably ascertained - as is typically the case in Alaskan markets due to data limitations - qualitative adjustments may be applied through a weighted analysis of each comparable based on its relative merits. These adjustments may be supported by available market data, discussions with local market participants, and/or supplemental information contained within the appraiser's files.

Note that qualitative adjustments - based on the above as well as on appraiser judgment - are applied on a numeric (percentage) basis in this appraisal. Ultimately, the adjustment grid presented further in this chapter is not intended to imply that all of the adjustments were performed on a quantitative basis. Rather, the adjustment grid is presented to more precisely communicate the appraiser's opinion on the direction and degree of adjustment required to a given comparable. Moreover, it should be recognized that the elements of comparison shown in the adjustment grid are those considered most significant and relevant. While they help explain the appraiser's reasoning and support for the reconciled value estimate, they are

not the only elements of comparison considered. Other differences where adjustments have not been made explicitly are not deemed material and are therefore implicitly considered in the appraiser's analysis of the comparables and the reconciled value estimate. Finally, certain adjustments to the transaction prices may have already been made and reflected in the initial "Analysis Prices" shown in the table, as described in the preceding comments for the individual comparables.

The comparables reflect sales of improvements that are at or near the end of their economic lives, as is the subject.

### **Property Rights Conveyed**

When real estate is sold, the contract may include rights that are less than or more than the market-typical "bundle of sticks" (property rights) for the real estate itself. Examples include the inclusion of another property, personal property, or the sale of a property subject to a below market or above market lease. Therefore, the sale price of the comparable property must be adjusted to reflect the property rights that are similar to those being appraised. In this analysis, the comparables are adjusted to reflect the fee simple sale price of the real property only.

### **Financing Terms**

Seller-provided financing can play an important role in the sale of a project. Low down payments and terms that are significantly less stringent than those available in the market at the time of sale contribute to sale prices in excess of that obtainable by an all-cash or typically financed (by a disinterested third party) buyer. In order to analyze all properties on a comparable basis, those sales with financing not typically available for the property at the time of sale must be converted to typical terms and cash equivalency.

### **Conditions of Sale**

Adjustments for conditions of sale are intended to reflect the motivations of the buyer and the seller. Conditions of sale that are outside the definition of market value must be adjusted to reflect a fully marketed property with adequate exposure and an arms-length transaction where neither the buyer nor the seller is unduly motivated. Adjustments may be required to properties where one party was unusually motivated, foreclosure sales, properties that were not fully exposed to the market, and active listings that have not closed.

### **Market Conditions**

In the process of completing this assignment, or as part of previously completed assignments for similar properties in this segment, consideration was given to available paired sales, rent trends, assessment trends, MLS trends, economic studies, published articles and discussions with market participants.

Based on the available data, market values have generally been stable in recent years as demand and competitive supply are in equilibrium, with neither a seller's nor buyer's market, resulting in stable asset values. Therefore, no market conditions adjustment is required. Any appreciation occurring over the years is considered to be offset by increases in remodeling and demolition costs.

|                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Location</b>               | <p>Location is a broad term that includes non-property specific factors such as neighborhood and surrounding demographics and property specific factors such as surrounding streets, street frontage, access, exposure, number of corners, traffic counts, adjacent properties and other factors. The degree of adjustment is based on an analysis of underlying land values as indicated by comparable transactions and assessed valuation, market trends, discussions with market participants, a comparison of income levels, and other factors. Depending on the quality of the data, the resulting adjustment can be either quantitative or qualitative, but in either case involves a certain amount of subjectivity.</p> <p>The comparables have been analyzed based on their price per sq ft excluding land. The contributory value of the underlying land has been subtracted from each comparables total sale price resulting in an indication of building value only. This adjustment explicitly accounts for differences in location and no additional adjustments are required.</p> <p>It is important to note that any land value assigned to a comparable or the subject (unless a complete land valuation has been performed) does not constitute an appraisal (of the comparable or subject site), as the amount of adjustment is ultimately determined by the percentage difference between the subject and comparables and not the land allocations themselves.</p> |
| <b>Year Built / Renovated</b> | <p>While there is a correlation between age and a property's condition, it is not always direct. Renovations, remodels and aggressive upkeep can result in an "effective" age that is much less than actual age. Improvements with effective ages less than the subject will exhibit less depreciation and require a downward adjustment. Conversely, improvements with effective ages greater than the subject will exhibit more depreciation and require an upward adjustment. Note that this adjustment category allows for not only physical age, but also condition in the form of effective age.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Quality</b>                | <p>The quality of the improvements has a direct influence on market value. The overall quality of a property is a function of exterior appeal, interior build-out, quality of mechanical systems and a variety of other factors.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Construction Type</b>      | <p>The construction type of the structure may have a direct influence on market value. Properties with superior construction have increased economic lives and decreased operating costs.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Size</b>                   | <p>If an adequate supply of larger properties exists, then generally smaller properties tend to sell for higher prices per sq ft. If supply of larger properties is limited then they occasionally sell for a premium.</p> <p>A review of data indicates that, within the subject's market, sale prices are fairly uniform for smaller and larger properties. No adjustment for size is required.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |

**Other**

No adjustments have been made to the comparables because they reflect depreciation to such a high degree that any adjustment would be disregarded by market participants.

Summary of Adjustments Exhibit

| Sales Analysis Grid            |                 | I-1                                             | I-2            | I-3                             | I-4            | I-5               | I-6                 | I-7              | I-8            |              |      |              |      |              |      |             |      |
|--------------------------------|-----------------|-------------------------------------------------|----------------|---------------------------------|----------------|-------------------|---------------------|------------------|----------------|--------------|------|--------------|------|--------------|------|-------------|------|
| Address                        | 310 Bennett St. | 553, 555 First Ave. & ,<br>550, 552 Second Ave. | 645 Fifth Ave. | 814 W. Northern<br>Lights Blvd. | 519 1st Avenue | 4902 Spenard Road | 109 Franklin Street | 238 Front Street | 707 A Street   |              |      |              |      |              |      |             |      |
| City                           | Wrangell        | Fairbanks                                       | Fairbanks      | Anchorage                       | Fairbanks      | Anchorage         | Juneau              | Juneau           | Anchorage      |              |      |              |      |              |      |             |      |
| Date                           | 3/26/2022       | 5/26/1999                                       | 12/28/2007     | 9/11/2008                       | 3/11/2011      | 10/29/2012        | 12/31/2012          | 3/30/2016        | 1/17/2018      |              |      |              |      |              |      |             |      |
| Price                          | Appraisal       | \$550,000                                       | \$410,000      | \$1,525,000                     | \$575,000      | \$4,500,000       | \$751,900           | \$600,000        | \$1,075,000    |              |      |              |      |              |      |             |      |
| Less: Land                     | ---             | \$649,773                                       | \$211,296      | \$1,550,800                     | \$252,500      | \$4,768,283       | \$883,840           | \$594,300        | \$861,000      |              |      |              |      |              |      |             |      |
| Improvements Only              | ---             | -\$99,773                                       | \$198,704      | -\$25,800                       | \$322,500      | -\$268,283        | -\$131,940          | \$5,700          | \$214,000      |              |      |              |      |              |      |             |      |
| GBA                            | 30,596          | 36,400                                          | 19,286         | 54,445                          | 37,412         | 29,700            | 15,924              | 12,580           | 20,424         |              |      |              |      |              |      |             |      |
| \$/SF GBA                      | ---             | -\$2.74                                         | \$10.30        | -\$0.47                         | \$8.62         | -\$9.03           | -\$8.29             | \$0.45           | \$10.48        |              |      |              |      |              |      |             |      |
| <b>Transaction Adjustments</b> |                 |                                                 |                |                                 |                |                   |                     |                  |                |              |      |              |      |              |      |             |      |
| Property Rights                | Fee Simple      | Fee Simple                                      | 0.0%           | Fee Simple                      | 0.0%           | Fee Simple        | 0.0%                | Leased Fee       | 0.0%           | Fee Simple   | 0.0% | Fee Simple   | 0.0% | Fee Simple   | 0.0% | Fee Simple  | 0.0% |
| Financing                      | Conventional    | Conventional                                    | 0.0%           | Conventional                    | 0.0%           | Conventional      | 0.0%                | Conventional     | 0.0%           | Conventional | 0.0% | Conventional | 0.0% | Conventional | 0.0% | Cash        | 0.0% |
| Conditions of Sale             | Arms Length     | Motivated Seller                                | 0.0%           | Arms Length                     | 0.0%           | Arms Length       | 0.0%                | Asking           | 0.0%           | Arms Length  | 0.0% | Arms Length  | 0.0% | Arms Length  | 0.0% | Arms Length | 0.0% |
| <b>Adjusted GBA Unit Price</b> |                 | <b>-\$2.74</b>                                  | <b>\$10.30</b> | <b>-\$0.47</b>                  | <b>\$8.62</b>  | <b>-\$9.03</b>    | <b>-\$8.29</b>      | <b>\$0.45</b>    | <b>\$10.48</b> |              |      |              |      |              |      |             |      |
| Market Cond. Thru              | 3/26/22         | 0.0%                                            | 0.0%           | 0.0%                            | 0.0%           | 0.0%              | 0.0%                | 0.0%             | 0.0%           |              |      |              |      |              |      |             |      |
| <b>Adjusted GBA Unit Price</b> |                 | <b>-\$2.74</b>                                  | <b>\$10.30</b> | <b>-\$0.47</b>                  | <b>\$8.62</b>  | <b>-\$9.03</b>    | <b>-\$8.29</b>      | <b>\$0.45</b>    | <b>\$10.48</b> |              |      |              |      |              |      |             |      |
| Overall Comparison             |                 | Inferior                                        | Similar        | Similar                         | Similar        | Inferior          | Similar             | Similar          | Similar        |              |      |              |      |              |      |             |      |
| <b>Adjusted GBA Unit Price</b> |                 | <b>-\$2.74</b>                                  | <b>\$10.30</b> | <b>-\$0.47</b>                  | <b>\$8.62</b>  | <b>-\$9.03</b>    | <b>-\$8.29</b>      | <b>\$0.45</b>    | <b>\$10.48</b> |              |      |              |      |              |      |             |      |
| <b>Net Adjustments</b>         |                 | 0.0%                                            | 0.0%           | 0.0%                            | 0.0%           | 0.0%              | 0.0%                | 0.0%             | 0.0%           |              |      |              |      |              |      |             |      |
| <b>Gross Adjustments</b>       |                 | 0.0%                                            | 0.0%           | 0.0%                            | 0.0%           | 0.0%              | 0.0%                | 0.0%             | 0.0%           |              |      |              |      |              |      |             |      |

### Discussion & Analysis - After Adjustment

The comparables bracket the physical and economic characteristics of the subject. They bracket the market value of the subject on an unadjusted basis, and inferior comparables were adjusted upward while superior comparables were adjusted downward. Prior to adjustments, the sale prices fall within a wide range.

After adjustment, the comparables range from -\$9.03 to \$10.48/ sq. ft. Weight is given to Sales I-2, I-4, I-7, and I-8, as they were remodeled and repurposed.

After careful consideration, based on analysis of the data presented previously as well as data contained within the appraiser’s work file, the market value of the subject is estimated at \$10.00/sq ft.

### Value Calculation

As Is

Physical Comparison Methodology

| PHYSICAL COMPARISON VALUE        |        |   |                |   |                  |
|----------------------------------|--------|---|----------------|---|------------------|
|                                  | GBA    |   | GBA Unit Price |   | Total            |
| Wrangell Medical Center          | 30,596 | x | \$10           | = | \$305,960        |
| Improvements Value (Round)       |        |   |                |   | \$305,960        |
| <b>Add: Land Value</b>           |        |   |                |   | <b>\$470,000</b> |
| Stabilized Market Value Estimate |        |   |                |   | \$775,960        |
| <b>Rounded</b>                   |        |   |                |   | <b>\$775,000</b> |

# Reconciliation & Final Value Estimate

## Summary of Value Estimates

The approaches to value utilized in this report have indicated the following values for the subject:

| <b>VALUATION SUMMARY</b>           |                       |
|------------------------------------|-----------------------|
| <b>Wrangell Medical Center</b>     |                       |
| <b>Property Rights</b>             | <b>Fee Simple</b>     |
| <b>Condition</b>                   | <b>As Is</b>          |
| <b>Effective Date of Appraisal</b> | <b>March 26, 2022</b> |
| Land Valuation                     | \$470,000             |
| Cost Approach                      | \$890,000             |
| Sales Comparison Approach          | \$775,000             |
| Income Capitalization Approach     | Not Developed         |
| <b>Final Market Value Estimate</b> | <b>\$830,000</b>      |

## Reconciliation

### Overview

Reconciliation is the final phase in the assignment and is where two or more value indications derived from market data are resolved into a final value estimate. USPAP requires that the appraiser reconcile the quality and quantity of data available and analyzed within the approaches used. Furthermore, the applicability and relevance of the approaches, methods and techniques must also be reconciled. A discussion of the applicability of the various approaches is presented below.

### Cost Approach

This approach is normally a strong indicator of value when there is reliable data from which to estimate replacement cost and accrued depreciation. This approach is highly applicable for special purpose properties, new construction and when there are limited sales or rental activity (resulting in less reliable value indications by sales comparison and income capitalization). It is less applicable for older properties that exhibit significant amounts of depreciation. For non-special purpose properties, this approach is often considered by market participants but not given primary weight. Investors primarily use this approach to determine the feasibility of a proposed development. Owner-users often consider this approach when making decisions on whether to buy an existing building or pursue new construction.

### Sales Comparison Approach

This approach is normally a strong indicator of value when adequate current sales data are available. Like the Income Capitalization Approach, this approach responds quickly to changes in the marketplace. In user markets, the Sales Comparison Approach is given primary weight. Investors use this approach primarily as an indicator of current rates of return and subsequently give this approach secondary weight.

**Income Capitalization Approach**

The Income Capitalization Approach is generally considered a strong indicator of value for income-producing properties. The primary strength of the Income Capitalization Approach is income and operating levels respond quickly, if not immediately, to conditions in the market and changes in the property. This approach is given primary weight by investors and secondary weight by owner-users. Direct capitalization is the most common method of income capitalization used within the market and is highly applicable when a property is physically or economically stabilized. Discounted cash flow analysis is used by market participants for investment grade properties and is highly applicable when there are changing market conditions, a property is not physically or economically stabilized, the timing of cash flows is irregular, or the income pattern is different than what is typical of the market.

**EXCLUSION** The Income Capitalization Approach was not performed for the following reasons.

- The subject is an owner-occupied property and exists within a primarily owner-user market. While certain buyers may consider the income capitalization approach, it is not given significant weight by the vast majority of owner-users.
- There has been limited leasing activity within the subject’s market that is directly comparable to the subject.
- There is inadequate market data available in this case to credibly conclude an appropriate capitalization rate for the subject.
- Performance of the income capitalization approach does not increase the reliability of the current value estimate.
- The other approach(es) resulted in a reliable value estimate for the subject.

**Final Value Estimate**

The probable buyer of the subject is an owner-user. The value indications from the approaches performed have fallen within a narrow range suggesting adequate market data and reliable analysis of the data. All of the approaches provided reliable value indications and are highly applicable. In the end, the approaches performed are given equal weight. After careful consideration, the final value estimate(s) for the subject is/are as follows:

| <b>FINAL MARKET VALUE ESTIMATE</b> |                       |
|------------------------------------|-----------------------|
| <b>Wrangell Medical Center</b>     |                       |
| <b>Property Rights</b>             | <b>Fee Simple</b>     |
| <b>Condition</b>                   | <b>As Is</b>          |
| <b>Effective Date of Appraisal</b> | <b>March 26, 2022</b> |
| <b>Final Market Value Estimate</b> | <b>\$830,000</b>      |

## Exposure Period / Time

**DEFINITION<sup>12</sup>** *1. The time a property remains on the market. 2. An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP, 2020-2021 ed.)*

Investor surveys indicate exposure periods for properties within the subject's market classification ranging from 3 to 12 months and averaging 7 months. Pre COVID-19, local sales comparable data indicated exposure periods ranging from 3 to 12 months, assuming appropriate pricing and marketing efforts. In particular, smaller, single-tenant properties have tended to sell more quickly in the face of strong demand and limited availability. At the reconciled market value, an exposure period of 12 months is concluded.

## Marketing Time

**DEFINITION<sup>13</sup>** *An opinion of the amount of time to sell a property interest at the concluded market value or at a benchmark price during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which precedes the effective date of an appraisal. (Advisory Opinion 7 and Advisory Opinion 35 of the Appraisal Standards Board of The Appraisal Foundation address the determination of reasonable exposure and marketing time.)*

Implicit within the concept of market value is that the property is fully exposed to the market. Within the Alaska market this includes retaining a knowledgeable and qualified commercial broker that prepares a marketing package, lists the property on Alaska Multiple Listing Service as well as other local and national web sites used to market real estate. In the event that a knowledgeable and qualified broker is not retained, the property is not receiving full exposure to the market and the price that a seller will be able to attain may be impacted.

Based on the market analysis performed and the subject being fully exposed to the market, the anticipated marketing time is based on the following relationships:

Pre-COVID-19 Exposure Period + (COVID-19 Shutdown + COVID-19 Recovery) = Marketing Time

While the precise impact on valuations is uncertain, based on the current prevailing consensus by experts that the virus will largely be managed (but not necessarily eliminated) in as little as two months but in less than six months. An economic recovery period between six months and twelve months is anticipated. Therefore, based upon prevailing exposure periods,

<sup>12</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>13</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

marketing times are anticipated to increase to eighteen months for most property types. This projected increase in marketing times is consistent with historical evidence, including the 2000 dot.com bubble, September 11, 2001 terrorist attacks and 2008 financial crisis. In all of these prior periods of economic crisis, short term values were negatively impacted immediately followed by a dramatic decrease transaction volume, followed by a strong recovery and return to prior prevailing valuations and transaction volumes. While there are divergent opinions, the general consensus is that the COVID-19 will follow a similar pattern.

Therefore, for a property of this type and size, in this neighborhood, and given expected market conditions, the most probable marketing time would be up to 12 months. Note that it may be inappropriate for the Client to assume value remains stable during the estimated marketing period and that the marketing period may change over time.

# General Assumptions & Limiting Conditions

1. **Applicable to All Assignments:** Unless explicitly stated to the contrary, the following General Assumptions & Limiting Conditions apply to all assignments:
2. **Acceptance of Report/Limit of Liability:** Any use of or reliance on the appraisal by any party, regardless of whether the use or reliance is authorized or known by Appraiser, constitutes acceptance of, and is subject to, all appraisal statements, limiting conditions and assumptions stated in the appraisal report. The client is responsible to become familiar with these statements, assumptions and limiting conditions.
3. **Responsibility of Client/Intended User to Accurately Communicate Appraisal Results:** If placed in the possession of anyone other than the client or intended user, they shall make such party aware of these assumptions and limiting conditions. The appraiser(s) assume no liability for the client or third party's lack of familiarization and comprehension of the same. The appraiser(s) has no responsibility or liability to correct any deficiencies of any type in the property, or any costs incurred to correct such deficiencies whether legal, physical, or financial.
4. **Post Appraisal Services:** The contract for appraisal, consultation, or other service is fulfilled upon completion of the assignment. The appraiser(s) or others assisting in this report will not be required to provide testimony in court or other hearing and will not participate in post appraisal services other than routine questions with the client or third parties so designated by the client without a separate engagement and for an additional fee. If testimony or deposition is required due to subpoena, the client shall become responsible for the incursion of fees and charges for any additional time, regardless of the party.
5. **Duplication and Dissemination of Report or Report Contents:** This appraisal has been completed for the client's specific use as well as any other intended user(s) specifically identified in the report. The appraiser(s) has no liability, accountability, or obligation to any other third party. The appraiser(s) retain ownership and copyright of the data, discussions, and conclusions contained herein. Possession of this report does not constitute the right of publication or dissemination either in whole or in part. The client may only disseminate complete final copies to third parties engaged in the course of underwriting and loan securitization, as well as to any other intended user(s) identified in the report, or in the case of litigation or negotiations, the other party, their counsel and any court, including master or arbitrator. Duplication and dissemination of selected sections of this report to third parties without express written consent of the signatories of the report are prohibited and may be misleading. This report in whole or in part may not be distributed to the general public by use of advertising media, public relations, new outlets, etc. without the written consent of the signatories. Exemptions from this restriction include duplication for the client's internal use, dissemination to accountants, attorneys, or advisors of the client. The exemption also extends to any court, governmental authority, or regulatory agency that has jurisdiction or subpoena power over the individuals or parties for whom the appraisal has been prepared or for ethics enforcement, provided that the report will not be published in whole or in part in any public document or medium. This report shall not be advertised to the public to make a "sale" or any "security" as defined by the Securities Act of 1933.
6. **Appraisal Institute Use Restrictions:** Disclosure of the contents of this appraisal report is governed by the By-Laws & Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the

firm with which they are connected, or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the undersigned. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus or registration without the prior written consent of the appraisers.

7. **Unauthorized User:** The report has been prepared for the client and any other intended user(s) specifically identified in the report, for the stated intended use only. The appraiser(s) has no liability to any other third party. Any authorized user of this document who provides a copy of this document to, or permits reliance thereon by, any person or entity not authorized by Reliant, LLC in writing to use or rely thereon, hereby agrees to indemnify and hold Reliant, LLC, its affiliates and their respective shareholders, directors, officers, and employee's harmless from and against all damages, expenses, claims and costs, including attorney's fees, incurred in investigating and defending any claim arising from or in any way connected to the use of, or reliance upon, the document by any such unauthorized person or entity. Such unauthorized distributor accepts all liability to the unauthorized user whom they distribute a copy of the report to. Any unauthorized distributor of this report is cautioned that they may incur liabilities to the unauthorized user that they are providing a copy of the report to as well as to Reliant LLC.
8. **Reliability of Information Used:** Through the course of this assignment the appraiser(s) collected data from numerous sources deemed reliable, but not guaranteed. No liability is assumed for the inaccuracies of data supplied by the various sources either public or private. Data relied upon in this report has been confirmed with primary or secondary sources considered reliable and/or reasonable, and appropriate for inclusion in the analysis. Although there were no reasons to doubt the general accuracy of such data, unimpeachable verification or affidavits of all data is an impractical and an uneconomic expenditure of time and resources and/or may involve legal or confidentiality issues.
9. **Right to Amend Report:** The appraiser(s) reserves the right to amend, modify, alter, or correct any and all statements, analyses, and conclusions of the value indications in the event that incorrect data was supplied, withheld, altered, or that any other pertinent data unknown, not disclosed, or revealed to the appraiser(s), whether intentionally or unintentionally, during the course of this assignment subsequently becomes available. Examples of such data that could impact the opinions of market value include but are not limited to: street addresses, Assessor's Parcel Numbers, site area, site dimensions, gross building area, net rentable area, usable area, common area, number of units, number of rooms, rent rolls, historical operating statements and budgets, sales data, etc.
10. **Purchase and Sale Agreement:** In the event of a pending sale, as of the report date, any purchase and sale agreement (PSA, EMA, etc.) provided has been represented as being the final agreed upon document reflecting the final price and terms negotiated between the parties. This information reflects the perspective of a buyer and seller, and so may have been given significant weight in the final conclusion of market value. In the event that the sale information provided subsequently turns out not to represent the final agreed upon price and/or terms, or in the event that the price and/or terms are amended post-delivery of this report, the market value estimate contained herein may be invalidated. The intended user(s) of this report is advised not to rely upon it in this situation until the appraiser is provided the final/amended sale information for their full consideration and possible amendment to the opinions and conclusions originally stated in this report.
11. **Obligation of User to Report Errors:** Any authorized intended user is required immediately contact the appraiser(s) and report errors, discrepancies, or alterations to determine the impact on the

opinion(s) of market value.

12. **Integrated Analysis.** The individual components of the analysis contained herein are highly interrelated and subject and assignment-specific. As such, individual items such as rent, vacancy allowance, expenses, and rate of return cannot be viewed individually without the context of the whole analysis. Moreover, conclusions or individual components from this specific analysis cannot and should not be extracted for application to other properties and/or situations.
13. **Market Dynamic and Valuation Fluctuations:** The opinions of market value expressed within the report are subject to change over time as a result of market dynamics. Market values are highly susceptible to both macro and micro economic forces that influence the property. Such forces include but are not limited to: exposure on the market, length of time, marketing efforts, motivations and preferences of market participants, productivity of the property, the property's market appeal, changes in investor requirements regarding income and yields, etc. The opinions of market value are made as of the report date and subject to fluctuations over time as a result of natural market forces.
14. **Date of Value, Dollar Values, and Purchasing Power:** The date of the report and the effective date of the market value opinions are stated in the letter of transmittal or with the appropriate sections of the report. All dollar amounts are based on the purchasing power of the United States Dollar (USD). The analyses and conclusions of the assignment are based upon the known market conditions as of the date of report and are valid as of that date but may not be representative of market value either before or after this date. Changes in market conditions or purchasing power may warrant a new appraisal assignment. The appraiser(s) is available for consultations regarding changes in the economic conditions.
15. **Fixtures, Furniture, and Equipment (FF&E) and Business Concerns:** Personal property, FF&E, intangibles, going concerns, etc., unless specifically stated as a component of the real estate, are excluded from the market value estimates.
16. **Walk Through May Not Include Non-Relevant Space(s):** In the case where a "complete" walk through has been performed, a physical observation has been performed to assist in identifying relevant property characteristics in a valuation service to identify features that may affect a property's value or marketability such as legal, economic or physical characteristics. The physical observation will be of all relevant space(s) required to arrive at a reliable and credible opinion of market value, but may not include certain space(s) that are not deemed relevant or material to the appraisal problem. If the lack of physical observation of certain space(s) does not impact the reliability or credibility of the appraisal, it may not be disclosed within the report. In the event that the lack of physical observation of certain space(s) may have an impact on the reliability or credibility of the opinion of market value it will be disclosed within the report.
17. **Non-Viewed Units/Spaces:** In certain instances, due to current occupancy or lack of access, portions of the subject's units/spaces are not available to be viewed during the walk through. Unless otherwise stated in the report, in these cases the person accompanying the appraiser on the walk through has represented that the condition and quality of these units/spaces are similar to that of the property (viewed areas) as a whole. It is a general assumption of this assignment that the units/spaces that were not viewed are commensurate condition and quality with those viewed by the appraiser during the walk through.
18. **Proposed Improvements, Renovations, and Repairs:** For the purposes of this analysis, the proposed improvements, renovations, and/or repairs are assumed to be completed in a workman-like

manner, and according to the detail, plans, and specifications supplied to the appraiser(s). The market value opinions for such construction, renovations, and repairs are subject to an onsite walk-through of the improvements to determine completion as per plans and specifications.

19. **Date of Completion Value:** The actual delivery date of proposed product may vary widely from the anticipated date of delivery due to weather and other variables. If proposed or under construction, it is an ordinary assumption of this assignment that the subject is completed as of the at completion date, which has been developed based on discussions with ownership, contractors, architects and typical market derived construction deliveries.
20. **Limitations of Competency:** The appraiser is competent in the valuation of real estate, which is a subset of the field of economics. The appraiser is not competent in the fields of law, engineering, construction, architecture, surveying or other areas of expertise. Clients bear the responsibility of consulting and retaining experts outside the appraisal profession as required by the situation.
21. **Lease Verification / Validation:** Where applicable, the scope of lease verification was generally limited to their economic characteristics and legal aspects of the leases were not reviewed or analyzed. It is assumed that all of the leases are valid, legally binding documents.
22. **Divisions or Fractional Interests:** The opinions of market value apply to the entire property unless specifically identified and established within the conclusions and analyses of the report. Division of fractional interests by the client or third party will render this report invalid.
23. **Component Values:** The distribution of total valuation between the land and the building improvements in this report are applicable only under the existing program or utilization of the property. The component values between land and building are not intended, nor are they to be used in conjunction with any other appraisal assignment, and are rendered invalid if used.
24. **Survey:** Site plans, sketches, or other illustrations are not surveys unless specifically identified as an exhibit from a licensed survey. Surveys of the site boundaries were not completed, nor do the appraiser(s) claim such expertise. Dimensions and areas of the site were obtained from sources deemed reliable but not guaranteed. Additionally, it is further assumed that no encroachments exist.
25. **Exhibits:** Maps, plats, sketches, photographs, and other exhibits are intended for illustration, visualization, and assistance in describing and analyzing the property in full context. Such exhibits may not be removed, reproduced, or separately used beyond this report.
26. **Building Area:** Reliant, LLC makes no warranty or certification relating to building area. In instances when building area is not provided and is either partially or entirely unknown the appraiser may be required to measure the property to provide an indication of building area. Measurements by the appraiser may be made onsite or be made from property drawings, sketches, or actual architectural plans. The user(s) of this assignment are cautioned not to view the appraisers building area estimate as having the same degree of accuracy as a building area study performed by an appropriately qualified/certified individual such as an architect or engineer and are recommended to engage such individuals for this type of information.
27. **Clear Title:** It is specifically assumed, unless otherwise indicated, that the title to the property is clear and marketable, that there are no recorded, unrecorded, or potential liens, defaults, encumbrances, etc. that would adversely affect the marketability and transfer of ownership. Unless otherwise stated, all applicable property taxes are assumed to be paid current. The appraiser(s) does not imply expertise in determining defects in the title, nor has the appraiser(s) been informed of such

adversities. Specific questions regarding the title, including title insurance should be directed to a well qualified real estate title company. The legal description provided by title report, surveyor, government records, etc. is assumed to be correct.

28. **Subsurface Rights, Avigation Easements, and Transferable Development Rights (TDR's):** The market value opinion(s) specifically assume that there are no mineral deposit rights or other subsurface rights, avigation easements, or transferable development rights associated with the property unless explicitly stated within the report.
29. **Private Deed Restrictions:** The appraiser(s) makes the explicit assumption that there are no private deed restrictions that in any way limit the use of the subject property.
30. **Extent of Title Search:** Unless otherwise stated, the scope of work does not include a search of Department of Natural Resource recorded documents. Such a search should be performed by a qualified title specialist, such as a title insurance agency. It is the responsibility of the Client(s) and Intended User(s) to provide any documents or information related to title to Reliant LLC for consideration.
31. **Americans with Disabilities Act (ADA):** The ADA became effective on January 26, 1992. The appraiser(s) does not imply expertise in the interpretation of the ADA, nor has a compliance survey been completed. The potential exists that if a compliance survey is completed combined with a detailed analysis of the ADA requirements, deficiencies may be revealed that could adversely impact the market value conclusion(s). No specific information regarding any non-compliance issues have been provided to the appraiser(s) and the possibility of non-compliance was not considered in the developing the opinions of value contained herein. Specific compliance questions should be directed to the appropriate governing jurisdictional agency.
32. **Zoning Ordinances:** It is assumed that no changes to the current zoning code/ordinances or other regulations regarding the use of the property, density of development, construction components and/or quality of components, etc. are imminent or under consideration by the jurisdictional governing body, unless otherwise noted in the report. The property is appraised under the assumption that the improvements are approved, that certificates of occupancy or permits have been or will be issued, and that all other applicable national, state, local, or other administrative requirements have successfully been, or will be obtained or renewed for any use considered in the opinion(s) of market value.
33. **Adverse Governmental Controls:** Unless otherwise stated, the appraiser(s) is unaware of any governmental controls on the property, public initiative issues, rent or price controls, or any other adverse governmental or public controls contemplated regarding the legal use of the property.
34. **Property Compliance:** The appraiser(s) expresses no opinions or warranties that may require legal expertise or specialized investigations beyond the methods and investigations typically employed by real estate appraisers. Market value opinion(s) and conclusions contained within the report assume that the property is compliant with all environmental and government regulations such as building permits, fire department approvals, occupancy permits, building codes, licenses, etc. If the appraiser(s) has not been supplied with expert reports or documentation on inadequacies or non-compliance, no responsibility or representation is assumed for identification or costs to cure. The appraiser(s) assumes no responsibility for costs incurred to obtain flood hazard determination, flood hazard insurance, or consequences arising for failure to obtain flood hazard insurance. Although the appraiser(s) has searched publicly available FEMA maps, a flood certification should be obtained

from a qualified agent for the Federal Flood Insurance Program.

35. **Structural Integrity and System Components:** No advice or warranty of any kind are expressed or implied regarding the condition or adequacy of the mechanical systems, structural integrity of the improvements, soils, settlements, drainage, or other factors regarding the integrity and adequacy of the component systems of the improvements. The appraiser(s) is not a qualified engineer, nor is expertise implied with respect to engineering matters. Client may desire to retain the services of a qualified licensed contractor, civil engineer, structural engineer, architect, or other expert in determining the quality, condition, and adequacy of the improvements prior to the disbursement of funds. It is assumed that the existing improvements are structurally sound and constructed to the applicable federal, state, and local building codes and ordinances. That assumption includes, but is not limited to: the superstructure, roofing, electrical, plumbing, mechanical, HVAC, elevator, etc. The opinion(s) of market value are based upon no hidden or unapparent adverse conditions of the improvements, the site, or the subsoil, which would cause a loss in value. No responsibility or liability is assumed for any adverse conditions or for the expertise and retention of experts in discovery, detection, and cost to cure. In the event that professional consultations or reports reveal negative factors that would create a loss in value, the appraiser(s) reserves the right to amend the opinion(s) of market value and other conclusions contained herein.
36. **Environmental Hazards:** Unless specifically stated, the appraiser(s) has no knowledge regarding the presence or absence of toxic materials including but not limited to: asbestos, urea-formaldehyde insulation, leaking underground storage tanks, contaminated groundwater, or other potentially hazardous materials and substances that would adversely affect the market value and marketability of the property. The appraiser(s) does not imply expertise and no liability is assumed for the detection or remediation of such materials or substances, whether above or below the ground surface. Although a perfunctory observation was made during the walk-through, the client is referred to an environmental expert for further details, if so desired. If environmental hazards are discovered, the market value opinion(s) may be negatively affected, requiring a re-appraisal of the property for an additional fee.
37. **Environmental Compliance:** Unless otherwise noted, the appraiser(s) makes the assumption that the property is in compliance with all applicable national, state, or local environmental regulations.
38. **Competent Property Management:** It is assumed that the subject property analyzed currently is, or will be under efficient and competent management and that said management is not, or will not be, inefficient or super-efficient.
39. **Ongoing Operations.** In the event that the subject is a special purpose property or going concern, ongoing business operations are assumed unless otherwise stated in the body of the report.
40. **Financial Documentation:** Historic income and expenses may have been provided by ownership, a lender, property manager, real estate agent or other third party. The financial information is assumed to reflect actual income and expenses at the subject using Generally Accepted Accounting Principles (GAAP). This information is assumed to be accurate and it has not been audited in any way.
41. **Cash Flow Projections:** The cash flow projections presented in this report are forecasts of future performance characteristics based upon the macro and micro economic data detailed in the analysis. The income, vacancy, expenses, and general economic conditions presented are not to be construed as predictions of the future, but rather reasonable expectations of future performance based on market modeling practices. Unless otherwise stated, the cash flow modeling is intended to reflect the

opinions and practices of market participants and is not the analyst's forecast of what will actually occur. Actual results will vary, and are affected by fluctuating economic conditions and efficiency of management. The appraiser makes no warranty, express or implied, that the forecasts will occur as outlined. Additionally, future economic projections may be adversely affected by unforeseen circumstances and economic repercussions beyond the realm of knowledge or control, such as the events of September 11, 2001.

42. **Asset Recommendations and Consultations:** No statements contained within the report shall constitute recommendations with regard to any decision by the client(s) or intended user(s) with respect to prospective underwriting, financing, acquisition, disposition, holding of the asset, or any other subsequent event, at the stated market value indication(s) or otherwise. If the client requests a recommendation with respect to such a decision, it should be requested in writing, be explicitly listed in the scope of work and explicitly addressed in the appraisal report. Such decisions warrant significant research and strategy, with specific investment questions requiring additional consultations and financial analysis. Any client or intended user should consider this document as only one factor together with its independent investment considerations and underwriting criteria, in its overall investment decision. The assignment is not intended to be either a positive or a negative indication, nor endorsement, of the soundness of an investment or underwriting decision.
43. **Agreement to Mediation and Binding Arbitration:** If a dispute arises out of or relates to this assignment and if the dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its applicable procedures. Any controversy or claim arising out of or relating to this assignment that cannot be resolved through said mediation shall be settled by binding arbitration administered by the American Arbitration Association under its applicable rules and binding judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
44. **Property Specific Assumptions, Limiting Conditions and Hypothetical Conditions:** The user is directed to the Assignment Overview section of this report for a listing of Extraordinary Assumptions and Hypothetical Conditions specific to this assignment. The user is specifically cautioned to understand each of the items listed and their impact on the property and scope of this assignment.
45. **Dissemination to Assessor:** The user(s) of this report may not provide a copy of this appraisal to any assessment office or agency without the prior written consent of Reliant LLC, as redaction of certain market and/or property level information may be required prior to submission for confidentiality reasons.
46. **No Guarantee of Adoption by Taxing Agency:** In the event that Client utilizes or submits the report in connection with a tax return or other tax matter, Client understands and agrees that Reliant LLC, the assignment signatories and its employees, provide no warranty, representation or prediction as to the outcome of the tax matter. Client understands and acknowledges that the taxing authority (whether it is the Internal Revenue Service or any state or local tax authority) may disagree with or reject the appraisal(s) or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect from Client additional taxes, interest, penalties or fees. Client agrees that Reliant LLC, the assignment signatories and its employees shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees, and Client will not seek damages or other compensation from Reliant LLC, the assignment signatories and its employees relating to any taxes, interest, penalties or fees imposed on Client or

for any attorneys' fees, costs or other expenses relating to Client's tax matter. These limitations of liability and damages restrictions shall be in addition to any other limitations and restrictions stated in this Agreement. Reliant LLC assignment signatories, appraiser's and employees are intended third-party beneficiaries of this section.

47. **No Guarantee of Adoption by Court or Jury:** In the event that Client utilizes or submits the report to any Local, State or Federal Court in connection with a litigation matter, Client understands and agrees that Reliant LLC, the assignment signatories and its employees, provide no warranty, representation or prediction as to the outcome. Client understands and acknowledges that the Courts (whether Local, State or Federal) and/or Jury may disagree with or reject the appraisal(s) or otherwise disagree with Client's legal positions. Client agrees that Reliant LLC, the assignment signatories and its employees shall have no responsibility or liability to Client or any other party for any Judgement or legal outcome. Client will not seek damages or other compensation from Reliant LLC, the assignment signatories and its employees relating to any Judgement imposed on Client for any value, taking, attorneys' fees, costs or other expenses relating to Client's litigation matter. These limitations of liability and damages restrictions shall be in addition to any other limitations and restrictions stated in this Agreement. Reliant LLC assignment signatories, appraiser's and employees are intended third-party beneficiaries of this section.
48. **Advanced Notification Required of Regulatory or Statutory Requirements:** In the event that the report is relied upon by a third party, such as the Internal Revenue Service, Assessor, Courts or anyone else other than the Client, it is the responsibility of the Client to advise Reliant LLC in writing and in advance of engagement as to any regulatory or statutory requirements imposed on the scope of assignment and scope of work by that third party. Client agrees that Reliant LLC, the assignment signatories and its employees shall have no responsibility or liability to Client or any other party for non-disclosed scope of work and scope of assignment requirements of the third party.
49. **Maximum Time Frame for Legal Action:** Unless the time frame is shorter under applicable law, any legal action or claim relating to the assignment or services performed shall be filed in court (or in the applicable arbitration tribunal, as applicable and noted above under Agreement to Mediation and Binding Arbitration) within two (2) years from the date of delivery to Client of the appraisal report to which the claims or causes of action relate or, in the case of acts or conduct after delivery of the report, two (2) years from the date of the alleged acts or conduct. The time frame stated in this section shall not be extended by any delay in the discovery or accrual of the underlying claims, causes of action or damages. The time frame stated in this section shall apply to all non-criminal claims or causes of action of any type.
50. **Duration (Term) of Assignment Reliance:** The period of time that an assignment remains applicable and appropriate for the Client and Intended User(s) intended use, including the factual conditions that form the premise of the assignment, the research, data, analysis and conclusions, are dependent on a variety of factors including the intended users, intended use, changes in market conditions, legal/regulatory/statutory requirements, property specific conditions and other factors. While the time period that an assignment may remain applicable and appropriate to the intended use may be significantly less than thirty-six (36) months, this assignment shall not be relied upon by the Client or intended user(s) after thirty-six (36) months from the earlier date of either A) assignment delivery, which is most commonly the date of report, or B) an invoice is submitted to the Client.
51. **No Assignment of Claims:** Legal claims or causes of action relating to the appraisal are not transferable or assignable to a third party, except: (i) as the result of a merger, consolidation, sale or purchase of a legal entity, (ii) with regard to the collection of a bona fide existing debt for services

but then only to the extent of the total compensation for the appraisal plus reasonable interest, or (iii) in the case of an appraisal performed in connection with the origination of a mortgage loan, as part of the transfer or sale of the mortgage before an event of default on the mortgage or note or its legal equivalent.

- 52. **Resolution of Violations & Deficiencies:** Any violations or deficiencies resolved under the terms of this agreement shall remain confidential between Reliant LLC and the Client, intended user(s) and reviewers. Except as provided under this agreement, the Client, Intended User(s) or reviewers agree not to submit the assignment to any applicable private or governmental body with jurisdiction over the matter. If any aspect of the assignment is determined by the Client, intended user(s) or their reviewers, to not meet the minimum standards of any applicable Local, State or Federal laws, including the Uniform Standards of Professional Appraisal Practice (USPAP) the Client or intended user(s) agree to not submit the assignment or individuals performing the assignment to any governing Local, State or Federal authorities or any private entity with jurisdiction without first 1) notifying Reliant LLC of the violations and 2) providing Reliant LLC an opportunity to correct and address any deficiencies that may exist. In the event that Reliant LLC fully addresses any deficiencies to the satisfaction of the Client, intended user(s) or their reviewers, these Parties agree that no further action shall be taken. If, however, the Client, intended user(s) or their reviewers do not believe that the issues have been fully resolved, Reliant LLC shall engage a third party expert of their choice to perform a professional review of the assignment. If that third party reviewer determines that the alleged issues have been resolved, the Client, intended user(s) or reviewers shall be responsible for the fee to that third party reviewer. If, however, the third party reviewer determines that the alleged issues have not been resolved, Reliant LLC shall have the opportunity to correct and address any deficiencies that may exist and is responsible for the fee to the third party reviewer. If, however, such issues are not fully addressed by Reliant LLC to the satisfaction of the third party reviewer, the Client, intended user(s) or their reviewers are released from the confidentiality requirement of this agreement and may submit the assignment to any applicable private or governmental body with jurisdiction over the matter.
- 53. **Unauthorized Third Party Liability to Reliant LLC for False Accusation:** The assignment is a private contract between Reliant LLC and the Client and intended user(s). Subject to the terms of this agreement, only the Client or intended user are permitted to submit this document to any applicable private or governmental body with jurisdiction over the matter without incurring any liability to Reliant LLC and the signatories of the assignment for false accusation, misrepresentation, slander or libel. In the event that the signatories of this assignment are found not to be in violation of any applicable governing regulations, any unauthorized third party that makes false accusations or submits this assignment to any applicable private or governmental body with jurisdiction over the matter accepts liability to Reliant LLC for attorney’s fees incurred in their defense, lost income, damages to reputation of the signatories and firm and any and all other sources of economic damage that may result directly or indirectly from their said actions.
- 54. **Data Utilization:** The market and comparable data developed by the appraiser and presented in this report is being provided to the Client and Intended User(s) only within the context of this specific assignment. The Client and Intended User(s) are prohibited from distributing, disseminating, selling or otherwise profiting from this data outside the context of this assignment. The Client and Intended User(s) are, however, permitted to utilize this data strictly for their own internal purposes.
- 55. **Government Use:** This report contains sensitive information that may potentially cause harm to Reliant LLC if disseminated beyond the client(s) and intended user(s) described in the engagement documents and report. Therefore, subject to applicable law, any client(s) or intended user(s) that are

local, state or federal government entities agree to use their good faith efforts to maintain the confidentiality of the comparable data presented within the report. Notwithstanding other provisions of the engagement documents and report to the contrary, any client(s) or intended user(s) that are local, state or federal government entities may distribute this report as required or compelled to by law, but prior to release agree to redact all text, exhibits, photographs, maps or any other reference that identifies any comparable data used in the report where a party to the transaction (grantor, grantee, lessor or lessee) is not a government entity. The client(s) or intended user(s) and their agents are authorized to perform this redaction without consulting with, or obtaining any additional direction from Reliant LLC. The client(s) or intended user(s) may seek a written release from the above redaction requirement from Reliant LLC, who may provide such written release at its discretion. Furthermore, unless the client(s) or intended user(s) is expressly identified within the engagement documents and report as an assessment or taxation agency, and the intended use is to assist said agency in assessment or taxation matters, then unless otherwise required or compelled by law or court order to the contrary, any client(s) or intended user(s) that are local, state or federal government entities are not permitted to disseminate any contents of this report to any internal or affiliated assessment or taxation agency of the client(s) or intended user(s). If dissemination to such an assessment or taxation agency is required or compelled by law or court order, then the client(s) or intended user(s) agrees to perform the aforementioned redaction prior to distribution. Any internal or affiliated assessment or taxation agency that does obtain a copy of this report may not rely upon the report or disclose its contents. Release of this report to a local, state or federal government entity is not authorization to use the report or its contents for assessment or taxation purposes.

56. **Signatory Opinions Only:** The opinions and conclusions contained herein are developed and reported by the signatory(ies) and are exclusively those of the signatory(ies) only. This report does not necessarily reflect the opinions of Reliant LLC as a firm, or of any other Managing Members or employees.

## Terms & Definitions

|                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>As Is Market Value<sup>14</sup></b>                                | <i>The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the “as is” phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The concept of an “as is” value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards.</i> |
| <b>Prospective Opinion of Value<sup>15</sup></b>                      | <i>A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.</i>                                                                                                                 |
| <b>Retrospective Value Opinion<sup>16</sup></b>                       | <i>A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.”</i>                                                                   |
| <b>At Completion Value<sup>17</sup></b>                               | <i>The market value at the effective date construction is completed or the certificate of occupancy is issued.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>At Stabilization Value<sup>18</sup></b>                            | <i>The concept of value at stabilization is based on stabilized occupancy. Stabilized occupancy is defined as occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property.</i>                                                                                                                                                                                                                                |
| <b>Aggregate of Retail Values / Sum of Retail Values<sup>19</sup></b> | <i>The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the</i>                    |

<sup>14</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>15</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>16</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>17</sup> Source: The Appraisal of Real Estate, Fourteenth Edition, Chicago: Appraisal Institute, 2013.

<sup>18</sup> Source: The Appraisal of Real Estate, Fourteenth Edition, Chicago: Appraisal Institute, 2013.

<sup>19</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

*prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the aggregate of the retail values or aggregate retail selling price.*

**Value in Use (Use Value)<sup>20</sup>**

*The value of a specific property for a specific use.*

**Use Value<sup>21</sup>**

*The value of a property based on a specific use, which may or may not be the property's highest and best use. If the specified use is the property's highest and best use, use value will be equivalent to market value. If the specified use is not the property's highest and best use, use value will be equivalent to the property's market value based on the hypothetical condition that the only possible use is the specified use.*

**Business Value<sup>22</sup>**

*The market value of a going concern, including real estate, personal property, and the intangible assets of the business.*

**Market Value of the Going Concern<sup>23</sup>**

*The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.*

**Client<sup>24</sup>**

*The party or parties (i.e. individual, group or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.*

**Intended Use<sup>25</sup>**

*The use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.*

**Intended User<sup>26</sup>**

*The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.*

**Fee Simple Estate<sup>27</sup>**

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

**Leased Fee Interest<sup>28</sup>**

*The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.*

<sup>20</sup> Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].

<sup>21</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>22</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>23</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>24</sup> Source: Uniform Standards of Professional Appraisal Practice 2020-2021 Edition, The Appraisal Foundation.

<sup>25</sup> Source: Uniform Standards of Professional Appraisal Practice 2020-2021 Edition, The Appraisal Foundation.

<sup>26</sup> Source: Uniform Standards of Professional Appraisal Practice 2020-2021 Edition, The Appraisal Foundation.

<sup>27</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>28</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Leasehold Interest (or Estate)<sup>29</sup></b> | <i>The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Real Estate<sup>30</sup></b>                    | <i>real estate. An identified parcel or tract of land, including improvements, if any. (USPAP, 2020-2021 ed.) See also real property.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Real Property<sup>31</sup></b>                  | <i>1. An interest or interests in real estate. 2. The interests, benefits, and rights inherent in the ownership of real estate. (USPAP, 2020-2021 ed.)</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>FF&amp;E<sup>32</sup></b>                       | <i>Business trade fixtures and personal property, exclusive of inventory.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Personal Property<sup>33</sup></b>              | <i>1. Tangible or intangible objects that are considered personal, as opposed to real property. Examples of tangible personal property include furniture, vehicles, jewelry, collectibles, machinery and equipment, and computer hardware. Examples of intangible personal property include contracts, patents, licenses, computer software, and intellectual property. See also trade fixtures. 2. Any tangible or intangible article that is subject to ownership and classified as real property, including identifiable tangible objects that are considered by the general public as being “personal,” such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment, and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens. (USPAP, 2020-2021 ed.)</i> |
| <b>Fixture<sup>34</sup></b>                        | <i>An article that was once personal property but has since been installed or attached to the land or building in a rather permanent manner so that it is regarded in law as part of the real estate.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Trade Fixtures<sup>35</sup></b>                 | <i>Articles placed in or attached to rented buildings by a tenant to help carry out the trade or business of the tenant are generally regarded as trade fixtures. For example, a tenant’s shelves used to display merchandise are trade fixtures and retain the character of personal property, as opposed to all other fixtures that were, but are no longer, personal property when they are attached to and become part of the real estate. Despite the consensus on the concept of trade fixtures in general, applicable law and custom govern when a specific item is a trade fixture in a particular assignment. Also called chattel fixture.</i>                                                                                                                                                                                                                                            |
| <b>Intangible Property<sup>36</sup></b>            | <i>Nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment. (USPAP,</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |

<sup>29</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>30</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>31</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>32</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>33</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>34</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>35</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>36</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

2020-2021 ed.)

**Extraordinary Assumption<sup>37</sup>**

*An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.*

**Hypothetical Condition<sup>38</sup>**

*A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.*

**Gross Building Area (GBA)<sup>39</sup>**

*1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. 2. Gross leasable area plus all common areas. 3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space.*

**Rentable Area<sup>40</sup>**

*For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.*

**Usable Area<sup>41</sup>**

*1. For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of the corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. See also floor area. 2. The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.*

**Gross Leasable Area<sup>42</sup>**

*Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces.*

**Tidelands**

*Lands that lie below the mean high watermark. These include lands that are awash by normal tidal flows and submerged lands below the mean low*

<sup>37</sup> Source: Uniform Standards of Professional Appraisal Practice 2020-2021 Edition, The Appraisal Foundation.

<sup>38</sup> Source: Uniform Standards of Professional Appraisal Practice 2020-2021 Edition, The Appraisal Foundation.

<sup>39</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>40</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>41</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>42</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

watermark.

|                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Upland</b> <sup>43</sup>                                      | <i>A piece of land that abuts a parcel with riparian rights; describes an owner once removed from a water right by a riparian owner.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Special Purpose Property</b> <sup>44</sup>                    | <i>An improved property with a unique physical design, special construction materials, or a layout that particularly adapts its utility to the use for which it was built and may be costly to modify to another use; also called a special-design property.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>Excess Land</b> <sup>45</sup>                                 | <i>Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Surplus Land</b> <sup>46</sup>                                | <i>Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Depreciation</b> <sup>47</sup>                                | <i>1. In appraisal, a loss in the value of improvements from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the value of the improvement on the same date. See also external obsolescence; functional obsolescence; physical deterioration. 2. In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques.</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Entrepreneurial Profit (Developer's Margin)</b> <sup>48</sup> | <i>1. A market-derived figure that represents the amount an entrepreneur received for his or her contribution to a past project to compensate for his or her time, effort, knowledge, and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. 2. In economics, the actual return on successful management practices, often identified as coordination, the fourth factor of production following land, labor, and capital; also called entrepreneurial return or entrepreneurial reward.</i> |

<sup>43</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>44</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>45</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>46</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>47</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>48</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

**Market Rent<sup>49</sup>**

*The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby • Lessee and lessor are typically motivated;*

- *Both parties are well informed or well advised, and acting in what they consider their best interests;*

- *Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and*

- *The rent reflects specified terms and conditions typically found in that market, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, frequency of payments (annual, monthly, etc.), and tenant improvements (TIs).*

**Exposure Time<sup>50</sup>**

*1. The time a property remains on the market. 2. An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. (USPAP, 2020-2021 ed.)*

**Marketing Time<sup>51</sup>**

*An opinion of the amount of time to sell a property interest at the concluded market value or at a benchmark price during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which precedes the effective date of an appraisal. (Advisory Opinion 7 and Advisory Opinion 35 of the Appraisal Standards Board of The Appraisal Foundation address the determination of reasonable exposure and marketing time.)*

<sup>49</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>50</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

<sup>51</sup> Source: The Dictionary of Real Estate Appraisal, 7th Edition, Chicago: Appraisal Institute, 2022.

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# Addendum: Letter of Engagement

**CITY AND BOROUGH OF WRANGELL, ALASKA**

**AGREEMENT FOR PROFESSIONAL APPRAISAL SERVICES**

THIS AGREEMENT is between the CITY AND BOROUGH OF WRANGELL, ALASKA, ("CBW") and RELIANT LLC ("Contractor"), effective on the 4<sup>th</sup> of March 2022.

THIS AGREEMENT is for professional appraisal services for the City and Borough of Wrangell.

**ARTICLE 1. SUMMARY OF SERVICES**

- 1.1 The scope of work to be performed hereunder is more completely described in Appendix A which is incorporated herein by reference.

**ARTICLE 2. COMPENSATION**

- 2.1. CBW shall pay Contractor \$22,500 for its services as described in their response for a quote for services which is incorporated herein by reference as Appendix B. Payment shall be made to Contractor upon presentation of an appropriate invoice and final report.

**ARTICLE 3. PERIOD OF PERFORMANCE**

- 3.1 The Contractor agrees to commence work under this agreement only as authorized by and in accordance with written notice to proceed and to complete the work in accordance with Scope of Work (Appendix A) by April 29, 2022.
- 3.2 This contract may be extended with the agreement of both parties.

**ARTICLE 4. SUBCONTRACTORS**

- 4.1 The Contractor shall perform all services required under this agreement except as may be performed by its subcontractors. Subcontractors may be retained only upon written consent from the City.

**ARTICLE 5. INSURANCE**

5.1 The following minimum limits of insurance coverage are required:

Limits of Liability

| <u>Type Insurance:</u>             | <u>Each Occurrence</u> | <u>Aggregate</u> |
|------------------------------------|------------------------|------------------|
| Workmen's Compensation             | \$1,000,000            | \$1,000,000      |
| Employers General Liability        | \$1,000,000            | \$3,000,000      |
| Comprehensive General Liability    | \$1,000,000            | \$3,000,000      |
| Comprehensive Automobile Liability | \$1,000,000            | \$3,000,000      |

**ARTICLE 6. APPENDICES**

6.1 The following appendices are attached to this agreement and incorporated herein:

- Appendix A Scope of Work
- Appendix B Quote for service

WHEREFORE the parties have entered into this agreement the date and year first above written.

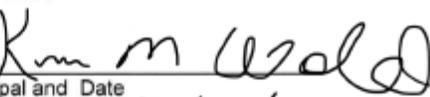
ATTEST:

  
 Kim Lane, CMC, Borough Clerk  
*mlc*

OWNER:  
City and Borough of Wrangell

By:   
 Jeff Good, Borough Manager

CONTRACTOR:  
Reliant LLC

By:   
 Principal and Date  
 3/5/22

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# Addendum: Land Sale Comparables

Addendum: Land Sale Comparables

**LAND COMPARABLE L-1** **RELIANT COMP ID: 9107**

**Trident Land - 9107**  
**641 Shakes St**  
**Wrangell**

**Location Description**

**Tax ID**

**Legal Description**  
 Lot 4BB-2, WSI Subdivision II, Plat  
 2003-9



**Sale Information**

|                                 |                              |                                 |                |
|---------------------------------|------------------------------|---------------------------------|----------------|
| <b>Actual Price</b>             | \$138,000                    | <b>Date</b>                     | 6/21/2017      |
| <b>Price</b>                    | \$138,000                    | <b>Transaction Type</b>         | Closed Sale    |
| <b>Price Per Land SF</b>        | \$8.00                       | <b>Property Rights</b>          | Fee Simple     |
| <b>Price Per Usable Land SF</b> | \$8.00                       | <b>Financing</b>                | Cash           |
| <b>Price Per Acre</b>           | \$348,317.73                 | <b>Conditions of Sale</b>       | Arms Length    |
| <b>Grantor</b>                  | City of Wrangell             | <b>Sale Verification Source</b> | Carol Rushmore |
| <b>Grantee</b>                  | Trident Seafoods Corporation |                                 |                |

**Site**

|                  |               |                   |       |
|------------------|---------------|-------------------|-------|
| <b>Acres</b>     | 0.40          | <b>Zoning</b>     | I     |
| <b>Land SF</b>   | 17,258        | <b>Topography</b> | Level |
| <b>Shape</b>     | Irregular     |                   |       |
| <b>Utilities</b> | All utilities |                   |       |

**Sale Comments**

This property was purchased by the lessee from the City of Wrangell. The site is improved with a belt freezer plant and the gross sales price was \$950,000. The allocation to the land was \$138,000. The property is located a half block off Shakes Street and is accessed via an easement. The site has some frontage on Wrangell Harbor.

**LAND COMPARABLE L-2** **RELIANT COMP ID: 9106**

**Breuger St Land - 9106**  
**200 Breuger St**  
**Wrangell**

**Location Description**

**Tax ID**

**Legal Description**



**Transaction**

|                                 |                  |                                 |              |
|---------------------------------|------------------|---------------------------------|--------------|
| <b>Actual Price</b>             | \$27,500         | <b>Date</b>                     | 12/31/2017   |
| <b>Price</b>                    | \$27,500         | <b>Transaction Type</b>         | Closed Sale  |
| <b>Price Per Land SF</b>        | \$9.59           | <b>Property Rights</b>          | Leasehold    |
| <b>Price Per Usable Land SF</b> | \$9.59           | <b>Financing</b>                | Cash         |
| <b>Price Per Acre</b>           | \$417,806.14     | <b>Conditions of Sale</b>       | Arms Length  |
| <b>Grantor</b>                  | City of Wrangell | <b>Sale Verification Source</b> | Mike Renfrow |
| <b>Grantee</b>                  | First Bank       |                                 |              |

**Site**

|                  |               |                   |       |
|------------------|---------------|-------------------|-------|
| <b>Acres</b>     | 0.07          | <b>Zoning</b>     | C     |
| <b>Land SF</b>   | 2,867         | <b>Topography</b> | Level |
| <b>Shape</b>     | irregular     |                   |       |
| <b>Utilities</b> | All utilities |                   |       |

**Sale Comments**

This is a lease of a commercial site that was valued at \$27,500 by appraisal. The site is a corner lot located one block off Front Street.

**LAND COMPARABLE L-3** **RELIANT COMP ID: 3812**

**NWC 3rd Ave & Bennett -  
NWC 3rd Ave & Bennett  
Wrangell**

**Location Description**

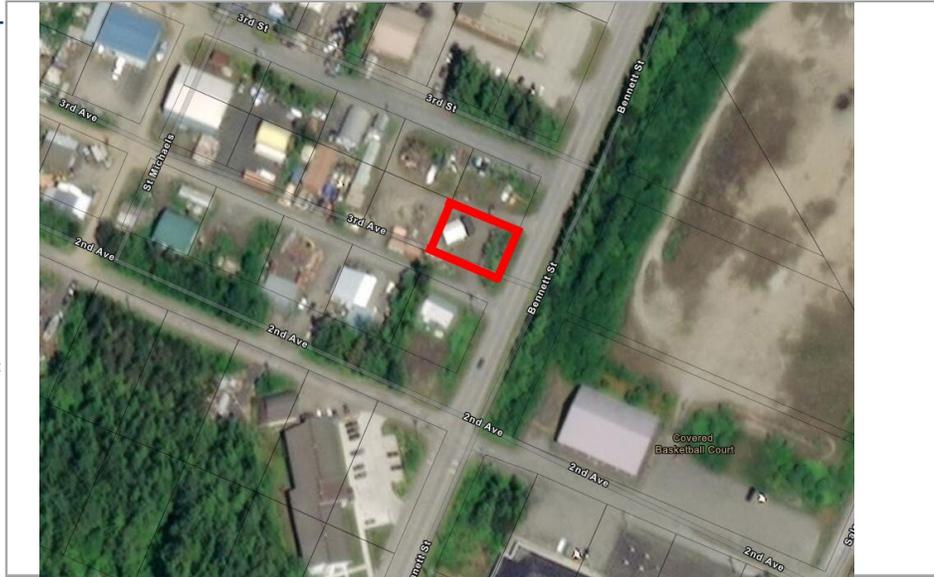
NWC 3rd Ave (Howell) & Bennett

**Tax ID**

02-029-208

**Legal Description**

Lot 5, Block 59B, Industrial Subd Plat 85-8, Wrangell RD, State of Alaska



**Transaction**

|                                 |                |                                 |                                         |
|---------------------------------|----------------|---------------------------------|-----------------------------------------|
| <b>Actual Price</b>             | \$85,000       | <b>Date</b>                     | 7/30/2020                               |
| <b>Price</b>                    | \$50,000       | <b>Transaction Type</b>         | Closed Sale                             |
| <b>Price Per Land SF</b>        | \$6.92         | <b>Property Rights</b>          | Fee Simple                              |
| <b>Price Per Usable Land SF</b> | \$6.92         | <b>Financing</b>                | Conventional                            |
| <b>Price Per Acre</b>           | \$294,117.65   | <b>Conditions of Sale</b>       | Arm's Length                            |
| <b>Grantor</b>                  | Bernard Massin | <b>Days on Market</b>           | 365                                     |
| <b>Grantee</b>                  | Sara Gadd      | <b>Sale Verification Source</b> | Broker/Agent, Terri Wenger, 907-3/11/20 |
|                                 |                | <b>Sale Verification Date</b>   | 3/11/20                                 |

**Site**

|                      |                               |                                |                 |
|----------------------|-------------------------------|--------------------------------|-----------------|
| <b>Acres</b>         | 0.17                          | <b>Zoning</b>                  | I, Industrial   |
| <b>Land SF</b>       | 7,222                         | <b>Topography</b>              | Generally Level |
| <b>Road Frontage</b> | 75                            | <b>Soil Conditions</b>         | Average         |
| <b>Shape</b>         | Rectangular                   | <b>Encumbrance or Easement</b> | None            |
| <b>Utilities</b>     | Electric, Public Water, Sewer | <b>Environmental Issues</b>    | None Noted      |

**Sale Comments**

This is the sale of a small industrial/commercial lot along Bennett St, on the way to the airport. The lot has good soils and all public utilities. Although improved with older asphalt and a non-operational 720 sq ft car wash structure, the parcel was marketed as vacant land, listed in March 2019. The buyer thought the carwash could be reused - either as a conversion to a coffee shop or as a carwash with a coffee shop drive through kiosk elsewhere on the site. The structure and asphalt paving improvements have been allocated \$35,000 of the \$85,000 sale price.

**LAND COMPARABLE L-4**

RELIANT COMP ID: 10772

**Lot 5, Industrial Subd -  
NHN Airport Rd  
Wrangell**

**Location Description**

**Tax ID**  
02-029-208

**Legal Description**  
Lot 5, Block 59-D, Industrial  
Subdivision, Plat 85-8



| Transaction              |                |                          |              |
|--------------------------|----------------|--------------------------|--------------|
| Actual Price             | \$70,000       | Date                     | 7/30/2020    |
| Price                    | \$37,300       | Transaction Type         | Closed Sale  |
| Price Per Land SF        | \$5.16         | Property Rights          | Fee Simple   |
| Price Per Usable Land SF | \$5.16         | Financing                | Cash         |
| Price Per Acre           | \$224,983.41   | Conditions of Sale       | Arm's Length |
| Grantor                  | Bernard Massin | Sale Verification Source | Mike Renfrow |
| Grantee                  | Sara Gadd      |                          |              |

| Site      |               |                         |         |
|-----------|---------------|-------------------------|---------|
| Acres     | 0.17          | Zoning                  | I       |
| Land SF   | 7,222         | Topography              | Level   |
| Shape     | Rectangular   | Encumbrance or Easement | Typical |
| Utilities | All utilities | Environmental Issues    | None    |

**Sale Comments**  
This is an industrial lot located between downtown Wrangell and the airport. The lot has asphalt surfacing. The sales price was adjusted downward by \$32,700 to account for the contribution value of the improvements.

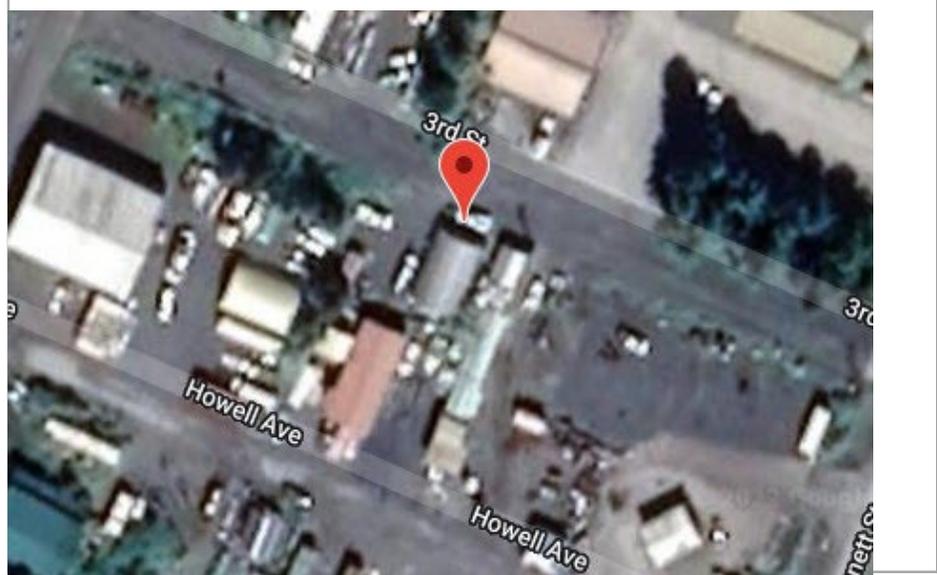
**LAND COMPARABLE L-5** **RELIANT COMP ID: 10773**

**Lot 8A, Massin/Industrial  
NHN Third St  
Wrangell**

**Location Description**

**Tax ID**  
02-029-204

**Legal Description**  
Lot 8A, Block 59B, Plat 2018-5



**Transaction**

|                                 |                               |                                 |              |
|---------------------------------|-------------------------------|---------------------------------|--------------|
| <b>Actual Price</b>             | \$195,000                     | <b>Date</b>                     | 4/12/2021    |
| <b>Price</b>                    | \$86,800                      | <b>Transaction Type</b>         | Closed Sale  |
| <b>Price Per Land SF</b>        | \$4.73                        | <b>Property Rights</b>          | Fee Simple   |
| <b>Price Per Usable Land SF</b> | \$4.73                        | <b>Financing</b>                | Cash         |
| <b>Price Per Acre</b>           | \$206,107.23                  | <b>Conditions of Sale</b>       | Arm's Length |
| <b>Grantor</b>                  | Bernard Massin                | <b>Sale Verification Source</b> | Mike Renfrow |
| <b>Grantee</b>                  | John & Brenda Schwartz-Yeager |                                 |              |

**Site**

|                  |               |                                |         |
|------------------|---------------|--------------------------------|---------|
| <b>Acres</b>     | 0.42          | <b>Zoning</b>                  | I       |
| <b>Land SF</b>   | 18,345        | <b>Topography</b>              | Level   |
| <b>Shape</b>     | Irregular     | <b>Encumbrance or Easement</b> | Typical |
| <b>Utilities</b> | All utilities | <b>Environmental Issues</b>    | None    |

**Sale Comments**

This is an industrial lot located between downtown Wrangell and the airport. The site is located on a spur road. Improvements on the site consist of a quonset hut, modular office building, and nine storage units.

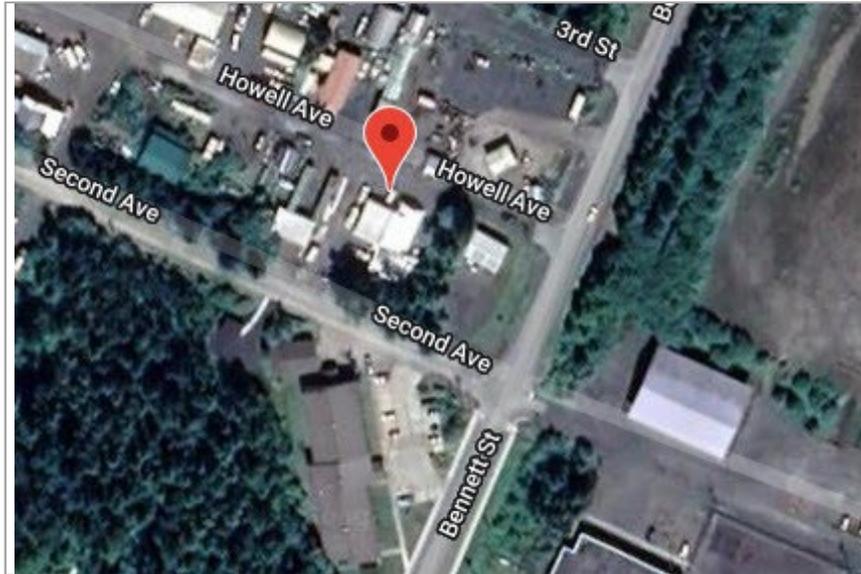
**LAND COMPARABLE L-6** **RELIANT COMP ID: 10774**

**Lot 4A, Massin/Industrial  
NHN Howell Ave  
Wrangell**

**Location Description**

**Tax ID**  
02-029-208

**Legal Description**  
Lot 4A, Block 59B, Massin/Industrial  
Subdivision, Plat 2018-5.



**Transaction**

|                                 |                               |                                 |              |
|---------------------------------|-------------------------------|---------------------------------|--------------|
| <b>Actual Price</b>             | \$56,500                      | <b>Date</b>                     | 9/13/2021    |
| <b>Price</b>                    | \$23,800                      | <b>Transaction Type</b>         | Closed Sale  |
| <b>Price Per Land SF</b>        | \$4.51                        | <b>Property Rights</b>          | Fee Simple   |
| <b>Price Per Usable Land SF</b> | \$4.51                        | <b>Financing</b>                | Cash         |
| <b>Price Per Acre</b>           | \$196,612.97                  | <b>Conditions of Sale</b>       | Arm's Length |
| <b>Grantor</b>                  | Bernard Massin                | <b>Sale Verification Source</b> | Mike Renfrow |
| <b>Grantee</b>                  | John & Brenda Schwartz-Yeager |                                 |              |

**Site**

|                  |               |                                |         |
|------------------|---------------|--------------------------------|---------|
| <b>Acres</b>     | 0.12          | <b>Zoning</b>                  | I       |
| <b>Land SF</b>   | 5,273         | <b>Topography</b>              | Level   |
| <b>Shape</b>     | Rectangular   | <b>Encumbrance or Easement</b> | Typical |
| <b>Utilities</b> | All utilities | <b>Environmental Issues</b>    | None    |

**Sale Comments**

This is an industrial lot located between downtown Wrangell and the airport. The site is located on a secondary street. The site is improved with an industrial building that contributed \$32,700.

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# Addendum: Improved Sale Comparables

Addendum: Improved Sale Comparables

**IMPROVED COMPARABLE I-1** **RELIANT COMP ID: 970**

**Marriott Springhill Suites  
Site - 970  
553, 555 First Ave. & ,  
550, 552 Second Ave.  
Fairbanks, AK**

**Location Description**  
SEC Cushman St. & First Ave.

**Tax ID**  
447021

**Legal Description**  
Lot 1-A-1, Block 13, Fairbanks  
Townsite



**Sale Information**

|                                   |                        |                           |                  |
|-----------------------------------|------------------------|---------------------------|------------------|
| <b>Actual Price</b>               | \$550,000              | <b>Date</b>               | 5/26/1999        |
| <b>Price</b>                      | \$550,000              | <b>Transaction Type</b>   | Closed Sale      |
| <b>Grantor</b>                    | City of Fairbanks      | <b>Property Rights</b>    | Fee Simple       |
| <b>Grantee</b>                    | Town Square Properties | <b>Financing</b>          | Conventional     |
|                                   |                        | <b>Conditions of Sale</b> | Motivated Seller |
| <b>Book/Page or Reference Doc</b> | 1999-013462-0          |                           |                  |

**Site Description**

|                |                       |                          |                                |
|----------------|-----------------------|--------------------------|--------------------------------|
| <b>Acres</b>   | 1.3                   | <b>Zoning</b>            | CBD, Central Business District |
| <b>Land SF</b> | 55,159                | <b>Topography</b>        | Generally Level                |
|                |                       | <b>Waterfront Access</b> | No                             |
| <b>Access</b>  | Excellent / Excellent |                          |                                |

**Improvements Description**

|                                        |        |                               |             |
|----------------------------------------|--------|-------------------------------|-------------|
| <b>GBA</b>                             | 36,400 |                               |             |
| <b>Percent Office Efficiency Ratio</b> |        | <b>Land to Building Ratio</b> | 1.515357143 |
|                                        |        | <b>Yard Storage</b>           |             |

**Sale Indices**

**NOISF of Rentable**

**TOS Occupancy**  
**Vacancy Stabilized**

**Sale Comments**

This is the sale of land for the development of a Marriott Springhill Suites in downtown. The site was formerly known as the old bar block" and new development at the site required demolition of all the old improvements. In the late1990s the city requested proposals for new development of the site, requiring that the entire block remain intact as one parcel. The city selected Town Square Properties' proposal. Demolition included minor asbestos removal and tipping fees at the landfill totaling approximately \$100,000. This cost was roughly offset by a total of \$100,000 in rebates the developers received for meeting specific development deadlines. Due to the city's motivation and the development process, this sale may be regarded as below market value."

**IMPROVED COMPARABLE I-2** **RELIANT COMP ID: 1073**

**ACS Globe Bldg. - 1073**

**645 Fifth Ave.**

**Fairbanks, AK**

**Location Description**  
SS Fifth Ave.; E of Barnette St.

**Tax ID**  
37214

**Legal Description**  
Lot 5, Block 86A, Fairbanks  
Townsite



**Transaction**

|                                   |                        |                           |              |
|-----------------------------------|------------------------|---------------------------|--------------|
| <b>Actual Price</b>               | \$410,000              | <b>Date</b>               | 12/28/2007   |
| <b>Price</b>                      | \$410,000              | <b>Transaction Type</b>   | Closed Sale  |
| <b>Grantor</b>                    | City of Fairbanks      | <b>Property Rights</b>    | Fee Simple   |
| <b>Grantee</b>                    | ACS of Fairbanks, Inc. | <b>Financing</b>          | Conventional |
| <b>Buyer Type</b>                 | Owner-User             | <b>Conditions of Sale</b> | Arms Length  |
| <b>Book/Page or Reference Doc</b> | 2007-029683-0          |                           |              |

**Site Description**

|                |             |                   |                                |
|----------------|-------------|-------------------|--------------------------------|
| <b>Acres</b>   | 0.4         | <b>Zoning</b>     | CBD, Central Business District |
| <b>Land SF</b> | 17,608      | <b>Topography</b> | Generally Level                |
| <b>Access</b>  | Good / Good |                   |                                |

**Improvements Description**

|                       |               |                               |             |
|-----------------------|---------------|-------------------------------|-------------|
| <b>GBA</b>            | 19,286        | <b>Quality</b>                | Average     |
| <b>Percent Office</b> | 25%           | <b>Land to Building Ratio</b> | 0.912993882 |
| <b>Tenancy Type</b>   | Single-Tenant |                               |             |
| <b>Year Built</b>     | 1950 / 1950   |                               |             |
| <b>Construction</b>   | Concrete      |                               |             |

**Sale Indices**

|                      |                          |              |
|----------------------|--------------------------|--------------|
| <b>TOS Occupancy</b> | <b>NOISF of Rentable</b> |              |
| Vacancy Stabilized   | Risk Profile             | Average Risk |

**Sale Comments**

This is the City of Fairbanks' sale of the Globe Building to Alaska Communications Systems (ACS). The building was marketed beginning in the fall of 2004 when the Fairbanks City Council determined the building was no longer required for municipal purposes and should be sold off. The building was advertised at the assessed value of \$766,000 to multiple potential buyers, during which time the city received three offers: \$300,000, \$250,000, and \$410,000. The city rejected the offers due to price, contingency, and liability concerns. The building's marketability was impeded for a couple of reasons. First, on-site parking is minimal. Second, a portion of the building was subject to a below market lease to ACS in which ACS pays a portion of utility and maintenance costs only. Lastly, the building had a multitude of maintenance issues as well as asbestos. The city received an offer from ACS for \$410,000 which it accepted. Overall, this was an arms-length transaction with typical financing, and was representative of market conditions at the time of sale.

**IMPROVED COMPARABLE I-3**

RELIANT COMP ID: 650

**Matanuska Maid Dairy Bldg. - 650**  
**814 W. Northern Lights Blvd.**  
**Anchorage, AK**

**Location Description**  
 Btwn. NL Blvd. & Photo Ave./W. 29th, E. of North Star St., W. of Alley

**Tax ID**  
 010-014-60

**Legal Description**  
 Lot 1-5, 7-10, Block 4, Frank Dickson SD, Plat 135-A



**Transaction**

|                                   |                 |                           |              |
|-----------------------------------|-----------------|---------------------------|--------------|
| <b>Actual Price</b>               | \$1,525,000     | <b>Date</b>               | 9/11/2008    |
| <b>Price</b>                      | \$1,525,000     | <b>Transaction Type</b>   | Closed Sale  |
| <b>Grantor</b>                    | State of Alaska | <b>Property Rights</b>    | Fee Simple   |
| <b>Grantee</b>                    | Matt Bobich     | <b>Financing</b>          | Conventional |
| <b>Buyer Type</b>                 | Investor        | <b>Conditions of Sale</b> | Arms Length  |
| <b>Book/Page or Reference Doc</b> | 2008-051652-0   |                           |              |

**Site Description**

|                |                           |                          |                       |
|----------------|---------------------------|--------------------------|-----------------------|
| <b>Acres</b>   | 1.4                       | <b>Zoning</b>            | B-3, General Business |
| <b>Land SF</b> | 62,032                    | <b>Topography</b>        | Generally Level       |
|                |                           | <b>Waterfront Access</b> | No                    |
| <b>Access</b>  | Below Average / Excellent |                          |                       |

**Improvements Description**

|                         |               |                               |               |
|-------------------------|---------------|-------------------------------|---------------|
| <b>Property Type</b>    | Warehouse     | <b>Quality</b>                | Below Average |
| <b>GBA</b>              | 54,445        |                               |               |
| <b>Percent Office</b>   | 16%           | <b>Land to Building Ratio</b> | 1.139351639   |
| <b>Efficiency Ratio</b> | 100%          | <b>Ceiling Height</b>         | 18            |
| <b>Tenancy Type</b>     | Single-Tenant | <b>Yard Storage</b>           | No            |
| <b>Year Built</b>       | 1963 / 2008   | <b>Overhead Doors</b>         | Yes           |
| <b>Construction</b>     | Concrete      | <b>Dock High Doors</b>        | Yes           |

**Sale Indices**

|                           |                          |  |              |
|---------------------------|--------------------------|--|--------------|
| <b>Improvement Value</b>  | -\$25,800.00             |  |              |
| <b>TOS Occupancy</b>      | <b>NOISF of Rentable</b> |  |              |
| <b>Vacancy Stabilized</b> | <b>Risk Profile</b>      |  | Average Risk |

**Sale Comments**

This is the former Matanuska Maid building in Midtown Anchorage located between Northern Lights and Benson in a very high traffic, high exposure location. Mat Maid sold the property in 2008 via a sealed bid auction that was widely publicized. The improvements were configured as a dairy and were in poor condition and some asbestos contamination. The winning bid was \$1,525,000. Costs to convert the improvements from dairy to pure distribution warehouse use and remove asbestos were \$1 million. Deferred maintenance was estimated at \$250,000. Due to poor truck access, maneuvering room and configuration the improvements provided limited functional utility and were not suitable for continued use as distribution warehouse. Post sale the buyer converted the property to mini storage space at substantial expense. This is an excellent example of the impact that poor truck access has on value. Overall, this is a arms length market transaction representative of a distribution warehouse property offering limited functional utility.

**IMPROVED COMPARABLE I-4** **RELIANT COMP ID: 1075**

**Lathrop Bldg. - 1075**

**519 1st Avenue**

**Fairbanks, AK**

**Location Description**  
Between 1st and 2nd Avenues near Lacy St

**Tax ID**  
30431

**Legal Description**  
Lt 18, except S. 45' and Lts 19 & 20  
BLK 13 Fairbanks Townsite



**Transaction**

|                     |             |                           |              |
|---------------------|-------------|---------------------------|--------------|
| <b>Actual Price</b> | \$575,000   | <b>Date</b>               | 3/11/2011    |
| <b>Price</b>        | \$575,000   | <b>Transaction Type</b>   | Listing      |
| <b>Grantor</b>      | Wells Fargo | <b>Property Rights</b>    | Leased Fee   |
|                     |             | <b>Financing</b>          | Conventional |
| <b>Buyer Type</b>   | Investor    | <b>Conditions of Sale</b> | Asking       |
|                     |             | <b>Days On Market</b>     | 210          |

**Site Description**

|                |                |                   |                 |
|----------------|----------------|-------------------|-----------------|
| <b>Land SF</b> | 10,100         | <b>Zoning</b>     | CBD             |
|                |                | <b>Topography</b> | Generally Level |
| <b>Access</b>  | Average / Good |                   |                 |

**Improvements Description**

|                         |              |                               |             |
|-------------------------|--------------|-------------------------------|-------------|
| <b>GBA</b>              | 37,412       | <b>Quality</b>                | Average     |
| <b>Percent Office</b>   | 10%          | <b>Land to Building Ratio</b> | 0.269966856 |
| <b>Efficiency Ratio</b> | 93%          | <b>Ceiling Height</b>         | 8           |
| <b>Tenancy Type</b>     | Multi-Tenant |                               |             |
| <b>Year Built</b>       | 1939         |                               |             |
| <b>Construction</b>     | Concrete     |                               |             |

**Sale Indices**

**NOISF of Rentable**

**TOS Occupancy**  
Vacancy Stabilized

**Sale Comments**

This older building was foreclosed on by Wells Fargo in 2009. The listing was originally priced at \$1,200,000 but has been reduced to \$575,000. As an older building, the improvements are compromised with contained asbestos, estimates to cure range from \$106.92/sq ft. to \$160.38/sq ft.

**IMPROVED COMPARABLE I-5**

**RELIANT COMP ID: 1813**

**TDX Aviation Park  
Facility - 1813  
4902 Spenard Road**

**Anchorage, AK**

**Location Description**  
NWC of International Airport Rd. &  
Spenard Rd.

**Tax ID**  
010-301-21

**Legal Description**  
Lot 2, AIRPORT GATEWAY  
SUBDIVISION, according to Plat No.  
2003-136



**Transaction**

|                                   |                         |                           |              |
|-----------------------------------|-------------------------|---------------------------|--------------|
| <b>Actual Price</b>               | \$4,500,000             | <b>Date</b>               | 10/29/2012   |
| <b>Price</b>                      | \$4,500,000             | <b>Transaction Type</b>   | Closed Sale  |
| <b>Grantor</b>                    | Alaska Master Park, LLC | <b>Property Rights</b>    | Fee Simple   |
| <b>Grantee</b>                    | Option Grantee          | <b>Financing</b>          | Conventional |
| <b>Buyer Type</b>                 | Investor                | <b>Conditions of Sale</b> | Arms Length  |
| <b>Book/Page or Reference Doc</b> | 2013-017330-0           | <b>Days On Market</b>     | 180          |

**Site Description**

|                |                    |                          |                 |
|----------------|--------------------|--------------------------|-----------------|
| <b>Acres</b>   | 5.6                | <b>Zoning</b>            | T, Transitional |
| <b>Land SF</b> | 242,414            | <b>Topography</b>        | Level           |
| <b>Access</b>  | Average/ Excellent | <b>Waterfront Access</b> | No              |

**Improvements Description**

|                       |        |                               |             |
|-----------------------|--------|-------------------------------|-------------|
| <b>GBA</b>            | 29,700 | <b>Parking Spaces</b>         | 48          |
| <b>Percent Office</b> |        | <b>Land to Building Ratio</b> | 8.162087542 |
|                       |        | <b>Ceiling Height</b>         | 16'         |

**Construction** Reinforced concrete

**Sale Indices**

|                           |          |                          |       |
|---------------------------|----------|--------------------------|-------|
| <b>Price Per RA</b>       | \$105.51 | <b>Expense Ratio</b>     | 8.0%  |
|                           |          | <b>NOISF of Rentable</b> |       |
| <b>TOS Occupancy</b>      |          | <b>Cap Rate</b>          | 7.09% |
| <b>Vacancy Stabilized</b> |          |                          |       |

**Sale Comments**

This is the sale of the former National Guard Armory located at the northwest corner of Spenard Road and West International Airport Road. The site is influenced by both the midtown and airport markets, and is just across Aviation Avenue from Spenard Lake. The site was improved with a 28,433 sq ft concrete block building originally built in 1962. The property was auctioned off by the MOA and the successful bid was \$4,500,000. There was prior known contamination on the property, however, a no further action letter had been issued and no impact on the sale was noted. Post sale expenditures include demolition of the existing building, which includes small amounts of asbestos, at an estimated cost of \$269,000 (based on the accepted bid). The property was sold with deed restrictions requiring an aviation theme, meeting

**IMPROVED COMPARABLE I-6**

RELIANT COMP ID: 7724

**Elks/Rockwell Building -  
7724**

**109 Franklin Street**

**Juneau, AK**

**Location Description**

**Tax ID**

1C070A130030

**Legal Description**

Fr. Lot 6, Lots 7 and 8, Block 13,  
Juneau Townsite



**Transaction**

|                                   |                      |                           |              |
|-----------------------------------|----------------------|---------------------------|--------------|
| <b>Actual Price</b>               | \$1,150,000          | <b>Date</b>               | 12/31/2012   |
| <b>Price</b>                      | \$751,900            | <b>Transaction Type</b>   | Closed Sale  |
| <b>Grantor</b>                    | PEREYRA 2006 TRUST   | <b>Property Rights</b>    | Fee Simple   |
| <b>Grantee</b>                    | FISHBONE RENTALS LLC | <b>Financing</b>          | Conventional |
|                                   |                      | <b>Conditions of Sale</b> | Arms Length  |
| <b>Book/Page or Reference Doc</b> | 2012-008422-0        |                           |              |

**Site Description**

|                |        |                   |                  |
|----------------|--------|-------------------|------------------|
| <b>Acres</b>   | 0.3    | <b>Zoning</b>     | MU               |
| <b>Land SF</b> | 11,048 | <b>Topography</b> | Sloping up to NE |

**Improvements Description**

|                      |           |                               |             |
|----------------------|-----------|-------------------------------|-------------|
| <b>Property Type</b> | Mixed Use | <b>Parking Spaces</b>         | 10          |
| <b>GBA</b>           | 15,924    | <b>Land to Building Ratio</b> | 0.693795529 |

|                     |         |
|---------------------|---------|
| <b>Year Built</b>   | 1908    |
| <b>Construction</b> | Masonry |

**Sale Indices**

|                     |         |
|---------------------|---------|
| <b>Price Per RA</b> | \$47.22 |
|---------------------|---------|

**NOISF of Rentable**

**TOS Occupancy**  
**Vacancy Stabilized**

**Sale Comments**

This building was originally the Elks Lodge until 2006 when it was converted to a restaurant/bar and event space. The 7,694 sq ft ground floor has the restaurant/bar and three restrooms. The second floor is 7,182 sq ft, mostly open ballroom with another commercial kitchen, bar and storage. The 1,048 sq ft third level is a 2-bedroom apartment. At sale the shell of the building was structurally fit, but the interior required significant renovation. Since the 2012 sale the first floor electric and plumbing was completely updated to code. As of spring 2020 the property is listed for sale for \$1.56 million, or \$97.97 per sq ft of GBA.

**IMPROVED COMPARABLE I-7**

RELIANT COMP ID: 7716

**First National Bank  
Building - 7716  
238 Front Street**

**Juneau, AK**

**Location Description**

**Tax ID**

1C070A030040

**Legal Description**

Lot 3 and Por Lot 2 Block G, and  
Lot 4 Block 3, Juneau Townsite



**Transaction**

|                                   |                            |                           |              |
|-----------------------------------|----------------------------|---------------------------|--------------|
| <b>Actual Price</b>               | \$600,000                  | <b>Date</b>               | 3/30/2016    |
| <b>Price</b>                      | \$600,000                  | <b>Transaction Type</b>   | Closed Sale  |
| <b>Grantor</b>                    | First National Bank Alaska | <b>Property Rights</b>    | Fee Simple   |
| <b>Grantee</b>                    | Spickett's Palace LLC      | <b>Financing</b>          | Conventional |
|                                   |                            | <b>Conditions of Sale</b> | Arms Length  |
| <b>Book/Page or Reference Doc</b> | 2016-001398-0              |                           |              |

**Site Description**

|                |       |                   |         |
|----------------|-------|-------------------|---------|
| <b>Acres</b>   | 0.1   | <b>Topography</b> | Benched |
| <b>Land SF</b> | 5,943 |                   |         |

**Improvements Description**

|                      |           |                               |             |
|----------------------|-----------|-------------------------------|-------------|
| <b>Property Type</b> | Mixed Use | <b>Quality</b>                | Average     |
| <b>GBA</b>           | 12,580    | <b>Land to Building Ratio</b> | 0.472416534 |

|                     |         |
|---------------------|---------|
| <b>Year Built</b>   | 1916    |
| <b>Construction</b> | Masonry |

**Sale Indices**

|                     |         |
|---------------------|---------|
| <b>Price Per RA</b> | \$47.69 |
|---------------------|---------|

**NOISF of Rentable**

**TOS Occupancy**  
**Vacancy Stabilized**

**Sale Comments**

Downtown Juneau historic building with frontage on both Front Street and N Franklin Street. The purchaser planned to renovate the building with new retail storefronts and apartments above. The top floor was formerly used as a theater and requires repurposing. Since the sale the Franklin Street space has been renovated and leased to Devils Club Brewing.

**IMPROVED COMPARABLE 1-8**

RELIANT COMP ID: 3691

707 A Street - 3691

707 A Street

Anchorage, AK

**Location Description**  
SEC of 7th Avenue and A Street

**Tax ID**  
002-142-62

**Legal Description**  
Lots 4,5,and 6 Block 109 Original  
Townsite of Anchorage



**Transaction**

|                                   |                                       |                           |             |
|-----------------------------------|---------------------------------------|---------------------------|-------------|
| <b>Actual Price</b>               | \$1,075,000                           | <b>Date</b>               | 1/17/2018   |
| <b>Price</b>                      | \$1,075,000                           | <b>Transaction Type</b>   | Closed Sale |
| <b>Grantor</b>                    | Board of Regents of the University of | <b>Property Rights</b>    | Fee Simple  |
| <b>Grantee</b>                    | A Street LLC (50%), M&M Living        | <b>Financing</b>          | Cash        |
| <b>Buyer Type</b>                 | Investor                              | <b>Conditions of Sale</b> | Arms Length |
| <b>Book/Page or Reference Doc</b> | 2018-002075-0                         | <b>Days On Market</b>     | 210         |

**Site Description**

|                |             |                   |                        |
|----------------|-------------|-------------------|------------------------|
| <b>Acres</b>   | 0.5         | <b>Zoning</b>     | B-2B, CBD Intermediate |
| <b>Land SF</b> | 21,000      | <b>Topography</b> | Generally Level        |
| <b>Access</b>  | Good / Good |                   |                        |

**Improvements Description**

|                       |                 |                               |             |
|-----------------------|-----------------|-------------------------------|-------------|
| <b>Property Type</b>  | Office Building | <b>Quality</b>                | Average     |
| <b>GBA</b>            | 20,424          | <b>Land to Building Ratio</b> | 1.028202115 |
| <b>Percent Office</b> | 100%            | <b>Ceiling Height</b>         | 12'         |
| <b>Tenancy Type</b>   | Multi-Tenant    |                               |             |
| <b>Year Built</b>     | 1973/2019       |                               |             |
| <b>Construction</b>   | Wood Frame      |                               |             |

**Sale Indices**

**Improvement Value**                      \$214,000.00

**NOISF of Rentable**

**TOS Occupancy**  
**Vacancy Stabilized**

**Comments**

This was the arm's length sale of a downtown property that required significant updating and some deferred maintenance. The purchase price was \$1,075,000 however after upgrades, based on numbers provided by the broker, the analysis price is \$1,650,000. The property was purchased by several local investors and is currently being renovated including removal of asbestos, a new HVAC, upgraded elevator and remodeling of all restrooms.

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# Addendum: Property Information

Addendum: Property Information

Design Southeast

Ryan M. Wilson, PE, SE  
Structural Engineering  
(907) 747-5424

403 Lincoln St., Suite 240  
Sitka, AK 99835

May 1, 2018



Wrangell Medical Center Building Condition Survey  
Structural, Building Envelope and Interior Finishes  
(15 Pages)



5-1-2018

### Narrative

Per the request of SEARHC facilities staff, Ryan M. Wilson, PE recently participated in a condition survey of the Wrangell Medical Center. The general scope of work included the following:

1. Document any non-code compliant construction.
2. Document any major building maintenance deficiencies requiring immediate attention.
3. Prepare recommendations to correct non-code compliant work in such a way as to meet the minimum standards of the 2012 International Building Code.
4. Prepare recommendations to correct any major building maintenance deficiencies in such a way to make such construction new and serviceable.
5. Determine if a more thorough investigation is warranted.

This condition survey began during the afternoon of April 23 and ending late morning April, 25, 2018. Mr. Wilson's scope of work mainly included a brief visual condition assessment of the foundation, roof framing, roofing, siding, windows and basic interior finishes such as; flooring, suspended ceilings, etc. Only readily accessible areas were assessed. This condition assessment used noninvasive and nondestructive methods. Some of the recommendations in regards to finishes, listed as deficiencies, were based on the inspector's judgement. Structural analysis was outside the scope of work. Geotechnical and subsurface investigation were not performed. This report does not warrantee the building against settlement or subsidence of any kind. Environmental investigations such as for asbestos, lead paint, mold or carpenter ants were outside the scope of work. Brief visual assessments do not reveal all deficiencies, it is possible some may be found latter.

### Wrangell Medical Center Building Description

**Property location:** 310 Bennet Street, Wrangell, Alaska  
**Property owner:** City and Borough of Wrangell  
**Dates of inspection:** April 23-25, 2018  
**Building Description:** One main level with a partial basement. There are at least three known additions. The front of the building faces Reid Street.  
 -1967 original construction + 1974 Addition = 17,898 sf  
 -1988 Addition = 9,928 sf  
 -1994 Addition = 2,770 sf  
**Total Building Area = 30,596 sf**

#### Description of Elements and Components:

- 1967 Building:**
1. **Construction Type:** V, with sprinklers.
  2. **Foundation:** Creosote treated timber pilings with reinforced concrete pile caps and grade beams.
  3. **Structural Framing:** Conventional wood framing consisting of 2x floor joists, timber beams, 2x wood stud bearing walls, 2x roof rafters and timber purlins.
  4. **Roofing:** Built-up multi-ply tar roof. Note: see 1988 addition for over-framed standing seam metal roofing.
  5. **Siding:** Exterior Insulated Finished System (EIFS).
  6. **Windows:** Wood casement or fixed windows.
- 1974 Addition:**
1. **Construction Type:** V, with sprinklers.
  2. **Foundation:** Unable to verify. The 1974 structural design drawings show a shallow foundation supported by reinforced concrete basement walls, spread footings and a concrete slab on grade. All bearing on a soil embankment.
  3. **Structural Framing:** Unable to verify. The 1974 structural design drawings show 2x wood stud bearing walls, open web floor joists, structural steel floor beams, structural steel columns, open web joist roof rafters and glulam purlins.
  4. **Roofing:** Built-up multi-ply tar roof. Note: see 1988 addition for over-framed standing seam metal roofing.
  5. **Siding:** Exterior Insulated Finished System (EIFS).
  6. **Windows:** Wood casement or fixed windows.
- 1988 Addition:**
1. **Construction Type:** V, with sprinklers.
  2. **Foundation:** Creosote treated timber pilings with reinforced concrete pile caps and grade beams.
  3. **Structural Framing:** Combination of conventional modular wood framing and stick framed construction. The 1988 addition on the west side of the building using modular construction is supported by timber pilings. A stick framed roof was constructed over the entire building; original 1967 construction, 1974 addition and 1988 additions. The new roof Over-framing consists of engineered I joist rafters, glulam beam; purlins, hip and ridge beams. Factory built trusses over-frame the 1974 addition roof.
  4. **Lateral Force Resisting System:** Plywood shear walls and plywood

- roof diaphragms.
- 5. **Roofing:** Standing seam metal roofing.
- 6. **Siding:** Exterior Insulated Finished System (EIFS).
- 7. **Windows:** Wood casement or fixed windows.

- 1994 Addition:**
- 1. **Construction Type:** V, with sprinklers.
  - 2. **Foundation:** Creosote treated timber pilings with reinforced concrete pile caps and grade beams.
  - 3. **Floor Framing:** Elevated structural concrete slab consisting of composite metal floor deck with concrete topping slab.
  - 3. **Structural Framing:** Pre-Engineered metal building. Primary steel consists of structural steel rigid frames. Secondary cold formed metal girts and purlins span between the rigid frames to support the wall and roof elements.
  - 4. **Lateral Force Resisting System:** Structural steel rigid frames and ordinary concentrically braces frames. Roof diaphragm consists of steel rod cross bracing.
  - 5. **Roofing:** Standing seam metal roofing.
  - 6. **Siding:** Metal siding panels oriented vertically.
  - 7. **Windows:** Aluminum casement or fixed windows.



Main Entry – Southwest Elevation



West Elevation



North Elevation



East Elevation



North Elevation – Shop Vestibule  
Shop to the Left  
1994 Addition



East Elevation - Shop  
1994 Addition

**Wrangell Medical Center Deficiency List**

1. Refer to appendix A photo log for photos of some of the deficiencies listed below.
2. Refer to construction cost estimate prepared by Estimations Incorporated for item costs.

| ITEM | TITLE                        | DESCRIPTION OF DEFICIENCY                                                                                                                                                                                                                                                                                                                             | PROPOSED CORRECTION                                                                                                                | CODE / CRITERIA | NOTES |
|------|------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------|
| S01  | Metal Roofing                | There are (2) major roof leaks at the roof ventilation turrets and approximately (12) minor leaks throughout the metal roofing. The metal roofing was originally installed in 1988 (30 years old) and is at the end of it's useful life. The leaks at the ventilation turrets have resulted in approximately 120 sf of rotten plywood roof sheathing. | Like-kind replacement of the existing standing seam metal roofing. Replace approximately 120 sf of decayed plywood roof sheathing. | RECOMMENDATION  |       |
| S02  | Seamless Metal Gutter System | Replacement is required during a reroof project.                                                                                                                                                                                                                                                                                                      | Replace existing gutters with an new seamless metal gutter system                                                                  | RECOMMENDATION  |       |
| S03  | Air Handler Hoods            | The existing air handler hoods are at the end of their life. The protective paint coating has failed allowing significant corrosion of the base metal to begin.                                                                                                                                                                                       | Like-kind replacement of air handler hoods.                                                                                        | RECOMMENDATION  |       |
| S04  | Soffit sheathing             | The roof eave soffit sheathing appears to consist of exterior gypsum or cementitious based sheathing. Approximately 800 sf has extensive water damage and needs replacement.                                                                                                                                                                          | Like-kind replacement of approximately 800 sf of soffit sheathing.                                                                 | RECOMMENDATION  |       |
| S05  | EIFS Facia                   | Some sections of facia have fallen off the building and are missing.                                                                                                                                                                                                                                                                                  | Like-kind replacement of approximately 200 lin. ft of EIFS facia.                                                                  | RECOMMENDATION  |       |

| ITEM | TITLE          | DESCRIPTION OF DEFICIENCY                                                                                                                                                                                                                                                                                     | PROPOSED CORRECTION                                                                                                                  | CODE / CRITERIA | NOTES |
|------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------|
| S06  | EIFS Siding    | Some sections of the exterior insulated finish system (EIFS) has damage from water infiltration, freeze-thaw or impacts.                                                                                                                                                                                      | Like-kind replacement of approximately 1,000 sf of EIFS siding.                                                                      | RECOMMENDATION  |       |
| S07  | Exterior Paint | The existing exterior paint finish is in fair condition. The caulking is in poor condition with some joints failing.                                                                                                                                                                                          | Paint the exterior of the building including siding, fascia and underside of soffit. Remove and replace any failed caulking sealant. | RECOMMENDATION  |       |
| S08  | Windows        | There are at least (6) windows with either failed seals (fogging) or broken panes. Approximately (46) casement windows have malfunctioning hardware.                                                                                                                                                          | Replace approximately (52) windows.                                                                                                  | RECOMMENDATION  |       |
| S09  | Skylights      | The (2) skylights near the main entry are in poor condition. (1) skylight has a broken pane.                                                                                                                                                                                                                  | Replace (2) skylights.                                                                                                               | RECOMMENDATION  |       |
| S10  | Window Blinds  | During the window replacement project item S08, approximately half of the window blinds will need to be temporarily removed to facilitate replacement of the new windows. The existing blinds are worn and dated. It would be more efficient to replace with new instead of reinstalling the existing blinds. | Replace the existing window blinds.                                                                                                  | RECOMMENDATION  |       |
| S11  | Flooring       | Most of the flooring in the facility is worn and nearing the end of its life. A large percentage of vinyl seams have failed. There are also several patches that have been installed with staples fastened through the face of the vinyl flooring.                                                            | Replace the existing flooring                                                                                                        | RECOMMENDATION  |       |

| ITEM | TITLE                                  | DESCRIPTION OF DEFICIENCY                                                                                                                                                                                                                                                      | PROPOSED CORRECTION                                                                      | CODE / CRITERIA                              | NOTES |
|------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------|-------|
| S12  | Non-Compliant Suspended Ceiling System | Most of the existing suspended acoustic ceiling system is not constructed in such a way to meet the current seismic detailing requirements.                                                                                                                                    | Replace the suspended ceilings in all rooms exceeding 144 sf.                            | 2012 IBC, ASCE 7-10 13.5.6, ASTM E 580/E580M |       |
| S13  | Interior Paint                         | Interior paint finishes are in fair condition.                                                                                                                                                                                                                                 | Paint interior walls, gypsum sheathed and adhesive tiled portions of ceiling.            | RECOMMENDATION                               |       |
| S14  | Casework and Workstations              | Casework and workstations are worn. The Formica seams and backsplash details create an infection control cleanliness issue.                                                                                                                                                    | Replace casework and work stations in patient care areas.                                | RECOMMENDATION                               |       |
| S15  | Elevated Exterior Deck                 | The deck is slightly uneven (possible settlement). The rim board is wavy when sited down. The guardrails do not meet current code. The spacing of the horizontal rails exceed 4". Connection of guardrail to deck not capable of resisting a 200 lb. load.                     | Rebuild and replace the existing deck framing, decking and guardrails                    | 2012 IBC 1013.4                              |       |
| S16  | Activities Room Addition               | The addition bump out was added over top of an existing elevated exterior timber deck and is poorly built. The foundation piers supporting the outer perimeter wall have settled. Water runs down the exterior wall, beneath the wall sole plate saturating the floor framing. | Demo the addition back to the original perimeter wall line and infill frame the opening. | RECOMMENDATION                               |       |

| ITEM | TITLE         | DESCRIPTION OF DEFICIENCY                                                                                                                                                                                                                                                                                                                                                    | PROPOSED CORRECTION                                                                                                                                                                                                              | CODE / CRITERIA | NOTES |
|------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------|
| S17  | Timber Piling | Approximately 60% of the creosote treated timber pilings were visually inspected. In addition, 20% were inspected by sounding with a metal rod and probing with an ice pick. Generally the pilings appeared to be in good condition however (1) piling with severe decay was found. Water entered the untreated center portion of this piling through large vertical checks. | 1. Repair decayed timber piling found during nondestructive visual inspection.<br>2. Recommend a more thorough piling inspection using additional nondestructive testing such as ultrasound to check for additional bad pilings. | RECOMMENDATION  |       |

Appendix A  
Photo Log



Deficiency Item S01. Decayed plywood roof sheathing typical at (2) roof ventilation turrets. Nontypical condition of framing.



Typical structural roof framing in good condition. 1988 roof over-framing addition.



Deficiency Item S01. Minor roof leak creating moist condition for mildew growth (white).



Deficiency Item S01. Example roof ventilation turret above major roof leak.



Deficiency Item S03. Air handler hood with corrosion.



Deficiency Item S04. Example water damaged roof soffit sheathing.



Deficiency Item S05. Missing EIFS fascia.



Deficiency Items S06, S07 and S08. Example damaged EIFS (freeze-thaw), fogged window, caulking sealant failure, siding in need of exterior paint



Deficiency Item S09. Broken skylight glazing.



Deficiency Item S11. Example of existing vinyl flooring repair.



Deficiency Item S11. Example vinyl Flooring seam failure.



Deficiency Item S12. Rooms over 144 sf, metal grid runners are fastened to angle on all four sides of ceiling. Only one side shown in photo.



Deficiency Item S15. Note dip in deck rim board. Guardrails non-code compliant. Space between horizontal rails exceeds 4". Connection to deck not capable or resisting a force of 200 pounds.



Deficiency Item S16. Addition bump out to activities room. Water runs down beneath the wall sole plate and runs across the floor. Foundation piers have settled.



Deficiency Item S17. Decayed creosote treated timber piling. Nontypical condition, not representative of average piling condition. Most pilings were found to be in good condition.



Typical creosote treated timber piling beneath 1988 addition, below emergency room. In good condition.



Typical creosote treated timber piling beneath 1968 Construction, beneath kitchen. In good condition. Reinforced concrete pile cap and grade beams in good condition.

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# Addendum: Experience Data

Addendum: Experience Data

# Kim M. Wold

## Background

Mr. Wold's background includes over 40 years in the real estate appraisal sector. Mr. Wold has extensive experience in appraising properties such as single and multi-family residential, income-producing properties, special purpose properties (sawmills, fish processing plants, etc.), tidelands, logging camps, grocery stores, shopping centers, and aviation facilities. He also has extensive experience appraising urban and remote acreage of varying highest and best uses, such as residential, commercial, industrial, agricultural, forestry, mining claims, tidelands, recreational, etc. He has performed appraisals for mortgage underwriting, eminent domain, easement valuation, lease renewals, establishing market lease rates, and estate purposes.

Mr. Wold has appraised properties throughout Alaska, including Bristol Bay, Bethel, Anchorage, Haines, Hoonah, Juneau, Yakutat, Sitka, Wrangell, Petersburg, Craig, Klawock, Hydaburg, Metlakatla, Thorne Bay, Hollis, Ketchikan, Unalaska, Chignik, St. Paul Island, Kodiak Island, and numerous remote locations throughout Southeast Alaska.

## Education

### Real Estate Education

Mr. Wold has attended numerous appraisal-related courses presented by the American Institute of Real Estate Appraisers, Northwest Center for Professional Education, Marshall Valuation Service, University of Alaska, and the International Right-of-Way Association. Mr. Wold has also completed courses sponsored by the American Institute of Real Estate Appraisers and the Appraisal Institute in conjunction with the University of Portland, University of Colorado, University of San Diego, and Arizona State University. Specific courses completed include:

- Law and Value; Communication Corridors, Tower Sites & Property Rights, 2001
- Attacking and Defending an Appraisal in Litigation, 2001
- Valuation of Detrimental Conditions in Real Estate, 2002
- Appraisal Litigation Practice & Courtroom Management, 2003
- The Road Less Traveled: Special Purpose Properties, 2004
- Hospitality Properties, 2004
- Condominiums, Co-Ops, and PUDs, 2006
- Current Issues and Misconceptions in the Appraisal Practice, 2007
- Business Practices and Ethics, 2009

- Highest and Best Use and Market Analysis, 2009
- Self-Storage: Emerging Core Asset, 2011
- Fundamentals of Separating Real Property, Personal Property, & Intangible Business Assets, 2012
- Litigation Appraising – Specialized Topics, 2014
- Forecasting Revenue, 2015
- Review Theory, 2015
- Uniform Standards of Professional Appraisal Practice, 2018
- The Appraiser as an Expert Witness: Preparation and Testimony, 2019
- USFLA, 2021
- Evaluations & Other Report Alternatives, 2021

**Employment History**

|                                           |                                                           |
|-------------------------------------------|-----------------------------------------------------------|
| <b>Reliant, LLC</b>                       | Appraiser, March 2019 to Present                          |
| <b>Integra Realty Resources – Seattle</b> | Appraiser, April 2017 to March 2019                       |
| <b>Alaska Appraisal Associates, Inc.</b>  | President and Chief Appraiser, October 1978 to April 2017 |
| <b>Ketchikan Gateway Borough</b>          | Appraiser, January 1976 to October 1978                   |

**Designations, Certifications and Awards**

|                                         |                                                                                                                                                       |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>State License’s / Certifications</b> | <ul style="list-style-type: none"> <li>▪ State of Alaska, Certified General Real Estate Appraiser, License No. 52 (expires June 30, 2023).</li> </ul> |
|-----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|

**Organization Affiliations, Offices & Memberships**

|                                                            |                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Qualified Before Courts &amp; Administrative Bodies</b> | <ul style="list-style-type: none"> <li>▪ Senior Member – National Association of Review Appraisers and Mortgage Underwriters</li> <li>▪ Associate Member – Appraisal Institute</li> <li>▪ Fee Appraiser – Federal Housing Authority (FHA/HUD #2218)</li> </ul>                                                                          |
|                                                            | <ul style="list-style-type: none"> <li>▪ US Bankruptcy Court</li> <li>▪ Superior Court of the State of Alaska</li> <li>▪ Superior Court of the State of Washington</li> <li>▪ Board of Equalization for Ketchikan Gateway Borough and the City of Craig</li> <li>▪ Testified in Internal Revenue Service tax appeal hearings</li> </ul> |

**Partial List of Clients**

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**Clients include:**

- Government Agencies (FDIC, State of Alaska, Federal, and Local)
- Financial Institutions
- Fisheries
- Forestry
- Native Corporations
- Tourism

A more detailed list of clients and professional references is available upon request.

### A Foundation to Build On:

- Vision
- Integrity
- Commitment
- Performance

### A Commitment to Client Service:

- Quality Research & Analysis
- Quality Presentation
- Fast Turn Around Times
- Competitive Fees
- On Time Delivery
- Solid Confidentiality

### Extensive Valuation & Consulting Services:

- Mortgage Financing
- Market & Feasibility Analysis
- Litigation & Arbitration Support
- Sale & Lease Negotiation
- Property Tax Consulting
- Estate Planning / Documentation
- Settlement Trusts
- Site Selection
- Due Diligence
- Investment Analysis
- Market Research
- Eminent Domain
- Partial Interest Valuations
- Forensic & Historic Valuations

### Extensive Market Knowledge:

- Institutional
- Hotels
- Apartment & Condominiums
- Health Care / Medical
- Affordable Housing / LIHTC
- Senior Housing / Assisted Living
- Lumber & Sawmills
- Shipyards & Marinas
- Truck Stops & Travel Centers
- Seafood Processing Plants
- Right-of-Way / Condemnation
- Remote Properties
- Industrial
- Ground Leases
- Office
- Retail
- Athletic Clubs
- High-Tech
- Vacant Land
- Parking Garages
- Movie Theatres
- Wetland Banking/Mitigation
- Residential Litigation Support
- Multifamily



9330 Vanguard Drive, Suite 201  
Anchorage, Alaska 99507  
Phone: (907) 929-2226  
Fax: (907) 929-2260  
Email: [admin@reliantadvisory.com](mailto:admin@reliantadvisory.com)  
[www.reliantadvisory.com](http://www.reliantadvisory.com)

# CITY AND BOROUGH OF WRANGELL, ALASKA

Item a.



Public Map



193  
Scale = 100 feet  
Date: 12/7/2021

**DISCLAIMER: THESE MAPS ARE FOR PLANNING PURPOSES ONLY.  
PROPERTY LINES ARE APPROXIMATE.**



More Recent Aerial from Google Maps



# CITY & BOROUGH OF WRANGELL, ALASKA BOROUGH ASSEMBLY AGENDA STATEMENT

|                           |                       |           |
|---------------------------|-----------------------|-----------|
| <u>AGENDA ITEM TITLE:</u> | <u>DATE:</u>          | 5/10/2022 |
|                           | <u>Agenda Section</u> | <b>13</b> |

Approval of FY 2023 Wrangell Public Schools Budget and Local Funding Contribution in the Amount of \$1,592,000

SUBMITTED BY:

Jeff Good, Borough Manager  
Mason Villarma, Finance Director

FISCAL NOTE:

|                                                        |                 |                |
|--------------------------------------------------------|-----------------|----------------|
| <b>Expenditure Required:</b> \$ _____                  |                 |                |
| FY 21: \$ _____                                        | FY 22: \$ _____ | FY23: \$ _____ |
| <b>Amount Budgeted:</b>                                |                 |                |
| FY23 \$ _____                                          |                 |                |
| <b>Account Number(s):</b>                              |                 |                |
|                                                        |                 |                |
| <b>Account Name(s):</b>                                |                 |                |
| SRS Fund                                               |                 |                |
| <b>Unencumbered Balance(s) (prior to expenditure):</b> |                 |                |
| See Agenda Statement                                   |                 |                |

Reviews/Approvals/Recommendations

|                          |           |
|--------------------------|-----------|
| <input type="checkbox"/> |           |
| Name(s)                  |           |
| Name(s)                  |           |
| <input type="checkbox"/> | Attorney  |
| <input type="checkbox"/> | Insurance |

ATTACHMENTS: 1) Wrangell Public School FY 2023 Budget 2) Transmittal Letter 3) WPSD Contribution Fact Sheet

**RECOMMENDATION MOTION:**  
Move to Approve the FY 2023 Wrangell Public Schools Budget and Local Funding Contribution in the Amount of \$1,592,000.

**SUMMARY STATEMENT:**  
Wrangell Public Schools (WPS) submitted their FY 2023 Budget on April 19, 2022.

By state statute the school district is required to submit a budget to the Assembly by May 1<sup>st</sup>. The Assembly has 30 days to approve the district budget and local contribution. The FY23 School

Budget assumes revenue from the City & Borough of Wrangell (CBW) in the amount of **\$1,592,000**.

The City and Borough of Wrangell's minimum and maximum contribution thresholds as determined by the Alaska Department of Education and Early development is as follows:

Min: \$741,489

Max: \$1,617,629

The current draft of the FY2023 Annual Budget for the City and Borough of Wrangell reflects a \$1,300,000 contribution. The Borough's local contribution has remained the same for at least the last three fiscal years and the funding came entirely from the SRS Fund. The funding source for the current budgeted contribution is as follows:

\$660,000 WPSD Local Contribution Fund (originally derived from 20% of sales tax revenue)

\$640,000 Secure Rural Schools (SRS) Fund

\$1,300,000

Any additional contribution in excess of the \$1,300,000 presented in the Borough's current FY2023 draft budgeted would come from the SRS Fund. The Wrangell Public School District has provided additional information attached to this item.

Administration recommends the Assembly make the motion as written. Once discussion has taken place, the Assembly can amend the motion if necessary.

# Wrangell Public Schools

## FY23 Budget

**Draft 2.0**

April 18 2022

## **FY23 Budget Assumptions – Draft 2.0**

### **General Fund**

#### **Foundation Revenue**

FY23 Foundation is projected at \$3,000,600, a \$272,680 decrease from the projected FY22 budgeted revenue figure of \$3,273,283. FY23 will be the last year of the hold harmless upward adjustment 25% of the difference between the FY20 base year and actual size factor adjusted Average Daily Membership.

#### **Classified Salary Scale**

The FY23 draft 2.0 budget was revised to lift the bottom of the classified employee by two- steps. This provides a much-needed raise to the classified pay scales.

#### **Attrition**

The district does not plan to fill the position vacated by the retiring high school lead teacher. Also, one certificated position in the elementary will be eliminated when an elementary teacher moves to fill an open position in the middle school.

In addition, the high school Athletic Director permanent position will become an extra duty contract eliminating benefit expense for that position.

#### **Insurance**

Public Employees Health Trust – Trustees met on March 26, 2022 and increased FY23 health insurance rates at 3.75%. The district has gone to bid to explore other providers

Property and Liability Insurance - Insurers will market their plans in March and April. Our insurance brokers forecast a 10% increase for property insurance and a 15% increase in general liability insurance. These increases are included in the budget. The budget will be adjusted when rates are firm.

#### **#2 Diesel Fuel Price**

Energy prices remain volatile due to the war in Ukraine. The most recent #2 heating fuel prices paid by the district in the last month have been 4.18, 4.38 and 4.28. There's a great deal of uncertainty in the market. It remains to be seen if other producers will meet demand created by sanctions placed on Russian producers. Fuel prices were budgeted at 4.28 per gallon as a conservative measure.

Volume for the elementary and middle school is based on FY21 usage. Wrangell High School energy costs were originally based on 100% electric usage since the school switches to electric power when the price of heating fuel is over \$2.70 per gallon. The high school will be placed on diesel power during maintenance at Tye. This occurs in the summer when most energy used at the high school is for the pool, and we bill the city for pool energy. However, it is possible that the high school will be placed on diesel power during peak electric usage months due strain on the power grid. For this reason, electric costs at the high school have been reduced and heating fuel use has been increased to account for the increased costs of this possibility.

**Technology and Supply Budgets**

The district reviewed its technology budget and identified one long term, relatively high dollar (\$29,400), lease of computer equipment. The lease commitment was established in a prior year. While most of lease cost is funded by ECF funding in FY22, that funding has not yet been secured for FY23. In addition, the technology supply budget has been delineated from the regular supply budget to eliminate confusion between the two.

FY23 supply budgets have been reduced and will need to be increased in spring 2023 to allow for the FY24 purchasing cycle.

**Projected Spending in Excess of Revenues**

The FY23 2.0 draft budget projects spending in-excess-of revenues of approximately \$40,726. An increase to the Base Student Allocation is being discussed in the legislature. If the Base Student Allocation is increased to \$6,153 generating \$140,726 of additional revenue and \$100,000 will be added back to the budget to fund FY24 supplies. As items like insurance rates become known, the budget will be adjusted during FY23.

**ESSER III Grant Revenue**

The District currently plans to use ESSER III grant revenue to hire two principals for fiscal years 22- 23 & 23-24. To date one Principal has been hired and a second has been issued a letter of intent.

**Counseling Position Filled**

The district has hired a counselor to replace the position being vacated at the end of FY22. The costs projected, but not firm, pending receipt of transcripts and other information.

**PERS & TRS On-Behalf**

PERS & TRS on-behalf is expense and revenue are calculated using rates already approved by the Alaska Retirement Management Board.

**ERATE**

The Universal Services Fund discount has been reduced from 80% to 70%. Although the District is looking into appealing the 10% reduction in the discount for FY23.

**Indirect Rate**

The Alaska Department of Education has set our indirect rate at 15.89%, lower than the originally forecast 19%.

## Special Revenue Funds

### Student Transportation

Revenue has been projected at the same level as FY22 with expenditures slightly higher for conservatism. This projection results in a small fund balance at the end of FY23 and no transfer from the general fund should be necessary.

### Food Service

The fund is budgeted conservatively based upon prior year trends.

### Federal Grants

The district does not yet have the allocations for the ESEA, CTE or Title VIB grants FY23 federal grants.

## Capital Project Fund

### Major Maintenance Fund

No appropriation has been budgeted from this fund. However, a definition has been included in the FY22 budget revision to clarify the appropriation use of the fund. The definition is taken from the State of Accounts with the dollar limit of \$50,000 added as an appropriate threshold for a project to qualify for use of the funding for a particular project. The definition is below:

Fund 503 is a capital project fund restricted for the purpose of major maintenance projects in excess of \$50,000 and meeting the following parameters:

Activities of acquiring land, buildings and equipment; remodeling of buildings, construction of buildings and additions to buildings; major repairs or improvements to facilities including initial installation or extension of service systems and other built-in equipment; improvements to sites, including environmental remediation.

**FY22 and FY23 Projected Foundation Revenue**

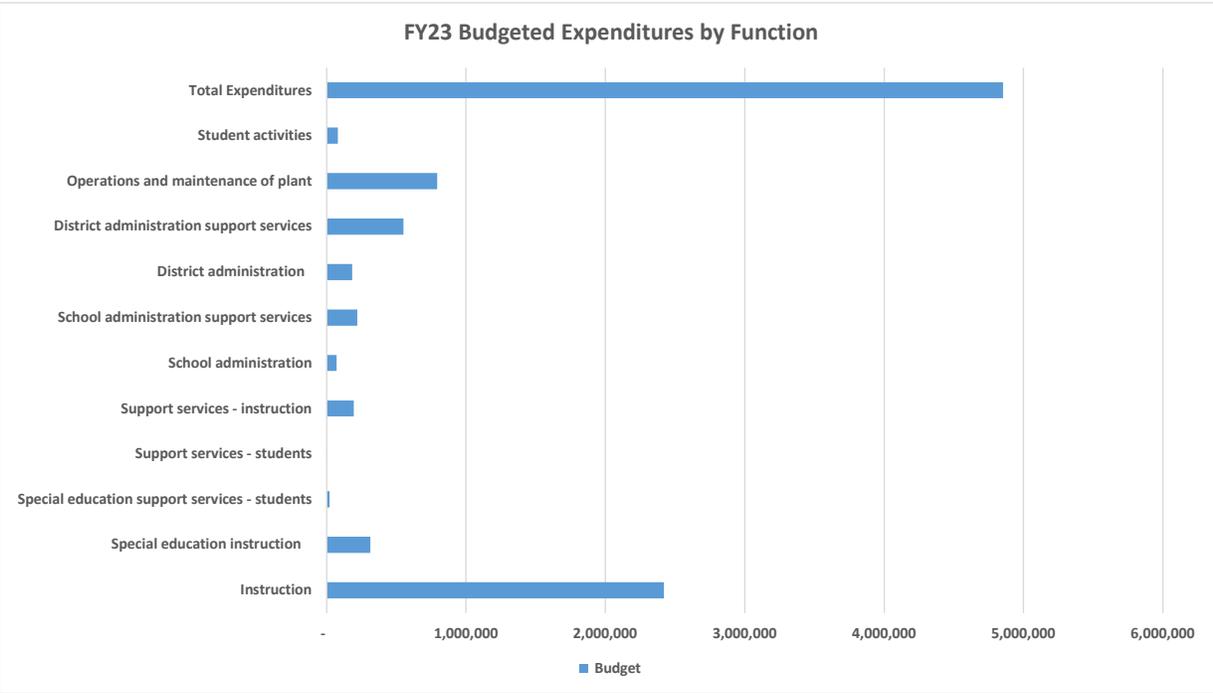
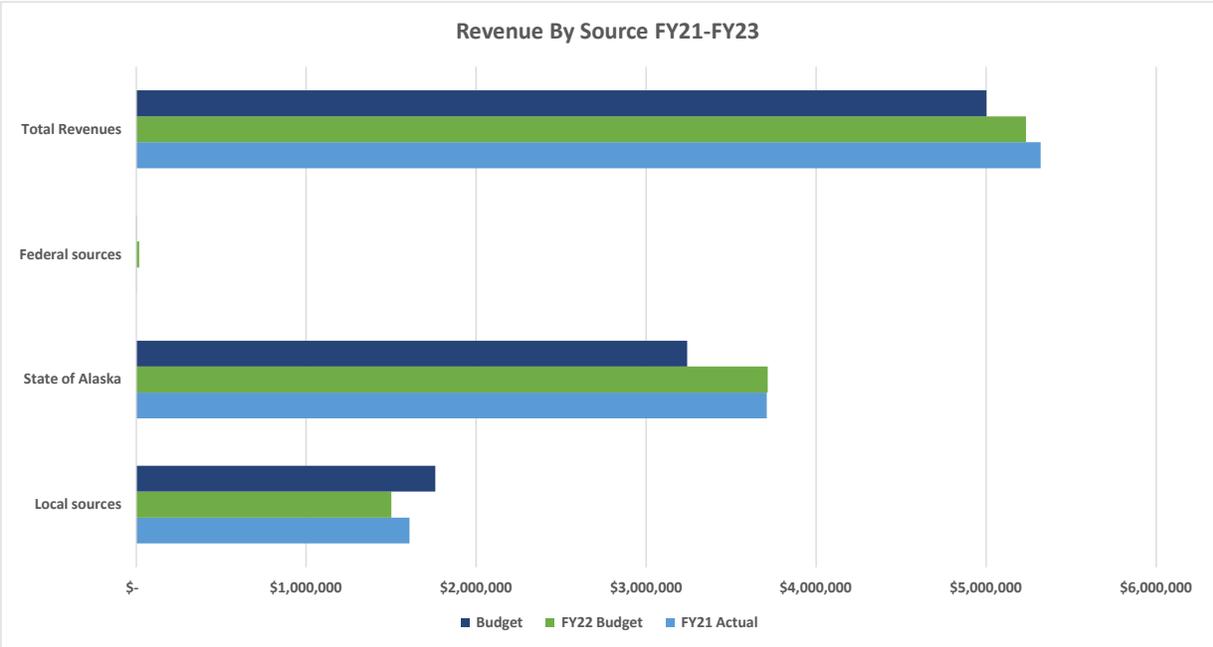
|    |                           |    |                           |    |                              |
|----|---------------------------|----|---------------------------|----|------------------------------|
|    | <u><b>FY22 Budget</b></u> |    | <u><b>FY22 Actual</b></u> |    | <u><b>FY23 Projected</b></u> |
| \$ | 3,399,921                 | \$ | 3,273,283                 | \$ | 3,000,600                    |

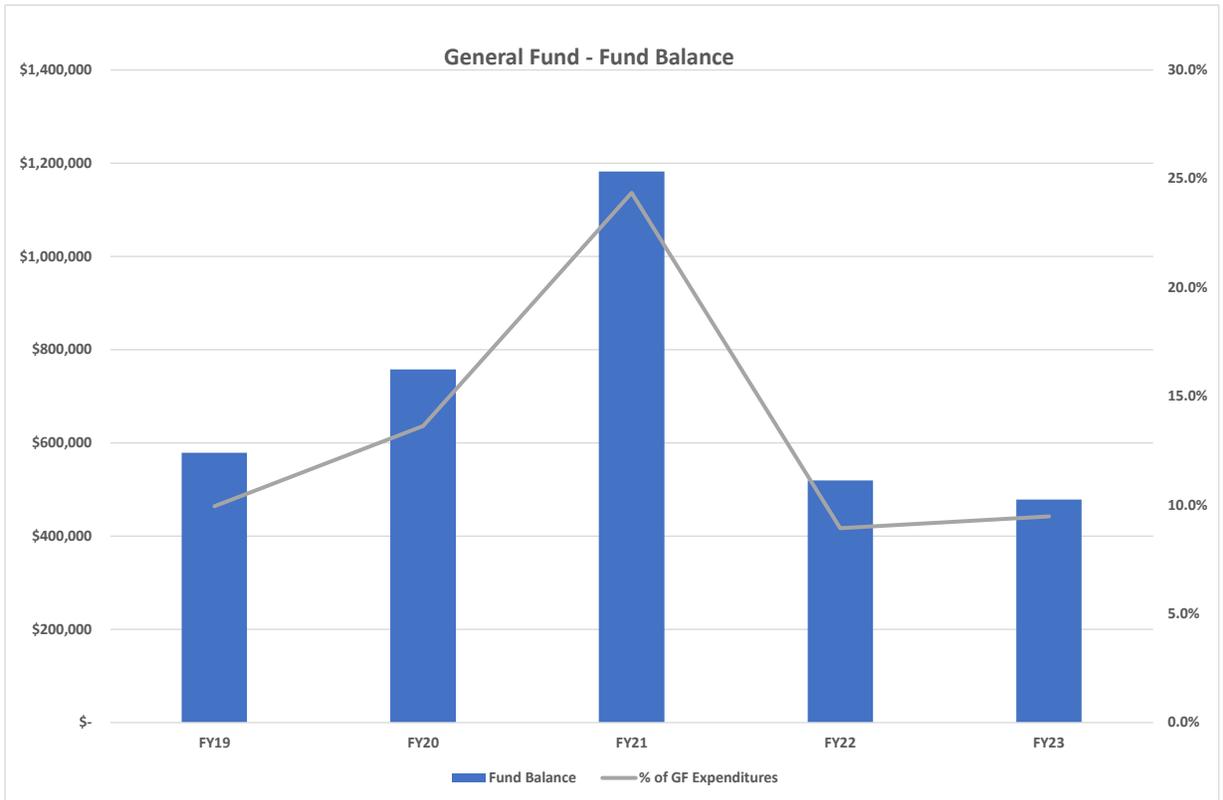
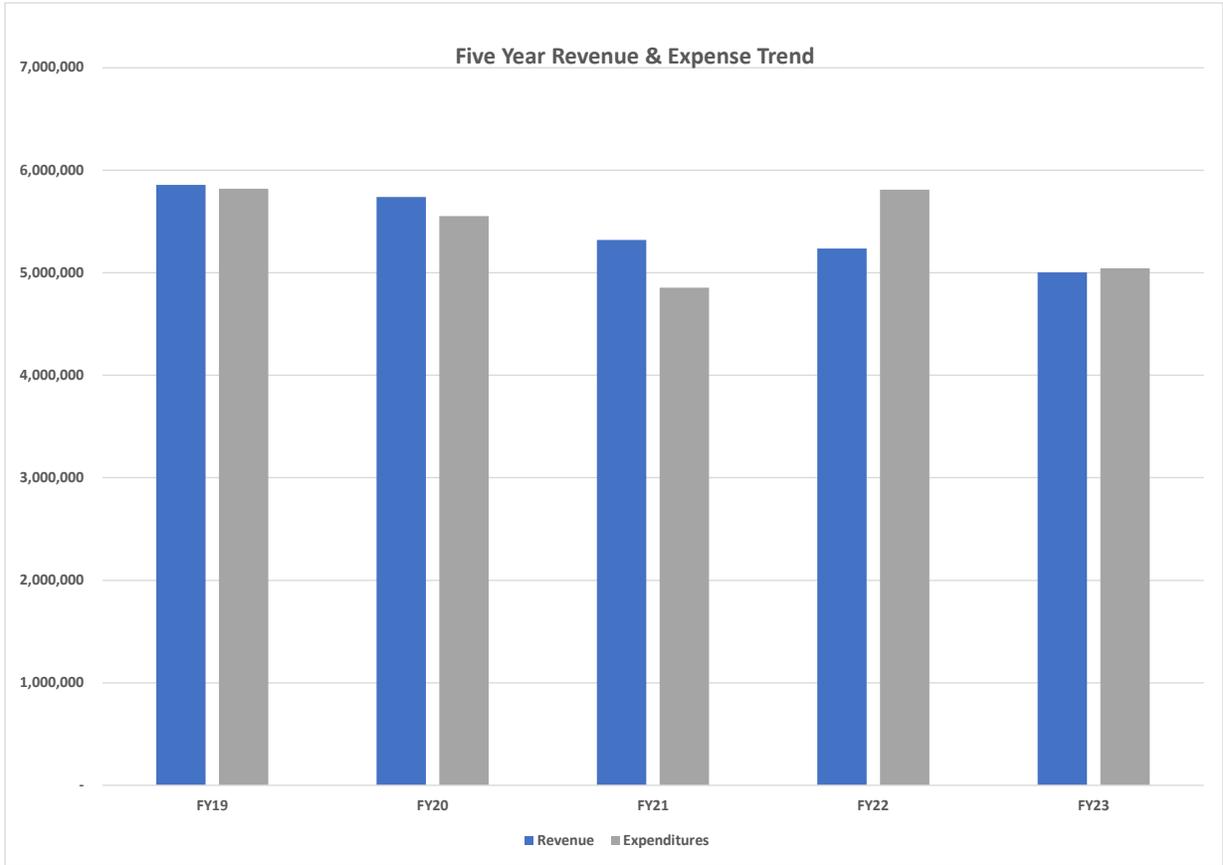
| <b>Hold Harmless Effect on Foundation Revenue</b> |         |                      |                          |                           |              |                                                           |     |                                              |                                                     |
|---------------------------------------------------|---------|----------------------|--------------------------|---------------------------|--------------|-----------------------------------------------------------|-----|----------------------------------------------|-----------------------------------------------------|
|                                                   |         | <b>Hold Harmless</b> | <b>October Count ADM</b> | <b>% Decrease From PY</b> |              | <b>ADM Diff Difference Between Base Yr and Current Yr</b> |     | <b>ADM Added to Current Yr Student Count</b> | <b>Hold Harmless ADM Used In Foundation Formula</b> |
| FY17                                              |         | 0                    | 401.47                   |                           |              |                                                           |     |                                              |                                                     |
| FY18                                              |         | 0                    | 421.03                   | -4.9%                     |              |                                                           |     |                                              |                                                     |
| FY19                                              |         | 0                    | 431.97                   | -2.6%                     |              |                                                           |     |                                              |                                                     |
| FY20                                              |         | 0                    | 437.46                   | -1.3%                     | FY20 Base Yr |                                                           |     |                                              |                                                     |
| FY21                                              | Took HH | 398.67               | 282.28                   | 35.5%                     |              | 155.18                                                    | 75% | 116.385                                      | 398.67                                              |
| FY22                                              | Took HH | 409.6                | 381.73                   | -35.2%                    |              | 55.73                                                     | 50% | 27.865                                       | 409.60                                              |
| FY23 Proj                                         | TookHH  | 400.99               | 388.83                   | -1.9%                     |              | 48.63                                                     | 25% | 12.1575                                      | 400.99                                              |
| FY24                                              |         |                      |                          |                           |              |                                                           |     |                                              |                                                     |

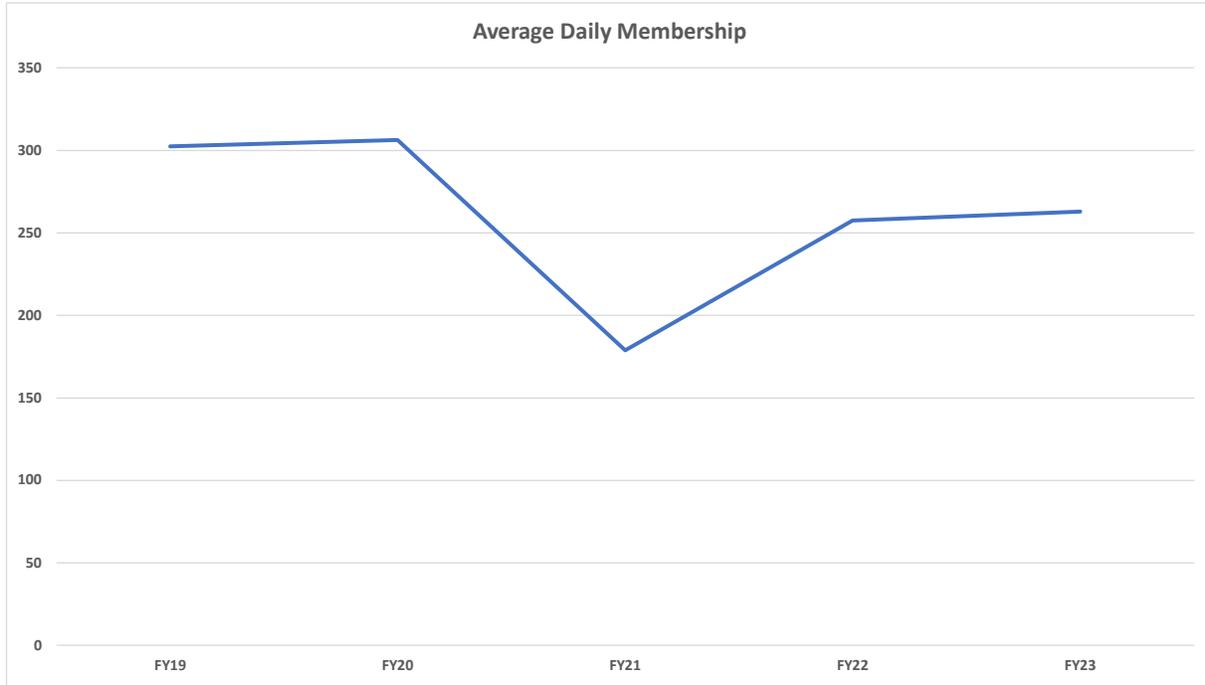
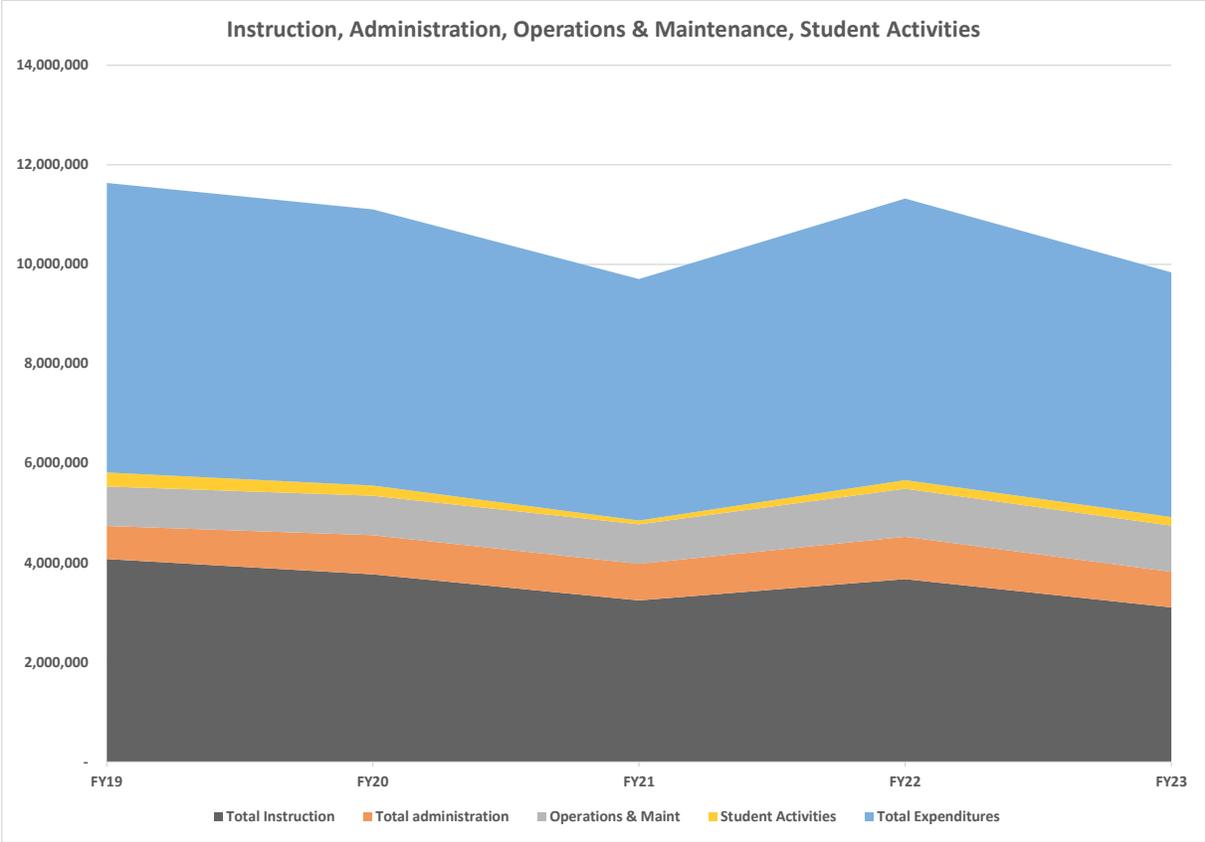
There will be no hold harmless unless the FY24 student count falls more than 5% from FY23- if it does the base year will be FY23.

Greater than a 5% Decrease triggers a Base Year Hold Harmless For 3 Years As Long As ADM stays below Base Year.

| <b>Wrangell Public Schools<br/>Minimum/Maximum Required Local Contribution</b> |             |
|--------------------------------------------------------------------------------|-------------|
| <b>FY23 Minimum Required Local Effort</b>                                      | 741,489     |
| <b>FY23 Projected Basic Need + Quality Schools</b>                             | 3,809,305   |
| <b>23% of FY23 Projected Basic Need</b>                                        | 876,140     |
| <b>FY23 Min Required Local Effort plus 23% of FY23 Projected Basic Need</b>    | 1,617,629   |
| <b>Full &amp; True Value</b>                                                   | 279,807,210 |
| <b>2 Mills</b>                                                                 | 0.002       |
| <b>2 Mill Equivalent of Full &amp; True Value</b>                              | 559,614     |
| <b>Maximum Local Contribution -Whichever is Greater</b>                        | 1,617,629   |







## Wrangell Public Schools

General Fund  
Comparison of Revenues, Expenditures and  
Changes in Fund Balance - Function Level  
FY21, FY22 and FY23  
Draft 2

| <i>Period Ended June 30,</i>                             | FY21 Actual         | FY22 Budget       | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|----------------------------------------------------------|---------------------|-------------------|---------------------------|---------------------------|---------------------------------------|
| <b>Revenues</b>                                          |                     |                   |                           |                           |                                       |
| Local sources                                            | \$ 1,609,033        | \$ 1,502,101      | \$ 1,480,801              | \$ 1,760,560              | \$ 279,759                            |
| State of Alaska                                          | 3,710,135           | 3,715,310         | 3,250,913                 | 3,241,884                 | (9,029)                               |
| Federal sources                                          | 1,312               | 17,400            | 1,000                     | 1,000                     | -                                     |
| <b>Total Revenues</b>                                    | <b>5,320,480</b>    | <b>5,234,811</b>  | <b>4,732,714</b>          | <b>5,003,444</b>          | <b>270,730</b>                        |
| <b>Expenditures</b>                                      |                     |                   |                           |                           |                                       |
| Instruction                                              | 2,420,178           | 2,347,357         | 2,202,530                 | 2,062,830                 | (139,700)                             |
| Special education instruction                            | 314,202             | 575,400           | 560,380                   | 553,460                   | (6,920)                               |
| Special education support services - students            | 21,781              | 60,530            | 52,870                    | 51,770                    | (1,100)                               |
| Support services - students                              | 2,490               | 91,840            | 96,530                    | 108,570                   | 12,040                                |
| Support services - instruction                           | 194,067             | 306,509           | 236,749                   | 244,740                   | 7,991                                 |
| School administration                                    | 70,460              | 203,765           | 10,400                    | 7,260                     | (3,140)                               |
| School administration support services                   | 220,577             | 234,910           | 197,130                   | 204,480                   | 7,350                                 |
| District administration                                  | 184,166             | 298,460           | 286,430                   | 281,680                   | (4,750)                               |
| District administration support services                 | 551,615             | 554,080           | 370,390                   | 433,864                   | 63,474                                |
| Operations and maintenance of plant                      | 793,154             | 963,010           | 909,860                   | 924,896                   | 15,036                                |
| Student activities                                       | 79,882              | 172,980           | 180,510                   | 170,620                   | (9,890)                               |
| <b>Total Expenditures</b>                                | <b>4,852,572</b>    | <b>5,808,841</b>  | <b>5,103,779</b>          | <b>5,044,170</b>          | <b>(59,609)</b>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>467,908</b>      | <b>(574,029)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| <b>Other Financing Sources (Uses)</b>                    |                     |                   |                           |                           |                                       |
| Transfers in                                             | -                   | -                 | -                         | -                         | -                                     |
| Transfers to                                             | (43,538)            | (88,577)          | -                         | -                         | -                                     |
| <b>Net Change in Fund Balance</b>                        | <b>424,370</b>      | <b>(662,606)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| <b>Fund Balance, beginning of year</b>                   | <b>757,486</b>      | <b>1,181,856</b>  | <b>519,249</b>            | <b>519,249</b>            | <b>-</b>                              |
| <b>Fund Balance, end of year</b>                         | <b>\$ 1,181,856</b> | <b>\$ 519,249</b> | <b>\$ 148,184</b>         | <b>\$ 478,523</b>         | <b>\$ 330,339</b>                     |
| Est fund balance as a percentage of expenditures         | 24.4%               | 8.9%              | 2.9%                      | 9.5%                      |                                       |

**Wrangell Public Schools**  
**Comparison of Revenues, Expenditures and**  
**Changes in Fund Balance - Object Level**  
**FY21, FY22 and FY23**  
**Draft 2**

| <i>Period Ended June 30,</i>                                | FY21 Actual         | FY22 Budget       | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|-------------------------------------------------------------|---------------------|-------------------|---------------------------|---------------------------|---------------------------------------|
| <b>Revenues</b>                                             |                     |                   |                           |                           |                                       |
| Borough appropriation                                       | \$ 652,690          | \$ -              | \$ 705,833                | \$ 942,459                | \$ 236,626                            |
| Timber receipts passed through City and Borough of Wrangell | 772,310             | 1,300,000         | 594,167                   | 650,000                   | 55,833                                |
| Earnings on investments                                     | 339                 | 701               | 701                       | 701                       | -                                     |
| Other local revenues                                        | 84,387              | 80,000            | 80,000                    | 80,000                    | -                                     |
| E-Rate                                                      | 99,307              | 121,400           | 100,100                   | 87,400                    | (12,700)                              |
| Foundation                                                  | 3,292,784           | 3,273,280         | 3,000,600                 | 3,000,600                 | -                                     |
| Quality schools                                             | 10,461              | 10,708            | 10,250                    | 10,250                    | -                                     |
| TRS on behalf                                               | 352,733             | 360,033           | 212,086                   | 204,942                   | (7,144)                               |
| PERS on behalf                                              | 54,157              | 71,289            | 27,977                    | 26,092                    | (1,885)                               |
| Direct educational grants - federal impact aid              | 1,312               | 17,400            | 1,000                     | 1,000                     | -                                     |
| <b>Total Revenues</b>                                       | <b>5,320,480</b>    | <b>5,234,811</b>  | <b>4,732,714</b>          | <b>5,003,444</b>          | <b>270,730</b>                        |
| <b>Expenditures</b>                                         |                     |                   |                           |                           |                                       |
| <b>Payroll expenses:</b>                                    |                     |                   |                           |                           |                                       |
| Certificated salaries                                       | 1,651,634           | 1,822,083         | 1,711,990                 | 1,652,750                 | (59,240)                              |
| Noncertificated salaries                                    | 649,714             | 928,720           | 948,520                   | 951,650                   | 3,130                                 |
| Employee benefits                                           | 1,387,224           | 1,657,682         | 1,379,710                 | 1,348,230                 | (31,480)                              |
| <b>Total payroll expenses</b>                               | <b>3,688,572</b>    | <b>4,408,485</b>  | <b>4,040,220</b>          | <b>3,952,630</b>          | <b>(87,590)</b>                       |
| Percent of total expenditures                               | 76%                 | 76%               | 80%                       | 78%                       |                                       |
| <b>Non-payroll expenses:</b>                                |                     |                   |                           |                           |                                       |
| Professional and technical services                         | 248,433             | 152,600           | 101,100                   | 117,034                   | 15,934                                |
| Staff travel                                                | 7,835               | 48,800            | 45,100                    | 45,100                    | -                                     |
| Student travel                                              | 25,811              | 53,000            | 70,000                    | 70,000                    | -                                     |
| Student transportation                                      |                     | 6,000             |                           |                           |                                       |
| Utility services                                            | 34,354              | 33,400            | 25,400                    | 25,400                    | -                                     |
| Communications                                              | 128,982             | 165,000           | 145,200                   | 145,200                   | -                                     |
| Energy                                                      | 260,696             | 324,900           | 324,900                   | 362,856                   | 37,956                                |
| Other purchased services                                    | 27,317              | 78,340            | 27,600                    | 29,400                    | 1,800                                 |
| Insurance and bond premiums                                 | 79,271              | 84,120            | 134,000                   | 96,000                    | (38,000)                              |
| Liability Insurance                                         | 52,424              | 35,000            | -                         | 38,000                    | 38,000                                |
| Supplies, materials and media                               | 254,683             | 282,298           | 265,559                   | 126,460                   | (139,099)                             |
| Technology Supplies                                         |                     | 84,158            | -                         | 84,670                    | 84,670                                |
| Other expenditures                                          | 30,824              | 40,000            | 25,300                    | 25,300                    | -                                     |
| Dues and fees                                               |                     | 23,500            |                           |                           |                                       |
| Indirect costs                                              | -                   | (51,400)          | (102,600)                 | (95,200)                  | 7,400                                 |
| Equipment                                                   | 13,370              | 40,640            | 2,000                     | 21,320                    | 19,320                                |
| <b>Total non-payroll expenses:</b>                          | <b>1,164,000</b>    | <b>1,400,356</b>  | <b>1,063,559</b>          | <b>1,091,540</b>          | <b>27,981</b>                         |
| Percent of total expenditures                               | 24%                 | 24%               | 20%                       | 22%                       |                                       |
| <b>Total Expenditures</b>                                   | <b>4,852,572</b>    | <b>5,808,841</b>  | <b>5,103,779</b>          | <b>5,044,170</b>          | <b>(59,609)</b>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b>    | <b>467,908</b>      | <b>(574,029)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| <b>Other Financing Sources (Uses)</b>                       |                     |                   |                           |                           |                                       |
| Transfers in                                                | -                   | -                 | -                         | -                         | -                                     |
| Transfers out                                               | (43,538)            | (88,577)          | -                         | -                         | -                                     |
| <b>Net Change in Fund Balance</b>                           | <b>424,370</b>      | <b>(662,606)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| <b>Fund Balance, beginning of year</b>                      | <b>757,486</b>      | <b>1,181,856</b>  | <b>519,249</b>            | <b>519,249</b>            | <b>-</b>                              |
| <b>Fund Balance, end of year</b>                            | <b>\$ 1,181,856</b> | <b>\$ 519,249</b> | <b>\$ 148,184</b>         | <b>\$ 478,523</b>         | <b>\$ 330,339</b>                     |

**FY23 Budget By Function and Object**

Wrangell Public Schools  
 General (School Operating) Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual  
 FY 2023

| Period Ended June 30,                                      | FY18<br>Actual   | FY19<br>Actual   | FY20<br>Actual   | FY21<br>Actual   | FY22<br>Budget   | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|---------------------------|---------------------------------------|
| <b>Revenues</b>                                            |                  |                  |                  |                  |                  |                           |                           |                                       |
| Local sources:                                             |                  |                  |                  |                  |                  |                           |                           |                                       |
| Borough appropriation - City and Borough of Wrangell       | \$ 667,799       | \$ 583,619       | \$ 610,329       | \$ 652,690       | \$ -             | \$ 705,833                | \$ 942,459                | \$ 236,626                            |
| Borough appropriation - Timber receipts                    | 848,489          | 848,488          | 689,671          | 772,310          | 1,300,000        | 594,167                   | 650,000                   | 55,833                                |
| Earnings on investments                                    | 715              | 462              | 485              | 339              | 701              | 701                       | 701                       | -                                     |
| Other local revenues                                       | 48,742           | 129,457          | 106,676          | 84,387           | 80,000           | 80,000                    | 80,000                    | -                                     |
| E-Rate                                                     | 75,952           | 85,697           | 88,889           | 99,307           | 121,400          | 100,100                   | 87,400                    | (12,700)                              |
| <b>Total local sources</b>                                 | <b>1,641,697</b> | <b>1,647,723</b> | <b>1,496,050</b> | <b>1,609,033</b> | <b>1,502,101</b> | <b>1,480,801</b>          | <b>1,760,560</b>          | <b>279,759</b>                        |
| State of Alaska:                                           |                  |                  |                  |                  |                  |                           |                           |                                       |
| Foundation                                                 | 3,601,388        | 3,867,948        | 3,744,744        | 3,292,784        | 3,273,280        | 3,000,600                 | 3,000,600                 | -                                     |
| Quality schools                                            | 11,381           | 11,837           | 11,753           | 10,461           | 10,708           | 10,708                    | 10,250                    | -                                     |
| TRS on behalf                                              | 273,489          | 273,674          | 338,521          | 352,733          | 360,033          | 212,085                   | 204,942                   | (7,143)                               |
| PERS on behalf                                             | 32,523           | 51,022           | 60,560           | 52,945           | 71,289           | 27,978                    | 26,092                    | (1,886)                               |
| Other                                                      | -                | -                | 86,311           | 1,212            | -                | -                         | -                         | -                                     |
| <b>Total State of Alaska</b>                               | <b>3,918,781</b> | <b>4,204,481</b> | <b>4,241,889</b> | <b>3,710,135</b> | <b>3,715,310</b> | <b>3,250,913</b>          | <b>3,241,884</b>          | <b>(9,029)</b>                        |
| Federal sources -                                          |                  |                  |                  |                  |                  |                           |                           |                                       |
| Direct educational grants - federal impact aid             | 2,890            | 2,928            | -                | 1,312            | 17,400           | 1,000                     | 1,000                     | -                                     |
| <b>Total federal sources</b>                               | <b>2,890</b>     | <b>2,928</b>     | <b>-</b>         | <b>1,312</b>     | <b>17,400</b>    | <b>1,000</b>              | <b>1,000</b>              | <b>-</b>                              |
| <b>Total Revenues</b>                                      | <b>5,563,368</b> | <b>5,855,132</b> | <b>5,737,939</b> | <b>5,320,480</b> | <b>5,234,811</b> | <b>4,732,714</b>          | <b>5,003,444</b>          | <b>270,730</b>                        |
| <b>Expenditures</b>                                        |                  |                  |                  |                  |                  |                           |                           |                                       |
| Instruction:                                               |                  |                  |                  |                  |                  |                           |                           |                                       |
| Certificated salaries                                      | 1,345,202        | 1,499,390        | 1,594,606        | 1,369,715        | 1,280,790        | 1,294,420                 | 1,221,420                 | (73,000)                              |
| Noncertificated salaries                                   | 71,144           | 79,139           | 75,239           | 52,909           | 17,200           | -                         | -                         | -                                     |
| Employee benefits                                          | 702,472          | 824,027          | 894,090          | 844,974          | 789,157          | 674,710                   | 647,380                   | (27,330)                              |
| Professional and technical services                        | 80               | 125              | 3,000            | 6,499            | -                | -                         | -                         | -                                     |
| Staff travel                                               | 2,153            | 2,758            | 4,454            | -                | 5,800            | 3,600                     | 3,600                     | -                                     |
| Student travel                                             | 4,475            | 1,160            | 2,175            | -                | -                | -                         | -                         | -                                     |
| Other purchased services                                   | 5,565            | 7,171            | 5,992            | 5,920            | 10,300           | 9,700                     | 10,500                    | 800                                   |
| Supplies, materials and media                              | 107,699          | 126,066          | 129,946          | 131,411          | 85,000           | 123,770                   | 22,900                    | (100,870)                             |
| Supplies, technology                                       | -                | -                | -                | -                | 51,297           | -                         | 61,200                    | 61,200                                |
| Other expenditures                                         | 17,544           | 60               | 646              | 431              | 800              | 500                       | 500                       | -                                     |
| Equipment                                                  | 28,604           | 8,134            | 4,030            | 8,319            | -                | -                         | -                         | -                                     |
| <b>Total instruction</b>                                   | <b>2,284,938</b> | <b>2,548,030</b> | <b>2,714,178</b> | <b>2,420,178</b> | <b>2,240,344</b> | <b>2,106,700</b>          | <b>1,967,500</b>          | <b>(139,200)</b>                      |
| Vocational Instruction:                                    |                  |                  |                  |                  |                  |                           |                           |                                       |
| Certificated salaries                                      | -                | -                | -                | -                | 69,550           | 70,240                    | 70,240                    | -                                     |
| Noncertificated salaries                                   | -                | -                | -                | -                | 100              | -                         | -                         | -                                     |
| Employee benefits                                          | -                | -                | -                | -                | 25,843           | 22,590                    | 22,590                    | -                                     |
| Other purchased services                                   | -                | -                | -                | -                | -                | -                         | -                         | -                                     |
| Supplies, materials and media                              | -                | -                | -                | -                | 11,520           | 3,000                     | 2,500                     | (500)                                 |
| Equipment                                                  | -                | -                | -                | -                | -                | -                         | -                         | -                                     |
| <b>Total instruction</b>                                   | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>107,013</b>   | <b>95,830</b>             | <b>95,330</b>             | <b>(500)</b>                          |
| Special education instruction:                             |                  |                  |                  |                  |                  |                           |                           |                                       |
| Certificated salaries                                      | 146,178          | 125,215          | 130,138          | 114,761          | 149,450          | 155,500                   | 155,500                   | -                                     |
| Noncertificated salaries                                   | 188,154          | 153,477          | 126,944          | 71,864           | 233,670          | 246,190                   | 240,210                   | (5,980)                               |
| Employee benefits                                          | 142,444          | 126,070          | 118,396          | 103,975          | 179,880          | 154,090                   | 152,280                   | (1,810)                               |
| Professional and technical services                        | -                | 30,792           | 14,252           | 12,738           | -                | -                         | -                         | -                                     |
| Staff travel                                               | 122              | 300              | -                | 3,699            | 1,500            | 1,500                     | 1,500                     | -                                     |
| Student travel                                             | -                | -                | -                | 35               | -                | -                         | -                         | -                                     |
| Supplies, materials and media                              | 5,396            | 4,209            | 2,408            | 7,130            | 10,900           | 3,100                     | 1,600                     | (1,500)                               |
| Supplies, technology                                       | -                | -                | -                | -                | -                | -                         | 2,370                     | 2,370                                 |
| Other expenditures                                         | -                | -                | 1,140            | -                | -                | -                         | -                         | -                                     |
| Equipment                                                  | 2,028            | -                | -                | -                | -                | -                         | -                         | -                                     |
| <b>Total special education instruction</b>                 | <b>484,322</b>   | <b>440,063</b>   | <b>393,278</b>   | <b>314,202</b>   | <b>575,400</b>   | <b>560,380</b>            | <b>553,460</b>            | <b>(6,920)</b>                        |
| Special education support services - students:             |                  |                  |                  |                  |                  |                           |                           |                                       |
| Certificated salaries                                      | -                | -                | -                | -                | 23,200           | 23,200                    | 23,200                    | -                                     |
| Noncertificated salaries                                   | 16,914           | 15,126           | 22,131           | 10,252           | 6,570            | 7,180                     | 6,830                     | (350)                                 |
| Employee benefits                                          | 17,839           | 11,912           | 8,029            | 11,529           | 13,960           | 12,120                    | 12,040                    | (80)                                  |
| Professional and technical services                        | 32,493           | 43,835           | -                | -                | 16,500           | 9,500                     | 9,500                     | -                                     |
| Staff travel                                               | -                | -                | 400              | -                | -                | -                         | -                         | -                                     |
| Supplies, materials and media                              | 181              | -                | 327              | -                | 300              | 870                       | 200                       | (670)                                 |
| Supplies, technology                                       | -                | -                | -                | -                | -                | -                         | -                         | -                                     |
| Equipment                                                  | -                | -                | -                | -                | -                | -                         | -                         | -                                     |
| <b>Total special education support services - students</b> | <b>67,427</b>    | <b>70,873</b>    | <b>30,887</b>    | <b>21,781</b>    | <b>60,530</b>    | <b>52,870</b>             | <b>51,770</b>             | <b>(1,100)</b>                        |

Wrangell Public Schools  
 General (School Operating) Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual, continued  
 FY 2023

| <i>Period Ended June 30,</i>                            | FY18           | FY19           | FY20           | FY21           | FY22           | Draft 1        | Draft 2        | Draft 1 & 2    |
|---------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                         | Actual         | Actual         | Actual         | Actual         | Budget         | FY23           | FY23           | Variance       |
|                                                         |                |                |                |                |                | Budget         | Budget         | in Budgets     |
| <b>Expenditures, continued</b>                          |                |                |                |                |                |                |                |                |
| Support services - students:                            |                |                |                |                |                |                |                |                |
| Certificated salaries                                   | \$ 81,573      | \$ 79,207      | \$ 2,693       | \$ -           | 58,820         | 61,690         | 75,450         | \$ 13,760      |
| Employee benefits                                       | 48,656         | 40,775         | 9,956          | -              | 30,520         | 27,340         | 31,170         | 3,830          |
| Professional and technical services                     | 8,237          | 50,000         | -              | -              | 500            | -              | -              | -              |
| Supplies, materials and media                           | 636            | 559            | 240            | 1,984          | 1,500          | 7,500          | 1,950          | (5,550)        |
| Other expenditures                                      | -              | 1,758          | -              | 506            | 500            | -              | -              | -              |
| <b>300 Total support services - students</b>            | <b>139,102</b> | <b>172,299</b> | <b>12,889</b>  | <b>2,490</b>   | <b>91,840</b>  | <b>96,530</b>  | <b>108,570</b> | <b>12,040</b>  |
| Support services - instruction:                         |                |                |                |                |                |                |                |                |
| Noncertificated salaries                                | 133,731        | 143,559        | 73,695         | 16,272         | 54,520         | 30,080         | 29,560         | (520)          |
| Employee benefits                                       | 90,858         | 109,799        | 79,834         | 1,590          | 33,850         | 31,400         | 21,430         | (9,970)        |
| Professional and technical services                     | 7,546          | 5,212          | -              | 16,768         | 2,500          | 2,500          | 2,500          | -              |
| Staff travel                                            | 1,818          | 3,001          | 180            | -              | 2,500          | 2,500          | 2,500          | -              |
| Communications                                          | 125,038        | 113,355        | 105,984        | 118,986        | 9,100          | 9,100          | 9,100          | -              |
| Other purchased services                                | -              | -              | -              | -              | -              | -              | -              | -              |
| Supplies, materials and media                           | 12,409         | 11,250         | 14,745         | 39,259         | 50,528         | 27,819         | 44,100         | 16,281         |
| Supplies, technology                                    | -              | -              | -              | -              | 3,200          | -              | 8,700          | 8,700          |
| Other expenditures                                      | 2,406          | 410            | 15             | 592            | 1,250          | 750            | 750            | -              |
| Equipment                                               | 3,664          | -              | 75             | 600            | 1,000          | 1,000          | 1,000          | -              |
| <b>350 Total support services - instruction</b>         | <b>377,470</b> | <b>386,586</b> | <b>274,528</b> | <b>194,067</b> | <b>158,448</b> | <b>105,149</b> | <b>119,640</b> | <b>14,491</b>  |
| Support services - instructional technology             |                |                |                |                |                |                |                |                |
| Communications                                          | -              | -              | -              | -              | 125,100        | 125,100        | 125,100        | -              |
| Other purchased services                                | -              | -              | -              | -              | 2,500          | -              | -              | -              |
| Supplies, technology                                    | -              | -              | -              | -              | 20,461         | 6,500          | -              | (6,500)        |
| Equipment                                               | -              | -              | -              | -              | -              | -              | -              | -              |
| <b>360 Total support services - instruction</b>         | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>148,061</b> | <b>131,600</b> | <b>125,100</b> | <b>(6,500)</b> |
| School administration:                                  |                |                |                |                |                |                |                |                |
| Certificated salaries                                   | 181,405        | 186,522        | 113,594        | 50,640         | 133,333        | -              | -              | -              |
| Noncertificated salaries                                | 9,356          | 3,940          | -              | -              | -              | -              | -              | -              |
| Employee benefits                                       | 84,030         | 81,674         | 48,360         | 14,402         | 56,032         | -              | -              | -              |
| Staff travel                                            | 4,398          | 5,828          | 1,738          | -              | -              | -              | -              | -              |
| Utility services                                        | 3,850          | 3,345          | 2,827          | 2,286          | -              | -              | -              | -              |
| Communications                                          | -              | -              | -              | -              | 6,200          | 2,400          | 2,400          | -              |
| Other purchased services                                | 228            | 72             | -              | -              | -              | -              | -              | -              |
| Supplies, materials and media                           | 3,045          | 1,856          | 560            | 2,415          | 6,000          | 6,000          | 2,860          | (3,140)        |
| Other expenditures                                      | 1,214          | 1,596          | 1,385          | 717            | 2,200          | 2,000          | 2,000          | -              |
| Equipment                                               | 3,598          | -              | -              | -              | -              | -              | -              | -              |
| <b>400 Total school administration</b>                  | <b>291,124</b> | <b>284,833</b> | <b>168,464</b> | <b>70,460</b>  | <b>203,765</b> | <b>10,400</b>  | <b>7,260</b>   | <b>(3,140)</b> |
| School administration support services:                 |                |                |                |                |                |                |                |                |
| Noncertificated salaries                                | 117,045        | 99,428         | 88,249         | 97,658         | 96,240         | 95,560         | 101,490        | 5,930          |
| Employee benefits                                       | 84,743         | 64,448         | 67,059         | 105,528        | 117,570        | 85,470         | 89,290         | 3,820          |
| Professional and technical services                     | -              | -              | 389            | -              | -              | -              | -              | -              |
| Communications                                          | 5,748          | 5,308          | 6,043          | 5,182          | 5,200          | 5,200          | 5,200          | -              |
| Other purchased services                                | 5,565          | 5,379          | 5,792          | 5,068          | 10,000         | 7,500          | 6,500          | (1,000)        |
| Supplies, materials and media                           | 2,098          | 1,580          | 6,857          | 6,816          | 5,900          | 3,400          | 2,000          | (1,400)        |
| Other expenditures                                      | 99             | -              | -              | 325            | -              | -              | -              | -              |
| Equipment                                               | 679            | -              | -              | -              | -              | -              | -              | -              |
| <b>450 Total school administration support services</b> | <b>215,977</b> | <b>176,143</b> | <b>174,389</b> | <b>220,577</b> | <b>234,910</b> | <b>197,130</b> | <b>204,480</b> | <b>7,350</b>   |

Wrangell Public Schools  
 General (School Operating) Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual, continued  
 FY 2023

| <i>Period Ended June 30,</i>                              | FY18           | FY19           | FY20           | FY21           | FY22           | Draft 1        | Draft 2        | Draft 1 & 2    |
|-----------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|                                                           | Actual         | Actual         | Actual         | Actual         | Budget         | FY23           | FY23           | Variance       |
|                                                           |                |                |                |                |                | Budget         | Budget         | in Budgets     |
| <b>Expenditures, continued</b>                            |                |                |                |                |                |                |                |                |
| District administration:                                  |                |                |                |                |                |                |                |                |
| Certificated salaries                                     | \$ 118,397     | \$ 107,000     | \$ 104,778     | \$ 103,708     | \$ 92,800      | \$ 92,800      | 92,800         | \$ -           |
| Noncertificated salaries                                  |                |                |                |                | 28,760         | 30,520         | 28,760         | (1,760)        |
| Employee benefits                                         | 54,945         | 42,247         | 37,226         | 44,835         | 60,660         | 53,530         | 53,070         | (460)          |
| Transportation allowance                                  | 5,000          | -              | -              | -              | -              | -              | -              | -              |
| Professional and technical services                       | 41,646         | 7,178          | 1,333          | 6,073          | 5,000          | 10,000         | 10,000         | -              |
| Staff travel                                              | 23,740         | 21,511         | 13,633         | 3,395          | 9,000          | 9,000          | 9,000          | -              |
| Communications                                            | 2,467          | 1,396          | 1,214          | 1,351          | 5,400          | 1,400          | 1,400          | -              |
| Other purchased services                                  | -              | -              | 56             | -              | 400            | -              | -              | -              |
| Supplies, materials and media                             | 3,798          | 9,734          | 8,028          | 4,710          | 2,000          | 1,000          | 1,000          | -              |
| Dues and fees                                             | 10,643         | 7,773          | 7,641          | 18,986         | 5,500          | 3,000          | 3,000          | -              |
| Equipment                                                 | 1,249          | -              | -              | 1,108          | -              | -              | -              | -              |
| <b>510 Total district administration</b>                  | <b>261,885</b> | <b>196,839</b> | <b>173,909</b> | <b>184,166</b> | <b>209,520</b> | <b>201,250</b> | <b>199,030</b> | <b>(2,220)</b> |
| Board of Education:                                       |                |                |                |                |                |                |                |                |
| Noncertificated salaries                                  |                |                |                |                | 31,960         | 33,910         | 31,960         | \$ (1,950)     |
| Employee benefits                                         |                |                |                |                | 23,480         | 22,770         | 22,190         | (580)          |
| Professional and technical services                       |                |                |                |                | 5,000          | 10,000         | 10,000         | -              |
| Staff travel                                              |                |                |                |                | 10,000         | 10,000         | 10,000         | -              |
| Supplies, materials and media                             |                |                |                |                | 3,500          | 3,500          | 500            | (3,000)        |
| Supplies, technology                                      |                |                |                |                | -              | -              | 3,000          | 3,000          |
| Dues and fees                                             |                |                |                |                | 15,000         | 5,000          | 5,000          | -              |
| <b>511 Total district administration</b>                  | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>88,940</b>  | <b>85,180</b>  | <b>82,650</b>  | <b>(2,530)</b> |
| District administration support services:                 |                |                |                |                |                |                |                |                |
| Noncertificated salaries                                  | 177,202        | 179,236        | 223,264        | 185,682        | 95,790         | 129,280        | 138,390        | 9,110          |
| Employee benefits                                         | 108,340        | 117,023        | 142,039        | 103,662        | 82,970         | 79,540         | 82,860         | 3,320          |
| Professional and technical services                       | 82,865         | 148,115        | 134,136        | 184,012        | 105,000        | 51,000         | 66,934         | 15,934         |
| Staff travel                                              | 5,569          | 4,904          | 4,041          | 549            | 9,000          | 9,000          | 9,000          | -              |
| Communications                                            | 4,169          | 2,503          | 3,023          | 3,463          | 14,000         | 2,000          | 2,000          | -              |
| Other purchased services                                  | 2,915          | 4,028          | 3,576          | 4,282          | 35,200         | -              | 2,000          | 2,000          |
| Insurance and bond premiums                               | 10,563         | 16,213         | 116,593        | 52,424         | 35,000         | 38,000         | 38,000         | -              |
| Supplies, materials and media                             | 3,952          | 9,140          | 24,390         | 8,285          | 6,500          | 5,000          | 5,000          | -              |
| Supplies, technology                                      |                |                |                |                | 1,400          | -              | 1,500          | 1,500          |
| Other expenditures                                        | 20,902         | 15,600         | 7,256          | 5,913          | 3,000          | 3,000          | 3,000          | -              |
| Dues and fees                                             |                |                |                |                | 23,500         | -              | -              | -              |
| Indirect costs                                            | (34,193)       | (26,983)       | (42,783)       | -              | (51,400)       | (102,600)      | (95,200)       | 7,400          |
| Equipment                                                 | -              | -              | 1,951          | 3,343          | 38,640         | -              | 19,320         | 19,320         |
| <b>550 Total district administration support services</b> | <b>382,284</b> | <b>469,779</b> | <b>617,486</b> | <b>551,615</b> | <b>398,600</b> | <b>214,220</b> | <b>272,804</b> | <b>58,584</b>  |
| District administrative technology services:              |                |                |                |                |                |                |                |                |
| Noncertificated salaries                                  |                |                |                |                | 86,790         | 90,260         | 93,730         | 3,470          |
| Employee benefits                                         |                |                |                |                | 55,840         | 53,060         | 54,380         | 1,320          |
| Professional and technical services                       |                |                |                |                | -              | -              | -              | -              |
| Staff travel                                              |                |                |                |                | 2,500          | 2,500          | 2,500          | -              |
| Communications                                            |                |                |                |                | -              | -              | -              | -              |
| Other purchased services                                  |                |                |                |                | -              | -              | -              | -              |
| Insurance and bond premiums                               |                |                |                |                | -              | -              | -              | -              |
| Supplies, materials and media                             |                |                |                |                | 1,000          | 8,800          | 1,000          | (7,800)        |
| Supplies, technology                                      |                |                |                |                | 7,800          | -              | 7,900          | 7,900          |
| Other expenditures                                        |                |                |                |                | 550            | 550            | 550            | -              |
| Indirect costs                                            |                |                |                |                | -              | -              | -              | -              |
| Equipment                                                 |                |                |                |                | 1,000          | 1,000          | 1,000          | -              |
| <b>560 Total district administration support services</b> | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>-</b>       | <b>155,480</b> | <b>156,170</b> | <b>161,060</b> | <b>4,890</b>   |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual, continued**  
**FY 2023**

| <i>Period Ended June 30,</i>                             | FY18<br>Actual    | FY19<br>Actual    | FY20<br>Actual    | FY21<br>Actual      | FY22<br>Budget    | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|----------------------------------------------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------------|---------------------------|---------------------------------------|
| Operations and maintenance of plant:                     |                   |                   |                   |                     |                   |                           |                           |                                       |
| Noncertificated salaries                                 | 240,151           | 238,404           | 191,481           | 186,662             | 219,700           | 227,510                   | 223,100                   | (4,410)                               |
| Employee benefits                                        | 144,082           | 169,091           | 177,743           | 149,289             | 178,600           | 155,250                   | 154,190                   | (1,060)                               |
| Professional and technical services                      | 20,385            | 12,710            | 49,773            | 20,348              | 18,100            | 18,100                    | 18,100                    | -                                     |
| Staff travel                                             | -                 | 1,280             | 1,542             | 100                 | 3,000             | 3,000                     | 3,000                     | -                                     |
| Utility services                                         | 30,334            | 31,146            | 33,895            | 32,068              | 33,400            | 25,400                    | 25,400                    | -                                     |
| Energy                                                   | 208,414           | 247,991           | 276,539           | 260,696             | 324,900           | 324,900                   | 362,856                   | 37,956                                |
| Other purchased services                                 | 3,079             | 4,117             | 10,199            | 12,047              | 17,440            | 8,900                     | 8,900                     | -                                     |
| Insurance and bond premiums                              | 38,504            | 43,065            | 1,000             | 79,271              | 84,120            | 96,000                    | 96,000                    | -                                     |
| Supplies, materials and media                            | 22,059            | 37,066            | 42,172            | 52,673              | 82,650            | 49,800                    | 32,350                    | (17,450)                              |
| Other expenditures                                       | -                 | -                 | 3,742             | -                   | 1,100             | 1,000                     | 1,000                     | -                                     |
| Equipment                                                | 2,418             | 6,818             | 1,250             | -                   | -                 | -                         | -                         | -                                     |
| 600 Total operations and maintenance of plant            | 709,426           | 791,688           | 789,336           | 793,154             | 963,010           | 909,860                   | 924,896                   | 15,036                                |
| Expenditures, continued                                  |                   |                   |                   |                     |                   |                           |                           |                                       |
| Student activities:                                      |                   |                   |                   |                     |                   |                           |                           |                                       |
| Certificated salaries                                    | \$ 20,408         | \$ 21,266         | \$ 15,647         | \$ 12,810           | \$ 14,140         | \$ 14,140                 | 14,140                    | -                                     |
| Noncertificated salaries                                 | 64,875            | 53,389            | 28,285            | 28,415              | 57,420            | 58,030                    | 57,620                    | (410)                                 |
| Employee benefits                                        | 15,598            | 11,820            | 6,283             | 7,440               | 9,320             | 7,840                     | 5,360                     | (2,480)                               |
| Professional and technical services                      | 6,671             | 4,950             | 1,555             | 1,995               | -                 | -                         | -                         | -                                     |
| Staff travel                                             | 5,807             | 3,151             | 817               | 92                  | 5,500             | 4,000                     | 4,000                     | -                                     |
| Student travel                                           | 105,111           | 126,607           | 129,424           | 25,776              | 53,000            | 70,000                    | 70,000                    | -                                     |
| Other purchased services                                 | -                 | 150               | -                 | -                   | 6,000             | 2,500                     | 1,500                     | -                                     |
| Supplies, materials and media                            | 13,780            | 54,804            | 18,656            | -                   | 15,000            | 15,500                    | 8,500                     | (7,000)                               |
| Other expenditures                                       | 3,799             | 4,171             | 3,468             | 3,354               | 10,100            | 9,500                     | 9,500                     | -                                     |
| 700 Total student activities                             | 236,049           | 280,308           | 204,135           | 79,882              | 172,980           | 180,510                   | 170,620                   | (9,890)                               |
| Food services - employee benefits                        | 657               | 1,340             | -                 | -                   | -                 | -                         | -                         | -                                     |
| <b>Total Expenditures</b>                                | <b>5,450,661</b>  | <b>5,818,781</b>  | <b>5,553,479</b>  | <b>4,852,572</b>    | <b>5,808,841</b>  | <b>5,103,779</b>          | <b>5,044,170</b>          | <b>(59,609)</b>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>112,707</b>    | <b>36,351</b>     | <b>184,460</b>    | <b>467,908</b>      | <b>(574,030)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| Other Financing Sources (Uses)                           |                   |                   |                   |                     |                   |                           |                           |                                       |
| Transfers in                                             | -                 | -                 | -                 | -                   | -                 | -                         | -                         | -                                     |
| 900 Transfers to 205                                     | (120,000)         | -                 | (5,973)           | (43,538)            | (88,577)          | -                         | -                         | -                                     |
| <b>Net Change in Fund Balance</b>                        | <b>(7,293)</b>    | <b>36,351</b>     | <b>178,487</b>    | <b>424,370</b>      | <b>(662,607)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| <b>Fund Balance, beginning of year</b>                   | <b>549,941</b>    | <b>542,648</b>    | <b>578,999</b>    | <b>757,486</b>      | <b>1,181,856</b>  | <b>519,249</b>            | <b>519,249</b>            | <b>-</b>                              |
| <b>Fund Balance, end of year</b>                         | <b>\$ 542,648</b> | <b>\$ 578,999</b> | <b>\$ 757,486</b> | <b>\$ 1,181,856</b> | <b>\$ 519,249</b> | <b>\$ 148,184</b>         | <b>\$ 478,523</b>         | <b>\$ 330,339</b>                     |
|                                                          | 10.0%             | 10.0%             | 13.6%             | 24.4%               | 8.9%              | 2.9%                      | 9.5%                      |                                       |

**FY23 Budget By Location**

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>                         | FY22<br>Budget   | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|------------------------------------------------------|------------------|---------------------------|---------------------------|---------------------------------------|
| <b>Revenues - District Wide</b>                      |                  |                           |                           |                                       |
| Local sources:                                       |                  |                           |                           |                                       |
| Borough appropriation - City and Borough of Wrangell | \$ -             | \$ 705,833                | \$ 942,459                | 236,626                               |
| Borough appropriation - Timber receipts              | 1,300,000        | 594,167                   | 650,000                   | 55,833                                |
| Earnings on investments                              | 701              | 701                       | 701                       | -                                     |
| Other local revenues                                 | 80,000           | 80,000                    | 80,000                    | -                                     |
| E-Rate                                               | 121,400          | 100,100                   | 87,400                    | (12,700)                              |
| <b>Total local sources</b>                           | <b>1,502,101</b> | <b>1,480,801</b>          | <b>1,760,560</b>          | <b>279,759</b>                        |
| State of Alaska:                                     |                  |                           |                           |                                       |
| Foundation                                           | 3,273,280        | 3,000,600                 | 3,000,600                 | -                                     |
| Quality schools                                      | 10,708           | 10,250                    | 10,250                    | -                                     |
| TRS on behalf                                        | 360,033          | 212,086                   | 204,942                   | (7,144)                               |
| PERS on behalf                                       | 71,289           | 27,977                    | 26,092                    | (1,885)                               |
| Other                                                | -                | -                         | -                         | -                                     |
| <b>Total State of Alaska</b>                         | <b>3,715,310</b> | <b>3,250,913</b>          | <b>3,241,884</b>          | <b>(9,029)</b>                        |
| Federal sources -                                    |                  |                           |                           |                                       |
| Direct educational grants - federal impact aid       | 1,000            | 1,000                     | 1,000                     | -                                     |
| Direct federal sources - other intermediary agencies | 16,400           | -                         | -                         | -                                     |
| <b>Total federal sources</b>                         | <b>17,400</b>    | <b>1,000</b>              | <b>1,000</b>              | <b>-</b>                              |
| <b>Total Revenues</b>                                | <b>5,234,811</b> | <b>4,732,714</b>          | <b>5,003,444</b>          | <b>270,730</b>                        |
| <b>Expenditures</b>                                  |                  |                           |                           |                                       |
| <b>Wrangell High School</b>                          |                  |                           |                           |                                       |
| Instruction:                                         |                  |                           |                           |                                       |
| Certificated salaries                                | \$ 385,780       | 395,370                   | 384,010                   | (11,360)                              |
| Aide salaries                                        | -                | -                         | -                         | -                                     |
| Substitutes and temporaries                          | 6,000            | -                         | -                         | -                                     |
| Employee benefits                                    | -                | -                         | -                         | -                                     |
| Insurance - health & life                            | 115,870          | 119,330                   | 118,740                   | (590)                                 |
| Unemployment insurance                               | 1,930            | 1,980                     | 1,930                     | (50)                                  |
| Workers comp                                         | 2,740            | 2,810                     | 2,730                     | (80)                                  |
| FICA & FICA Med                                      | 5,600            | 5,740                     | 5,570                     | (170)                                 |
| TRS                                                  | 48,460           | 49,660                    | 48,240                    | (1,420)                               |
| PERS                                                 | 5,033            | -                         | -                         | -                                     |
| TRS on behalf                                        | 74,420           | 47,690                    | 46,320                    | (1,370)                               |
| PERS on behalf                                       | -                | -                         | -                         | -                                     |
| Other                                                | 2,066            | -                         | -                         | -                                     |
| Travel                                               | 4,000            | -                         | -                         | -                                     |
| Other purchased services                             | 3,100            | 2,500                     | 2,500                     | -                                     |
| Supplies, materials and media                        | 31,000           | 27,970                    | 14,000                    | (13,970)                              |
| Supplies, technology                                 | 13,120           | 0                         | 15,700                    | 15,700                                |
| Dues and fees                                        | 800              | 500                       | 500                       | -                                     |
| Equipment                                            | -                | -                         | -                         | -                                     |
| 100 <b>Total instruction</b>                         | <b>699,919</b>   | <b>653,550</b>            | <b>640,240</b>            | <b>(13,310)</b>                       |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>                                   | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|----------------------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| Vocational Instruction:                                        |                |                           |                           |                                       |
| Certificated salaries                                          | 54,090         | 54,630                    | 54,630                    | -                                     |
| Substitutes and temporaries                                    | 100            | -                         | -                         | -                                     |
| Insurance - health & life                                      | 100            | 100                       | 100                       | -                                     |
| Unemployment insurance                                         | 280            | 280                       | 280                       | -                                     |
| Workers comp                                                   | 390            | 390                       | 390                       | -                                     |
| FICA & FICA Med                                                | 790            | 800                       | 800                       | -                                     |
| TRS                                                            | 6,800          | 6,870                     | 6,870                     | -                                     |
| PERS                                                           | -              | -                         | -                         | -                                     |
| TRS on behalf                                                  | 10,440         | 6,590                     | 6,590                     | -                                     |
| PERS on behalf                                                 | -              | -                         | -                         | -                                     |
| Other                                                          | 1,260          | 2,520                     | 2,520                     | -                                     |
| Supplies, materials and media                                  | 10,020         | 1,500                     | 1,500                     | -                                     |
| <b>160 Total instruction</b>                                   | <b>84,270</b>  | <b>73,680</b>             | <b>73,680</b>             | <b>-</b>                              |
| Special education instruction:                                 |                |                           |                           |                                       |
| Certificated salaries                                          | 35,090         | 36,580                    | 36,580                    | -                                     |
| Aide salaries                                                  | 76,510         | 83,600                    | 80,410                    | (3,190)                               |
| Substitutes & temporaries                                      | 4,240          | 4,240                     | 4,240                     | -                                     |
| Employee benefits                                              | -              | -                         | -                         | -                                     |
| Insurance - health & life                                      | 17,560         | 18,080                    | 18,220                    | 140                                   |
| Unemployment insurance                                         | 640            | 680                       | 660                       | (20)                                  |
| Workers comp                                                   | 830            | 890                       | 870                       | (20)                                  |
| FICA & FICA Med                                                | 1,950          | 2,070                     | 2,020                     | (50)                                  |
| TRS                                                            | 4,410          | 4,600                     | 4,600                     | -                                     |
| PERS                                                           | 16,840         | 18,400                    | 17,690                    | (710)                                 |
| TRS on behalf                                                  | 6,770          | 4,420                     | 4,420                     | -                                     |
| PERS on behalf                                                 | 6,210          | 2,340                     | 2,250                     | (90)                                  |
| Other                                                          | 4,690          | 5,130                     | 4,930                     | (200)                                 |
| Staff travel                                                   | 1,500          | 1,500                     | 1,500                     | -                                     |
| Supplies, materials and media                                  | 8,300          | 2,000                     | 500                       | (1,500)                               |
| Supplies, technology                                           | -              | -                         | 1,500                     | 1,500                                 |
| <b>200 Total special education instruction</b>                 | <b>185,540</b> | <b>184,530</b>            | <b>180,390</b>            | <b>(4,140)</b>                        |
| Special education support services - students:                 |                |                           |                           |                                       |
| Certificated salaries                                          | -              | -                         | -                         | -                                     |
| Noncertificated salaries                                       | -              | -                         | -                         | -                                     |
| Employee benefits                                              | -              | -                         | -                         | -                                     |
| Supplies, materials and media                                  | -              | -                         | -                         | -                                     |
| Supplies, technology                                           | -              | -                         | -                         | -                                     |
| Equipment                                                      | -              | -                         | -                         | -                                     |
| <b>220 Total special education support services - students</b> | <b>-</b>       | <b>-</b>                  | <b>-</b>                  | <b>-</b>                              |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>                    | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|-------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| Support services - students:                    |                |                           |                           |                                       |
| Certificated salaries                           | 35,290         | 37,010                    | 45,270                    | 8,260                                 |
| Noncertificated salaries                        | -              | -                         | -                         | -                                     |
| Employee benefits                               | -              | -                         | -                         | -                                     |
| Insurance - health & life                       | 6,100          | 6,280                     | 6,320                     | 40                                    |
| Unemployment insurance                          | 180            | 190                       | 230                       | 40                                    |
| Workers comp                                    | 260            | 270                       | 330                       | 60                                    |
| FICA & FICA Med                                 | 520            | 540                       | 660                       | 120                                   |
| TRS                                             | 4,440          | 4,650                     | 5,690                     | 1,040                                 |
| PERS                                            | -              | -                         | -                         | -                                     |
| TRS on behalf                                   | 6,810          | 4,470                     | 5,460                     | 990                                   |
| PERS on behalf                                  | -              | -                         | -                         | -                                     |
| Other                                           | -              | -                         | -                         | -                                     |
| Professional and technical services             | -              | -                         | -                         | -                                     |
| Supplies, materials and media                   | 500            | 500                       | 200                       | (300)                                 |
| Other expenditures                              | -              | -                         | -                         | -                                     |
| <b>300 Total support services - students</b>    | <b>54,100</b>  | <b>53,910</b>             | <b>64,160</b>             | <b>10,250</b>                         |
| Support services - instruction:                 |                |                           |                           |                                       |
| Noncertificated salaries                        | 38,250         | 12,300                    | 12,300                    | -                                     |
| Insurance - health & life                       | 11,140         | 11,470                    | 11,440                    | (30)                                  |
| Unemployment insurance                          | 200            | 210                       | 70                        | (140)                                 |
| Workers comp                                    | 280            | 300                       | 90                        | (210)                                 |
| FICA & FICA Med                                 | 560            | 610                       | 180                       | (430)                                 |
| TRS                                             | -              | -                         | -                         | -                                     |
| PERS                                            | 8,420          | 9,120                     | 2,710                     | (6,410)                               |
| TRS on behalf                                   | -              | -                         | -                         | -                                     |
| PERS on behalf                                  | 3,110          | 1,160                     | 350                       | (810)                                 |
| Other                                           | 3,790          | 2,540                     | 760                       | (1,780)                               |
| Supplies, materials and media                   | 5,000          | 5,000                     | 2,500                     | (2,500)                               |
| Supplies, technology                            | 500            | 2,000                     | 2,000                     | -                                     |
| Other expenditures                              | 750            | 750                       | 750                       | -                                     |
| Equipment                                       | 1,000          | 1,000                     | 1,000                     | -                                     |
| <b>350 Total support services - instruction</b> | <b>73,000</b>  | <b>46,460</b>             | <b>34,150</b>             | <b>(12,310)</b>                       |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>                            | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|---------------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| School administration:                                  |                |                           |                           |                                       |
| Certificated salaries                                   | 67,130         | -                         | -                         | -                                     |
| Employee benefits                                       | -              | -                         | -                         | -                                     |
| Insurance - health & life                               | 6,013          | -                         | -                         | -                                     |
| Unemployment insurance                                  | 336            | -                         | -                         | -                                     |
| Workers comp                                            | 477            | -                         | -                         | -                                     |
| FICA & FICA Med                                         | 973            | -                         | -                         | -                                     |
| TRS                                                     | 8,431          | -                         | -                         | -                                     |
| PERS                                                    | -              | -                         | -                         | -                                     |
| TRS on behalf                                           | 12,949         | -                         | -                         | -                                     |
| PERS on behalf                                          | -              | -                         | -                         | -                                     |
| Other                                                   | -              | -                         | -                         | -                                     |
| Staff travel                                            | -              | -                         | -                         | -                                     |
| Communicators                                           | 3,800          | 800                       | 800                       | -                                     |
| Other purchased services                                | -              | -                         | -                         | -                                     |
| Supplies, materials and media                           | 4,000          | 4,000                     | 1,760                     | (2,240)                               |
| Dues and fees                                           | 1,000          | 1,000                     | 1,000                     | -                                     |
| Equipment                                               | -              | -                         | -                         | -                                     |
| <b>400 Total school administration</b>                  | <b>105,109</b> | <b>5,800</b>              | <b>3,560</b>              | <b>(2,240)</b>                        |
| School administration support services:                 |                |                           |                           |                                       |
| Noncertificated salaries                                | 27,330         | 29,040                    | 29,040                    | -                                     |
| Substitues & temporaries                                | 3,500          | -                         | -                         | -                                     |
| Employee benefits                                       | -              | -                         | -                         | -                                     |
| Insurance - health & life                               | 27,470         | 21,210                    | 21,360                    | 150                                   |
| Unemployment insurance                                  | 140            | 150                       | 150                       | -                                     |
| Workers comp                                            | 200            | 210                       | 210                       | -                                     |
| FICA & FICA Med                                         | 400            | 430                       | 430                       | -                                     |
| PERS                                                    | 6,020          | 6,390                     | 6,390                     | -                                     |
| PERS on behalf                                          | 2,220          | 820                       | 820                       | -                                     |
| Other                                                   | 1,680          | 1,780                     | 1,790                     | 10                                    |
| Communications                                          | 2,000          | 2,000                     | 2,000                     | -                                     |
| Other purchased services                                | 2,000          | 2,000                     | 2,500                     | 500                                   |
| Supplies, materials and media                           | 2,900          | 2,400                     | 1,000                     | (1,400)                               |
| Other expenditures                                      | -              | -                         | -                         | -                                     |
| Equipment                                               | -              | -                         | -                         | -                                     |
| <b>450 Total school administration support services</b> | <b>75,860</b>  | <b>66,430</b>             | <b>65,690</b>             | <b>(740)</b>                          |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>                         | FY22<br>Budget        | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|------------------------------------------------------|-----------------------|---------------------------|---------------------------|---------------------------------------|
| Operations and maintenance of plant:                 |                       |                           |                           |                                       |
| Maintenance/custodial salaries                       | 38,150                | 32,940                    | 31,980                    | (960)                                 |
| Substitutes & temporaries                            | 560                   | 560                       | 560                       | -                                     |
| Employee benefits                                    | -                     | -                         | -                         | -                                     |
| Insurance - health & life                            | 9,740                 | 10,030                    | 10,100                    | 70                                    |
| Unemployment insurance                               | 230                   | 240                       | 240                       | -                                     |
| Workers comp                                         | 960                   | 1,050                     | 1,020                     | (30)                                  |
| FICA & FICA Med                                      | 480                   | 520                       | 510                       | (10)                                  |
| PERS                                                 | 6,640                 | 7,250                     | 7,040                     | (210)                                 |
| PERS on behalf                                       | 2,450                 | 920                       | 900                       | (20)                                  |
| Other                                                | 1,850                 | 2,020                     | 1,970                     | (50)                                  |
| Professional and technical services                  | 4,700                 | 4,700                     | 4,700                     | -                                     |
| Staff travel                                         | -                     | -                         | -                         | -                                     |
| Utilities                                            | 13,100                | 13,100                    | 13,100                    | -                                     |
| Communicatons                                        | -                     | -                         | -                         | -                                     |
| Electricity                                          | 210,900               | 210,900                   | 197,719                   | (13,181)                              |
| Energy                                               | -                     | -                         | 22,237                    | 22,237                                |
| Other purchased services                             | 400                   | -                         | -                         | -                                     |
| Site & building repair & maintenance                 | 400                   | 400                       | 400                       | -                                     |
| Equipment repair & maintenance                       | 1,500                 | 1,500                     | 1,500                     | -                                     |
| Property Insurance                                   | 38,620                | 44,600                    | 44,600                    | -                                     |
| Supplies, materials and media                        | 17,000                | 4,000                     | 4,000                     | -                                     |
| Maintenance & construction supplies                  | 8,000                 | 8,000                     | 3,000                     | (5,000)                               |
| Janitorial supplies                                  | 6,200                 | 6,200                     | 2,200                     | (4,000)                               |
| Small tools & equipment                              | 1,000                 | 2,800                     | 1,000                     | (1,800)                               |
| Dues and fees                                        | -                     | -                         | -                         | -                                     |
| Equipment                                            | -                     | -                         | -                         | -                                     |
| <b>600 Total operations and maintenance of plant</b> | <b>362,880</b>        | <b>351,730</b>            | <b>348,776</b>            | <b>(2,954)</b>                        |
| <b>Expenditures, continued</b>                       |                       |                           |                           |                                       |
| Student activities:                                  |                       |                           |                           |                                       |
| Certificated extra duty                              | \$ 12,790             | 12,790                    | 12,790                    | -                                     |
| Director coordinator                                 | 6,670                 | 7,280                     | 6,870                     | (410)                                 |
| Temporaries salaries                                 | 43,570                | 43,570                    | 43,570                    | -                                     |
| Employee benefits                                    | -                     | -                         | -                         | -                                     |
| Insurance - health & life                            | 30                    | 30                        | -                         | (30)                                  |
| Unemployment insurance                               | 320                   | 320                       | 290                       | (30)                                  |
| Workers comp                                         | 450                   | 460                       | 410                       | (50)                                  |
| FICA & FICA Med                                      | 3,260                 | 3,270                     | 3,170                     | (100)                                 |
| TRS                                                  | 760                   | 260                       | 260                       | -                                     |
| PERS                                                 | 1,470                 | 1,610                     | -                         | (1,610)                               |
| TRS on behalf                                        | 400                   | 250                       | 250                       | -                                     |
| PERS on behalf                                       | 550                   | 210                       | -                         | (210)                                 |
| Other                                                | 770                   | 450                       | -                         | (450)                                 |
| Professional and technical services                  | -                     | -                         | -                         | -                                     |
| Staff travel                                         | 5,500                 | 4,000                     | 4,000                     | -                                     |
| Student travel                                       | 53,000                | 70,000                    | 70,000                    | -                                     |
| Student transportation                               | 6,000                 | -                         | -                         | -                                     |
| Other purchased services                             | 2,500                 | 1,500                     | 1,500                     | -                                     |
| Supplies, materials and media                        | 10,500                | 6,000                     | 2,500                     | (3,500)                               |
| Dues and fees                                        | 5,000                 | 5,000                     | 5,000                     | -                                     |
| <b>700 Total student activities</b>                  | <b>153,540</b>        | <b>157,000</b>            | <b>150,610</b>            | <b>(6,390)</b>                        |
| <b>Total Expenditures Wrangell High School</b>       | <b>\$1,794,218.00</b> | <b>\$ 1,593,090.00</b>    | <b>\$ 1,561,256.15</b>    | <b>\$ (31,833.85)</b>                 |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>  | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|-------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| <b>Expenditures</b>           |                |                           |                           |                                       |
| <b>Sitkine Middle School</b>  |                |                           |                           |                                       |
| Instruction:                  |                |                           |                           |                                       |
| Certificated salaries         | \$ 193,630     | \$ 198,810                | \$ 200,990                | \$ 2,180                              |
| Aide salaries                 | -              | -                         | -                         | -                                     |
| Substitutes and temporaries   | 1,200          | -                         | -                         | -                                     |
| Employee benefits             | -              | -                         | -                         | -                                     |
| Insurance - health & life     | 41,400         | 25,120                    | 37,560                    | 12,440                                |
| Unemployment insurance        | 970            | 1,000                     | 1,010                     | 10                                    |
| Workers comp                  | 1,380          | 1,420                     | 1,430                     | 10                                    |
| FICA & FICA Med               | 2,810          | 2,890                     | 2,920                     | 30                                    |
| TRS                           | 24,320         | 24,970                    | 25,250                    | 280                                   |
| PERS                          | 5,033          | -                         | -                         | -                                     |
| TRS on behalf                 | 37,350         | 23,980                    | 24,240                    | 260                                   |
| PERS on behalf                | -              | -                         | -                         | -                                     |
| Other                         | 3,866          | 3,600                     | 3,600                     | -                                     |
| Other purchased services      | 3,600          | 3,600                     | 2,000                     | (1,600)                               |
| Supplies, materials and media | 17,700         | 25,700                    | 2,900                     | (22,800)                              |
| Supplies, technology          | 8,403          | 0                         | 16,200                    | 16,200                                |
| Dues and fees                 | -              | -                         | -                         | -                                     |
| Equipment                     | -              | -                         | -                         | -                                     |
| <b>100 Total instruction</b>  | <b>341,662</b> | <b>311,090</b>            | <b>318,100</b>            | <b>7,010</b>                          |
| Vocational Instruction:       |                |                           |                           |                                       |
| Certificated salaries         | 15,460         | \$ 15,610                 | \$ 15,610                 | -                                     |
| Aide salaries                 | -              | -                         | -                         | -                                     |
| Substitutes and temporaries   | -              | -                         | -                         | -                                     |
| Insurance - health & life     | 63             | 30                        | 30                        | -                                     |
| Unemployment insurance        | 80             | 80                        | 80                        | -                                     |
| Workers comp                  | 110            | 120                       | 120                       | -                                     |
| FICA & FICA Med               | 230            | 230                       | 230                       | -                                     |
| TRS                           | 1,950          | 1,970                     | 1,970                     | -                                     |
| PERS                          | -              | -                         | -                         | -                                     |
| TRS on behalf                 | 2,990          | 1,890                     | 1,890                     | -                                     |
| PERS on behalf                | -              | -                         | -                         | -                                     |
| Other                         | 360            | 720                       | 720                       | -                                     |
| Other purchased services      | -              | -                         | -                         | -                                     |
| Supplies, materials and media | 1,500          | 1,500                     | 1,000                     | (500)                                 |
| Other expenditures            | -              | -                         | -                         | -                                     |
| Equipment                     | -              | -                         | -                         | -                                     |
| <b>160 Total instruction</b>  | <b>22,743</b>  | <b>22,150</b>             | <b>21,650</b>             | <b>(500)</b>                          |

**Wrangell Public Schools**

**General (School Operating) Fund  
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 FY 2023**

| <i>Period Ended June 30,</i>                    | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|-------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| Special education instruction:                  |                |                           |                           |                                       |
| Certificated salaries                           | 35,090         | 36,580                    | 36,580                    | -                                     |
| Aide salaries                                   | 70,410         | 76,370                    | 75,070                    | (1,300)                               |
| Support staff salaries                          | -              | -                         | -                         | -                                     |
| Substitutes & temporaries                       | 4,240          | 4,240                     | 4,240                     | -                                     |
| Employee benefits                               | -              | -                         | -                         | -                                     |
| Insurance - health & life                       | 9,730          | 10,020                    | 10,100                    | 80                                    |
| Unemployment insurance                          | 600            | 640                       | 640                       | -                                     |
| Workers comp                                    | 780            | 840                       | 830                       | (10)                                  |
| FICA & FICA Med                                 | 1,860          | 1,970                     | 1,950                     | (20)                                  |
| TRS                                             | 4,410          | 4,600                     | 4,600                     | -                                     |
| PERS                                            | 15,490         | 16,810                    | 16,520                    | (290)                                 |
| TRS on behalf                                   | 6,770          | 4,420                     | 4,420                     | -                                     |
| PERS on behalf                                  | 5,710          | 2,140                     | 2,100                     | (40)                                  |
| Other                                           | 4,320          | 4,690                     | 4,610                     | (80)                                  |
| Professional and technical services             | -              | -                         | -                         | -                                     |
| Staff travel                                    | -              | -                         | -                         | -                                     |
| Supplies, materials and media                   | 1,100          | 1,100                     | 600                       | (500)                                 |
| Supplies, technology                            | -              | -                         | -                         | -                                     |
| Other expenditures                              | -              | -                         | -                         | -                                     |
| Equipment                                       | -              | -                         | -                         | -                                     |
| <b>200 Total special education instruction</b>  | <b>160,510</b> | <b>164,420</b>            | <b>162,260</b>            | <b>(2,160)</b>                        |
| Support services - students:                    |                |                           |                           |                                       |
| Certificated salaries                           | 23,530         | 24,680                    | 30,180                    | 5,500                                 |
| Noncertificated salaries                        | -              | -                         | -                         | -                                     |
| Employee benefits                               | -              | -                         | -                         | -                                     |
| Insurance - health & life                       | 4,070          | 4,190                     | 4,220                     | 30                                    |
| Unemployment insurance                          | 120            | 130                       | 160                       | 30                                    |
| Workers comp                                    | 170            | 180                       | 220                       | 40                                    |
| FICA & FICA Med                                 | 350            | 360                       | 440                       | 80                                    |
| TRS                                             | 2,960          | 3,100                     | 3,800                     | 700                                   |
| PERS                                            | -              | -                         | -                         | -                                     |
| TRS on behalf                                   | 4,540          | 2,980                     | 3,640                     | 660                                   |
| Professional and technical services             | -              | -                         | -                         | -                                     |
| Supplies, materials and media                   | 500            | 500                       | 250                       | (250)                                 |
| Other expenditures                              | -              | -                         | -                         | -                                     |
| <b>300 Total support services - students</b>    | <b>36,240</b>  | <b>36,120</b>             | <b>42,910</b>             | <b>6,790</b>                          |
| Support services - instruction:                 |                |                           |                           |                                       |
| Other purchased services                        | -              | -                         | -                         | -                                     |
| Supplies, materials and media                   | 1,000          | 6,200                     | 500                       | (5,700)                               |
| Supplies, technology                            | 2,700          | -                         | 5,200                     | 5,200                                 |
| Other expenditures                              | -              | -                         | -                         | -                                     |
| Equipment                                       | -              | -                         | -                         | -                                     |
| <b>350 Total support services - instruction</b> | <b>3,700</b>   | <b>6,200</b>              | <b>5,700</b>              | <b>(500)</b>                          |

**Wrangell Public Schools**

**General (School Operating) Fund  
 Schedule of Revenues, Expenditures and  
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 FY 2023**

| <i>Period Ended June 30,</i>                            | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|---------------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| Support services - instructional technology             |                |                           |                           |                                       |
| Other purchased services                                | -              | -                         | -                         | -                                     |
| Supplies, materials and media                           | -              | -                         | -                         | -                                     |
| Other expenditures                                      | -              | -                         | -                         | -                                     |
| Equipment                                               | -              | -                         | -                         | -                                     |
| <b>360 Total support services - instruction</b>         | <b>-</b>       | <b>-</b>                  | <b>-</b>                  | <b>-</b>                              |
| School administration:                                  |                |                           |                           |                                       |
| Certificated salaries                                   | 44,753         | -                         | -                         | -                                     |
| Insurance - health & life                               | 4,008          | -                         | -                         | -                                     |
| Unemployment insurance                                  | 224            | -                         | -                         | -                                     |
| Workers comp                                            | 318            | -                         | -                         | -                                     |
| FICA & FICA Med                                         | 649            | -                         | -                         | -                                     |
| TRS                                                     | 5,621          | -                         | -                         | -                                     |
| PERS                                                    | -              | -                         | -                         | -                                     |
| TRS on behalf                                           | 8,633          | -                         | -                         | -                                     |
| PERS on behalf                                          | -              | -                         | -                         | -                                     |
| Other                                                   | -              | -                         | -                         | -                                     |
| Staff travel                                            | -              | -                         | -                         | -                                     |
| Communications                                          | 1,500          | 700                       | 700                       | -                                     |
| Other purchased services                                | -              | -                         | -                         | -                                     |
| Supplies, materials and media                           | 1,000          | 1,000                     | 600                       | (400)                                 |
| Dues and fees                                           | 500            | 500                       | 500                       | -                                     |
| Equipment                                               | -              | -                         | -                         | -                                     |
| <b>400 Total school administration</b>                  | <b>67,206</b>  | <b>2,200</b>              | <b>1,800</b>              | <b>(400)</b>                          |
| School administration support services:                 |                |                           |                           |                                       |
| Noncertificated salaries                                | 28,300         | \$ 35,710                 | \$ 35,710                 | -                                     |
| Substitutes & temporaries                               | 1,000          | -                         | -                         | -                                     |
| Employee benefits                                       | -              | -                         | -                         | -                                     |
| Insurance - health & life                               | 25,430         | 10,900                    | 10,980                    | 80                                    |
| Unemployment insurance                                  | 150            | 180                       | 180                       | -                                     |
| Workers comp                                            | 210            | 260                       | 260                       | -                                     |
| FICA & FICA Med                                         | 420            | 520                       | 520                       | -                                     |
| TRS                                                     | -              | -                         | -                         | -                                     |
| PERS                                                    | 6,230          | 7,860                     | 7,860                     | -                                     |
| TRS on behalf                                           | -              | -                         | -                         | -                                     |
| PERS on behalf                                          | 2,300          | 1,000                     | 1,000                     | -                                     |
| Other                                                   | 1,740          | 2,190                     | 2,190                     | -                                     |
| Professional and technical services                     | -              | -                         | -                         | -                                     |
| Communications                                          | 1,400          | 1,400                     | 1,400                     | -                                     |
| Other purchased services                                | 3,400          | 1,500                     | 2,000                     | 500                                   |
| Supplies, materials and media                           | 500            | 500                       | 500                       | -                                     |
| Other expenditures                                      | -              | -                         | -                         | -                                     |
| Equipment                                               | -              | -                         | -                         | -                                     |
| <b>450 Total school administration support services</b> | <b>71,080</b>  | <b>62,020</b>             | <b>62,600</b>             | <b>580</b>                            |

**Wrangell Public Schools**

**General (School Operating) Fund  
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 FY 2023**

| <i>Period Ended June 30,</i>                         | FY22<br>Budget       | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|------------------------------------------------------|----------------------|---------------------------|---------------------------|---------------------------------------|
| Operations and maintenance of plant:                 |                      |                           |                           |                                       |
| Maintenance/custodial salaries                       | 31,050 \$            | 33,930 \$                 | 32,940                    | (990)                                 |
| Substitutes & temporaries                            | 560                  | 560                       | 560                       | -                                     |
| Insurance - health & life                            | 9,740                | 10,030                    | 10,100                    | 70                                    |
| Unemployment insurance                               | 230                  | 250                       | 240                       | (10)                                  |
| Workers comp                                         | 990                  | 1,080                     | 1,050                     | (30)                                  |
| FICA & FICA Med                                      | 500                  | 540                       | 520                       | (20)                                  |
| PERS                                                 | 6,830                | 7,470                     | 7,250                     | (220)                                 |
| PERS on behalf                                       | 2,520                | 950                       | 920                       | (30)                                  |
| Other                                                | 1,910                | 2,080                     | 2,020                     | (60)                                  |
| Professional and technical services                  | 5,800                | 5,800                     | 5,800                     | -                                     |
| Staff travel                                         | -                    | -                         | -                         | -                                     |
| Utilities                                            | 7,000                | 7,000                     | 7,000                     | -                                     |
| Communicatons                                        | -                    | -                         | -                         | -                                     |
| Electricity                                          | 14,100               | 14,100                    | 14,100                    | -                                     |
| Energy                                               | 23,800               | 23,800                    | 33,500                    | 9,700                                 |
| Other purchased services                             | -                    | -                         | -                         | -                                     |
| Site & building repair & maintenance                 | 4,000                | 4,000                     | 4,000                     | -                                     |
| Equipment repair & maintenance                       | 1,000                | 1,000                     | 1,000                     | -                                     |
| Property Insurance                                   | 14,000               | 16,100                    | 16,100                    | -                                     |
| Supplies, materials and media                        | 8,000                | 1,000                     | 1,000                     | -                                     |
| Maintenance & construction supplies                  | 1,500                | 3,000                     | 2,000                     | (1,000)                               |
| Janitorial supplies                                  | 2,000                | 2,000                     | 1,100                     | (900)                                 |
| Small tools & equipment                              | 250                  | 500                       | 250                       | (250)                                 |
| Dues and fees                                        | -                    | -                         | -                         | -                                     |
| Equipment                                            | -                    | -                         | -                         | -                                     |
| <b>600 Total operations and maintenance of plant</b> | <b>135,780</b>       | <b>135,190</b>            | <b>141,450</b>            | <b>6,260</b>                          |
| <b>Expenditures, continued</b>                       |                      |                           |                           |                                       |
| Student activities:                                  |                      |                           |                           |                                       |
| Certificated extra duty                              | \$ 1,350             | \$ 1,350                  | \$ 1,350                  | -                                     |
| Director coordinator                                 | -                    | -                         | -                         | -                                     |
| Temporaries salaries                                 | 6,500                | 6,500                     | 6,500                     | -                                     |
| Insurance - health & life                            | 140                  | -                         | -                         | -                                     |
| Unemployment insurance                               | 40                   | 40                        | 40                        | -                                     |
| Workers comp                                         | 60                   | 60                        | 60                        | -                                     |
| FICA & FICA Med                                      | 520                  | 520                       | 520                       | -                                     |
| TRS                                                  | 170                  | 170                       | 170                       | -                                     |
| PERS                                                 | -                    | -                         | -                         | -                                     |
| TRS on behalf                                        | 270                  | 170                       | 170                       | -                                     |
| PERS on behalf                                       | -                    | -                         | -                         | -                                     |
| Other                                                | 90                   | -                         | -                         | -                                     |
| Staff travel                                         | -                    | -                         | -                         | -                                     |
| Student travel                                       | -                    | -                         | -                         | -                                     |
| Other purchased services                             | -                    | -                         | -                         | -                                     |
| Supplies, materials and media                        | 500                  | 3,000                     | 500                       | (2,500)                               |
| Dues and fees                                        | 1,500                | 1,500                     | 1,500                     | -                                     |
| <b>700 Total student activities</b>                  | <b>11,140</b>        | <b>13,310</b>             | <b>10,810</b>             | <b>(2,500)</b>                        |
| <b>Total Expenditures Stikine Middle School</b>      | <b>\$ 850,061.00</b> | <b>\$ 752,700.00</b>      | <b>\$ 767,280.00</b>      | <b>\$ 14,580.00</b>                   |

**Wrangell Public Schools**

**General (School Operating) Fund  
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 FY 2023**

| <i>Period Ended June 30,</i>                   | FY22<br>Budget   | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|------------------------------------------------|------------------|---------------------------|---------------------------|---------------------------------------|
| <b>Expenditures</b>                            |                  |                           |                           |                                       |
| <b>Evergreen Elementary School</b>             |                  |                           |                           |                                       |
| Instruction:                                   |                  |                           |                           |                                       |
| Certificated salaries                          | 701,380          | 700,240                   | 636,420                   | (63,820)                              |
| Aide salaries                                  | -                | -                         | -                         | -                                     |
| Substitutes and temporaries                    | 10,000           | -                         | -                         | -                                     |
| Employee benefits                              | -                | -                         | -                         | -                                     |
| Insurance - health & life                      | 164,950          | 169,860                   | 150,600                   | (19,260)                              |
| Unemployment insurance                         | 3,510            | 3,510                     | 3,190                     | (320)                                 |
| Workers comp                                   | 4,980            | 4,980                     | 4,520                     | (460)                                 |
| FICA & FICA Med                                | 10,170           | 10,160                    | 9,230                     | (930)                                 |
| TRS                                            | 88,100           | 87,960                    | 79,940                    | (8,020)                               |
| PERS                                           | 5,033            | -                         | -                         | -                                     |
| TRS on behalf                                  | 135,300          | 84,450                    | 76,760                    | (7,690)                               |
| Other                                          | 3,866            | 3,600                     | 3,600                     | -                                     |
| Staff travel                                   | 1,800            | 3,600                     | 3,600                     | -                                     |
| Other purchased services                       | 3,600            | 3,600                     | 6,000                     | 2,400                                 |
| Supplies, materials and media                  | 36,300           | 70,100                    | 6,000                     | (64,100)                              |
| Supplies, technology                           | 29,774           | -                         | 29,300                    | 29,300                                |
| Dues and fees                                  | -                | -                         | -                         | -                                     |
| Equipment                                      | -                | -                         | -                         | -                                     |
| <b>100 Total instruction</b>                   | <b>1,198,763</b> | <b>1,142,060</b>          | <b>1,009,160</b>          | <b>(132,900)</b>                      |
| Special education instruction:                 |                  |                           |                           |                                       |
| Certificated salaries                          | 79,270           | 82,340                    | 82,340                    | -                                     |
| Aide salaries                                  | 68,270           | 73,500                    | 72,010                    | (1,490)                               |
| Substitutes & temporaries                      | 10,000           | 4,240                     | 4,240                     | -                                     |
| Employee benefits                              | -                | -                         | -                         | -                                     |
| Insurance - health & life                      | 14,140           | 140                       | 140                       | -                                     |
| Unemployment insurance                         | 810              | 860                       | 850                       | (10)                                  |
| Workers comp                                   | 1,080            | 1,140                     | 1,130                     | (10)                                  |
| FICA & FICA Med                                | 2,470            | 2,590                     | 2,570                     | (20)                                  |
| TRS                                            | 9,960            | 10,350                    | 10,350                    | -                                     |
| PERS                                           | 15,020           | 16,170                    | 15,850                    | (320)                                 |
| TRS on behalf                                  | 15,300           | 9,930                     | 9,930                     | -                                     |
| PERS on behalf                                 | 5,540            | 2,060                     | 2,010                     | (50)                                  |
| Other                                          | 5,990            | 8,110                     | 8,020                     | (90)                                  |
| Professional and technical services            | -                | -                         | -                         | -                                     |
| Staff travel                                   | -                | -                         | -                         | -                                     |
| Supplies, materials and media                  | 1,500            | -                         | 500                       | 500                                   |
| Supplies, technology                           | -                | -                         | 870                       | 870                                   |
| Other expenditures                             | -                | -                         | -                         | -                                     |
| Equipment                                      | -                | -                         | -                         | -                                     |
| <b>200 Total special education instruction</b> | <b>229,350</b>   | <b>211,430</b>            | <b>210,810</b>            | <b>(620)</b>                          |
| Support services - students:                   |                  |                           |                           |                                       |
| Professional and technical services            | -                | -                         | -                         | -                                     |
| Supplies, materials and media                  | 500              | 6,500                     | 1,500                     | (5,000.00)                            |
| Other expenditures                             | -                | -                         | -                         | -                                     |
| <b>300 Total support services - students</b>   | <b>500</b>       | <b>6,500</b>              | <b>1,500</b>              | <b>(5,000)</b>                        |

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| <i>Period Ended June 30,</i>                            | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|---------------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| Support services - instruction:                         |                |                           |                           |                                       |
| Certificated salaries                                   | -              | -                         | -                         | -                                     |
| Aide salaries                                           | 16,270         | 17,780                    | 17,260                    | (520)                                 |
| Employee benefits                                       | -              | -                         | -                         | -                                     |
| Insurance - health & life                               | -              | -                         | -                         | -                                     |
| Unemployment insurance                                  | 90             | 90                        | 90                        | -                                     |
| Workers comp                                            | 120            | 130                       | 130                       | -                                     |
| FICA & FICA Med                                         | 240            | 260                       | 260                       | -                                     |
| TRS                                                     | -              | -                         | -                         | -                                     |
| PERS                                                    | 3,580          | 3,920                     | 3,800                     | (120)                                 |
| TRS on behalf                                           | -              | -                         | -                         | -                                     |
| PERS on behalf                                          | 1,320          | 500                       | 490                       | (10)                                  |
| Other                                                   | 1,000          | 1,090                     | 1,060                     | (30)                                  |
| Supplies, materials and media                           | 2,605          | 1,000                     | -                         | (1,000)                               |
| Supplies, technology                                    | -              | -                         | 1,500                     | 1,500                                 |
| Other expenditures                                      | -              | -                         | -                         | -                                     |
| <b>350 Total support services - instruction</b>         | <b>25,225</b>  | <b>24,770</b>             | <b>24,590</b>             | <b>(180)</b>                          |
| School administration:                                  |                |                           |                           |                                       |
| Certificated salaries                                   | 21,450         | -                         | -                         | -                                     |
| Noncertificated salaries                                | -              | -                         | -                         | -                                     |
| Employee benefits                                       | -              | -                         | -                         | -                                     |
| Insurance - health & life                               | -              | -                         | -                         | -                                     |
| Unemployment insurance                                  | 107            | -                         | -                         | -                                     |
| Workers comp                                            | 152            | -                         | -                         | -                                     |
| FICA & FICA Med                                         | 311            | -                         | -                         | -                                     |
| TRS                                                     | 2,694          | -                         | -                         | -                                     |
| PERS                                                    | -              | -                         | -                         | -                                     |
| TRS on behalf                                           | 4,136          | -                         | -                         | -                                     |
| PERS on behalf                                          | -              | -                         | -                         | -                                     |
| Other                                                   | -              | -                         | -                         | -                                     |
| Staff travel                                            | -              | -                         | -                         | -                                     |
| Communicatons                                           | 900            | 900                       | 900                       | -                                     |
| Other purchased services                                | -              | -                         | -                         | -                                     |
| Supplies, materials and media                           | 1,000          | 1,000                     | 500                       | (500)                                 |
| Dues and fees                                           | 700            | 500                       | 500                       | -                                     |
| Equipment                                               | -              | -                         | -                         | -                                     |
| <b>400 Total school administration</b>                  | <b>31,450</b>  | <b>2,400</b>              | <b>1,900</b>              | <b>(500)</b>                          |
| School administration support services:                 |                |                           |                           |                                       |
| Support staff salaries                                  | 29,040         | 30,810                    | 29,910                    | (900)                                 |
| Substitues & temporaries                                | 500            | -                         | -                         | -                                     |
| Employee benefits                                       | -              | -                         | -                         | -                                     |
| Insurance - health & life                               | 26,130         | 21,210                    | 21,360                    | 150                                   |
| Unemployment insurance                                  | 150            | 160                       | 150                       | (10)                                  |
| Workers comp                                            | 210            | 220                       | 220                       | -                                     |
| FICA & FICA Med                                         | 430            | 450                       | 440                       | (10)                                  |
| TRS                                                     | -              | -                         | -                         | -                                     |
| PERS                                                    | 6,390          | 6,780                     | 6,580                     | (200)                                 |
| TRS on behalf                                           | -              | -                         | -                         | -                                     |
| PERS on behalf                                          | 2,360          | 860                       | 840                       | (20)                                  |
| Other                                                   | 1,780          | 1,890                     | 1,840                     | (50)                                  |
| Professional and technical services                     | -              | -                         | -                         | -                                     |
| Communications                                          | 1,800          | 1,800                     | 1,800                     | -                                     |
| Other purchased services                                | 4,000          | 4,000                     | 2,000                     | (2,000)                               |
| Supplies, materials and media                           | 2,500          | 500                       | 500                       | -                                     |
| Other expenditures                                      | -              | -                         | -                         | -                                     |
| Equipment                                               | -              | -                         | -                         | -                                     |
| <b>450 Total school administration support services</b> | <b>75,290</b>  | <b>68,680</b>             | <b>65,640</b>             | <b>(3,040)</b>                        |

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| <i>Period Ended June 30,</i>                          | FY22<br>Budget         | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|-------------------------------------------------------|------------------------|---------------------------|---------------------------|---------------------------------------|
| Operations and maintenance of plant:                  |                        |                           |                           |                                       |
| Maintenance/custodial salaries                        | 32,940                 | 36,000                    | 34,950                    | (1,050)                               |
| Substitutes & temporaries                             | 560                    | 560                       | 560                       | -                                     |
| Employee benefits                                     | -                      | -                         | -                         | -                                     |
| Insurance - health & life                             | 20,600                 | 21,210                    | 21,360                    | 150                                   |
| Unemployment insurance                                | 240                    | 260                       | 250                       | (10)                                  |
| Workers comp                                          | 1,050                  | 1,150                     | 1,120                     | (30)                                  |
| FICA & FICA Med                                       | 520                    | 570                       | 550                       | (20)                                  |
| PERS                                                  | 7,250                  | 7,920                     | 7,690                     | (230)                                 |
| PERS on behalf                                        | 2,680                  | 1,010                     | 980                       | (30)                                  |
| Other                                                 | 2,020                  | 2,210                     | 2,150                     | (60)                                  |
| Professional and technical services                   | 2,200                  | 2,200                     | 2,200                     | -                                     |
| Staff travel                                          | -                      | -                         | -                         | -                                     |
| Utilities                                             | 13,300                 | 5,300                     | 5,300                     | -                                     |
| Communicatons                                         | -                      | -                         | -                         | -                                     |
| Electricity                                           | 28,600                 | 28,600                    | 28,600                    | -                                     |
| Energy                                                | 47,500                 | 47,500                    | 66,700                    | 19,200                                |
| Other purchased services                              | -                      | -                         | -                         | -                                     |
| Site & building repair & maintenance                  | 6,400                  | 1,000                     | 1,000                     | -                                     |
| Equipment repair & maintenance                        | 2,000                  | 1,000                     | 1,000                     | -                                     |
| Property Insurance                                    | 23,800                 | 27,500                    | 27,500                    | -                                     |
| Supplies, materials and media                         | 15,000                 | 4,500                     | 2,500                     | (2,000)                               |
| Maintenance & construction supplies                   | 6,000                  | 6,000                     | 5,000                     | (1,000)                               |
| Janitorial supplies                                   | 5,000                  | 3,300                     | 2,300                     | (1,000)                               |
| Small tools & equipment                               | 700                    | 1,500                     | 500                       | (1,000)                               |
| Dues and fees                                         | -                      | -                         | -                         | -                                     |
| Equipment                                             | -                      | -                         | -                         | -                                     |
| <b>600 Total operations and maintenance of plant</b>  | <b>218,360</b>         | <b>199,290</b>            | <b>212,210</b>            | <b>12,920</b>                         |
| <b>Expenditures, continued</b>                        |                        |                           |                           |                                       |
| Student activities:                                   |                        |                           |                           |                                       |
| Certificated extra duty                               | -                      | -                         | -                         | -                                     |
| Temporaries salaries                                  | 680                    | 680                       | 680                       | -                                     |
| Employee benefits                                     | -                      | -                         | -                         | -                                     |
| Insurance - health & life                             | -                      | -                         | -                         | -                                     |
| Unemployment insurance                                | 10                     | 10                        | 10                        | -                                     |
| Workers comp                                          | -                      | -                         | -                         | -                                     |
| FICA & FICA Med                                       | 10                     | 10                        | 10                        | -                                     |
| Student travel                                        | -                      | -                         | -                         | -                                     |
| Other purchased services                              | -                      | -                         | -                         | -                                     |
| Supplies, materials and media                         | 1,500                  | 1,500                     | 500                       | (1,000)                               |
| Dues and fees                                         | 1,500                  | 1,500                     | 1,500                     | -                                     |
| <b>700 Total student activities</b>                   | <b>3,700</b>           | <b>3,700</b>              | <b>2,700</b>              | <b>(1,000)</b>                        |
| <b>Total Expenditures Evergreen Elementary School</b> | <b>\$ 1,782,638.00</b> | <b>\$ 1,658,830.00</b>    | <b>\$ 1,528,510.00</b>    | <b>\$ (130,320.00)</b>                |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>                                   | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|----------------------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| <b>Expenditures</b>                                            |                |                           |                           |                                       |
| <b>District Wide</b>                                           |                |                           |                           |                                       |
| Special education support services - students:                 |                |                           |                           |                                       |
| Certificated salaries                                          | \$ 23,200      | \$ 23,200                 | \$ 23,200                 | \$ -                                  |
| Noncertificated salaries                                       | 6,570          | 7,180                     | 6,830                     | (350)                                 |
| Employee benefits                                              | 100            | -                         | -                         | -                                     |
| Insurance - health & life                                      | 3,250          | 3,340                     | 3,370                     | 30                                    |
| Unemployment insurance                                         | 150            | 160                       | 160                       | -                                     |
| Workers comp                                                   | 220            | 220                       | 220                       | -                                     |
| FICA & FICA Med                                                | 440            | 450                       | 440                       | (10)                                  |
| TRS                                                            | 2,920          | 2,920                     | 2,920                     | -                                     |
| PERS                                                           | 1,450          | 1,580                     | 1,510                     | (70)                                  |
| TRS on behalf                                                  | 4,480          | 2,800                     | 2,800                     | -                                     |
| PERS on behalf                                                 | 540            | 210                       | 200                       | (10)                                  |
| Other                                                          | 410            | 440                       | 420                       | (20)                                  |
| Professional and technical services                            | 16,500         | 9,500                     | 9,500                     | -                                     |
| Staff travel                                                   | -              | -                         | -                         | -                                     |
| Supplies, materials and media                                  | 300            | 870                       | 200                       | (670)                                 |
| Equipment                                                      | -              | -                         | -                         | -                                     |
| <b>220 Total special education support services - students</b> | <b>60,530</b>  | <b>52,870</b>             | <b>51,770</b>             | <b>(1,100)</b>                        |
| Support services - students:                                   |                |                           |                           |                                       |
| Professional and technical services                            | 500            | -                         | -                         | -                                     |
| Supplies, materials and media                                  | -              | -                         | -                         | -                                     |
| Other expenditures                                             | 500            | -                         | -                         | -                                     |
| <b>300 Total support services - students</b>                   | <b>1,000</b>   | <b>-</b>                  | <b>-</b>                  | <b>-</b>                              |
| Support services - instruction:                                |                |                           |                           |                                       |
| Professional and technical services                            | 2,500          | 2,500                     | 2,500                     | -                                     |
| Staff travel                                                   | 2,500          | 2,500                     | 2,500                     | -                                     |
| Communications                                                 | 9,100          | 9,100                     | 9,100                     | -                                     |
| Other purchased services                                       | -              | -                         | -                         | -                                     |
| Supplies, materials and media                                  | 3,900          | 1,000                     | 1,000                     | -                                     |
| Supplies - technology                                          | 38,023         | 12,619                    | 40,100                    | 27,481                                |
| Dues and fees                                                  | 500            | -                         | -                         | -                                     |
| Equipment                                                      | -              | -                         | -                         | -                                     |
| <b>350 Total support services - instruction</b>                | <b>56,523</b>  | <b>27,719</b>             | <b>55,200</b>             | <b>27,481</b>                         |
| Support services - instructional technology                    |                |                           |                           |                                       |
| Communications                                                 | 125,100        | 125,100                   | 125,100                   | -                                     |
| Other purchased services                                       | 2,500          | -                         | -                         | -                                     |
| Supplies - technology                                          | 20,461         | 6,500                     | -                         | (6,500)                               |
| Dues and fees                                                  | -              | -                         | -                         | -                                     |
| Equipment                                                      | -              | -                         | -                         | -                                     |
| <b>360 Total support services - instruction</b>                | <b>148,061</b> | <b>131,600</b>            | <b>125,100</b>            | <b>(6,500)</b>                        |

**Wrangell Public Schools**  
**General (School Operating) Fund**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**FY 2023**

| <i>Period Ended June 30,</i>                         | FY22<br>Budget       | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|------------------------------------------------------|----------------------|---------------------------|---------------------------|---------------------------------------|
| School Administration Support services:              |                      |                           |                           |                                       |
| Certificated salaries                                | -                    | -                         | -                         | -                                     |
| Non-certificated salaries                            | 6,570                | -                         | 6,830                     | 6,830                                 |
| Employee benefits                                    | -                    | -                         | -                         | -                                     |
| Insurance - health & life                            | 3,260                | -                         | 1,426                     | 1,426                                 |
| Unemployment insurance                               | 50                   | -                         | 34                        | 34                                    |
| Workers comp                                         | 100                  | -                         | 48                        | 48                                    |
| FICA & FICA Med                                      | 110                  | -                         | 99                        | 99                                    |
| TRS                                                  | -                    | -                         | -                         | -                                     |
| PERS                                                 | 1,450                | -                         | 1,502                     | 1,502                                 |
| TRS on behalf                                        | -                    | -                         | -                         | -                                     |
| PERS on behalf                                       | -                    | -                         | 191                       | 191                                   |
| Other                                                | 540                  | -                         | 419                       | 419                                   |
| Other purchased services                             | 600                  | -                         | -                         | -                                     |
| <b>450 Total support services - instruction</b>      | <b>12,680</b>        | <b>-</b>                  | <b>10,550</b>             | <b>10,550</b>                         |
| Operations and maintenance of plant:                 |                      |                           |                           |                                       |
| Maintenance/custodial salaries                       | 44,080               | 48,170                    | 46,760                    | (1,410)                               |
| Insurance - health & life                            | 10,580               | 10,900                    | 10,980                    | 80                                    |
| Unemployment insurance                               | 230                  | 250                       | 240                       | (10)                                  |
| Workers comp                                         | 1,400                | 1,530                     | 1,490                     | (40)                                  |
| FICA & FICA Med                                      | 640                  | 700                       | 680                       | (20)                                  |
| TRS                                                  | -                    | -                         | -                         | -                                     |
| PERS                                                 | 9,700                | 10,600                    | 10,290                    | (310)                                 |
| TRS on behalf                                        | -                    | -                         | -                         | -                                     |
| PERS on behalf                                       | 3,580                | 1,350                     | 1,310                     | (40)                                  |
| Other                                                | 2,710                | 2,960                     | 2,870                     | (90)                                  |
| Professional and technical services                  | 5,400                | 5,400                     | 5,400                     | -                                     |
| Staff travel                                         | 500                  | 500                       | 500                       | -                                     |
| Other purchased services                             | -                    | -                         | -                         | -                                     |
| Site & building repair & maintenance                 | -                    | -                         | -                         | -                                     |
| Equipment repair & maintenance                       | 1,740                | -                         | -                         | -                                     |
| Property & Auto Insurance                            | 7,700                | 7,800                     | 7,800                     | -                                     |
| Supplies, materials and media                        | 5,000                | 1,000                     | 1,000                     | -                                     |
| Maintenance & construction supplies                  | 1,000                | 1,000                     | 1,000                     | -                                     |
| Vehicle gasoline, diesel & oil                       | 1,000                | -                         | 500                       | -                                     |
| Dues and fees                                        | 1,100                | 1,000                     | 1,000                     | -                                     |
| Equipment                                            | -                    | -                         | -                         | -                                     |
| <b>600 Total operations and maintenance of plant</b> | <b>96,360</b>        | <b>93,160</b>             | <b>91,820</b>             | <b>(1,340)</b>                        |
| <b>Expenditures, continued</b>                       |                      |                           |                           |                                       |
| Student activities:                                  |                      |                           |                           |                                       |
| Other purchased services                             | -                    | -                         | -                         | -                                     |
| Supplies, materials and media                        | 2,500                | 5,000                     | 5,000                     | -                                     |
| Class & Club reimb expenses                          | -                    | -                         | -                         | -                                     |
| Dues and fees                                        | 2,100                | 1,500                     | 1,500                     | -                                     |
| <b>700 Total student activities</b>                  | <b>4,600</b>         | <b>6,500</b>              | <b>6,500</b>              | <b>-</b>                              |
| <b>Total Expenditures District Wide</b>              | <b>\$ 379,754.00</b> | <b>\$ 311,849.00</b>      | <b>\$ 340,939.53</b>      | <b>\$ 29,090.53</b>                   |

**Wrangell Public Schools**

**General (School Operating) Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual, continued  
 FY 2023**

| <i>Period Ended June 30,</i>             | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| <b>Expenditures</b>                      |                |                           |                           |                                       |
| <b>District Office</b>                   |                |                           |                           |                                       |
| District administration:                 |                |                           |                           |                                       |
| Certificated salaries                    | \$ 92,800      | 92,800                    | 92,800                    | \$ -                                  |
| Noncertificated salaries                 | 28,760         | 30,520                    | 28,760                    | (1,760)                               |
| Employee benefits                        | -              | -                         | -                         | -                                     |
| Insurance - health & life                | 17,400         | 17,920                    | 18,050                    | 130                                   |
| Unemployment insurance                   | 610            | 620                       | 610                       | (10)                                  |
| Workers comp                             | 870            | 880                       | 870                       | (10)                                  |
| FICA & FICA Med                          | 1,770          | 1,790                     | 1,770                     | (20)                                  |
| TRS                                      | 11,660         | 11,660                    | 11,660                    | -                                     |
| PERS                                     | 6,330          | 6,720                     | 6,330                     | (390)                                 |
| TRS on behalf                            | 17,910         | 11,200                    | 11,200                    | -                                     |
| PERS on behalf                           | 2,340          | 860                       | 810                       | (50)                                  |
| Other                                    | 1,770          | 1,880                     | 1,770                     | (110)                                 |
| Transportation allowance                 | -              | -                         | -                         | -                                     |
| Professional and technical services      | 5,000          | 10,000                    | 10,000                    | -                                     |
| Staff travel                             | 9,000          | 9,000                     | 9,000                     | -                                     |
| Communications                           | 5,400          | 1,400                     | 1,400                     | -                                     |
| Other purchased services                 | 400            | -                         | -                         | -                                     |
| Supplies, materials and media            | 2,000          | 1,000                     | 1,000                     | -                                     |
| Dues and fees                            | 5,500          | 3,000                     | 3,000                     | -                                     |
| Equipment                                | -              | -                         | -                         | -                                     |
| <b>510 Total district administration</b> | <b>209,520</b> | <b>201,250</b>            | <b>199,030</b>            | <b>(2,220)</b>                        |
| Board of Education:                      |                |                           |                           |                                       |
| Noncertificated salaries                 | 31,960         | 33,910                    | 31,960                    | (1,950)                               |
| Insurance - health & life                | 11,030         | 11,360                    | 11,440                    | 80                                    |
| Unemployment insurance                   | 160            | 170                       | 160                       | (10)                                  |
| Workers comp                             | 230            | 250                       | 230                       | (20)                                  |
| FICA & FICA Med                          | 470            | 500                       | 470                       | (30)                                  |
| PERS                                     | 7,030          | 7,460                     | 7,030                     | (430)                                 |
| PERS on behalf                           | 2,600          | 950                       | 900                       | (50)                                  |
| Other                                    | 1,960          | 2,080                     | 1,960                     | (120)                                 |
| Professional and technical services      | 5,000          | 10,000                    | 10,000                    | -                                     |
| Staff travel                             | 10,000         | 10,000                    | 10,000                    | -                                     |
| Supplies, materials and media            | 3,500          | 500                       | 500                       | -                                     |
| Supplies, technology                     | -              | 3,000                     | 3,000                     | -                                     |
| Dues and fees                            | 15,000         | 5,000                     | 5,000                     | -                                     |
| <b>511 Total district administration</b> | <b>88,940</b>  | <b>85,180</b>             | <b>82,650</b>             | <b>(2,530)</b>                        |

**Wrangell Public Schools**

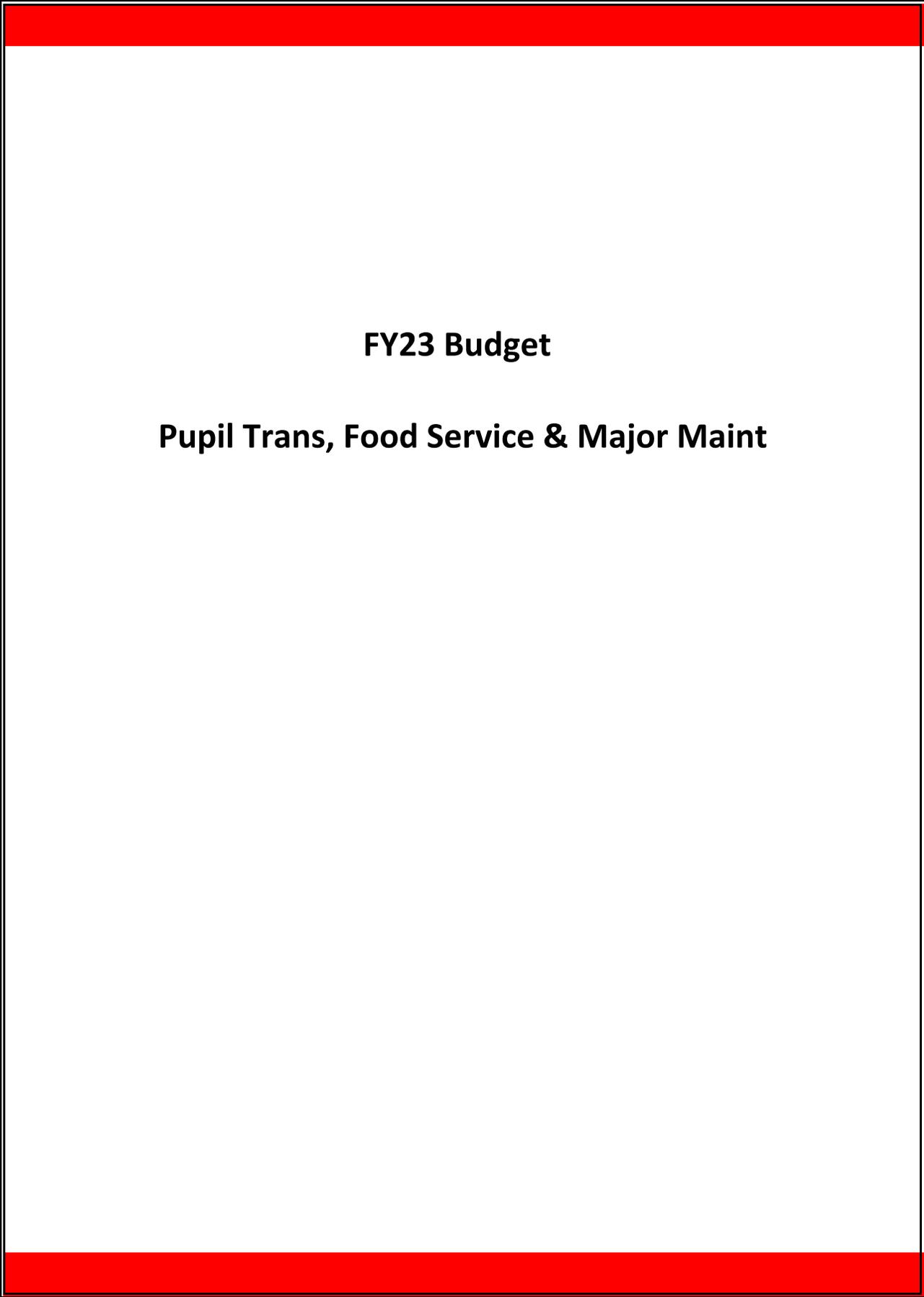
**General (School Operating) Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual, continued  
 FY 2023**

| <i>Period Ended June 30,</i>                              | FY22<br>Budget | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|-----------------------------------------------------------|----------------|---------------------------|---------------------------|---------------------------------------|
| District administration support services:                 |                |                           |                           |                                       |
| Noncertified Director/Manager                             | 73,590         | 104,150                   | 104,150                   | -                                     |
| Noncertificated salaries                                  | 20,550         | 25,130                    | 34,240                    | 9,110                                 |
| Substitutes & temporaries                                 | 1,650          |                           |                           | -                                     |
| Employee benefits                                         | -              | -                         | -                         | -                                     |
| Insurance - health & life                                 | 38,520         | 32,510                    | 32,750                    | 240                                   |
| Unemployment insurance                                    | 480            | 650                       | 700                       | 50                                    |
| Workers comp                                              | 670            | 920                       | 990                       | 70                                    |
| FICA & FICA Med                                           | 1,370          | 1,880                     | 2,010                     | 130                                   |
| PERS                                                      | 26,710         | 28,440                    | 30,450                    | 2,010                                 |
| PERS on behalf                                            | 7,640          | 3,610                     | 3,870                     | 260                                   |
| Other                                                     | 7,580          | 11,530                    | 12,090                    | 560                                   |
| Professional and technical services                       | 105,000        | 51,000                    | 66,934                    | 15,934                                |
| Staff travel                                              | 9,000          | 9,000                     | 9,000                     | -                                     |
| Communications                                            | 14,000         | 2,000                     | 2,000                     | -                                     |
| Other purchased services                                  | 35,200         | -                         | 2,000                     | 2,000                                 |
| Liability insurance                                       | 35,000         | 38,000                    | 38,000                    | -                                     |
| Supplies, materials and media                             | 6,500          | 5,000                     | 5,000                     | -                                     |
| Supplies, technology                                      | 1,400          | -                         | 1,500                     | 1,500                                 |
| Other expenditures                                        | 3,000          | 3,000                     | 3,000                     | -                                     |
| Dues and fees                                             | 23,500         | -                         | -                         | -                                     |
| Indirect costs                                            | (51,400)       | (102,600)                 | (95,200)                  | 7,400                                 |
| Equipment                                                 | 38,640         | -                         | 19,320                    | 19,320                                |
| <b>550 Total district administration support services</b> | <b>398,600</b> | <b>214,220</b>            | <b>272,804</b>            | <b>58,584</b>                         |
| District administrative technology services:              |                |                           |                           |                                       |
| Noncertified Director/Manager                             | 86,790         | 90,260                    | 93,730                    | 3,470                                 |
| Insurance - health & life                                 | 22,060         | 22,720                    | 22,880                    | 160                                   |
| Unemployment insurance                                    | 440            | 460                       | 470                       | 10                                    |
| Workers comp                                              | 620            | 650                       | 670                       | 20                                    |
| FICA & FICA Med                                           | 1,260          | 1,310                     | 1,360                     | 50                                    |
| PERS                                                      | 19,100         | 19,860                    | 20,630                    | 770                                   |
| PERS on behalf                                            | 7,040          | 2,520                     | 2,620                     | 100                                   |
| Other                                                     | 5,320          | 5,540                     | 5,750                     | 210                                   |
| Professional and technical services                       | -              | -                         | -                         | -                                     |
| Staff travel                                              | 2,500          | 2,500                     | 2,500                     | -                                     |
| Supplies, materials and media                             | 1,000          | 8,800                     | 1,000                     | (7,800)                               |
| Supplies, technology                                      | 7,800          | -                         | 7,900                     | 7,900                                 |
| Dues and fees                                             | 550            | 550                       | 550                       | -                                     |
| Equipment                                                 | 1,000          | 1,000                     | 1,000                     | -                                     |
| <b>560 Total district administration support services</b> | <b>155,480</b> | <b>156,170</b>            | <b>161,060</b>            | <b>4,890</b>                          |

**Wrangell Public Schools**

**General (School Operating) Fund  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance - Budget and Actual, continued  
 FY 2023**

| <i>Period Ended June 30,</i>                             | FY22<br>Budget    | Draft 1<br>FY23<br>Budget | Draft 2<br>FY23<br>Budget | Draft 1 & 2<br>Variance<br>in Budgets |
|----------------------------------------------------------|-------------------|---------------------------|---------------------------|---------------------------------------|
| Operations and maintenance of plant:                     |                   |                           |                           |                                       |
| Noncertified Director/Manager                            | 71,800            | 74,790                    | 74,790                    | -                                     |
| Employee benefits                                        | -                 | -                         | -                         | -                                     |
| Insurance - health & life                                | 40,600            | 21,210                    | 21,360                    | 150                                   |
| Unemployment insurance                                   | 360               | 380                       | 380                       | -                                     |
| Workers comp                                             | 2,280             | 2,380                     | 2,380                     | -                                     |
| FICA & FICA Med                                          | 1,050             | 1,090                     | 1,090                     | -                                     |
| PERS                                                     | 15,800            | 16,460                    | 16,460                    | -                                     |
| PERS on behalf                                           | 5,830             | 2,090                     | 2,090                     | -                                     |
| Other                                                    | 4,410             | 4,590                     | 4,590                     | -                                     |
| Professional and technical services                      | -                 | -                         | -                         | -                                     |
| Staff travel                                             | 2,500             | 2,500                     | 2,500                     | -                                     |
| Supplies, materials and media                            | 5,000             | 5,000                     | 5,000                     | -                                     |
| Other expenditures                                       | -                 | -                         | -                         | -                                     |
| Equipment                                                | -                 | -                         | -                         | -                                     |
| 600 Total operations and maintenance of plant            | 149,630           | 130,490                   | 130,640                   | 150                                   |
| <b>Total District Office expenditures</b>                | <b>1,002,170</b>  | <b>787,310</b>            | <b>846,184</b>            | <b>58,874</b>                         |
| <b>Total General Fund Expenditures</b>                   | <b>5,808,841</b>  | <b>5,103,779</b>          | <b>5,044,170</b>          | <b>(59,609)</b>                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(574,030)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| <b>Other Financing Sources (Uses)</b>                    |                   |                           |                           |                                       |
| Transfers in                                             | -                 | -                         | -                         | -                                     |
| Transfers to 205                                         | (82,200)          | -                         | -                         | -                                     |
| Transfers to 255                                         | (6,377)           | -                         | -                         | -                                     |
| 900 Total General Fund Expenditures and Tranfers         | 5,897,418         | 5,103,779                 | 5,044,170                 | (59,609)                              |
| <b>Net Change in Fund Balance</b>                        | <b>(662,607)</b>  | <b>(371,065)</b>          | <b>(40,726)</b>           | <b>330,339</b>                        |
| <b>Fund Balance, beginning of year</b>                   | <b>1,181,856</b>  | <b>519,249</b>            | <b>519,249</b>            | <b>-</b>                              |
| <b>Fund Balance, end of year</b>                         | <b>\$ 519,249</b> | <b>\$ 148,184</b>         | <b>\$ 478,523</b>         | <b>\$ 330,339</b>                     |
| Budgeted fund balance as percent of expenditures         | 8.9%              | 2.9%                      | 9.5%                      |                                       |



The image shows a large rectangular frame with a black border. At the top and bottom of the frame are solid red horizontal bars. The central area of the frame is white and contains the following text:

**FY23 Budget**

**Pupil Trans, Food Service & Major Maint**

**Wrangell Public Schools**  
 (A Component Unit of City and Borough of Wrangell, Alaska)  
 Student Transportation Special Revenue Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balance - Budget and Actual

| <i>Period Ended June 30</i>                                              | FY18<br>Actual | FY19<br>Actual | FY20<br>Actual | FY21<br>Actual | FY22<br>Budget | FY23<br>Budget |
|--------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                                                          |                |                |                |                |                |                |
| 205-000-050 State of Alaska                                              | \$ 225,606     | \$ 234,135     | \$ 237,154     | \$ 138,391     | \$ 199,305     | \$ 199,305     |
| <b>Expenditures</b>                                                      |                |                |                |                |                |                |
| 205-760-425 Student transportation - to and from school - student travel | 270,669        | 272,216        | 229,432        | 218,423        | 230,018        | 237,000        |
| <b>Deficiency of Revenues over Expenditures</b>                          | (45,063)       | (38,081)       | 7,722          | (80,032)       | (30,713)       | (37,695)       |
| <b>Other Financing Sources</b>                                           |                |                |                |                |                |                |
| Transfers in                                                             | 50,000         | -              | 15,990         | 39,464         | 82,200         | -              |
| <b>Net Change in Fund Balance</b>                                        | 4,937          | (38,081)       | 23,712         | (40,568)       | 51,487         | (37,695)       |
| <b>Fund Balance, beginning of year</b>                                   | 50,000         | 54,937         | 16,856         | 40,568         | -              | 51,487         |
| <b>Fund Balance, end of year</b>                                         | \$ 54,937      | \$ 16,856      | \$ 40,568      | \$ -           | \$ 51,487      | \$ 13,792      |

**Wrangell Public Schools**  
 (A Component Unit of City and Borough of Wrangell, Alaska)

**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**

| <i>Period Ended June 30</i>                                           | FY18<br>Actual     | FY19<br>Actual     | FY20<br>Budget     | FY21<br>Actual    | FY22<br>Budget    | FY23<br>Budget    |
|-----------------------------------------------------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|
| <b>Revenues</b>                                                       |                    |                    |                    |                   |                   |                   |
| 255-000-020 Other local sources - food services                       | \$ 17,169          | \$ 14,517          | \$ 12,000          | \$ 29,678         | \$ 29,225         | \$ 30,102         |
| <b>Expenditures</b>                                                   |                    |                    |                    |                   |                   |                   |
| Food service:                                                         |                    |                    |                    |                   |                   |                   |
| 255-790-320 Noncertificated salaries                                  | 22,229             | 25,140             | 18,900             | -                 | -                 | -                 |
| 255-790-350 Employee benefits                                         | 10,622             | 8,184              | 5,407              | -                 | -                 | -                 |
| 255-790-450 Supplies, materials and media                             | 43,349             | 32,974             | 25,184             | 33,752            | 35,602            | 36,670            |
| 255-790-490 Other expenditures                                        | 1,520              | 199                | -                  | -                 | -                 | -                 |
| 255-790-510 Equipment                                                 | 620                | -                  | -                  | -                 | -                 | -                 |
| <b>Total food service</b>                                             | <b>78,340</b>      | <b>66,497</b>      | <b>49,491</b>      | <b>33,752</b>     | <b>35,602</b>     | <b>36,670</b>     |
| 255-100-495 District administration support services - indirect costs | 320                | -                  | -                  | -                 | -                 | -                 |
| <b>Total Expenditures</b>                                             | <b>78,660</b>      | <b>66,497</b>      | <b>49,491</b>      | <b>33,752</b>     | <b>35,602</b>     | <b>36,670</b>     |
| <b>Deficiency of Revenues over Expenditures</b>                       | <b>\$ (61,491)</b> | <b>\$ (51,980)</b> | <b>\$ (37,491)</b> | <b>\$ (4,074)</b> | <b>\$ (6,377)</b> | <b>\$ (6,568)</b> |
| <b>Other Financing Sources</b>                                        |                    |                    |                    |                   |                   |                   |
| Transfers in                                                          | 70,000             | -                  | 37,491             | 4,074             | 6,377             | 6,568             |
| <b>Net Change in Fund Balance</b>                                     | <b>8,509</b>       | <b>(51,980)</b>    | <b>-</b>           | <b>-</b>          | <b>-</b>          | <b>(0)</b>        |
| <b>Fund Balance, beginning of year</b>                                | <b>69,162</b>      | <b>77,671</b>      | <b>25,691</b>      | <b>-</b>          | <b>-</b>          | <b>-</b>          |
| <b>Fund Balance, end of year</b>                                      | <b>\$ 77,671</b>   | <b>\$ 25,691</b>   | <b>\$ 25,691</b>   | <b>\$ -</b>       | <b>\$ -</b>       | <b>\$ (0)</b>     |

**Wrangell Public Schools**  
**(A Component Unit of City and Borough of Wrangell, Alaska)**

**Capital Improvements Capital Project Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance**

| <i>Period Ended June 30</i>                     | FY18<br>Actual | FY19<br>Actual | FY20<br>Budget | FY21<br>Actual | FY22<br>Actual | FY23<br>Budget |
|-------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenues</b>                                 |                |                |                |                |                |                |
| Local sources -                                 |                |                |                |                |                |                |
| 503-000-030 earnings on investments             | \$ -           | \$ -           | \$ -           | \$ 52,674      | \$ -           | \$ -           |
| <b>Expenditures</b>                             |                |                |                |                |                |                |
| Operations and maintenance of plant -           |                |                |                |                |                |                |
| 503-600-440 other purchased services            | \$ 5,311       | \$ -           | \$ -           | \$ 52,674      | \$ -           | \$ -           |
| <b>Deficiency of Revenues over Expenditures</b> | (5,311)        | -              | -              | -              | -              | -              |
| <b>Other Financing Sources</b>                  |                |                |                |                |                |                |
| Transfers out                                   | -              | -              | -              | -              | -              | -              |
| <b>Net Change in Fund Balance</b>               | (5,311)        | -              | -              | -              | -              | -              |
| <b>Fund Balance, beginning of year</b>          | 1,064,480      | 1,065,427      | 1,065,427      | 1,065,427      | 1,065,427      | 1,065,427      |
| <b>Fund Balance, end of year</b>                | \$ 1,065,427   | \$ 1,065,427   | \$ 1,065,427   | \$ 1,065,427   | \$ 1,065,427   | \$ 1,065,427   |

Fund 503 is a capital project fund restricted for the purpose of major maintenance projects in excess of \$50,000 and meeting the following parameters:

Activities of acquiring land, buildings and equipment; remodeling of buildings, construction of buildings and additions to buildings; major repairs or improvements to facilities including initial installation or extension of service systems and other built-in equipment; improvements to sites, including environmental remediation.



April 19, 2022

Mayor Prysunka and the Borough Assembly,  
Jeff Good, City Manager, and  
Mason Villarma, Finance Director  
City and Borough of Wrangell

Wrangell Public Schools hereby transmits its FY23 budget, adopted at the April 18, 2022 Board meeting.

Included in the budget is an increase to the local contribution from \$1.3M to \$1.592M. The District has worked to find efficiencies amid rising costs and flat funding. If House Bill 272 is adopted the District will gain approximately \$140,000 (assuming enrollment remains steady) from an increase in the Base Student Allocation. Much of that will be used in FY23 to purchase supplies for the FY24 school year. If House Bill 272 is not adopted the district is projected to be in a deficit spend position for FY23, even with an increased local contribution, and may delay purchase of the FY24 supplies to FY24.

In FY24 the District will no longer be supported by the hold harmless provisions of the foundation formula. If House Bill 272 is adopted, and enrollment stays steady, FY24 foundation funding is projected to decrease \$71,836 because the increase in the Base Student Allocation will not be enough to offset the reduction in foundation funding when the hold harmless provision is no longer in effect. If House Bill 272 is not adopted foundation funding will decrease approximately \$101,000 from FY23 levels, assuming enrollment remains steady.

House Bill 272 has moved from House Finance and awaits scheduling in the House.

House Bill 273 inflation proofs the Base Student Allocation. This bill also has been moved from House Finance and awaits scheduling in the House. The effective date of this bill is July 1, 2024.

Sincerely,

Bill Burr, Superintendent  
Wrangell Public Schools

# Signature Certificate

Reference number: VQYA7-9EVHV-MTZNY-DDOJ9

| Signer                                   | Timestamp                | Signature                                                                          |
|------------------------------------------|--------------------------|------------------------------------------------------------------------------------|
| <b>Bill Burr</b><br>Email: bburr@wpsd.us |                          |  |
| Sent:                                    | 19 Apr 2022 19:01:58 UTC |                                                                                    |
| Viewed:                                  | 19 Apr 2022 19:07:34 UTC |                                                                                    |
| Signed:                                  | 19 Apr 2022 19:13:26 UTC |                                                                                    |
|                                          |                          | IP address: 24.237.245.30<br>Location: St. Mary's, United States                   |

Document completed by all parties on:  
19 Apr 2022 19:13:26 UTC

Page 1 of 1



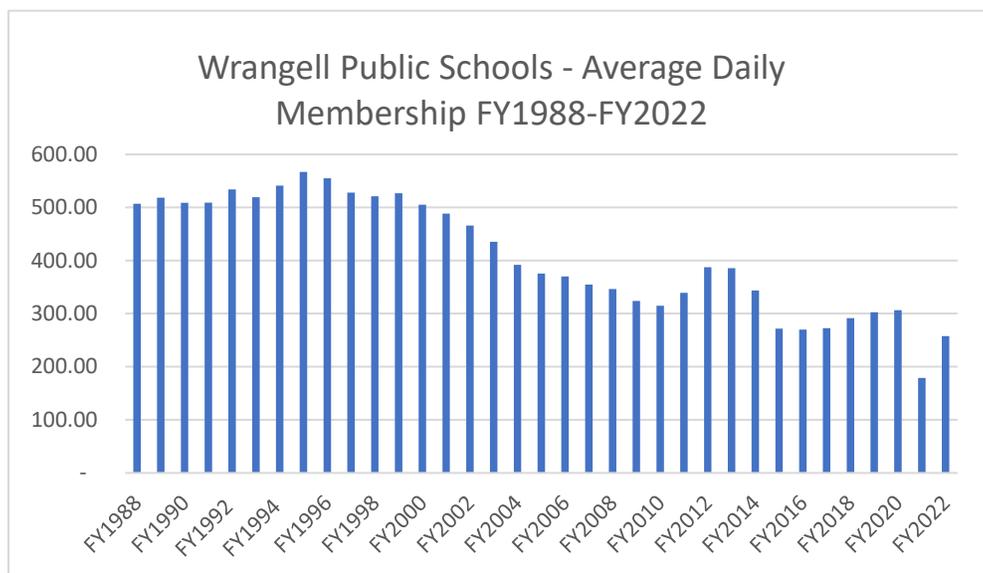
Signed with PandaDoc

PandaDoc is a document workflow and certified eSignature solution trusted by 30,000+ companies worldwide.



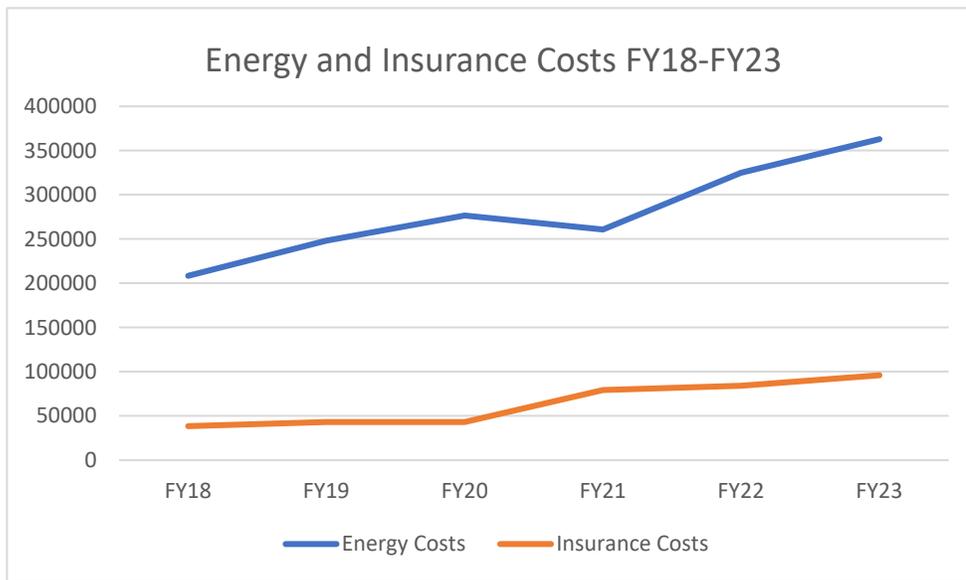
## \$1.59M FY23 Requested Local Contribution for Wrangell Public Schools May 5, 2022

- Wrangell Public Schools FY23 budget cuts General Fund (GF) costs by over half a million dollars from the average total (GF) expenditures over the last 5 years. Even with these cuts the District is still projected to deficit spend without additional local revenue.
- The District cut two teaching positions in the FY23 budget generating savings of approximately \$213,000. To prevent further degradation of educational program, the District needs additional funding as well as the Borough's assistance, through its bonding capacity, to take on major maintenance projects (roofs and ventilations systems) and perhaps make a consolidated campus more practical for a more varied student population.
- Two Principal positions are being funded outside the General Fund with "covid" money, but this is a short term solution aimed at improving the educational program.
- The District has begun to consider moving the Elementary School and District Office to the middle/high school campus. This move would not affect Foundation funding levels. The District projects that moving the elementary program would save over \$215,000 annually. There is concern regarding the lack of playground and parking, as well as restroom fixture height that requires discussion. Currently there are 15 empty classrooms at the elementary and middle schools. The efficient use of taxpayer dollars is definitely a consideration. The future of the 350 Bennet location should be considered.
- Without additional local revenue the District will continue to feel budgetary pressure caused by unused infrastructure. These matters should have been taken into account in prior years but weren't.
- The current infrastructure housed an average daily membership (ADM) of 566.85 in 1995. FY23 projected ADM is 263. This is a 303 ADM drop (ADM is the average number of students enrolled during the October Foundation count).

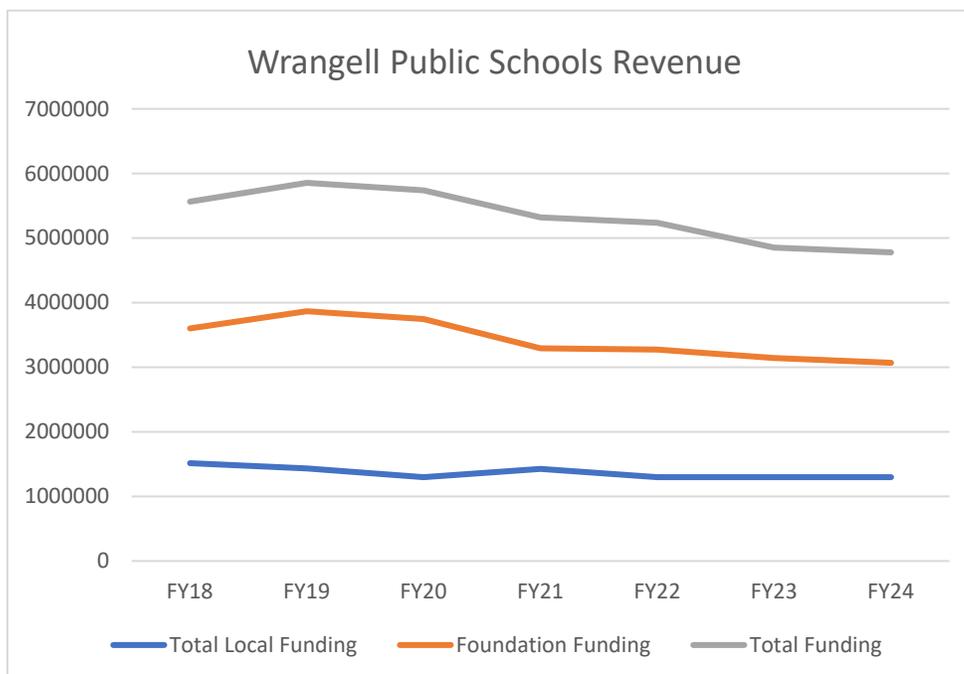


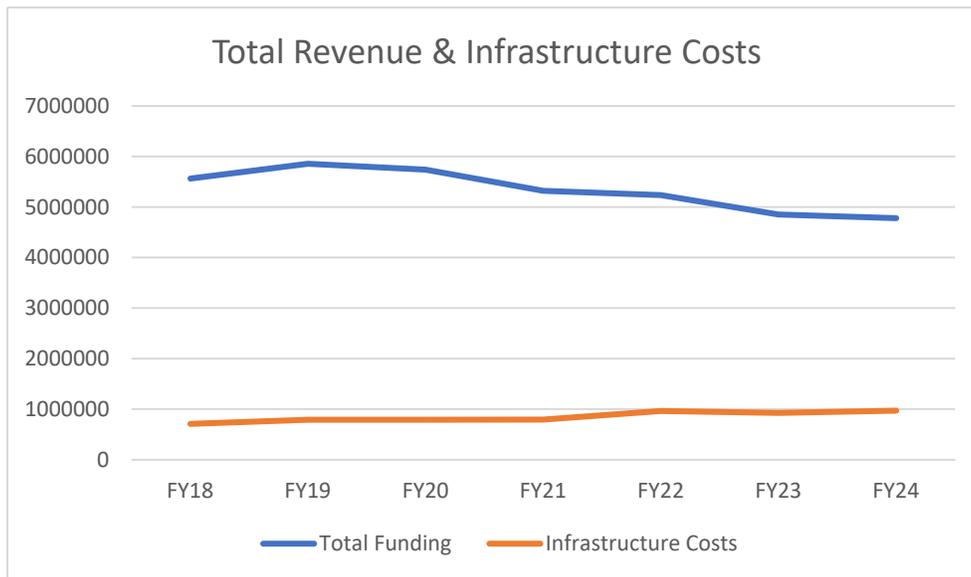
- Currently, the District Foundation revenue is buoyed by the hold harmless provision of the Foundation formula. In FY24, the hold harmless expires. A \$100,000 reduction in Foundation funding will result (all other variables staying constant). However, an increase to the Base Student Allocation, through House Bill 272, would partially offset this decrease with an additional \$68,000 in Foundation revenue.

- Our infrastructure was completed before 1988. Insurance and energy costs are rising.



- The FY23 budget cuts salary and benefits by \$318,000 over the average annual cost of salaries and benefits for the last 5 years. Six teaching positions have been cut since FY18. The District is experiencing unprecedented classified staff turnover and has been unable to fill classified positions. Classified staff are leaving for better compensation elsewhere. The District would like to increase classified compensation to retain/attract workers but hasn't been able to find the funding. Certified staff are working beyond their negotiated work hours to fill the gap. High school students want more electives that we cannot fund.
- State revenue is decreasing due to reduced enrollment and the end of the Foundation hold harmless period. Local revenue is also flat or falling. This graph represents no increase in Borough funding for FY23 & FY24 and includes increases to the Base Student Allocation (HB272).





- Decreasing revenue and rising infrastructure costs are squeezing the District budget. This graph represents no increase in Borough funding for FY23 & FY24 and includes increases to the Base Student Allocation (HB272).
- With increased Borough funding, the District will work hard to find savings that could fund an increase in classified wages to encourage classified staff retention. Wrangell Public Schools would appreciate your support.

**CITY & BOROUGH OF WRANGELL, ALASKA  
BOROUGH ASSEMBLY AGENDA STATEMENT**

|                           |                       |              |
|---------------------------|-----------------------|--------------|
| <u>AGENDA ITEM TITLE:</u> | <u>DATE:</u>          | May 10, 2022 |
|                           | <u>Agenda Section</u> | <b>13</b>    |

Discussion and possible direction to discuss a potential Timber Cruise at the Sunny Bay property *(requested by Assembly Member DeBord)*

SUBMITTED BY:  
Jeff Good, Borough Manager for Assembly Member DeBord.

FISCAL NOTE:

|                                                        |                 |          |
|--------------------------------------------------------|-----------------|----------|
| <b>Expenditure Required: \$XXX Total</b>               |                 |          |
| FY 21: \$                                              | FY 22: \$       | FY23: \$ |
| <b>Amount Budgeted:</b>                                |                 |          |
|                                                        | FY22 \$XXX      |          |
| <b>Account Number(s):</b>                              |                 |          |
|                                                        | XXXXX XXX XXXX  |          |
| <b>Account Name(s):</b>                                |                 |          |
|                                                        | Enter Text Here |          |
| <b>Unencumbered Balance(s) (prior to expenditure):</b> |                 |          |
|                                                        | \$XXX           |          |

Reviews/Approvals/Recommendations

|                          |                                |
|--------------------------|--------------------------------|
| <input type="checkbox"/> | Commission, Board or Committee |
| Name(s)                  |                                |
| Name(s)                  |                                |
| <input type="checkbox"/> | Attorney                       |
| <input type="checkbox"/> | Insurance                      |

ATTACHMENTS: 1. map of Sunny Bay area.

**RECOMMENDATION MOTION:**  
Discussion and possible direction on the Sunny Bay entitlement land.

**SUMMARY STATEMENT:**  
At the April 26, 2022 Regular Assembly meeting, Assembly Member DeBord made a request that this item be placed on the next agenda for discussion.

Therefore, this item is on this agenda for discussion and possible direction.

LSTARoadsFP08  
BasicOwnership

CoverType  
VOLC

- 3- 0 to 8 MBF/acre
- 4- 9 to 20 MBF/acre
- 5- 20 to 30 MBF/acre
- 6- 30 to 50 MBF/acre
- 7- More than 50 MBF/acre



**CITY & BOROUGH OF WRANGELL, ALASKA  
BOROUGH ASSEMBLY AGENDA STATEMENT**

|                           |                       |              |
|---------------------------|-----------------------|--------------|
| <u>AGENDA ITEM TITLE:</u> | <u>DATE:</u>          | May 10, 2022 |
|                           | <u>Agenda Section</u> | <b>13</b>    |

Approval of Tax Contribution Agreement between Southeast Alaska Regional Health Consortium (SEARHC) and the City and Borough of Wrangell

**SUBMITTED BY:**  
  
Jeff Good, Borough Manager &  
Mason Villarma, Finance Director

**FISCAL NOTE:**

|                                                                             |        |       |
|-----------------------------------------------------------------------------|--------|-------|
| <b>Expenditure Required:</b>                                                |        |       |
| FY 20: \$                                                                   | FY 21: | FY22: |
|                                                                             |        |       |
| <b>Amount Budgeted:</b>                                                     |        |       |
| FY22 \$0                                                                    |        |       |
| <b>Account Number(s):</b>                                                   |        |       |
|                                                                             |        |       |
| <b>Account Name(s):</b>                                                     |        |       |
|                                                                             |        |       |
| <b>Unencumbered Balance(s) (prior to expenditure): See Agenda Statement</b> |        |       |
|                                                                             |        |       |

**Reviews/Approvals/Recommendations**

|                          |           |
|--------------------------|-----------|
| <input type="checkbox"/> |           |
| Name(s)                  |           |
| Name(s)                  |           |
| <input type="checkbox"/> | Attorney  |
| <input type="checkbox"/> | Insurance |

**ATTACHMENTS:** 1.) Tax Contribution Agreement 2) Previously approved Asset Purchase Agreement

**RECOMMENDATION MOTION:**  
Move to approve the Tax Contribution Agreement between Southeast Alaska Regional Health Consortium (SEARHC) and the City and Borough of Wrangell.

**Clerks Note:** There is an Executive Session item scheduled on this Agenda. If the Assembly wishes to go into Executive Session to discuss the proposed Tax Contribution Agreement with SEARHC before approving it, an Assembly Member may make a motion (after the motion to approve the Tax

Contribution Agreement has been made) to “table the main motion until after the Executive Session”.

If this does occur, the main motion would then be “tabled” and then after the Executive Session, an assembly member would need to make the following motion **“I move to remove Item 13c from the table to consider it”**. That motion would need to be seconded and voted on before consideration.

#### **SUMMARY STATEMENT:**

This is the approval/disapproval of the Payment in Lieu of Taxes Agreement (i.e., Tax Contribution Agreement) with SEARHC. This was an item the Finance Department inherited in October of 2021 as a result of the transition in Borough Managers. SEARHC is a tribal 501(c)3 organization and they own several properties in the Borough including the Wrangell Medical Center, the Clinic, and other office and rental properties. Pursuant to Alaska Statute 29.45.030 (c)3, hospitals are exempt from property taxes. On October 12, 2018 the Borough and SEARHC signed an Asset Purchase Agreement (APA) that stated, “[the] Buyer (SEARHC) shall have no obligation to pay any real and/or personal property Taxes on Eligible Property due as a result of the ownership or operation of the Acquired Assets following the Effective Time.” Therefore, between state statute and the APA, SEARHC has no obligation to pay property taxes on the hospital.

In calendar year 2021, SEARHC received a property tax bill from the Borough for the hospital and paid it for the full amount of \$331,287. After discussions with SEARHC’s administration, they noted their exempt status, yet paid the taxes on the hospital as a one-time exception. As SEARHC does not want to establish the precedent of paying property taxes as a tribal non-profit, the Borough and SEARHC began negotiations over a payment in lieu of taxes (PILT) arrangement starting in November of 2021.

The Borough initially proposed a \$225,000 PILT payment in exempting the hospital property and continuing to charge property taxes on the remaining SEARHC properties. SEARHC countered with a \$45,000 PILT that lasts 10 years and exempts them from property taxes on all new acquisitions. No further offers from the Borough were entertained, and a deadline for accepting the agreement was set for May 6, 2022.

The PILT agreement is attached for Assembly approval/disapproval.

## TAX CONTRIBUTION AGREEMENT

This Tax Contribution Agreement (this “**Agreement**”), effective as of May 6, 2022 (the “**Effective Date**”), is made and entered into between the City and Borough of Wrangell, Alaska, a home rule municipality organized under the laws of the State of Alaska (“**the Borough**”), and Southeast Alaska Regional Health Consortium (“**SEARHC**”), a non-profit corporation organized under the laws of the State of Alaska, and a tribal organization comprised of federally recognized Alaska Native tribes. The Borough and SEARHC are referred to herein jointly as the Parties and individually as a Party.

### RECITALS

**WHEREAS**, the Borough and SEARHC entered into that certain Asset Purchase Agreement dated as of October 26, 2018 (the “**Asset Purchase Agreement**”); and

**WHEREAS**, pursuant to the Asset Purchase Agreement, SEARHC acquired property rights from the Borough including Lots 2, 3 and 4 of the Health Care Subdivision III, Wrangell Alaska 99929 (a re-plat of Lots B-1, B-2 and B-3 of Health Care Subdivision II and Lot A, Health Care Subdivision, according to the plat thereof recorded October 12, 2018 as Plat No. 2018-7), and a termination of the reversionary interest set forth in that certain deed which transferred title to Lot A, to Plat 2010-04 (the “**AICS Property**”); and

**WHEREAS**, the Asset Purchase Agreement includes certain definitions pertinent to this Agreement, including the following:

“**Eligible Property**” which is defined as the Wood Campus Real Property (New Hospital Site) which includes parcels 02-035-290, 02-035-295, 02-035-300 and 02-035-305, the improvements thereon, the on-site buildings, structures, fixed machinery and equipment, storage tanks, process units (including all integral components necessary or useful for operations), site improvements, and infrastructure and the permanent office space and related fixed improvements; and

“**Acquired Assets**” which is defined as the “assets, rights, titles, and interests of every kind or nature, whether real, personal or mixed, tangible or intangible, owned, leased, licensed or otherwise held or used by Seller [*i.e.*, the Borough] exclusively in the Business (other than the Excluded Assets), and the Wood Campus Real Property (New Hospital Site).”

**WHEREAS**, in accordance with Section 1.4(g) of the Asset Purchase Agreement SEARHC has no obligation to pay any real and/or personal property taxes on the Eligible Property, the Acquired Assets, the AICS Property, the New Hospital or the Business (the “**Exempt Properties**”), unless otherwise provided by law; and

**WHEREAS**, in accordance with the Asset Purchase Agreement, should any property taxes be imposed by the Borough on the New Hospital Site, the Borough must reimburse SEARHC for any such property taxes; and

**WHEREAS**, pursuant to Article IX, Section 4 of the Alaska Constitution and Alaska Statutes 29.45.030, SEARHC is exempt from taxes on property used “exclusively for nonprofit religious, charitable, cemetery, hospital, or educational purposes”; and

**WHEREAS**, the Parties agree that consistent with the Asset Purchase Agreement, SEARHC qualifies for property tax exemption on the parcels listed in Exhibit A, and is entitled to reimbursement from the Borough for taxes paid which are imposed on the New Hospital Site; and

**WHEREAS**, SEARHC is a sizeable and valued employer in the community of Wrangell; and

**WHEREAS**, the Borough provides an array of services (the “**Services**”) to the community of Wrangell; and

**WHEREAS**, without property tax revenue to fund the cost of providing Services to the community, the burden of providing such Services has the potential to increase year-over-year; and

**WHEREAS**, the Borough assessed property taxes approximating \$331,000.00 (the “**Overpayment**”) in violation of the Asset Purchase Agreement and, absent an agreement of the Parties, the Borough it intends to return the Overpayment SEARHC; and

**WHEREAS**, SEARHC is willing to contribute certain monies to the Borough to be used in accordance with the terms of this Agreement; and

**WHEREAS**, the Borough wishes to resolve its liability to return the tax Overpayment to SEARHC and to receive certain other monies from SEARHC, both on the terms and subject to the conditions of this Agreement.

**NOW, THEREFORE**, each Party intending to be bound hereto, agrees as follows:

## **ARTICLE I DEFINITIONS**

As used in this Agreement, the following terms when appearing in initial capital letters will have the respective meanings set forth below. The singular of any definition will include the plural and the plural will include the singular.

“Acquired Assets” has the meaning set forth in the recitals.

“AICS Property” has the meaning set forth in the recitals.

“Asset Purchase Agreement” has the meaning set forth in the recitals.

“Business Day” means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of Alaska are authorized or required by law or other governmental action to close.

“Commercial Business” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or other form of entity which furnishes goods or services for a fee to either the general public or other commercial operations, whether it is a taxable or non-profit entity. A Commercial Business does not include the Borough.

“Effective Date” has the meaning set forth in the first paragraph of this Agreement.

“Eligible Property” has the meaning set forth in the recitals.

“Exempt Properties” means the properties listed on Exhibit A.

“Fairly Imposed” has the meaning set forth in Section 2.08.

“Flat Fee” means a fixed charge.

“Offset” has the meaning set forth in Section 2.08.

“Overpayment” has the meaning set forth in the recitals.

“PILT Payment” has the meaning set forth in Section 2.01.

“Person” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, Governmental Authority, or other form of entity.

“Services” has the meaning set forth in the recitals.

“Term” has the meaning set in Section 2.04.

## **ARTICLE II PILT Payments**

**Section 2.01 Payment.** With respect to each calendar year during the Term of this Agreement, SEARHC shall pay the Borough the amount of Forty-Five Thousand Dollars (\$45,000.00) (the “PILT Payment”), net of any Offset otherwise provided by this Agreement. The PILT Payment for any partial calendar year during the Term of this Agreement will be prorated on the basis of the number of calendar days during such year. For the avoidance of doubt, Offsets against the PILT Payment are not prorated, SEARHC may apply the Offset as a reduction in all or any portion the PILT Payment beginning in the first year in which the Offset arises (or thereafter), or SEARHC may demand repayment of the Offset (or the remaining portion thereof, as the case may be) from the Borough.

**Section 2.02 Timing of PILT Payment.** SEARHC shall remit the PILT Payment, net of any Offset it applies to the payment then due, to the Borough on or before October 15th of each year during the Term hereof.

**Section 2.03 Commencement of PILT Payments.** Notwithstanding Section 2.02, with respect to the calendar year 2022, SEARHC agrees to remit the prorated PILT Payment for 2022, on or before July 1, 2022.

**Section 2.04 Term.** The term of this Agreement (the “**Term**”) will commence on the Effective Date and will continue until the tenth anniversary of the Effective Date, or as otherwise provided herein.

**Section 2.05 The Borough’s Use of the PILT Payment.** The Borough shall earmark all PILT Payments, and such monies shall be used exclusively to fund specific Services reasonably agreed to by the Parties which positively affect SEARHC and/or its employees. Examples of such agreed Services might include (if the Parties later so agree), but are not limited to, the following: treatment of water, hospital lift station maintenance/overhaul, snow plowing, street paving, power generation, housing solutions, and other opportunities to improve existing and/or build new infrastructure that benefits SEARHC and/or its employees. SEARHC shall not be required to pay for the Services associated with this Section 2.05, unless otherwise agreed to the by Parties.

**Section 2.06 New Property Acquisitions; Disposition of Property.** Additional real or personal property obtained by SEARHC subsequent to this Agreement will be in the scope of this Agreement and shall be deemed automatically added to the list of Exempt Property on Exhibit A. However, in the event SEARHC disposes of any Exempt Property during the Term, the transferee shall not be assessed property tax on the same such property during the year of such disposition and Exhibit A shall be amended to remove such Exempt Property as of the date it is disposed of.

**Section 2.07 Renegotiation of the PILT Payment.** Upon 90 days written notice, either Party may seek to renegotiate this Agreement at any point during the Term. However, except as expressly provided herein, neither this Agreement, nor any change to this Agreement, shall impact the tax exemption or tax repayment required by the Asset Purchase Agreement.

**Section 2.08 No Other Taxes or Municipal Charges.** If for any reason (including any change in law or practice, such as the Borough’s enactment, adoption or application of a real or personal property tax, income tax or use fee), SEARHC is required to pay:

- (a) directly or indirectly, any tax to the Borough, or
- (b) any fee or charge of any kind which is not **Fairly Imposed**,

then the amount payable by SEARHC shall be deducted from payments due from SEARHC under this Agreement (an “**Offset**”), or such Offset amount shall be paid by the Borough on demand by SEARHC.



**Section 3.03 Severability.** If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

**Section 3.04 Entire Agreement; No Modification to the Asset Purchase Agreement.** This Agreement constitutes the sole and entire agreement of the Parties to this Agreement with respect to the subject matter contained herein. In the event of a conflict between the terms of this Agreement and the Asset Purchase Agreement, the terms of the Asset Purchase Agreement shall control. This Agreement does not modify or amend the Asset Purchase Agreement.

**Section 3.05 Successors and Assigns.** This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Neither Party may assign its rights or obligations hereunder without the prior written consent of the other Party, which consent may be given or withheld by the Party whose consent is required at its sole discretion, except that SEARHC may assign this Agreement to any Person that acquires all or substantially all of its assets, whether by merger, asset purchase or otherwise. No assignment shall relieve the assigning Party of any of its obligations hereunder.

**Section 3.06 No Third-Party Beneficiaries; Exceptions.** This Agreement is for the sole benefit of the Parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, except as to a right to be enjoyed by a third-party as otherwise provided herein.

**Section 3.07 Amendment and Modification; Waiver.** This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each Party hereto. No waiver by any Party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the Party so waiving. No waiver by any Party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

**Section 3.08 Dispute Resolution.**

(a) In the event of any dispute or disagreement between the Parties as to the interpretation of any provision of this Agreement, or the performance of any obligations thereunder, the matter, upon the written request of any Party, shall be referred to representatives designated by each respective Party for resolution binding on the Parties. Such representatives

shall promptly meet in a good faith effort to resolve the dispute. If the representatives do not agree upon a resolution within thirty (30) calendar days after reference of the matter to them, each Party shall be free to exercise the remedies available to it under Section 3.08(b).

(b) If any controversy, dispute or claim arising out of or relating in any way to this Agreement, or the transactions contemplated thereunder, is not resolved by negotiation pursuant to Section 3.08(a), then either Party involved in such controversy, dispute or claim may demand that the controversy, dispute or claim be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect by three arbitrators selected in accordance with such rules unless the Parties shall agree on a single arbitrator. Such arbitrator(s) shall have at least ten years of experience in the healthcare field. The arbitration proceedings shall be held in Anchorage, Alaska, or another mutually acceptable neutral venue. Each Party shall bear all of its own expenses and the arbitrators' fees and expense shall be shared equally by the Parties to the arbitration; provided, however, that at the conclusion of the arbitration, the arbitrator shall award costs and expenses (including the costs of the arbitration previously advanced and the fees and expenses of attorneys, accountants and other experts) to the prevailing Party or Parties. The decision of the arbitrators shall (i) be rendered in writing, and concurred in by a majority of the arbitrators, if more than one, and (ii) be final, binding and conclusive and entitled to be enforced to the fullest extent permitted by law and entered in any court of competent jurisdiction. To the extent practical, the decision of the arbitrators shall be rendered no more than 30 days following commencement of proceedings with respect thereto. The arbitrators shall have the power to grant equitable relief. The arbitrators shall cause their written decision to be delivered to the Parties. The Parties consent to the jurisdiction of the foregoing arbitrator or arbitrators and further consent to the jurisdiction of any state or federal court located in the State of Alaska for the purpose of enforcing the agreement to arbitrate set forth in this Section 3.09 and any decision or award of the arbitrators. The Parties agree that service of process may be made on any such Party by any means specified for Notice in Section 3.01. The submission to the jurisdiction of the courts referred to above for the purpose of enforcing the agreement to arbitrate set forth in this Section 3.08 and the decision or award of the arbitrators shall not (and shall not be construed so as to) limit the right of any Party to file or commence a proceeding against the other in any other court of competent jurisdiction for the purpose of enforcing the decision or award of the arbitrators if and to the extent permitted by applicable law. In the event any suit or other legal proceeding is brought for the enforcement of the agreement to arbitrate set forth in this Section 3.09 or any decision or award of the arbitrators, the Parties agree that the prevailing Party or Parties shall be entitled to recover from the other Party or Parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal and costs incurred in bringing such suit or proceeding. Notwithstanding anything to the contrary provided in this Section 3.09(b), and without prejudice to the above procedures, any Party may apply to any court of competent jurisdiction for temporary injunctive or other provisional judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the arbitrator is selected and available to hear such Party's request for temporary relief.

(c) (i) The Borough understands and agrees that SEARHC possesses sovereign immunity from suit as a tribal consortium, recognized under the terms of the ISDEAA and acting on behalf of its constituent tribal governments. SEARHC hereby provides an irrevocable limited waiver of its sovereign immunity (but not of the sovereign immunity of any of its tribal constituents) only to the limited extent necessary to (A) pursue arbitration as described in

Section 3.08, (B) enforce the agreement to arbitrate set forth in Section 3.09, (C) enforce any binding decision or award issued in accordance with such arbitration, and (D) seek or pursue relief, including an injunction or injunctions or Orders for specific performance to prevent breaches of the provisions of this Agreement, and to enforce specifically the terms and provisions of this Agreement, in addition to any other remedy to which they are entitled at law or in equity as a remedy for any such breach or threatened breach. Sovereign immunity is not waived as to any employee, board member, constituent tribe or agent of SEARHC.

(ii) By this limited waiver of sovereign immunity, SEARHC does hereby consent to jurisdiction only in the following fora: arbitration as described in Section 3.09 and any state or federal court located in the State of Alaska First Judicial District for the purposes described in this Section 3.08. SEARHC agrees not to commence or initiate any action arising under this Agreement in any tribal court or forum and irrevocably waives, to the fullest extent permitted by law, any requirement for the exhaustion of remedies available in any tribal court or forum, if any.

(iii) The Borough's agreement as set forth in the first sentence of Section 3.08(c)(i) and SEARHC's limited waiver of sovereign immunity set forth in Section 3.08(c)(i) shall relate solely to the transactions contemplated in this Agreement. SEARHC will not initiate a lawsuit or other action that challenges the validity of the limited waiver of sovereign immunity provided in Section 3.08(c)(i). SEARHC will not raise the Borough's acknowledgement of SEARHC's sovereign immunity, and the Borough will not raise SEARHC's limited waiver of sovereign immunity, in Section 3.08(c)(i) in any future action or dispute between the Parties that is unrelated to this Agreement or the transactions contemplated herein.

**Section 3.09 Waiver of Sovereign Immunity.** The Borough agrees that it is subject to civil and commercial suit for any breach of contract obligations under this Agreement. To the extent that the Borough may be entitled to claim sovereign, governmental, or municipal immunity from any liability in such a civil or commercial suit by SEARHC, the Borough hereby agrees not to claim, and hereby waives, such sovereign, governmental, and municipal immunity.

**Section 3.10 Counterparts.** This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

**IN WITNESS WHEREOF,** the Parties hereto have duly executed this Agreement effective as of the Effective Date.

*[Signature Page Follows]*

*[Signature Page to Tax Contribution Agreement]*

**THE CITY AND BOROUGH OF  
WRANGELL, ALASKA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SOUTHEAST ALASKA REGIONAL  
HEALTH CONSORTIUM**

By: \_\_\_\_\_

Name: Leatha Merculieff

Title: Senior Vice President/Chief of Operations

**Exhibit A**Parcels<sup>1</sup>

| <b>Description</b>                                                                              | <b>Parcel Number</b>                                                                              |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Wood Campus Real Property (New Hospital Site), including the Wood St. Clinic at 232 Wood Street | 02-035-290<br>02-035-295<br>02-035-300<br>02-035-305                                              |
| AICS Property                                                                                   | Lot A, to Plat 2010-04<br>Portion of 02-035-290<br>Portion of 02-035-300<br>Portion of 02-035-305 |
| SEARHC Wrangell Dental Clinic<br>22 Front Street                                                | 02-010-111                                                                                        |
| SEARHC Behavioral Health Administration<br>219 Front Street                                     | 02-011-102                                                                                        |
| Amanda Building / Staff Short Term Housing<br>110 Lynch Street                                  | 02-011-130                                                                                        |
| SEARHC Behavioral Health Clinic<br>333 Church Street                                            | 02-022-149                                                                                        |
| SEARHC Facilities Warehouse / Staff Short Term Housing<br>928 Zimovia Highway                   | 02-034-212                                                                                        |
| 1064 Zimovia Highway                                                                            | 03-002-308                                                                                        |

<sup>1</sup> Note to Draft: The original version of this agreement drafted by the Borough provided that:

“in addition to the eligible property being exempt from property taxes, the Borough would like to extend the property tax exemption for all existing SEARHC properties which includes parcels 02-010-111, 02-011-102, 02-022-149, 02-034-212, 03-002-308, 03-006-206 and 02-011-130 ...”.

The term “eligible property was not defined in the original version of the agreement, but we interpreted it to be the property exempt under the APA.

**ASSET PURCHASE AGREEMENT**  
**BY AND BETWEEN**  
**SOUTHEAST ALASKA REGIONAL HEALTH CONSORTIUM**  
**AND**  
**THE CITY AND BOROUGH OF WRANGELL, ALASKA**

**October 26, 2018**

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## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the “**Agreement**”), is made and entered into as of October 26, 2018 (the “**Execution Date**”), by and between the City and Borough of Wrangell, Alaska, a home rule municipality organized under the laws of the State of Alaska (“**Seller**”), and the SouthEast Alaska Regional Health Consortium, a nonprofit corporation organized under the laws of the State of Alaska, and a tribal organization comprised of federally-recognized Alaska Native tribes (“**Buyer**”). Seller and Buyer are individually referred to herein as a “**Party**” and collectively as the “**Parties**.”

### RECITALS

A. Seller owns and operates the Wrangell Medical Center, located at 310 Bennett Street, Wrangell, Alaska 99929 (the “**Hospital**”).

B. The Hospital is licensed to provide a full range of healthcare services as an acute care hospital, including inpatient and outpatient services, emergency care services, rehabilitation services, specialty clinic services, diagnostic imaging services, and nursing home services (the provision of all such services is referred to herein as the “**Business**”).

C. Buyer acts for and on behalf of its constituent tribal governments to carry out its core mission of providing federal healthcare services to tribal member beneficiaries. With a board of directors comprised of representatives from each of its constituent tribal governments, Buyer further acts as a tribal consortium under the authority of the Indian Self-Determination and Education Assistance Act (“**ISDEAA**”) and its self-governance compact and annual funding agreements. Buyer is entering into this Agreement to further its federal healthcare mission.

D. Seller desires to convey to Buyer and Buyer desires to receive title to certain assets owned and used by Seller in the Business, as more fully set forth herein.

E. Seller desires to convey to Buyer and Buyer desires to receive title to the Wood Campus Real Property (New Hospital Site), as more fully set forth herein.

F. Buyer intends to operate the Hospital in its current location while Buyer constructs a new hospital building on the Wood Campus Real Property (New Hospital Site) where the Buyer will ultimately operate the Business following the completion of such construction.

G. The Parties desire to enter into this Agreement for the purpose of setting forth their mutual rights and obligations with respect to the foregoing.

H. Capitalized terms used but not otherwise defined herein shall have the respective meanings contained in Exhibit A hereto.

NOW, THEREFORE, for and in consideration of the premises and the agreements, covenants, representations, and warranties hereinafter set forth, and other good and valuable consideration, the adequacy of which is acknowledged, the Parties agree as follows:

## ARTICLE 1

## PURCHASE AND SALE

**1.1 Sale of Assets.** Subject to the terms and conditions of this Agreement, Seller shall sell, transfer, convey, assign, and deliver to Buyer, and Buyer shall acquire from Seller, free and clear of any and all Encumbrances (other than Permitted Encumbrances, in the case of the Acquired Assets other than the Wood Campus Real Property (New Hospital Site), and Permitted Exceptions, in the case of the Wood Campus Real Property (New Hospital Site)) by appropriate instruments of conveyance reasonably satisfactory to Buyer, the assets, rights, titles, and interests of every kind or nature, whether real, personal or mixed, tangible or intangible, owned, leased, licensed or otherwise held or used by Seller exclusively in the Business (other than the Excluded Assets), and the Wood Campus Real Property (New Hospital Site) (collectively, the “**Acquired Assets**”), including the following items:

(a) All tangible personal property, including all equipment, furniture, fixtures, machinery, vehicles, office furnishings, instruments, leasehold improvements, spare parts, including any of the foregoing that are or may become fixtures, and, to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor with respect thereto, that is held or used by Seller exclusively in the Business (collectively, the “**Personal Property**”), including the Personal Property described on Schedule 1.1(a);

(b) All leases to which Seller is a party (whether as lessor, lessee, sublessor or sublessee) and all leasehold interests or other contractual rights relating to the Personal Property that are held by Seller exclusively for use in the Business (the “**Personal Property Leases**”), including the Personal Property Leases described on Schedule 1.1(b);

(c) All real property leases to which Seller is a party (whether as lessor, lessee, sublessor or sublessee), and all leasehold interests or other contractual rights, interests, easements, and appurtenances, including all rights in and to any security deposits delivered in connection therewith, that are held by Seller exclusively for use in the Business (the “**Real Property Leases**”), including the Real Property Leases described on Schedule 1.1(c);

(d) Good and marketable title in fee simple absolute to the Wood Campus Real Property (New Hospital Site) described on Schedule 1.1(d) (subject to Section 6.18(c)), and, to the extent permitted by applicable Law, any rights of Seller against third parties under any deeds or other instruments related to the Wood Campus Real Property (New Hospital Site), together with improvements, appurtenances, covenants, easements, and servitudes situated thereon, forming a part thereof or in any manner belonging to or pertaining to such interests of Seller, if any (collectively, the “**Wood Campus Real Property (New Hospital Site)**”);

(e) Subject to Section 6.2(b), all Contracts and contract rights of Seller relating to the Acquired Assets or the Business, including each Contract set forth on Schedule 1.1(e) (collectively, the “**Assumed Contracts**”);

(f) To the extent transferable or assignable and subject to any applicable consent requirements, rights to all Licenses which are held or used by Seller and relate to the

Acquired Assets or the Business, including the Licenses described on Schedule 1.1(f), and all pending Licenses or License applications which relate to the Acquired Assets or the Business;

(g) All computer hardware, software, and data processing equipment held or used by Seller exclusively in the Business or the operation of the Acquired Assets which, in the case of software other than “shrink-wrapped” or “click-wrapped” software, is listed on Schedule 1.1(g), and, to the extent assignable or transferable, all rights in all warranties of any manufacturer or vendor with respect thereto;

(h) All inventories of usable goods and supplies held or used by Seller exclusively in the Business, including pharmaceuticals and medications, food, janitorial supplies, office supplies, forms, consumables, disposables, linens, and medical supplies, existing and wherever located (collectively, the “**Purchased Inventory**”);

(i) The deposits, escrows, prepaid expenses or other advance payments, claims for refunds and rights to offset in respect thereof, of Seller relating to the Business which are assumable and usable by Buyer, as listed on Schedule 1.1(i) (collectively, the “**Prepaid Expenses**”);

(j) To the extent transferable or assignable and subject to any applicable consent requirements, all documents, books, records, operating and policy manuals, and files owned by Seller, pertaining to or used in connection with the Business or the Acquired Assets, whether in hard copy or other form, including all patient records, medical records, medical staff records, clinical records, financial records, equipment records and medical and administrative libraries, employee-specific personnel files for the Transferred Employees, general staffing data and other operational records that do not contain personal information regarding any current or former employees of Seller who are not Transferred Employees, and purchase and vendor records, existing and wherever located (collectively, the “**Transferred Records**”);

(k) All Intellectual Property held or used by Seller exclusively in the Business or the operation of the Acquired Assets, including the name “Wrangell Medical Center,” any other names, logos, and symbols used by Seller in connection with the Business or the Acquired Assets, and the items set forth in Schedule 1.1(k); and all goodwill associated with the Business;

(l) All right, title, and interest in the domain names set forth on Schedule 1.1(l), and all telephone and facsimile numbers, e-mail accounts, websites, and social media accounts as currently used by Seller primarily in support of the Business;

(m) All provider numbers (including CCN and NPI numbers) related to any Government Reimbursement Program;

(n) Any insurance proceeds and insurance proceeds receivable (including applicable deductibles, co-payments or self-insured requirements) arising from the Acquired Assets; and

(o) All Claims of Seller (whether choate or inchoate, known or unknown, contingent or otherwise) against third parties relating to the Acquired Assets.

**1.2 Excluded Assets.** Notwithstanding anything to the contrary set forth herein, Seller is not transferring, conveying or assigning to Buyer, and Buyer is not acquiring from Seller, the following assets, which shall remain the property of Seller after the Closing (the “**Excluded Assets**”):

(a) All cash and cash equivalents (other than the Prepaid Expenses), including investments in marketable securities and certificates of deposit, and the accounts in which those assets are deposited;

(b) All Contracts and contract rights identified on Schedule 1.2(b) (collectively, the “**Excluded Contracts**”);

(c) All Accounts Receivable;

(d) All Agency Settlements;

(e) All Employee Benefit Plans of any nature whatsoever applicable to Seller’s employees;

(f) The corporate record books, minute books, corporate seals, and tax records of Seller;

(g) All personnel records and other books and records of any kind that Seller is required by applicable Law to retain in its own possession; provided, however, that copies of such books and records shall be provided to Buyer at the Closing, to the extent included among the Transferred Records, unless prohibited by applicable Law;

(h) All Claims of Seller (whether choate or inchoate, known or unknown, contingent or otherwise) against third parties relating to the Excluded Assets;

(i) All claims for refunds of Taxes, if any, and other governmental charges of whatever nature;

(j) All Real Property of Seller, other than the Wood Campus Real Property (New Hospital Site) and the Real Property Leases;

(k) The property and assets specifically described on Schedule 1.2(k);

(l) All rights of Seller under this Agreement or any agreement contemplated hereby; and

(m) All assets and rights of Seller unrelated to the Business.

**1.3 Assumption of Liabilities.** As of the Effective Time, Buyer shall assume and agree to pay, discharge, and perform according to their terms, the following Liabilities of Seller (collectively, the “**Assumed Liabilities**”):

(a) All Liabilities arising under any Assumed Contracts and the Real Property Leases from and after the Effective Time, to the extent such Liabilities relate solely to Buyer's use or ownership of the Assumed Contracts and the Real Property Leases and operation of the Business;

(b) All Liabilities arising under any Licenses from and after the Effective Time, to the extent such Liabilities relate solely to Buyer's use or ownership of the Acquired Assets and operation of the Business;

(c) Notwithstanding Section 1.4(e) and Section 1.4(f) to the contrary, Liabilities of Seller as of the Effective Time for accrued unused paid time off, whether for vacation, sick pay or otherwise, that are attributable to the Transferred Employees subject to a maximum of 80 hours for each Transferred Employee (collectively, the "**Accrued PTO**"); provided, that Seller shall remain responsible for any Liability arising under Law, policy or contract to pay (i) any Transferred Employee the value of any accrued unused paid time off such employee may have in excess of 80 hours as of the Effective Time (the "**Accrued PTO Cash-Out Amount**"), or (ii) any other employee of Seller for any accrued unused paid time off.

**1.4 Excluded Liabilities.** Except for the Assumed Liabilities, Buyer shall not assume or become liable for or obligated in any way with respect to, and Seller shall retain and remain solely liable for any obligation to pay, perform, and discharge, all Liabilities of Seller, regardless of when asserted (collectively, the "**Excluded Liabilities**"), including:

(a) Any Liabilities of Seller arising under (i) the Assumed Contracts (to the extent arising on or before the Effective Time) and (ii) the Excluded Contracts;

(b) Any Liabilities of Seller arising from or relating to the Real Property, other than the Wood Campus Real Property (New Hospital Site) and the Real Property Leases;

(c) Any Liabilities of Seller by reason of any failure to comply with the rules and regulations of any Government Reimbursement Program which is attributable to any period of time ending prior to the Effective Time;

(d) Any Liabilities of Seller arising out of or relating to any violation of applicable Law prior to the Effective Time;

(e) any Liabilities of Seller arising out of or relating to any Employee Benefit Plan of any nature whatsoever maintained or contributed to by Seller or its Affiliates for the benefit of its or their employees;

(f) any Liabilities of Seller for any present or former employees, retirees, independent contractors or consultants of Seller, including any Liabilities associated with any claims for wages, compensation or other benefits, bonuses, commissions, paid time off, workers' compensation, severance, retention, termination, damages, statutory penalties, attorneys' fees and costs, or any other payments, to the extent arising out of or relating to the employment, retention or termination of employment or services of such Persons (including any Liabilities associated with Seller's use, or provision of, contract labor) or any other facts, circumstances or conditions existing on or prior to the Effective Time;

(g) Liabilities for Taxes, including (1) any Taxes arising as a result of Seller's operation of the Business or ownership of the Acquired Assets and the Hospital prior to the Effective Time; (2) any Taxes that will arise as a result of the transfer and conveyance of the Acquired Assets pursuant to this Agreement; and (3) any deferred Taxes of any nature; further, it is acknowledged that Buyer shall have no obligation to pay any real and/or personal property Taxes on Eligible Property due as a result of the ownership or operation of the Acquired Assets following the Effective Time;

(h) Liabilities to Government Reimbursement Programs for overpayments and other financial obligations arising from adjustments or reductions in reimbursement attributable to events, transactions, circumstances or conditions occurring or existing prior to the Effective Time;

(i) Any accounts payable of the Business, whether or not reflected on Seller's books as of the Closing Date or arising thereafter from the operation of the Business prior to the Effective Time ("**Accounts Payable**");

(j) The Two-Hundred and Fifty Thousand Dollar (\$250,000) outstanding obligation from the Line of Credit Agreement Between the City and Borough of Wrangell and the Wrangell Medical Center signed on October 25, 27, and 28, 2017;

(k) With respect to any retrospective settlement of any cost report for an amount less than such original cost report relating to a period ending prior to the Effective Time, all obligations of Seller now existing or which may hereafter exist with respect to any payment or reimbursement owed by Seller to any Government Reimbursement Program or other payor which is attributable to any period of time ending on or prior to the Effective Time;

(l) The aggregate Accrued PTO Cash-Out Amount;

(m) Seller's expenses relating to this Agreement; and

(n) All professional liability claims or other claims for acts or omissions of Seller.

### **1.5 Closing; Effective Time.**

(a) Unless this Agreement shall have been terminated pursuant to Article 7, and subject to the satisfaction or, when permissible, waiver of the conditions set forth in Article 4 and Article 5, the closing of the transactions contemplated hereby (the "**Closing**") will take place by electronic exchange of Seller's Closing Documents and Buyer's Closing Documents on November 1, 2018, or on such other date or at such other time or place as Buyer and Seller may agree (the "**Closing Date**"). The Closing shall be effective as of 12:01 am Wrangell, Alaska time on the Closing Date (the "**Effective Time**").

(b) At the Closing, Seller shall deliver Seller's Closing Documents to Buyer.

(c) At the Closing, Buyer shall deliver Buyer's Closing Documents to Seller.

**1.6 Consideration.** Buyer's assumption of the Assumed Liabilities, and Buyer's covenants and agreements set forth herein and in Buyer's Closing Documents, shall constitute the consideration for the sale, transfer, conveyance, and assignment of the Acquired Assets to Buyer pursuant to and in accordance with this Agreement.

## ARTICLE 2

### REPRESENTATIONS AND WARRANTIES OF SELLER

As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, Seller represents and warrants to Buyer that the statements contained in this Article 2 are correct and complete, except as may be set forth in the Schedules to this Agreement.

#### **2.1 Organization; Power and Authority.**

(a) Seller is a home rule municipality validly formed under the laws of the State of Alaska. Seller has the power and authority to own, lease, and operate and hold its properties and to carry on the Business as now conducted.

(b) Seller has full power and authority to execute, deliver, and perform its obligations and covenants contained in this Agreement and Seller's Closing Documents and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and Seller's Closing Documents by Seller and the consummation of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of Seller. This Agreement constitutes the legal, valid, and binding obligation of Seller, enforceable in accordance with its terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles. Each of Seller's Closing Documents, when duly executed and delivered by Seller and the other parties thereto, will constitute the legal, valid, and binding obligation of Seller enforceable in accordance with its respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles.

**2.2 No Breach.** Neither the execution and delivery of this Agreement and Seller's Closing Documents by Seller nor Seller's consummation or performance of the transactions contemplated hereby or thereby:

(a) will, directly or indirectly (with or without notice, lapse of time or both), conflict with or result in any violation of or constitute a breach or default under any term of (i) the Borough Charter, (ii) any Contract, License or other instrument to which Seller is a party, or by which Seller is bound or to which the Business or any of the Acquired Assets is subject, (iii) any Order which Seller, the Business or any of the Acquired Assets is bound or subject or (iv) applicable Law;

(b) will result in the creation of any Encumbrance upon the Business or any Acquired Asset; and

(c) except as set forth in Schedule 2.2(c), requires any notice to or any permit, authorization, consent or approval of any Governmental Authority or of any other Person, except as may be required to develop and construct the New Hospital and operate the Business at the New Hospital.

### **2.3 Assets.**

(a) Except as set forth in Schedules 1.1(b) and 1.1(c), Seller is the sole and exclusive legal and equitable owner of all right, title and interest in, has good and marketable title in fee simple absolute to, and is in possession of, all Acquired Assets. No Affiliate of Seller or any other Person has any direct or indirect ownership, leasehold or other interest in the Acquired Assets. As of the Closing Date, all of the Acquired Assets will be free and clear of any Encumbrances, except for Permitted Encumbrances, in the case of the Acquired Assets other than the Wood Campus Real Property (New Hospital Site), and Permitted Exceptions, in the case of the Wood Campus Real Property (New Hospital Site).

(b) The Personal Property is delivered on an “as is, where is” basis. Except as set forth on Schedule 2.3(b), all tangible Acquired Assets are located at the Hospital.

**2.4 Inventory.** To Seller’s Knowledge, the items included in the Purchased Inventory (i) are of a quality and quantity useable or saleable in the Ordinary Course of Business and are of a quantity sufficient to enable Buyer and its Affiliates to carry on the Business as currently conducted, (ii) are not in excess of reasonable quantities for anticipated sale or use in the Ordinary Course of Business and carried at amounts which reflect valuations pursuant to Seller’s normal inventory valuation policy and in accordance with GAAP, and (iii) do not include any obsolete or defective materials or any inventory items which should be written off or written down for which there is not an adequate reserve calculated in accordance with GAAP.

**2.5 No Outstanding Rights.** Except with respect to the rights and interests under the Real Property Leases, to the Knowledge of Seller, there are no outstanding rights (including any right of first refusal), interests, options or Contracts giving any Person any current or future right to require Seller or, from and after the Effective Time, Buyer, to sell or transfer to such Person or to any third party any interest in any of the Acquired Assets.

### **2.6 Personal Property Leases.**

(a) Schedule 1.1(b) sets forth an accurate and complete list of all Personal Property Leases. Seller does not have any Liability with respect to any of the Personal Property Leases except as expressly set forth therein.

(b) Schedule 2.6(b) is an accurate and complete list of all equipment leased or subleased by Seller or any of its Affiliates that are held or used by Seller in the Business (the listed equipment being collectively called the “**Leased Equipment**”), including identification of the lease or sublease affecting such Leased Equipment or any interest therein to which Seller or any of its Affiliates now are a party or by which any of such Person’s interests in the Leased Equipment is or will be bound. Neither Seller nor any of its Affiliates have entered into a Contract and made a commitment to lease equipment other than as disclosed in Schedule 2.6(b). Seller and/or its Affiliates are in possession of the Leased Equipment and have exclusive use of

the Leased Equipment. Except as set forth on Schedule 2.6(b), none of the Leased Equipment is subject to any licenses, use restrictions, exceptions, reservations, limitations or other impediments which adversely affect the value to the Business of the leasehold interest therein or which interfere with or impair the present and continued use thereof in the Ordinary Course of Business.

## 2.7 Real Property.

(a) Schedule 1.1(c) sets forth an accurate and complete list of all Real Property Leases, including identification of the lease or sublease to which Seller or any of its Affiliates is a party or by which any of such Person's interests in the Hospital, the Business or the Wood Campus Real Property (New Hospital Site) is bound affecting such real estate or any interest therein, excluding the Hospital Lease. Except as described on Schedule 1.1(c), neither Seller nor any of its Affiliates leases any real property used in conjunction with the Business. Seller has made available to Buyer accurate, correct, and complete copies of all Real Property Leases and all amendments thereto. Neither Seller nor any of its Affiliates have (i) any material Liability with respect to any Real Property Leases except as expressly set forth therein, or (ii) received any notice from any other party to any Real Property Leases of any uncured defaults. Seller and/or each Affiliate is in possession of the real property subject to the Real Property Leases ("**Leased Real Property**").

(b) Schedule 1.1(d) sets forth an accurate and complete list of each parcel currently constituting the Wood Campus Real Property (New Hospital Site), and, with respect to each such parcel, includes its street address, if any. Except for Permitted Exceptions, there are no Contracts relating to or affecting the Wood Campus Real Property (New Hospital Site) that would affect or restrict rights to ownership or use or any interest therein or would adversely impact the development, construction or operation of the New Hospital. Seller is the sole and exclusive legal and equitable owner of all right, title, and interest in and has good and marketable title in fee simple absolute to and is in possession of the Wood Campus Real Property (New Hospital Site), including the improvements, if any, situated thereon and appurtenances thereto, in each case as of the Effective Time, free and clear of all Encumbrances other than Permitted Exceptions.

(c) Neither the whole nor any portion of the Hospital or the Wood Campus Real Property (New Hospital Site) (collectively, "**Real Property**") has been condemned, requisitioned or otherwise taken by any public authority, no notice of any such condemnation, requisition or taking has been given or received by Seller, and no such condemnation, requisition or taking of the Real Property has been threatened in writing.

(d) Except as set forth in Schedule 2.7(d), within the prior year Seller has not given or received from any other Governmental Authority any written notice that the Real Property (other than the Leased Real Property) is not in compliance with all applicable Laws, and Seller has not given or received from any other Governmental Authority any written notice that the buildings, structures, other improvements and fixtures on such Real Property, to the extent that any exist, and the operations of the Business conducted at the Hospital, do not conform to all applicable Laws. To Seller's Knowledge, Seller has all easements and rights reasonably necessary or appropriate to conduct the Business.

(e) None of the utility providers serving the Hospital have threatened Seller in writing with any reduction in service.

(f) Seller does not pay Taxes on the Real Property.

(g) Except for Permitted Exceptions and as set forth in Schedule 2.7(g), the Wood Campus Real Property (New Hospital Site) is vacant, free and clear of all tenancies and right of occupancy, and is not improved with any structures.

**2.8 Condition of Hospital.** Schedule 2.8 contains a list of reports and notices regarding the condition of the physical plant of the Hospital, true and correct copies of which have been delivered or made available to Buyer. Beyond the information contained in Schedule 2.8, Seller makes no representations or warranties regarding the condition of the physical plant of the Hospital.

**2.9 Government Reimbursement Participation; Health Care Law Compliance.**

(a) Seller is eligible to receive payment without restriction under Title XVIII of the Social Security Act (“**Medicare**”) and is a “**provider**” (as such term is defined in Medicare), with valid and current provider agreements with one or more provider numbers with Government Reimbursement Programs through fiscal intermediaries. To Seller’s Knowledge, Seller is in compliance with the conditions of participation for the Government Reimbursement Programs in all material respects. Except as described on Schedule 2.9(a), to Seller’s Knowledge, there are no pending or threatened Proceedings or investigations under the Government Reimbursement Programs involving Seller. The cost reports of Seller, as applicable, for the Government Reimbursement Programs referred to above, and for payment and reimbursement of any other cost report settlements, required to be filed with respect to any period ending on or prior to the Effective Time, have been or will be properly and timely filed and are or will be complete and, to Seller’s Knowledge, correct in all material respects. To Seller’s Knowledge, the cost reports required to be filed by Seller do not claim, and Seller has not received any payment or reimbursement in excess of, the amount provided by law or any applicable agreement, except where excess reimbursement was noted on the cost report. Except as described on Schedule 2.9(a), there are no claims, actions or appeals pending before any commission, board or agency, including any fiscal intermediary or carrier, Governmental Authority or the Administrator of the Centers for Medicare and Medicaid Services, with respect to any Government Reimbursement Program cost reports or claims filed on behalf of Seller referred to above or any disallowances by any commission, board or agency in connection with any such cost reports.

(b) To Seller’s Knowledge, neither Seller, nor any partner, member, director, officer or employee of Seller, nor any agent acting on behalf of or for the benefit of any of the foregoing, has directly or indirectly in connection with the business and operations of the Hospital or the Acquired Assets in violation of any applicable Laws: (i) offered or paid any remuneration, in cash or in kind, to, or made any financial arrangements with, any past, present or potential customers, past or present suppliers, patients, medical staff members, contractors or third party payors of Seller; (ii) given or agreed to give, or is aware that there has been made or that there is any agreement to make, any gift or gratuitous payment of any kind, nature or

description (whether in money, property or services) to any customer or potential customer, supplier or potential supplier, contractor, third party payor or any other Person; (iii) made or agreed to make, or is aware that there has been made or that there is any agreement to make, any contribution, payment or gift of funds or property to, or for the private use of, any governmental official, employee or agent where either the contribution, payment or gift or the purpose of such contribution, payment or gift is or was illegal under applicable Laws; (iv) established or maintained any unrecorded fund or asset for any purpose or made any misleading, false or artificial entries on any of its books or records for any reason; or (v) made, or agreed to make, or is aware that there has been made or that there is any agreement to make, any payment to any Person with the intention or understanding that any part of such payment would be used for any purpose other than that described on the documents supporting such payment.

(c) To Seller's Knowledge, neither Seller nor any partner, member, director, officer or employee of Seller is a party to any Contract (including any joint venture or consulting agreement) related to Seller, its Business or the Acquired Assets with any physician, health care facility, hospital, nursing facility, home health agency or other Person who is in a position to make or influence referrals to or otherwise generate business for Seller with respect to the Hospital or the Purchased Assets, to provide services, lease space, lease equipment or engage in any other venture or activity, to the extent that any of the foregoing is prohibited by applicable Laws.

(d) Except as set forth in Schedule 2.9(d), within the prior year the Hospital has met the survey requirements for participation in the Medicare program.

(e) To Seller's Knowledge, Seller is in compliance with the Medicare Fraud and Abuse Amendments of 1977, as amended by the Medicare Patient and Program Protection Act of 1987, federal prohibitions on physician "self-referrals" (as such term is defined in the "Stark Law"), the Health Insurance Portability and Accountability Act of 1996, the civil monetary penalties law, 42 U.S.C. § 1320a-7a(b), Federal False Claims Act, 42 U.S.C. §§ 3729 – 3733, and Orders.

## **2.10 No Violation of Law; Licenses.**

(a) Except as set forth in Schedule 2.10(a), Seller (i) is not in material violation of any applicable Laws and (ii) has not received any current written notice of any alleged violation or non-compliance with any applicable Laws, in each case with respect to the ownership and operation of the Hospital, the Acquired Assets, and the Business.

(b) Set forth on Schedule 2.10(b) is a true and complete description of all Licenses currently issued or granted by a Governmental Authority and owned or held by or issued to Seller in connection with the Acquired Assets and the Business.

(c) The Hospital is in compliance in all material respects with all Licenses listed in Schedule 2.10(b). There is not now pending nor, to the Knowledge of Seller, threatened in writing any action by or before any Governmental Authority to revoke, cancel, rescind, modify or refuse to renew any of the Licenses, and all of the Licenses are and shall be in good standing now and as of the Closing.

**2.11 Legal Proceedings.** There are no Proceedings instituted or pending or, to Seller's Knowledge, threatened against Seller that challenge, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby, and there are no Orders outstanding or threatened against Seller that challenge, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby. Except as described on Schedule 2.17(b), Seller is not a party to any Proceedings relating to the Business, and Seller and the Acquired Assets are not subject to any Orders. Seller has not received notice of any pending Proceeding by or before any Governmental Authority concerning the Business or to which the Acquired Assets are subject, and, to Seller's Knowledge, there is no basis for any such action. There is no Proceeding that is currently being threatened in writing against Seller or against any employee of the Business in relation to or otherwise involving the Business or the Acquired Assets.

**2.12 Material Contracts.** Schedule 2.12 lists all Material Contracts. Except as described on Schedule 2.12, each Material Contract (a) has been entered into by Seller in the Ordinary Course of Business and (b) is in full force and effect, and has not been amended or modified except as described on Schedule 2.12. Seller is not currently in breach or default in any material respect, nor has Seller received any written notice that it is in breach or default, with respect to any Material Contract, and to Seller's Knowledge, no other party to any Material Contract is currently in breach or default in any material respect or has any defense, counterclaim or offset right. Seller has not assigned or encumbered any Material Contract in any manner.

**2.13 Insurance.** Schedule 2.13 sets forth a true and complete list of all insurance policies or self-insurance funds maintained by Seller covering the ownership and operation of the Business and the Acquired Assets, indicating the types of insurance, policy numbers, terms, identity of insurers and amounts and coverages (including applicable deductibles). All of such policies are now and will be until the Closing in full force and effect on an occurrence or claims made basis with no premium arrearages. Such policies of insurance shall not be assigned to Buyer as part of the Acquired Assets and Buyer acknowledges that all of the coverages listed on Schedule 2.13 with respect to the Acquired Assets will cease with respect to events occurring after the Effective Time.

**2.14 Environmental Matters.** To Seller's Knowledge, and solely with respect to the Wood Campus Real Property (New Hospital Site), Seller is in compliance with all terms and conditions of all Licenses, and is in compliance in all material respects with all other applicable Laws relating to the emission, discharge, release or threatened release of any Hazardous Materials into air, surface water, groundwater or lands ("**Environmental Requirements**"). To Seller's Knowledge, no discharge or release of any Hazardous Material caused by Seller has occurred on the Wood Campus Real Property (New Hospital Site) which violates Environmental Requirements.

**2.15 Absence of Certain Changes or Events.** Since April 15, 2018, Seller has conducted the Business only in the Ordinary Course of Business and, without limitation, has not taken the following actions with respect to the Business outside of the Ordinary Course of Business:

(a) created or suffered to exist any Encumbrances with respect to any of the Acquired Assets, except for Permitted Encumbrances (or Permitted Exceptions in the case of the Wood Campus Real Property (New Hospital Site));

(b) sold, leased to others, licensed to others, disposed of or otherwise transferred any of the material assets or properties of the Business, except for (i) use or sale of inventory in the Ordinary Course of Business, (ii) sales of old or obsolete equipment that has been replaced with equipment that is functionally equivalent, and (iii) sales of other obsolete equipment;

(c) (i) increased the rate or terms of compensation (including termination and severance pay), commission, bonus or other direct or indirect remuneration (or the rate thereof) payable or to become payable to any of Seller's employees, officers, directors or persons otherwise serving in such capacities, other than regularly scheduled increases in base salary in the Ordinary Course of Business in all material respects; or (ii) except to the extent required under applicable Law, adopted, amended or terminated any Employee Benefit Plan, or entered into any employment, consulting, severance or termination agreement;

(d) waived any rights relating to the Business or arising under or in connection with any of the Acquired Assets, individually or in the aggregate in excess of \$50,000;

(e) Except as set forth in Schedule 2.15(e), acquired any assets or properties individually or in the aggregate in excess of \$50,000, other than in the Ordinary Course of Business;

(f) entered into any merger, consolidation, recapitalization or other business combination or reorganization;

(g) Except as set forth in Schedule 2.15(g), made any loans, advances or capital contributions to or investments in any Person, other than loans and advances to employees in amounts that do not individually exceed \$10,000 or in the aggregate exceed \$25,000;

(h) induced any employee receiving annual compensation in excess of \$30,000, to leave his or her employment, or acted to otherwise adversely affect the relations with any such employee receiving annual compensation in excess of \$30,000;

(i) delayed payment of payables, changed credit practices or done anything to materially and adversely affect the relationship of the Business with any patients or suppliers that is material to the Business;

(j) failed to replenish inventories and supplies in the Ordinary Course of Business, or made any purchase commitment materially in excess of the usual requirements of the Business or at any price materially in excess of the then-current market price or upon terms and conditions more onerous than those usual and customary in the industry or made any material change in its selling, pricing, advertising or personnel practices inconsistent with its prior practice;

(k) Except as set forth in Schedule 2.15(k), made any change in its general pricing practices or policies or any change in its credit or allowance practices or policies other than in the Ordinary Course of Business;

(l) received written notice from any supplier representing during the last fiscal year purchases of \$50,000 or more that such supplier has ceased, may cease or will cease to do business with it;

(m) Except as set forth in Schedule 2.15(m), entered into any transaction, agreement, contract or understanding with any Person (other than Buyer) affecting the Business or altered the terms of any transaction, agreement, contract or understanding with any Person (other than Buyer) affecting the Business which involves expenditure in excess of \$50,000;

(n) Except as disclosed in the schedules related to Section 2.15, entered into any material transaction resulting in a Liability or expenditure in excess of \$50,000, other than in the Ordinary Course of Business;

(o) entered into any material amendment, modification, termination (partial or complete) or granted any material waiver under or given any material consent with respect to any Contract that is required to be disclosed in the Schedules to this Agreement;

(p) made any change in any method of accounting or accounting practice of the Business;

(q) Except as disclosed in the schedules related to Section 2.15, made or deferred any capital expenditure in each case in excess of \$50,000 individually and \$100,000 in the aggregate; and

(r) except for this Agreement, entered into any oral or written agreement, contract, commitment, arrangement or understanding with respect to any of the matters described in this Section 2.15.

**2.16 Employee Benefits Plans.** All Employee Benefit Plans maintained by Seller or to which Seller is obligated to contribute or otherwise has an obligation, all of which relate to the Business, are listed on Schedule 2.16 hereto. True and complete copies of all documents relating to such Employee Benefit Plans have been made available to Buyer or, if no Employee Benefit Plan document exists, a description of all material terms of such Employee Benefit Plan is set forth on Schedule 2.16. With respect to the Employee Benefit Plans:

(a) a copy of each such Employee Benefit Plans has been made available to Buyer and/or its agents;

(b) to the Seller's Knowledge, all such Employee Benefit Plans have been maintained, funded and administered in compliance in all material respects with all applicable Laws;

(c) no Employee Benefit Plan is or has within the last three years been subject to the minimum funding requirements of Section 412 or 430 of the Code;

(d) Seller does not have any obligation to contribute, has not partially or completely withdrawn from, and does not have any Liability with respect to any “**multiemployer plan**” within the meaning of Sections 3(37) or 4001(a)(3) of ERISA;

(e) each Employee Benefit Plan intended to qualify under Section 401(a) of the Code is a “**governmental plan**” under Section 414(d) of the Code that is tax-qualified under Section 401(a) of the Code, the related trust is exempt from tax under Section 501(a) of the Code, and to Seller’s Knowledge, no facts or circumstances exist that would be reasonably likely to jeopardize the qualification of such Employee Benefit Plan;

(f) with respect to the Employee Benefit Plans, all required contributions have been made or properly accrued on Seller’s financial statements; and

(g) Except with respect to accrued but unused vacation and paid time off as set forth in Section 1.3(c) and Section 6.4, the transactions contemplated by this Agreement shall not result in Buyer having any liability with respect to any Employee Benefit Plan.

## 2.17 Employees.

(a) Schedule 2.17(a) lists the employees of Seller who provide services in connection with the Business, and sets forth for each such individual the following: (i) name; (ii) title or position (including whether full or part time); (iii) current rate of compensation; (iv) any commission, bonus or other incentive-based compensation; (v) date of hire; (vi) status (i.e., exempt or non-exempt from state and federal minimum wage and overtime pay requirements); (vii) a statement of the amount and type(s) of accrued unused paid time off available; (viii) eligibility for, and participation in, Employee Benefit Plans; and (ix) for each Employee on leave of absence, the date upon which leave commenced, and, if known, anticipated return to work date.

(b) Except as described on Schedule 2.17(b), (i) there are no (and for the last three years have been no) collective agreements or bargaining relationships or other contracts or understandings with any labor organization with respect to Seller’s employees, (ii) Seller has no Knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to employees of Seller, and to Seller’s Knowledge no such efforts have occurred within the past three years, (iii) there is no worker’s compensation liability, experience or matter outside the Ordinary Course of Business, (iv) there are no strikes, slowdowns, work stoppages, material grievances, material unfair labor practices claims or other material employee or labor disputes currently pending or threatened against or involving Seller and none has occurred within the last three years, (v) to Seller’s Knowledge, Seller has not engaged in any unfair labor practices within the meaning of the National Labor Relations Act at any time in the last three years, (vi) during the three year period preceding the Closing Date, Seller has not implemented any layoffs of employees that resulted in 25 or more employees being laid off within any 90-day period, (vii) there are (and for the last three years have been) no pending or threatened in writing complaints or charges before any Governmental Authority regarding employment discrimination, safety or other employment-related charges or complaints, wage and hour claims, unemployment compensation claims, worker’s compensation claims or the like involving any current or former employee of Seller, (viii) Seller is, and for the last three

years has been, in material compliance with all applicable Laws and Contracts respecting employment and employment practices, labor relations, terms and conditions of employment and wages and hours with respect to Seller's operation of the Business, and (ix) to Seller's Knowledge, Buyer and Seller will not be subject to any claim or liability for severance pay as a result of the consummation of the transactions contemplated by this Agreement.

## **2.18 Financial Information.**

(a) Schedule 2.18 hereto contains the following financial statements and financial information (collectively, the "**Financial Statements**"): (i) audited statements of net position, revenues, expenses, and changes in net position, and cash flows of Seller relating to the Business as of and for the twelve-month periods ended June 30, 2017, and June 30, 2016; (ii) the unaudited statements of net position, revenues, expenses, and changes in net position, and cash flows of Seller relating to the Business as of and for the twelve-month period ended June 30, 2018; and (iii) the unaudited statements of net position, revenues, expenses, and changes in net position, and cash flows of Seller relating to the Business as of and for the two months ended August 31, 2018 (the "**Interim Financial Statements**").

(b) The Financial Statements are correct and complete in all material respects, have been prepared in accordance with GAAP, applied on a consistent basis throughout the periods indicated (provided that the Interim Financial Statements lack footnotes) and fairly present the financial condition and results of operations and cash flows of Seller relating to the Business as of the respective dates thereof and for the periods referred to therein, all in accordance with GAAP.

(c) The books and records of Seller relating to the Business are and have been prepared and maintained in form and substance in accordance with GAAP, applied consistently with the principles, practices, methodologies and policies used in the preparation of the Financial Statements, to fairly and accurately reflect in all material respects all of the assets and Liabilities of Seller relating to the Business and all Contracts and transactions to which Seller is or was a party (with respect to the Business) or by which Seller or the Business are or were affected.

(d) Except for (i) Liabilities that are disclosed in this Agreement, (ii) Liabilities set forth on the Financial Statements, (iii) Liabilities arising from this Agreement and Seller's Closing Documents, (iv) Liabilities which do not meet the applicable thresholds set forth in Section 2.15 for certain changes or events since April 15, 2018, and (v) Liabilities that have arisen since the date of the Interim Finance Statements in the Ordinary Course of Business (none of which relates to a breach of Contract, breach of warranty, tort, or violation of Law), to Seller's Knowledge there are no Liabilities of any nature of Seller relating to the Business or the Acquired Assets.

## **2.19 Intellectual Property.**

(a) To Seller's Knowledge, there is no unauthorized use, disclosure, infringement or misappropriation of any intellectual property rights of Seller, any trade secret of Seller, or any intellectual property right of any third party to the extent licensed by or through Seller, including any employee or former employee of Seller, relating in any way to any of the

Acquired Assets. To Seller's Knowledge, there are no royalties, fees or other payments payable by Seller to any Person by reason of the ownership, use, sale or disposition of intellectual property related to any of the Acquired Assets except as set forth in the Contracts.

(b) Seller has no patents, registered trademarks, registered service marks or registered copyrights related to any of the Acquired Assets, and to Seller's Knowledge, Seller is not infringing upon any patents, trademarks, service marks, copyrights or in violation of any trade secret or other proprietary right of any third party related to any of the Acquired Assets. Seller has not brought any Proceeding against any third party for infringement of intellectual property or breach of any license or Contract involving intellectual property related to any of the Acquired Assets.

**2.20 Fees and Commissions.** Seller has no Liability to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

### ARTICLE 3

#### REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this Article 3 are correct and complete:

##### **3.1 Organization, Corporate Power and Authority.**

(a) Buyer is a nonprofit corporation organized under the laws of the State of Alaska, and a tribal organization comprised of federally-recognized Alaska Native tribes, duly organized, validly existing, and in good standing under the laws of the State of Alaska.

(b) (i) Buyer has full power and authority to execute, deliver, and perform the obligations and covenants contained in this Agreement and Buyer's Closing Documents and to carry out the transactions contemplated hereby and thereby.

(ii) The execution and delivery of this Agreement and Buyer's Closing Documents by Buyer and the consummation of the transactions contemplated hereby and thereby, including the limited waiver of sovereign immunity, have been duly authorized by all necessary action on the part of Buyer. No other action by Buyer or any other Person is required for the limited waiver of sovereign immunity to be effective and enforceable.

(iii) This Agreement constitutes the legal, valid, and binding obligation of Buyer, enforceable in accordance with its terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles. Each of Buyer's Closing Documents, when duly executed and delivered by Buyer and the other parties thereto, will constitute the legal, valid and binding obligation of Buyer enforceable in accordance with its respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally, usury laws or by general equitable principles.

**3.2 No Breach.** Neither the execution and delivery of this Agreement or Buyer's Closing Documents by Buyer nor the consummation or performance of the transactions contemplated hereby or thereby will, directly or indirectly (with or without notice, lapse of time, or both), conflict with or result in any violation of or constitute a breach or default under any term of (i) the governance documents of Buyer, (ii) any Order to which Buyer is subject or (iii) applicable Law; and, except as may be required to develop and construct the New Hospital and operate the Business at the New Hospital, do not require any notice to or any permit, authorization, consent or approval of any Governmental Authority or of any other Person.

**3.3 Legal Proceedings.** There are no Proceedings instituted, pending or threatened against Buyer that challenge, or may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby, and there are no Orders outstanding or threatened against Buyer that challenge, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the transactions contemplated hereby.

#### ARTICLE 4

#### CONDITIONS TO THE OBLIGATIONS OF BUYER

The obligations of Buyer to consummate the purchase of the Acquired Assets and the other transactions contemplated by this Agreement are subject to the satisfaction, or Buyer's waiver, on or before the Closing Date, of the following conditions:

**4.1 Representations and Warranties.** The representations and warranties set forth in Article 2 that are not qualified by materiality shall be true and correct in all material respects at and as of the Closing Date, and the representations and warranties set forth in Article 2 that are qualified by materiality shall be true and correct in all respects at and as of the Closing Date.

**4.2 Covenants.** Seller shall have performed and complied with all of its covenants (other than those to be performed or complied with after the Closing) in all material respects hereunder through the Closing Date.

**4.3 No Action or Proceeding.** No Order restraining, enjoining or otherwise preventing or delaying the consummation of the transactions contemplated by this Agreement shall be outstanding, and no Proceedings by or before, or otherwise involving, any Governmental Authority shall be threatened or pending against Seller or Buyer which seek to enjoin or prevent the consummation of, or which seek damages in connection with, the transactions contemplated under this Agreement.

**4.4 Licenses.** Buyer shall have been issued or received approval or assurance of approval of the transfer of, the Licenses necessary to enable Buyer to own, occupy and lease (as applicable) the Acquired Assets and operate the Business set forth on Schedule 4.4.

**4.5 Third Party Consents.** All consents to assignment required to transfer, convey, and assign the Acquired Assets listed on Schedule 4.5 have been obtained, and the Parties agree to work cooperatively to obtain any additional consents to assignment for other Acquired Assets that are not listed on Schedule 4.5.

**4.6 Title Policy.** The Title Company is unconditionally prepared to issue an owner's extended coverage title insurance policy in the amount designated by Buyer, with such endorsements as Buyer reasonably requests, with respect to the Wood Campus Real Property (New Hospital Site) containing no exceptions other than the Permitted Exceptions.

**4.7 Seller's Closing Deliverables.** Buyer shall have received executed copies of the following documents (the "Seller's Closing Documents"):

(a) **Bill of Sale and Assignment – Personal Property and Intangible Assets.** A bill of sale and assignment, substantially in the form attached hereto as Exhibit B, executed by Seller conveying to Buyer good and marketable title to the Personal Property which is part of the Acquired Assets and good and marketable title to all intangible assets which are a part of the Acquired Assets, free and clear of all Encumbrances (other than Permitted Encumbrances).

(b) **Bill of Sale – Real Property.** A bill of sale and assignment, substantially in the form attached hereto as Exhibit C, executed by Seller conveying to Buyer good and marketable title to all personal property owned by Seller and used in connection with the Real Property Leases, free and clear of all Encumbrances (other than Permitted Encumbrances).

(c) **Assignment and Assumption Agreements.** An Assignment and assumption agreement, substantially in the form attached hereto as Exhibit D executed and acknowledged by Seller: (i) conveying to Buyer all of Seller's right, title, and interest in, to and under the Assumed Contracts and, by one or more separate instruments, the Real Property Leases and Licenses, and (ii) pursuant to which Buyer shall assume the future payment and performance of the Assumed Liabilities.

(d) **Certificates.** A certificate executed by Seller and dated as of the Closing Date and reasonably satisfactory in form and substance to Buyer certifying as to the satisfaction of the conditions set forth in Sections 4.1 – 4.3 and Section 4.5.

(e) **Seller's Certificate.** A certificate of the Seller dated as of the Closing Date and certifying: (i) that attached thereto is a true and complete copy of all ordinances and/or resolutions adopted by Seller authorizing the execution, delivery, and performance of this Agreement and all transactions contemplated by this Agreement and that all such ordinances and/or resolutions are in full force and effect and are all the ordinances and/or resolutions adopted in connection with the transactions contemplated by this Agreement; (ii) to the adoption by Seller of a limited waiver of discretionary immunity as set forth in AS 09.65.070(d)(2) relating to the enforcement of this Agreement and the Hospital Lease by Buyer and the Buyer Indemnified Parties against Seller; and (iii) to the incumbency and specimen signature of the Mayor executing this Agreement or the other documents to be delivered by Seller pursuant to this Agreement, and a certification by Seller as to the incumbency and signature of the Mayor signing the certificate referred to in this Section 4.7(e).

(f) **Deeds.** (i) Subject only to the Permitted Exceptions, limited warranty deeds, duly executed and acknowledged by Seller in recordable form, conveying to Buyer good and marketable fee simple title to the Wood Campus Real Property (New Hospital Site); and (ii) an instrument in the form attached hereto as Exhibit E terminating the reversionary interest set

forth in that certain deed which transferred title to the AICS Property from Seller to Buyer and imposing a restrictive covenant in lieu thereof, duly executed and acknowledged by Seller in recordable form (the “**Deed Amendment**”).

(g) Real Property Transfers. Such documents as the Title Company reasonably and customarily requires in connection with the issuance of an extended title insurance policy, including Seller’s authority documents, a standard title insurance agreement or affidavit necessary to cause the Title Company to delete all standard printed title exceptions from the Title Policy certifying, among other things, as to the absence of and providing for indemnity by Seller from mechanic’s and materialmen’s liens, tenants and parties in possession.

(h) Lease. A lease agreement, substantially in the form attached hereto as Exhibit F, executed by Seller, relating to the Hospital (the “**Hospital Lease**”), together with the license referenced in Section 1.3 of the Hospital Lease, to the extent applicable.

(i) Accrued PTO for Transferred Employees. A schedule listing the number of hours of Accrued PTO and the PTO Accrual Rates for each Transferred Employee as of the Closing Date.

(j) Other Documents. Such other instruments and documents as Buyer reasonably deems necessary to effect the transactions contemplated hereby.

**4.8 No Waiver**. Notwithstanding anything to the contrary set forth herein, if any of the conditions set forth in Article 4 have not been satisfied, Buyer shall have the right to proceed with the transactions contemplated hereby without waiving any of its rights hereunder.

## ARTICLE 5

### CONDITIONS TO THE OBLIGATIONS OF SELLER

The obligations of Seller to consummate the sale of the Acquired Assets and the other transactions contemplated by this Agreement are subject to the satisfaction, or Seller’s waiver, on or before the Closing Date, of the following conditions:

**5.1 Representations and Warranties**. The representations and warranties set forth in Article 3 that are not qualified by materiality shall be true and correct in all material respects at and as of the Closing Date, and the representations and warranties set forth in Article 3 that are qualified by materiality shall be true and correct in all respects at and as of the Closing Date.

**5.2 Covenants**. Buyer shall have performed and complied with all of its covenants (other than those to be performed or complied with after the Closing) in all material respects hereunder through the Closing Date.

**5.3 No Action or Proceeding**. No Order restraining, enjoining or otherwise preventing or delaying the consummation of the transactions contemplated by this Agreement shall be outstanding, and no Proceeding by or before, or otherwise involving, any Governmental Authority shall be threatened or pending against Seller or Buyer which seek to enjoin or prevent

the consummation of the transactions contemplated under, or which seek material damages in connection with, the transactions contemplated under this Agreement.

**5.4 Voter Approval.** The ordinance regarding the transactions provided for in this Agreement that shall have been presented to the voters at the October 2, 2018 regular election in accordance with Section 5-14 of the Borough Charter and shall have been ratified by an affirmative vote of the majority of qualified voters who vote on the question.

**5.5 Buyer's Closing Deliverables.** Seller shall have received executed copies of the following documents (the "**Buyer's Closing Documents**"):

(a) Assignment and Assumption Agreement. The Assignment and Assumption Agreement executed by Buyer, pursuant to which Buyer shall assume the future payment and performance of the Assumed Liabilities.

(b) Certificates. A certificate executed by Buyer, dated as of the Closing Date and reasonably satisfactory in form and substance to Seller certifying as to the satisfaction of the conditions set forth in Sections 5.1 – 5.3.

(c) Board Resolution. A resolution from Buyer's Board of Directors authorizing the execution, delivery, and performance of this Agreement and all transactions contemplated by this Agreement, including a statement that the Board has considered and approves the waiver of sovereign immunity set forth in the Agreement, in the Hospital Lease, the Returned Asset Deed, and in the Deed Amendment, on the terms set forth in the Agreement, in the Hospital Lease, the Returned Asset Deed, and in the Deed Amendment, and that no other approvals are necessary except as may be required in the future relating to the development, construction, and operation of the New Hospital, and that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement.

(d) Secretary's Certificate. A certificate of the Secretary of Buyer dated as of the Closing Date and certifying: (i) that attached thereto is a true and complete copy of all resolutions referenced in Section 5.5(c); and (ii) to the incumbency and specimen signature of each officer of Buyer executing this Agreement or the other documents to be delivered by Buyer pursuant to this Agreement, and a certification by another officer of Buyer as to the incumbency and signature of the officer signing the certificate referred to in this Section 5.5(d).

(e) Lease. The Hospital Lease, duly executed by Buyer.

(f) AICS Charter. The AICS charter amended in the manner described in Section 6.17 of this Agreement.

(g) Deed Amendment. The Deed Amendment, duly executed and acknowledged by Buyer.

**5.6 Waiver.** Notwithstanding anything to the contrary set forth herein, if any of the conditions set forth in Article 5 have not been satisfied, Seller shall have the right to proceed with the transactions contemplated hereby without waiving any of its rights hereunder.

## ARTICLE 6

## COVENANTS AND AGREEMENTS

**6.1 Conduct of the Seller.** Between the Execution Date and the Closing Date, Seller agrees that, except as expressly contemplated by this Agreement, as required by any applicable Laws or to the extent that Buyer shall otherwise consent in writing, which consent shall not be unreasonably withheld, conditioned or delayed:

(a) Seller shall carry on the Business in the Ordinary Course of Business in all material respects, in substantially the same manner as heretofore conducted;

(b) other than as may be required by or in conformance with applicable Laws in order to permit or facilitate the consummation of the transactions contemplated hereby, Seller shall not sell, encumber or otherwise dispose of, or agree to sell, encumber or otherwise dispose of, any of its material assets other than in the Ordinary Course of Business;

(c) other than as required by an existing Contract as in effect on the date hereof and other than in the Ordinary Course of Business, Seller shall not (i) increase the amount of cash compensation or severance pay of any officer, (ii) make any material increase in, or commitment to increase materially, any employee benefits, or (iii) adopt or make any commitment to adopt any material new Employee Benefit Plan or make any material contribution, other than regularly scheduled contributions, to any Employee Benefit Plan;

(d) Seller shall continue in full force and effect the existing insurance policies and coverage related to the Acquired Assets and the Hospital.

**6.2 Access to Acquired Assets; Contracts.**

(a) Between the Execution Date and the Closing Date, Seller shall afford to the authorized representatives and agents of Buyer reasonable access to and the right to inspect the plants, properties, books, and records of Seller relating to the Business and the Acquired Assets, and will furnish Buyer with such additional financial and operating data and other information as to the Business and the Acquired Assets as Buyer may from time to time reasonably request. Buyer's right of access and inspection shall be made in such a manner as not to interfere unreasonably with the operation of the Business or Seller's use of the Acquired Assets. Buyer may not conduct any borings, drilling or other non-destructive testing without first requesting and obtaining Seller's prior written consent, which shall not be unreasonably withheld. Buyer will defend, indemnify and hold Seller harmless from any and all Liability for property damage and/or personal injuries arising out of or related in any way to the activities of Buyer or its representatives and agents in their conduct of any such inspections and tests. Notwithstanding the foregoing, neither Buyer nor any of Buyer's agents or representatives shall contact or otherwise communicate with any employees, vendors or suppliers of Seller in connection with or regarding the transactions contemplated hereby, except to the extent approved in writing by Seller.

(b) This Agreement shall not constitute an agreement to assign any Acquired Asset or assume any Assumed Liability if the attempted assignment or assumption thereof,

without consent of a third party thereto, would constitute a breach or default under any Contract, lease or commitment or would in any way adversely affect the rights, or increase the obligations, of Buyer or Seller with respect thereto. Except as otherwise agreed to by the Parties, Buyer and Seller shall cooperate in good faith (but without the requirement of any payment of money by Seller or Buyer) to obtain any consent of a third party necessary for the assignment of any Acquired Asset to Buyer or the assumption by Buyer of any Assumed Liability. With respect to any Acquired Asset, if Seller fails to obtain the consent necessary for the assignment of such Acquired Asset prior to Closing, then Seller and Buyer will cooperate in an arrangement, at no cost to Seller, under which Buyer would obtain the benefits and assume the obligations thereunder in accordance with this Agreement, (including sublease, agency, pass through, indemnity or payment arrangement) as reasonably necessary to provide Buyer with the benefits of such Acquired Asset. With respect to any Assumed Liability for which consent to assignment is not obtained, Buyer agrees to cooperate with Seller to the extent reasonably necessary to relieve Seller from the obligations of such Assumed Liability.

**6.3 No Shop.** Except for the sale of inventory and other assets in the Ordinary Course of Business or as required by applicable Law, from the date hereof through the date of consummation or earlier termination of this Agreement, Seller shall not, and shall not permit any Affiliate, employee, agent or representative of Seller to, directly or indirectly, (i) offer for sale or solicit offers to buy the Business or any part of the Acquired Assets, (ii) hold discussions or negotiate with, or provide information to, any Person (other than Buyer) with a view towards such an offer or solicitation or with a view towards a sale of any interest in or a merger or consolidation of any entity owning the Acquired Assets, or (iii) enter into any Contract with any such Person relating to the sale or other disposition of the Business or any part of the Acquired Assets.

**6.4 Employees.**

(a) Except in the event of a Catastrophic Material Casualty or Material Condemnation that materially affects the operation of the Hospital before the Closing Date, Buyer shall offer employment (conditioned upon and effective as of the Closing Date) to all employees of Seller listed on Schedule 6.4(a) who are employed in good standing by Seller as of the Effective Time, including any such employees who are on leave as of the Effective Time, provided that the approximate leave end-date is known and does not extend more than 12 weeks beyond the Closing Date except as otherwise required by Law. The employment offered to any such employee will be contingent upon verification of the employee's eligibility to work in the United States and the employee's satisfaction of Buyer's pre-employment drug testing, abuse screening required by the Indian Health Service, and any other reasonable requirements and criteria for the employment position offered to the employee consistent with Buyer's standard hiring practices. The employment offered will also be contingent upon the employee's consent to the transfer of the employee's personnel records from Seller to Buyer and to the transfer of up to 80 hours of the employee's Accrued PTO from Seller to Buyer, with the Accrued PTO Cash-Out Amount paid to each such Transferred Employee entitled thereto by or on behalf of Seller on the Closing Date, and the employee's waiver of any claim to notice, or severance pay or benefits, from Seller (or Buyer) in connection with the termination of employee's employment with Seller and acceptance of employment with Buyer. The base compensation offered to any such employee will be at least as favorable as the base compensation provided to the employee by

Seller immediately preceding the Effective Time, and such base compensation rates (for those who accept employment) will not be reduced for at least twelve months following the Closing Date. The only employees of Seller who are on leave as of the Execution Date are identified on Schedule 2.17(a). For purposes of this Agreement, employees who are offered, accept, satisfy Buyer's requirements for, and commence, employment with Buyer shall be referred to herein as the "**Transferred Employees.**" Buyer will continue to employ each Transferred Employee (who does not resign from employment with Buyer) for at least one year following the Closing Date, provided that: (a) Buyer may terminate any such employee's employment at any time for any reason related to the employee's performance, conduct or qualifications, consistent with applicable Law; and (b) Buyer is not compelled to engage in a general layoff of Transferred Employees due to a Catastrophic Material Casualty or a Force Majeure event that materially affects the operation of the Hospital. Notwithstanding any other provision of this Agreement, if Buyer exercises its discretion under this subsection to not hire a current employee of Seller or to terminate the employment of any Transferred Employee, Buyer will not seek indemnification from Seller for any liability Buyer incurs as a result of Buyer's decision not to hire, or to terminate, the employment of such employee.

(b) From and after the Effective Time, Buyer shall provide (or cause to be provided) all Transferred Employees with employee benefits and employee benefit plans and programs substantially comparable to the benefits and employee benefit plans and programs provided to similarly situated employees of Buyer. For purposes of eligibility to participate in and vesting of benefits under all such Employee Benefit Plans and programs (and for purposes of the rate of accrual of paid time off (the "**PTO Accrual Rate**"), pursuant to the applicable policies of Buyer), each Transferred Employee shall be credited with all of his or her service with Seller. Buyer agrees that if the PTO Accrual Rate for any Transferred Employee is, as of the Closing Date, (i) greater under Seller's paid time off policy than under Buyer's paid time off policy, the higher PTO Accrual Rate will apply to the Transferred Employee until the Transferred Employee's PTO Accrual Rate under Buyer's paid time off policy (with credit for years of service with Seller prior to the Closing Date) exceeds the PTO Accrual Rate under the Seller's policy as of the Closing Date; and (ii) less under Seller's paid time off policy than under Buyer's paid time off policy, the higher PTO Accrual Rate will apply to the Transferred Employee and, during the twelve months after the Closing, shall not be reduced for any such Transferred Employee who continues to be employed by Buyer; provided, that if Buyer reduces the PTO Accrual Rate for all similarly situated employees of Buyer to a rate that is less than the PTO Accrual Rate for such Transferred Employees, then the Transferred Employees shall become subject to that modified PTO Accrual Rate. Notwithstanding the foregoing provisions addressing PTO Accrual Rates, nothing in this Section 6.4(b) or elsewhere in this Agreement requires Buyer to adopt any other aspects of Seller's paid time off policies (including any requirement to carry-over or cash out any unused accrued paid time off from year-to-year or upon termination of employment) or otherwise limits Buyer in the adoption or modification of its paid time off policies as applied to the Transferred Employees. Notwithstanding any other provision of this Agreement, Buyer will not seek indemnification from Seller for any claim by any Transferred Employee that the PTO benefits provided under this subsection are in any way insufficient, provided that the claim is not attributable in whole or in part to Seller's failure to provide accurate and complete information to Buyer with regard to any Transferred Employee's PTO Accrual Rate or Accrued PTO balance of the Closing Date.

(c) Except for annual scheduled merit or bonus increases for those management employees identified on Schedule 6.4(c), Seller shall not increase the compensation or benefits of any management employees listed on Schedule 6.4(c) from the Execution Date through the Effective Time.

(d) Effective as of Closing Date, Buyer shall (i) credit each Transferred Employee with his or her Accrued PTO up to the 80-hour maximum, (ii) make such Accrued PTO available for use as of the Effective Time by the Transferred Employees in accordance with Buyer's applicable policies (i.e., Buyer will honor the amount of Accrued PTO applicable to each employee individually (up to an 80-hour maximum), but will determine in its sole discretion the allocation of such time as vacation, sick pay, or universal paid time off) and (iii) provide such Accrued PTO in addition to, and not in lieu of, any paid time off accrued for service from and after the Closing under Buyer's paid leave policies. On the Closing Date, Seller will pay or cause to be paid to each Transferred Employee his or her Accrued PTO Cash-Out Amount.

(e) Notwithstanding any other provision of this Agreement to the contrary, (i) Seller or a Seller Affiliate shall retain sponsorship of each Employee Benefit Plan, program, or arrangement sponsored by Seller or any Seller Affiliate, (ii) Buyer shall not be entitled to any asset of (or associated with), or assume or be liable for any obligation of, any Employee Benefit Plan (or associated contract) or other such Employee Benefit Plan, program, or arrangement sponsored by Seller or any Seller Affiliate, and (iii) no Employee Benefit Plan (or associated contract) or other such Employee Benefit Plan, program, or arrangement, nor any Social Security Act Section 218 Agreement, sponsored by Seller or any Seller Affiliate shall be considered to be an "Acquired Asset," an "Assumed Contract" or an "Assumed Liability" for purposes of this Agreement.

(f) Seller or a Seller Affiliate shall provide continuation coverage, to the extent it is required to do so under COBRA, (i) to all former employees of Seller (and its Affiliates) who incur COBRA "**qualifying events**" (as such term is defined in COBRA) prior to the Effective Time (and their covered dependents) and (ii) to all employees who do not become Transferred Employees (and their covered dependents). Buyer shall be responsible and liable for (and Seller shall not be so responsible or liable for) providing COBRA continuation coverage to all Transferred Employees and their dependents who experience a qualifying event with respect to their coverage under a health plan sponsored by Buyer after the Effective Time.

(g) Buyer shall employ and retain for such period of time following the Closing Date such number of Transferred Employees as shall be necessary to avoid any potential liability by Seller for a violation of the Workers Adjustment and Retraining Notification Act, 29 U.S. Stat. § 2101 et seq. (the "**WARN Act**"), attendant to Seller's (or Seller Affiliate's) failure to notify such Transferred Employees of a "**mass layoff**" or "**plant closing**" (as such terms are defined in the WARN Act). Buyer shall be liable and responsible for any notification required under the WARN Act (or under any similar state or local Laws) and Buyer shall defend, indemnify and hold Seller and its Affiliates harmless from and against any liability asserted against Seller or any Seller affiliate under the WARN Act as a result of Buyer's failure to comply with the provisions of the WARN Act as of or after the Closing Date or Buyer's failure to comply with the provisions of this Section 6.4(g).

(h) At the Closing, Seller shall deliver to Buyer copies of all personnel records of the Transferred Employees. Seller shall coordinate with Buyer promptly after the Execution Date to provide Buyer reasonable access to employees of Seller and its Affiliates and shall provide to Buyer employee data and information in each case to complete the documentation necessary to enroll Transferred Employees in the employee benefit plans to be provided to Transferred Employees by Buyer and its Affiliates from and after the Effective Time and to determine and generate the employment offers contemplated by Section 6.4(a).

(i) Buyer acknowledges that in order for Seller to complete cost reports and financial audits and wind up the activities of Seller's operation of the Business for pre-Closing time periods (the "**Wind Up Activities**"), the services of certain Transferred Employees will be required. Accordingly, Buyer agrees to allow certain Transferred Employees who are identified by Seller, with the consent of Buyer (not to be unreasonably withheld), to provide such Wind Up Activities on behalf of Seller up to an aggregate of one hundred and fifty (150) hours for a period of nine (9) months following the Effective Time, and beyond nine (9) months following the Effective Time, the Parties will work together on a mutually agreeable solution to address remaining Wind Up Activities such as audits and other matters that may arise related to Seller's operation of the Business prior to Closing.

#### **6.5 Disclosure; Cooperation.**

(a) At any time from the date of this Agreement to the Closing Date, each Party shall give prompt Notice to the other of (i) the occurrence, or failure to occur, of any event that has caused any representation or warranty of such Party contained in this Agreement to be untrue in any material respect and (ii) any failure of such Party to comply with or satisfy, in any material respect, any covenant, condition or agreement to be complied with or satisfied by it under this Agreement. Such Notice shall provide a reasonably detailed description of the relevant circumstances.

(b) The Parties shall reasonably cooperate with each other and with their respective representatives in connection with any steps required to be taken as part of their respective obligations under this Agreement, and shall (i) furnish upon written request to each other such further information, (ii) execute and deliver to each other such other documents, (iii) take all reasonable steps to assist Buyer to obtain, as promptly as practicable, all Licenses of any Governmental Authorities required to consummate the transactions contemplated by this Agreement, (iv) cooperate and provide reasonable assistance during any payroll transition, and (v) do such other acts and things, all as the other Party may reasonably request, for the purpose of carrying out the intent of this Agreement and the contemplated transactions.

(c) Buyer, upon reasonable Notice from Seller, during normal business hours, will cooperate with Seller in regard to the preparation, filing, handling, and appeals of all cost reports relating to the Business for relevant periods or required as a result of the transactions described herein, including those relating to the Medicare and Medicaid programs. Each Party will, upon reasonable Notice to the other, during normal business hours, and subject to applicable Laws regarding privilege or confidentiality of patient records, provide reasonable access to the other Party to all records of the Business and will allow the other Party to copy any documents reasonably relating to the cost reports and appeals thereof. Each Party agrees to

forward to the other copies of all correspondence relating to the cost reports received from Government Reimbursement Programs or any other third party payor within ten Business Days of receipt. Each Party also agrees to inform the other of all audits or other proceedings with respect to the cost reports within ten Business Days of notification. Additionally, each Party agrees to use its reasonable best efforts to ensure the other's right of access for at least three years from the Closing Date in the event of any subsequent sale of the Business.

**6.6 Cooperation on Tax Matters.** Following the Closing, the Parties shall reasonably cooperate with each other and shall make available to the other, as reasonably requested and at the expense of the requesting Party (but including only out-of-pocket expenses to third parties, photocopying and delivery costs and not the costs incurred by any Party for the wages or other benefits paid to its officers, directors or employees), to any Tax authority, all information, records or documents relating to Tax liabilities or potential Tax liabilities, if any, of Seller for all periods on or prior to the Closing and any information which is relevant to determining the amount payable under this Agreement, and shall preserve all such information, records and documents (to the extent a part of the Acquired Assets delivered to Buyer at Closing) until the expiration of any applicable statute of limitations or extensions thereof. Seller shall make available to Buyer the records of individual wages of all employees, as well as copies of state unemployment Tax Returns, to the extent reasonably necessary for Buyer to verify future unemployment Tax rates and to calculate the correct taxable payroll for the remainder of the calendar year in which the transaction occurs. Seller shall file terminating Forms W-2 and Forms 1099 with respect to all periods ending prior to the Closing Date, as appropriate.

**6.7 Third Party Litigation Cooperation.** Seller, on the one hand, and Buyer, on the other hand, shall cooperate with the other, at the requesting Party's expense (but including only direct out-of-pocket expenses to third parties, photocopying and delivery costs, and not the indirect costs incurred by any Party, such as the wages or other benefits paid to its officers, directors or employees), in furnishing reasonably available information, testimony and other assistance in connection with any Tax or cost report audits, Proceedings, arrangements or disputes involving any of the Parties hereto (other than in connection with disputes between the Parties hereto) and relating to the Acquired Assets, Excluded Assets, Excluded Liabilities or Assumed Liabilities or the transactions contemplated hereby, including arranging discussions with, and the calling as witnesses of, officers, directors, employees, agents and representatives of any Party.

**6.8 Confidentiality.**

(a) Subject to Section 6.8(b), Seller shall, and shall cause its Affiliates to, and shall use its reasonable efforts to cause its and their respective agents and representatives to, treat and hold as confidential all of the Confidential Information, and refrain from disclosing any of the Confidential Information, except to its duly authorized officials, employees, representatives, and agents.

(b) Notwithstanding Section 6.8(a), Seller may disclose Confidential Information (i) as required by the Alaska Public Records Act, AS 40.25.100 - 40.25.295 or any other applicable Law (hereafter "**Public Records Disclosure Laws**"); (ii) to Governmental Authorities to the extent reasonably necessary to obtain the Licenses or any other Governmental

Authority approvals as may be required to consummate the transactions contemplated hereby; (iii) in connection with a Proceeding as described in Section 9.11 or Section 9.12 brought by a Party to enforce its rights or exercise its remedies hereunder; or (iv) as otherwise required by Law or an Order.

(c) If Seller is requested to disclose any Confidential Information other than as required by Public Records Disclosure Laws, in connection with a Proceeding as described in Section 9.11 or Section 9.12, or as otherwise required by Law or an Order, Seller will notify Buyer promptly of the request so that Buyer may seek an appropriate protective order or waive compliance with the provisions of Section 6.8(a). Not later than ten calendar days after receiving the request, Buyer shall notify Seller in writing whether Buyer objects to release of the Confidential Information, setting out the facts and legal authority supporting nondisclosure. If Seller thereafter determines that nondisclosure is warranted and so informs the Person making the request, Seller will notify Buyer if judicial relief is sought regarding Seller's determination not to release the information. In the absence of a protective order or waiver as provided for in the first sentence of this subsection, Seller, on the advice of counsel, may disclose Confidential Information without liability to Buyer under this Agreement or otherwise, and Buyer agrees not to seek any remedy, damages, injunctive or other relief against Seller.

(d) At the request and option of Buyer, and except to the extent prohibited by the Public Disclosure Laws, Laws, or an Order, all Confidential Information in Seller's or its Affiliates' possession shall be returned to Buyer or destroyed, and none of such information shall be used by Seller or its Affiliates, or its or their employees, agents or representatives, for any purpose; provided, however, that Seller, its Affiliates and their representatives will be entitled to retain, and shall not be obligated to destroy, any legal, financial, or other analyses and similar work product even if based upon Confidential Information, which retained analyses and work product shall be subject to the confidentiality and non-disclosure provisions of this Section 6.8.

(e) The Parties' obligations under this Section 6.8 shall survive for two (2) years after the earlier of the termination of this Agreement or the Closing, and shall be subject to all applicable Laws.

## **6.9 Costs and Charges.**

(a) Transfer and Other Taxes. Seller shall be responsible for the cost of any and all state, borough, local, and municipal transfer and/or excise stamps or Taxes, if any, however denominated, required to be paid as a result of the transfer of the Wood Campus Real Property (New Hospital Site) and other Acquired Assets hereunder to Buyer. Buyer shall be responsible for the cost of placing a mortgage or deed of trust, if any, on the Wood Campus Real Property (New Hospital Site), including any and all state, borough, and municipal mortgage Taxes, if any.

(b) Title and Recording Charges. Buyer shall be responsible for the cost of: (i) recording fees for the Deeds; (ii) the cost of any title search and title insurance commitment fees; (iii) the cost of owner's Title Policy; and (iv) the cost of recording fees for any Buyer financing documents.

**6.10 Medicare and Medicaid Cost Reports.** Seller shall timely file all Medicare and Medicaid cost reports for all cost reporting periods prior to the Effective Time for which the deadline for filing will arise after the Closing Date in accordance with all applicable Laws. Seller shall be liable for any Medicare or Medicaid overpayments or any other financial obligations arising from any adjustments or reductions in Medicare or Medicaid reimbursement for the period of time prior to the Effective Time or for any other obligations imposed by either the Medicare or Medicaid program for the period of time prior to the Effective Time.

**6.11 Billing for Transition Patients.** To assist in determining the payments to Buyer and Seller from payors for services provided to patients admitted to the Hospital prior to the Effective Time and discharged after the Effective Time (“**Transition Patients**”), the Parties shall take the following actions:

(a) If the Hospital is reimbursed on an interim basis under the Medicare program on a periodic interim payment (“**PIP**”) basis and if Buyer receives any PIP payments from the Medicare program or other payor associated with the operations of the Hospital relating solely to periods prior to the Effective Time, Buyer shall be entitled to retain such PIP Payments, subject to Section 6.24(b). If Buyer or Seller receives any PIP payments from the Medicare program or other payor associated with the operations of the Hospital relating to periods prior to the Effective Time, or where cut-off billings cannot be done as of the Effective Time, the Parties agree to value such amounts applicable to the period prior to the Effective Time on the one hand, and value such amounts applicable to the period after the Effective Time on the other hand, based on the actual date services, procedures, supplies, and devices were rendered to the Transition Patient as determined by a review of patient records. The amount of PIP payments valued and owed to Buyer as described in the prior sentence shall promptly be paid to Buyer by Seller if Seller receives the PIP payment from the payor, and the amount valued and owed to Seller as described in the prior sentence (“**Seller PIP Payments**”) shall be retained by Buyer if Buyer receives the PIP payment, subject to Section 6.24(b).

(b) With respect to Medicare, Medicaid, TRICARE and other patients admitted to the Hospital prior to the Effective Time and discharged after the Effective Time who are enrolled in health insurance programs that reimburse for services and items on a cost- or case-based methodology (e.g., daily rate payments or payments based on ICD Codes) (“**Straddle Patients**”), Seller shall work with Buyer to determine the amount that should be credited to Seller for the services of the Hospital prior to and after the Effective Time, pro-rated to the date of admission of each Straddle Patient. (“**Seller Straddle Patient Payments**”). Buyer shall be entitled to retain such payments, subject to Section 6.24(b).

**6.12 Retention and Access to Records.** After the Closing Date, Buyer shall retain the Transferred Records for a period consistent with Buyer’s record retention policies and practices, but in any event for at least the minimum period for which such Transferred Records are required to be retained under applicable Laws. Buyer also shall provide Seller and its representatives reasonable access thereto, during normal business hours and on reasonable prior Notice, to enable them to prepare financial statements, Tax Returns, respond to tax audits or any other reasonable business purpose. Seller shall retain copies of all records that may pertain to any Excluded Liabilities or Excluded Assets. After the Closing Date, Seller shall provide Buyer and its representatives reasonable access to records related to Excluded Assets and Excluded

Liabilities during normal business hours and on reasonable prior Notice, for any reasonable business purpose.

**6.13 Misdirected Payments.** Seller shall promptly remit to Buyer any monies received by Seller after Closing constituting or in respect of the Acquired Assets or Assumed Liabilities or Buyer's operation of the Business on or following the Effective Time. Buyer shall promptly remit to Seller any monies received by Buyer after Closing constituting or in respect of the Excluded Assets or Excluded Liabilities.

**6.14 Tax Exemption.** From and after the Closing Date, the Hospital, the real property thereunder, the Wood Campus Real Property (New Hospital Site), the Eligible Property, the New Hospital, and the Business shall be exempt from property and sales taxes of the City and Borough of Wrangell, unless otherwise provided by Law.

**6.15 Buyer's Service and Capital Commitment; Buyer's Post-Closing Operation of the Business.**

(a) Buyer acknowledges that the services of the Hospital are vital to the health and wellbeing of the patients who live in the Hospital's service area, and that the loss of a hospital would be devastating to the residents and the economy of the City and Borough of Wrangell and the surrounding communities. As such, Buyer covenants that after the Effective Time, it will commence the processes necessary to promptly construct the New Hospital in Wrangell, Alaska, and provide the health care services that are consistent with the conceptual site and building design and budget structure described on pages 47-64 of the May 29, 2018 Wrangell Medical Center Feasibility Study attached hereto as Exhibit G, as may be modified to meet the progression of current best practices associated with service delivery. Buyer covenants that it will develop, build, and operate the New Hospital on the Wood Campus Real Property (New Hospital Site) in accordance with all Laws, within four (4) years after the Closing Date, and will transfer the Business to the Wood Campus Real Property (New Hospital Site) in a manner that is consistent with Exhibit G, as may be modified to meet the progression of current best practices associated with service delivery. The foregoing deadline for developing, building, and operating the New Hospital shall be tolled (i) to the extent that Seller or any other Governmental Authority unreasonably delays or denies any Licenses necessary to enable Buyer to perform, or imposes any conditions or otherwise acts or fails to act in a manner that unreasonably hinders Buyer from performing, its obligations under this Section 6.15; or (ii) upon the occurrence of a Force Majeure event; in either situation, the Parties agree to establish a new reasonable timeframe for Buyer's transfer of the Business to the Wood Campus Real Property (New Hospital Site). The covenants set forth in this Section 6.15(a) shall terminate 30 days following the date on which Buyer delivers Notice to Seller that Buyer has met the covenants provided for in Section 6.15(a) at the Wood Campus Real Property (New Hospital Site).

(b) Except as provided in this Section 6.15(b), during the Interim Operating Period, Buyer will operate the Business in its current location, in accordance with all Laws, by continuing to provide healthcare services as a critical access hospital, including inpatient and outpatient services, emergency care services, rehabilitation services, specialty clinic services, diagnostic imaging services, and long term care services of the type provided at the Hospital prior to the Closing Date; provided, that the foregoing obligation to operate the Business shall

terminate if, during the Interim Operating Period, a Force Majeure, Catastrophic Material Casualty, or Material Condemnation event (in which the condemning authority is not the Seller) occurs that renders continued use and occupancy of the Hospital impossible, unsafe, or unlawful, in which event, Buyer shall take reasonable steps to assure that during such period of limited service, every patient or resident who experiences an injury or illness but is unable to obtain immediate transport to another hospital (either an acute care or critical access hospital) or long term care facility shall be offered available basic acute care and emergency or observation services at either AICS or another facility in the City and Borough of Wrangell, until the patient can be transferred to another hospital or facility, or is no longer in need of transport. In the event of a Material Condemnation (in which the condemning authority is the Seller) occurs that renders continued use and occupancy of the Hospital impossible, unsafe, or unlawful, Buyer, at Seller's cost (subject to appropriation), shall take reasonable steps to assure that during such period of limited service, every patient or resident who experiences an injury or illness but is unable to obtain immediate transport to another hospital (either an acute care or critical access hospital) or long term care facility shall be offered available basic acute care and emergency or observation services at either AICS or another facility in the City and Borough of Wrangell, until the patient can be transferred to another hospital or facility, or is no longer in need of transport. During the Interim Operating Period, Buyer shall continue to provide long term care services and the services necessary to operate a critical access hospital, but may add or improve upon services and, except with respect to long term care services and the services necessary to operate a critical access hospital (which services may not be terminated), Buyer may terminate the provision of other healthcare services at the Hospital only upon Buyer's prior consultation with the Assembly of the City and Borough of Wrangell.

**6.16 Seller Reacquisition.** In the event that Buyer (a) intends to close the Hospital during the Interim Operating Period or ceases operating the Business at the Hospital which provides the services described in Section 6.15(b) during the Interim Operating Period (except for temporary interruptions permitted under the Hospital Lease or due to Force Majeure, Catastrophic Material Casualty or a Material Condemnation event that renders continued use and occupancy of the Hospital impossible, unsafe, or unlawful) and the Parties are not able to agree to a new reasonable timeframe for transfer of the Business to the New Hospital; (b) provides Notice that it does not intend to build the New Hospital and the Parties are not able to agree to a new reasonable timeframe for transfer of the Business to the New Hospital; or (c) following the exhaustion of the dispute resolution procedures set forth in Section 9.12, is found to have breached its covenants in Section 6.15, then Buyer shall, as soon as reasonably practicable, offer to Seller or its assignee (the "Reacquisition Offer") the Acquired Assets in existence at such time and in their then-existing condition, plus an amount of working capital (including adequate inventory and supplies) determined by Buyer and Seller or its assignee to be reasonably necessary for the operation of the Business as then conducted for a period of three (3) months (the "Returned Assets"). In such event, Buyer shall assign, and the Seller, or its assignee, shall assume, at the Seller or its assignee's option, the Returned Assets, the Liabilities that arise out of, or relate to, the Returned Assets from and after the date that such Returned Assets are returned to Seller, and any operational and other Liabilities identified at such time by Buyer and Seller or its assignee; and without limiting the generality of the foregoing, upon Seller's acceptance of the Reacquisition Offer, Buyer will convey Wood Campus Real Property (New Hospital Site) to Seller by limited warranty deed ("Returned Asset Deed") in the same form as provided by Seller to Buyer, subject only to Seller Permitted Exceptions and with no additional encumbrances

beyond the encumbrances present at the time that Seller conveyed Wood Campus Real Property (New Hospital Site) to Buyer, excluding non-monetary encumbrances incurred by Buyer in the ordinary course of development and construction of the New Hospital and not inconsistent with the construction, development and operation of a hospital on the Wood Campus Real Property (New Hospital Site). The transaction assigning the Returned Assets to Seller or its assignee and the assumption of the Liabilities arising out of or relating to the Returned Assets shall be on such other terms and conditions as agreed upon by Buyer and Seller or its assignee; provided, however, that such transaction shall be consummated within one hundred eighty (180) days of the date of the Reacquisition Offer unless otherwise extended in writing by Buyer and Seller or its assignee. Notwithstanding any provision of this Agreement to the contrary, Seller or its assignee shall be entitled to seek equitable relief to enforce the provisions of this Section 6.16. The covenants set forth in this Section 6.16 shall terminate 30 days following the date on which Buyer delivers Notice to Seller that Buyer has met the covenants provided for in Section 6.15(a) at the Wood Campus Real Property (New Hospital Site).

**6.17 Advisory Board.** Following the Closing Date, the individuals set forth on Schedule 6.17 will serve on the advisory board of AICS (the “Advisory Board”), which shall amend its charter as may be necessary to (i) change the name of the Advisory Board to “Wrangell Healthcare Advisory Council” or some other name mutually agreeable to Buyer and Seller, (ii) provide for appointment of one member of the Assembly of the City and Borough of Wrangell, the administrator of the Hospital (and, after operations at the New Hospital commence, of the New Hospital), and other current members of the board of the Hospital to the Advisory Board, and (iii) include as one of the Advisory Board’s purposes the function of providing advice to Buyer with respect to the operation of the Hospital during the Interim Operating Period and, after operations at the New Hospital commence, at the New Hospital, including as to capital expenditures and proposed changes to the scope and level of services and programs offered by the Hospital and the New Hospital, as applicable.

**6.18 Real Estate Covenants and Conditions.**

(a) Survey. Between the Execution Date and the Closing Date, Buyer will obtain a current survey of the Wood Campus Real Property (New Hospital Site) (the “**Survey**”). The Survey shall meet the requirements of an ALTA/NSPS Land Title Survey and otherwise be in form and detail reasonably satisfactory to Buyer. The Survey shall be certified to Buyer, Seller, and the Title Company. The Survey shall be issued jointly to Buyer and Seller and each of Buyer and Seller shall have equal rights thereto. The cost of the Survey shall be equally borne by Buyer and Seller.

(b) Title Policy.

(i) If not previously delivered, Seller shall cooperate with Buyer to cause the Title Company to issue and deliver to Buyer, within ten (10) days following the Execution Date, a commitment from the Title Company (the “**Title Commitment**”) to issue an ALTA extended form owner’s policy of title insurance (a “**Title Policy**”) for the Wood Campus Real Property (New Hospital Site), in amounts equal to the value assigned to the Wood Campus Real Property (New Hospital Site) by Buyer; and Seller shall cause the Title Company to concurrently deliver to Buyer copies of all title exception documents described in the Title Commitment.

(ii) On or before thirty (30) days after the later of the Execution Date or Buyer's receipt of the Title Commitment, Buyer may give Seller Notice ("**Buyer's Title Notice**") of Buyer's objection to certain exceptions in the Title Commitment or matters identified in the Survey. Buyer's Title Notice may also include questions or requests for information about one or more exceptions as disclosed in the Title Commitment. Within five (5) Business Days after receipt of Buyer's Title Notice, Seller will respond in writing to Buyer and indicate whether it agrees to undertake to have any exceptions disapproved by Buyer deleted from the Title Commitment or remedied so as to allow an update of the Survey (or both, as the case may be). If Seller does not so agree within the five (5) Business Day period, Buyer will have the right to terminate this Agreement before Closing by Notice to Seller. If Buyer does not exercise the right to terminate this Agreement, it will be deemed to have accepted the subject disapproved exception as a Permitted Exception at Closing. Notwithstanding the foregoing, Seller will cause the removal of all Mandatory Removal Exceptions at or before Closing, and Mandatory Removal Exceptions may not become Permitted Exceptions unless expressly accepted in writing by Buyer.

(iii) The Title Commitment will provide for the issuance of a Title Policy to Buyer, effective as of Closing, insuring good and indefeasible fee simple title to the Wood Campus Real Property (New Hospital Site) subject only to Permitted Exceptions. Seller agrees to deliver any information as may be reasonably required by the Title Company under the requirements section of the Title Commitment or otherwise in connection with the issuance of a title insurance policy to Buyer at Closing.

(c) Subdivision. Buyer and Seller have determined that a portion of the Wood Campus Real Property (New Hospital Site), including most of Lot B-1 and a portion of Lot B-2 thereof, is not necessary for the construction and operation of the New Hospital. Therefore, Buyer and Seller desire to subdivide the Wood Campus Real Property (New Hospital Site) to exclude such portion of the Wood Campus Real Property (New Hospital Site) (the "**Excluded Parcel**"), with the intention that it be retained by Seller. The approximate location of the proposed property line is as shown on Exhibit H attached hereto. Promptly following the Execution Date, Seller shall prepare or cause to be prepared a subdivision plat consistent with Exhibit H, containing sufficient detail and otherwise complying with all applicable requirements for the acceptance by the appropriate office (the "**Subdivision Plat**"). Upon completion, Seller shall submit the Subdivision Plat to Buyer for approval as to the exact location of the property line and any other matters disclosed or set forth therein, which approval shall not be unreasonably withheld, conditioned or delayed. Upon approval by Buyer, the Subdivision Plat shall be submitted for approval and recording by the appropriate office. Seller shall make good faith efforts to obtain the approval and recording of the Subdivision Plat prior to Closing. If the Subdivision Plat is approved and recorded prior to Closing, then the "Wood Campus Real Property (New Hospital Site)" shall thereafter mean and refer to the real property described in Schedule 1.1(d) less and excluding the Excluded Parcel for all purposes, and the Title Commitment and Survey shall be updated to exclude the Excluded Parcel. For the avoidance of doubt, the approval and recording of the Subdivision Plat is not a condition to Closing, and if not completed prior to Closing, the entirety of the Wood Campus Real Property (New Hospital Site) as described on Schedule 1.1(d) shall be conveyed to Buyer at Closing. Thereafter, Buyer and Seller shall continue in good faith to pursue the approval and recording of the Subdivision Plat. Upon approval and recording of the Subdivision Plat, Buyer shall promptly re-convey the

Excluded Parcel to Seller without consideration, by limited warranty deed, subject only to Permitted Exceptions, but otherwise without representation, warranty or recourse. Notwithstanding anything to the contrary herein, Buyer and Seller agree that if the approval of the Subdivision Plat is conditioned upon the grant or reservation of any new easements, rights-of-way or other restrictions upon the remainder of the Wood Campus Real Property (New Hospital Site), and if, in the sole but reasonable discretion of Buyer, such easements, rights-of-way or other restrictions would materially impair the development, construction or operation of the New Hospital, Buyer shall propose a new subdivision plat that will not materially impair the development, construction or operation of the New Hospital (which proposal may, without limitation, involve relocating the proposed boundary between the parcels in a manner that reduces the size of the parcel to be returned to Seller, if such relocation is reasonably necessary to avoid material impairment to the development, construction or operation of the New Hospital).

**6.19 Local Hire.** Buyer shall use its best efforts to ensure that its contractors hire residents of the City and Borough of Wrangell for construction of the New Hospital, provided that such residents are qualified to perform the requirements of any such construction jobs and that the hiring of such residents will not delay construction of the New Hospital, in each case as determined in the sole discretion of the applicable contractor.

**6.20 Catastrophic Material Casualty.** The covenants set forth in this Section 6.20 apply only prior to and on the Closing Date. In the event of a Catastrophic Material Casualty prior to the Effective Time, Seller shall within fifteen (15) Business Days after such Catastrophic Material Casualty provide Notice thereof to Buyer. Such Notice shall include copies of all insurance policies then in force covering the Acquired Assets or the Hospital, as the case may be, affected by such Catastrophic Material Casualty and Seller's initial good faith estimate of the cost to repair such damage or destruction. If any part of the Acquired Assets or the Hospital is damaged or destroyed prior to the Closing Date, this Agreement shall not be affected and the Parties shall not be excused from performance hereunder; provided, that as of the Effective Time, at Buyer's request, Seller shall assign to Buyer all of its right, title, and interest in and to the proceeds of insurance insuring against the Loss and Seller's interest in sums payable thereunder; and provided, further, that Buyer's obligation to operate the Business as contemplated in Section 6.15(b) shall terminate if the Catastrophic Material Casualty occurs that renders continued use and occupancy thereof impossible, unsafe or unlawful, and in which event, Buyer shall take reasonable steps to assure that during such period of limited service, every patient or resident who experiences an injury or illness but is unable to obtain immediate transport to another hospital (either an acute care or critical access hospital) or long term care facility shall be offered available basic acute care and emergency or observation services at either AICS or another facility in the City and Borough of Wrangell, until the patient can be transferred to another hospital or facility, or is no longer in need of transport.

**6.21 Material Condemnation.** The covenants set forth in the second and third sentences of Section 6.21 apply only prior to and on the Closing Date. In the event of a Material Condemnation involving the Hospital (including the real property on which it is located) prior to the Effective Time, Seller shall within fifteen (15) Business Days after such Material Condemnation provide Notice thereof to Buyer. Such Notice shall include copies of all material correspondence related to the condemnation. If, notwithstanding such Material Condemnation,

the Closing occurs, then Buyer's obligation to operate the Business as contemplated in Section 6.15(b) shall terminate if the Material Condemnation renders use and occupancy of the Hospital impossible, unsafe or unlawful, in which event Buyer shall take reasonable steps (at Seller's cost, if Seller is the condemning authority and subject to appropriation) to assure that every patient or resident who experiences an injury or illness but is unable to obtain immediate transport to another hospital (either an acute care or critical access hospital) or long term care facility shall be offered available basic acute care and emergency or observation services at either AICS or another facility in the City and Borough of Wrangell, until the patient can be transferred to another hospital or facility, or is no longer in need of transport.

**6.22 Current Hospital Building; Right of First Offer.** Following the termination of the Lease and the transfer of the Business to the New Hospital, Seller intends to demolish the Hospital, subject to the availability of funding. For a period of five (5) years following the Closing Date, in the event Seller determines an additional health care service would benefit the community (including services such as, but not limited to, acute care hospital services, critical access hospital services, surgical care services, emergency care services, rehabilitation services, specialty clinic services, diagnostic imaging services, assisted living or nursing home services), Seller will discuss the need with Buyer, and provide Buyer with ninety (90) days in which to determine whether Buyer desires to provide the service, and if Buyer declines to offer such service, Seller shall be permitted to offer such service or solicit another party to provide such service. If within such ninety (90) day period Buyer agrees to provide the additional health care service, then Buyer shall have five (5) years in which to commence providing such services at the New Hospital, at AICS, or at another facility in the City and Borough of Wrangell. If Buyer fails to commence providing such services before the expiration of the five (5) year period, then Seller may offer such service or engage another party to provide such service.

**6.23 Certificate of Need.** In the event that Buyer receives notice from the State of Alaska ("State") that Buyer must apply for a Certificate of Need ("CON") to develop, construct, and operate the New Hospital, Buyer shall submit CON application(s) to the State and diligently pursue approval of the application(s) by the State. To the extent that the CON application and approval process requires, the deadline for developing, building, and operating the New Hospital set forth in Section 6.15(a) shall be adjusted accordingly, but in the event the application and approval process requires more than six (6) months, Section 6.15(a)(i) shall apply.

**6.24 Collection Agent Matters.**

(a) As of and from the Effective Time, Buyer shall serve as Seller's agent for purposes of collecting Accounts Receivable and Agency Settlements owed to Seller, and paying Accounts Payable, Agency Settlements and the Accrued PTO Cash-Out Amounts owed by Seller. Buyer shall use commercially reasonable efforts consistent with its ordinary course collections practices to collect the Accounts Receivable and Agency Settlements when due and to timely pay the Agency Settlements and Accounts Payable owed by Seller, which payments shall be paid from collections of Accounts Receivable and Agency Settlements; provided that Buyer may but is not obligated to advance funds to pay any Accounts Payable or Agency Settlements, in which case Buyer shall be entitled to reimburse itself from collections of Accounts Receivable and Agency Settlements. By agreeing to act as Seller's agent for the limited purposes set forth in this Section 6.24, Buyer does not guarantee, and Seller

acknowledges that Buyer is not guaranteeing, that Buyer will collect all Accounts Receivable and Agency Settlements owed to Seller as of the Closing Date, and Buyer will have no liability to Seller for Buyer's inability to collect all such Accounts Receivable and Agency Settlements. Buyer may engage a third party collection agency or consultant with Medicare cost report expertise to facilitate collection of Accounts Receivable and Agency Settlements, respectively, or otherwise assign its obligations under this Section 6.24(a) to a third party. Buyer shall maintain accurate and complete records of its collection and payment activities under this Section 6.24(a).

(b) If the sum of (i) cash received by Buyer upon collection of Accounts Receivable and Agency Settlements plus Seller PIP Payments plus Seller Straddle Patient Payments, without duplication, exceeds the sum of (ii) cash paid by Buyer to satisfy Accounts Payable and Agency Settlements, plus the aggregate Accrued PTO Cash-Out Amount paid by Buyer on behalf of Seller, plus the Collection Service Fee, then Buyer shall deliver such excess amount to Seller, by wire transfer of immediately available funds, within five (5) days after the second anniversary of the Closing Date.

## ARTICLE 7

### TERMINATION

**7.1 Termination.** This Agreement may be terminated at any time prior to the Closing:

- (a) by the mutual written consent of Buyer and Seller;
- (b) by Seller, if there has been a material breach by Buyer of any covenant, representation or other agreement or term contained herein which has prevented the satisfaction of any condition to the obligations of Seller at the Closing and such breach has not been waived by Seller or cured by Buyer within ten (10) Business Days after Buyer's receipt of Notice thereof from Seller;
- (c) by Buyer, if there has been a material breach by Seller of any covenant, representation or other agreement or term contained herein which has prevented the satisfaction of any condition to the obligations of Buyer at the Closing and such breach has not been waived by Buyer or cured by Seller within ten (10) Business Days after the receipt of Notice thereof from Buyer;
- (d) by Seller, if the transactions contemplated hereby have not been consummated on or before the Termination Date; provided that Seller shall not be entitled to terminate this Agreement pursuant to this Section 7.1(d) if Seller's willful breach of this Agreement has prevented the consummation of the transactions contemplated hereby;
- (e) By either Party, if the ordinance presented to the voters at the October 2, 2018 regular election regarding the transactions provided for in this Agreement is not ratified by an affirmative vote of the majority of qualified voters who vote on the question in accordance with Section 5-14 of the Borough Charter.

(f) by Buyer, if the transactions contemplated hereby have not been consummated on or before the Termination Date; provided that Buyer shall not be entitled to terminate this Agreement pursuant to this Section 7.1(f) if Buyer's willful breach of this Agreement has prevented the consummation of the transactions contemplated hereby.

**7.2 Effect of Termination.** In the event of any valid termination of this Agreement pursuant to Section 7.1, all rights and obligations of the Parties hereunder shall terminate without any Liability on the part of any Party or its Affiliates in respect thereof, except that (a) the obligations of the Parties under Section 6.8 (Confidentiality), this Article 7, and Article 9 shall remain in full force and effect, (b) such termination shall not relieve a Party of any Liability for its fraud or breach of any material covenant contained in this Agreement prior to such termination.

## ARTICLE 8

### INDEMNIFICATION

#### **8.1 Survival.**

(a) The representations and warranties of the parties contained in this Agreement, any Seller Closing Document, and any Purchaser Closing Document shall survive the Closing and will expire on the twelve (12) month anniversary of the Closing Date; provided, that (i) the Fundamental Representations shall survive the Closing until twenty-four (24) months from the Closing Date, (ii) the representations and warranties set forth in Section 3.1(b)(ii) shall survive the Closing for the period during which the Surviving Covenants survive (in each case, the "**Survival Period**"), and (iii) any claim with respect to fraud shall survive the Closing indefinitely; provided further, that to the extent any claims for indemnification under Section 8.2(a)(i) or Section 8.2(b)(i) is made in accordance with Section 8.3 on or before the date on which the applicable Survival Period expires, then such representation or warranty shall survive until the resolution of such claim or claims.

(b) The covenants and agreements of Seller and Buyer made in or pursuant to this Agreement which by their terms are to be performed by either Party at or following the Closing (the "**Surviving Covenants**") shall survive the Closing until fully performed or observed in accordance with their respective terms.

(c) It is the express intent of the Parties that, (i) if an applicable Survival Period as contemplated by this Section 8.1 is shorter than the statute of limitations that would otherwise have been applicable, then, by contract, the applicable statute of limitations shall be reduced to the shortened Survival Period contemplated hereby, and (ii) if an applicable Survival Period as contemplated by this Section 8.1 is longer than the statute of limitations that would otherwise have been applicable, then, by contract, the applicable statute of limitations shall be increased to the longer Survival Period contemplated hereby. The parties further acknowledge that the time periods set forth in this Section 8.1 for the assertion of claims under this Agreement are the result of arms'-length negotiation between the Parties and that they intend for the time periods to be enforced as agreed by the Parties. The obligations of Seller to indemnify and defend the Buyer Indemnified Parties, and of Buyer to indemnify and defend the Seller Indemnified Parties,

pursuant to this Article 8 shall terminate upon the expiration of the applicable Survival Periods set forth in this Section 8.1; *provided*, that any obligations under Section 8.2(a) or Section 8.2(b) shall not terminate with respect to any Losses as to which the Person to be indemnified has provided Notice (stating in reasonable detail the basis of the claim for indemnification) to the Indemnifying Party in accordance with Section 8.3 before the termination of the applicable Survival Period or, if applicable, the Survival Period contemplated by Section 8.1(b).

## **8.2 Indemnification - General.**

(a) Subject to duly enacted appropriations in accordance with Sections 5-4 and Section 5-11 of the Borough Charter, and the other provisions of this Article 8, Seller shall defend, indemnify, and hold harmless Buyer and its directors, officers, employees (but solely to the extent acting within the scope of their employment by Buyer in connection with the negotiation of this Agreement and the consummation of the transactions contemplated hereunder), and Affiliates (the “**Buyer Indemnified Parties**”) from and against any and all Losses suffered or incurred by them after the date hereof as a result of or arising out of:

(i) any breach or inaccuracy of any representation or warranty of Seller contained in Article 2 or in any of Seller’s Closing Documents;

(ii) any breach or non-performance by Seller of any covenant of Seller;

(iii) any Liability or Claim relating to the (x) Excluded Liabilities or (y) the ownership or operation of the Business or the Acquired Assets prior to the Effective Time, except to the extent specifically constituting Assumed Liabilities;

(iv) any Liability or Claim as a result of or arising out of Seller’s failure to provide accurate and complete information to Buyer with regard to any Transferred Employee’s PTO Accrual Rate or Accrued PTO balance of the Closing Date;

(v) the matter disclosed on Schedule 2.7(g).

(b) Subject to the other provisions of this Article 8, Buyer shall defend, indemnify and hold harmless Seller and its officers, elected and unelected officials, employees (but, with respect to any Transferred Employee, solely to the extent that the Transferred Employee acted within the scope of his or her employment by Seller in connection with the negotiation of this Agreement and the consummation of the transactions contemplated hereunder), and Affiliates (the “**Seller Indemnified Parties**”) from and against any and all Losses suffered or incurred by them after the date hereof as a result of or arising out of:

(i) any breach or inaccuracy of any representation or warranty of Buyer contained in Article 3 or in any of Buyer’s Closing Documents;

(ii) any breach or non-performance by Buyer of any covenant of Buyer (other than the covenants set forth in Section 6.15); and

(iii) any Liability or Claim relating to (x) the Assumed Liabilities or (y) the ownership or operation of the Business or the Acquired Assets from and after the Effective Time.

(c) All Losses for which the Buyer Indemnified Parties are entitled to seek indemnification under this Agreement are referred to herein as “**Buyer Indemnifiable Losses.**” All Losses for which the Seller Indemnified Parties are entitled to seek indemnification under this Agreement are referred to herein as “**Seller Indemnifiable Losses.**”

**8.3 Method of Asserting Claims.** All claims for indemnification by any Indemnified Party under this Article 8 shall be asserted and resolved as follows:

(a) Direct Claims.

(i) Within a reasonable period of time, but in no event greater than thirty (30) days, after the incurrence of any Loss by any Person entitled to indemnification pursuant to Section 8.2 (an “**Indemnified Party**”), including, any Claim by a third party described in Section 8.3(b), which could be reasonably expected to give rise to indemnification hereunder, the Indemnified Party shall deliver to the party from which indemnification is sought (the “**Indemnifying Party**”) a certificate (the “**Indemnification Certificate**”), which Indemnification Certificate shall (i) state that the Indemnified Party has paid or properly accrued a Loss or reasonably anticipates that it will incur a Loss for which such Indemnified Party is entitled to indemnification pursuant to this Agreement; (ii) specify in reasonable detail each individual item of the Loss, the amount to which the Indemnified Party alleges it is entitled, or the fact that the Indemnified Party is not yet able to quantify the amount to which it is allegedly entitled, the date such item was paid or properly accrued, the basis for any anticipated liability and the nature of the misrepresentation, breach of warranty, breach of covenant or claim to which each such item is related; and (iii) be delivered to the Indemnifying Party.

(ii) In the event that the Indemnifying Party objects to the indemnification of an Indemnified Party in respect of any claim or claims specified in any Indemnification Certificate, the Indemnifying Party shall, within twenty (20) days after receipt by the Indemnifying Party of such Indemnification Certificate, deliver to the Indemnified Party Notice to such effect and the Indemnifying Party and the Indemnified Party shall, within the 30 day period beginning on the date of receipt by the Indemnified Party of such objection, attempt in good faith to agree upon the rights of the respective parties with respect to each of such claims to which the Indemnifying Party shall have so objected. If the Indemnified Party and the Indemnifying Party shall succeed in reaching agreement on their respective rights with respect to any of such claims, the Indemnified Party and the Indemnifying Party shall promptly prepare and sign a memorandum setting forth such agreement (a “**Memorandum of Agreement**”). If the Indemnified Party and the Indemnifying Party are unable to agree as to any particular item or items or amount or amounts, then the items and amount of indemnification to which an Indemnified Party may be entitled under this Article 8 shall be determined by the dispute resolution procedures provided for in Section 9.12.

(iii) Claims for Losses specified in any Indemnification Certificate to which an Indemnifying Party shall not object in writing within twenty (20) days of receipt of such Indemnification Certificate, claims for Losses covered by a Memorandum of Agreement, claims for Losses the validity and amount of which have been otherwise determined as described in Section 8.3(a)(ii), and claims for Losses the validity and amount of which shall have been settled with the consent of the Indemnifying Party, as described in Section 8.3(b), are hereinafter

referred to collectively, as “**Agreed Claims.**” Within ten (10) days of the determination of the amount of any Agreed Claims, the Indemnifying Party shall pay to the Indemnified Party an amount equal to the Agreed Claim by wire transfer in immediately available funds to the bank account or accounts designated by the Indemnified Party in a Notice to the Indemnifying Party delivered not less than two (2) days prior to such payment.

(b) Third Party Claims.

(i) If any Person who is not a Party (or an Affiliate thereof) notifies any Indemnified Party with respect to any matter (a “**Third Party Claim**”) which could be reasonably expected to give rise to a claim by such Indemnified Party for indemnification against any Indemnifying Party under this Agreement, then the Indemnified Party shall promptly notify the Indemnifying Party by delivering an Indemnification Certificate thereto; provided, however, that the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent such failure shall have materially prejudiced the Indemnifying Party (except that the Indemnifying Party will not be liable for any expenses incurred by the Indemnified Party during the period in which the Indemnified Party failed to give such Notice); it being understood and agreed that the failure of the Indemnified Party to so notify the Indemnifying Party prior to settling a Third Party Claim (whether by paying a claim or executing a binding settlement agreement with respect thereto) or the entry of a judgment or issuance of an award with respect to a Third Party Claim shall constitute actual prejudice to the Indemnifying Party’s ability to defend against such Third Party Claim. Thereafter, the Indemnified Party will deliver to the Indemnifying Party, promptly after the Indemnified Party’s receipt thereof, copies of all notices and documents (including court papers) received or transmitted by the Indemnified Party relating to the Third Party Claim.

(ii) The Indemnifying Party will have the right to participate in or assume the defense of any Third Party Claim with counsel of the Indemnifying Party’s choice, reasonably satisfactory to the Indemnified Party, so long as (A) the Indemnifying Party notifies the Indemnified Party, within ten (10) days after the Indemnified Party has given Notice of the Third Party Claim to the Indemnifying Party (or by such earlier date as may be necessary under applicable procedural rules in order to file a timely appearance and response) that the Indemnifying Party is assuming the defense of such Third Party Claim and will indemnify the Indemnified Party against such Third Party Claim in accordance with this Article 8, (B) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party has and will at all times continue to have the financial resources to defend the Third Party Claim (including any increased losses caused by such defense) and fulfill its indemnification obligations hereunder with respect thereto, (C) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently and at its own costs and expense, and (D) the Third Party Claim does not involve injunctive relief, specific performance or other similar equitable relief, any Claim in respect of Taxes, any Governmental Authority or any potential damage to the goodwill or reputation of Buyer, the goodwill or reputation of Seller, or the Business.

(iii) So long as the conditions set forth in Section 8.3(b)(ii) are and remain satisfied, then (A) the Indemnifying Party may conduct the defense of the Third Party Claim in accordance with Section 8.3(b)(ii), (B) the Indemnified Party may retain separate co-counsel at

its sole cost and expense to participate in the defense of the Third Party Claim to the extent the Indemnifying Party and the Indemnified Party reasonably agree that a conflict of interest exists in respect of such claim), it being understood that the Indemnifying Party will control such defense subject to the limitations set out in this Section 8.3(b), (C) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed), (D) the Indemnifying Party will not consent to the entry of any judgment with respect to the Third Party Claim, or enter into any settlement, which either imposes an injunction or other equitable relief upon the Indemnified Party or does not include a provision whereby the plaintiff or claimant in the matter releases the Indemnified Party from all Liability with respect thereto, and (E) the Indemnified Party shall, at the Indemnifying Party's request and at the Indemnifying Party's expense, cooperate in the defense of the matter.

**8.4 Limitations on and Expiration of Indemnification.** Notwithstanding anything to the contrary contained in this Agreement, except with respect to Seller, the requirement of duly enacted appropriations in accordance with Section 5-4 and Section 5-11 of the Borough Charter, the Indemnified Party's rights to indemnification against the Indemnifying Party shall be limited as follows:

(a) Seller shall not be obligated to indemnify the Buyer Indemnified Parties pursuant to Section 8.2(a)(i) unless and until the aggregate of all such Losses under Section 8.2(a)(i) is greater than or equal to Fifty Thousand Dollars (\$50,000) (the "**Deductible**"), whereupon, subject to the other limitations of this Article 8, Seller shall indemnify, defend and hold harmless such Indemnified Party for all Losses sustained or incurred thereby under Section 8.2(a)(i) from the first dollar; provided, however, that the Deductible shall not apply to any Buyer Indemnifiable Losses for breach or inaccuracy of any Fundamental Representation or to any Seller Indemnifiable Losses for breach or inaccuracy of Section 3.1(b)(ii).

(b) The aggregate liability of Seller to indemnify the Buyer Indemnified Parties from and against any Buyer Indemnifiable Losses arising under Section 8.2(a)(i) shall not, in any event, exceed Two Hundred Thousand Dollars (\$200,000) (the "**Cap**"); provided, that the Cap shall not apply to any Buyer Indemnifiable Losses for any breach or inaccuracy of Seller's Fundamental Representations or any breach by Seller of Section 8.2(a)(ii) – (v), which shall be limited to an aggregate amount equal to Five Hundred Thousand Dollars (\$500,000).

(c) Buyer shall not be obligated to indemnify the Seller Indemnified Parties pursuant to Section 8.2(b)(i) unless and until the aggregate of all such Losses under Section 8.2(b)(i) is greater than the Deductible, whereupon, subject to the other limitations of this Article 8, Buyer shall indemnify, defend and hold harmless such Indemnified Party for all Losses sustained or incurred thereby under Section 8.2(b)(i) from the first dollar. The aggregate liability of Buyer to indemnify the Seller Indemnified Parties from and against any Seller Indemnifiable Losses arising under Section 8.2(b)(i) shall not, in any event, exceed an amount equal to the Cap; and the aggregate liability of Buyer to indemnify the Seller Indemnified Parties from and against any Seller Indemnifiable Losses arising under Section 8.2(b)(ii) and Section 8.2(b)(iii) shall not, in any event, exceed Five Hundred Thousand Dollars (\$500,000). Notwithstanding the foregoing, Buyer's liability for breach of its covenant in Section 6.24(b) to pay any excess

collections to Seller shall not be subject to the Five Hundred Thousand Dollars (\$500,000) limitation of liability.

(d) The limitations set forth in this Section 8.4 shall not apply to Buyer Indemnifiable Losses or Seller Indemnifiable Losses that are caused by, result from, relate to, arise out of or are in the nature of claims by any Party based on fraud or willful misconduct.

(e) In no event shall an Indemnifying Party be liable to an Indemnified Party for any special or punitive damages, except with respect to any special or punitive damages arising from a Third Party Claim that such Indemnified Party is required to pay to any Person who is not a Party (or an Affiliate thereof).

(f) For purposes of determining the amount of any Losses that are the subject matter of a Claim for indemnification hereunder, each representation, warranty, and covenant in this Agreement and the Closing Documents, and each certificate or document delivered pursuant hereto, shall be read without regard and without giving effect to the term(s) “material” or “Material Adverse Change” or similar qualifiers as if such words and surrounding related words (e.g. “reasonably be expected to,” “could have” and similar restrictions and qualifiers) were deleted from such representation, warranty or covenant; *provided*, however, that the foregoing clause shall not apply to the Fundamental Representations or the term “Material Contracts.”

(g) Following the Closing, the sole and exclusive remedy for any and all Claims arising under, out of, or related to this Agreement, or the sale and purchase of the Acquired Assets and the assumption of the Assumed Liabilities, shall be the rights of indemnification set forth in this Article 8 only, and no Person will have any other entitlement, remedy or recourse, whether in contract, tort or otherwise, it being agreed that all of such other remedies, entitlements and recourse are expressly waived and released by the Parties hereto to the fullest extent permitted by law; *provided*, that nothing in this Section 8.4(g) shall limit a Party’s right to seek and obtain any specific performance or equitable relief for breach of any covenant set forth in this Agreement or a Party’s rights in the case of fraud or willful misconduct; *provided*, further, that Seller’s sole and exclusive remedies for Buyer’s breach of Section 6.15 shall be the exercise of Seller’s rights under Section 6.16 and the right to obtain equitable relief in accordance with Section 9.11.

## ARTICLE 9

### MISCELLANEOUS

**9.1 Amendments.** This Agreement may not be amended, modified or supplemented without the written consent of the Parties hereto.

**9.2 Waiver.** No waiver by any Party of such Party’s rights, powers or privileges hereunder, will be binding against any other Party. No such waiver by a Party will be enforceable against such Party unless such waiver was given in a written instrument signed by such Party. The waiver by any Party of any of such Party’s rights, powers or privileges hereunder arising because of any breach, default or misrepresentation under or with respect to a

provision hereof, whether intentional or not, will not thereby extend (and will not be deemed to thereby extend) to any prior or subsequent breach, default or misrepresentation, respectively, by such Party or by another Party and will not affect in any way any rights, powers or privileges arising by virtue of any such prior or subsequent occurrence. No failure or delay by any Party in exercising any of such Party’s rights, powers or privileges hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or otherwise.

**9.3 Notice.** Any notice, request, demand, waiver, consent, approval or other communication (any of the foregoing, a “**Notice**”) that must or may be given pursuant hereto must be in writing and will be deemed given only as follows: (1) on the date established by the sender as having been delivered personally; (2) on the date delivered by a commercial overnight courier as established by the sender by evidence obtained from the courier; (3) if sent by email, then upon confirmation of transmission thereof; or (4) on the third (3<sup>rd</sup>) Business Day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid; and be addressed (depending upon the method of Notice) as follows:

If to Seller:

City and Borough of Wrangell  
Attn: Borough Manager and Borough  
Clerk  
PO Box 531  
Wrangell, Alaska 99929  
Clerk@wrangell.com  
lvonbargen@wrangell.com

With a copy to:

Alissa Smith, Esq.  
Dorsey & Whitney LLP  
801 Grand Ave., Ste. 4100  
Des Moines, IA 50309  
smith.alissa@dorsey.com

If to Buyer:

SouthEast Alaska Regional  
Health Consortium  
3100 Channel Drive  
Suite 300  
Juneau, Alaska 99801-7837  
Attention: Dan Neumeister  
Email: dann@searhc.org

With a copy to:

K&L Gates LLP  
925 Fourth Avenue, Suite 2900  
Seattle, WA 98101  
Attention: Carla Dewberry  
Email: carla.dewberry@klgates.com

Notwithstanding the foregoing contact information set forth in this Section 9.3, a Party is permitted to validly deliver a Notice pursuant hereto to such other address or to the attention of such Person or Persons as the recipient Party has specified by prior Notice (in accordance with this Section 9.3) to the sending Party (or, in the case of counsel, to such other readily ascertainable business address as such counsel might hereafter maintain). If more than one method for sending Notice as set forth above is used, then the earliest Notice date established as set forth in this Section 9.3 will control for purposes of determining when such Notice is deemed to have been given.

**9.4 Counterparts.** This Agreement may be executed in any number of counterparts (including by means of signature pages sent electronically by facsimile or in a .pdf format), each

of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**9.5 Severability.** In the event any provision of this Agreement or portion thereof is found to be wholly or partially invalid, illegal or unenforceable in any Proceeding, such provision shall be deemed to be modified or restricted to the extent and in the manner necessary to render the same valid and enforceable, or shall be deemed severed from this Agreement, as the case may require, and the balance of this Agreement shall be construed and enforced to the maximum extent permitted by law, as if such provision had been originally incorporated herein as so modified or restricted or as if such provision had not been originally contained herein, as the case may be.

**9.6 Governing Law.** This Agreement shall be construed in accordance with the laws of the State of Alaska, without regard to conflicts of laws principles.

**9.7 Assignment.** This Agreement shall be binding upon, and shall inure to the benefit of, the Parties named herein and their respective successors and permitted assigns. Each Party shall not, and shall not purport, to assign any of such Party's rights hereunder or to delegate any of such Party's obligations hereunder without the prior written consent of Buyer, in the case of an attempted assignment or delegation by Seller, or the Assembly of the City and Borough of Wrangell, in the case of an attempted assignment or delegation by Buyer, and any such purported assignment or delegation without obtaining such written consent will be void *ab initio*; provided, that Seller may, without obtaining Buyer's written consent, assign its rights to an assignee in accordance with the provisions of Section 6.16; and provided, further, that Buyer may, without obtaining Seller's written consent: (a) assign any of its rights hereunder to one or more of its Affiliates that has agreed to be bound by the terms hereof and that has, if applicable, validly and irrevocably waived its sovereign immunity under applicable law on substantially the same terms, and subject to substantially the same limitations, as Buyer; (b) designate one or more of its Affiliates to perform its obligations hereunder, provided that such delegation shall not relieve Buyer of any of its Liabilities hereunder; or (c) upon the delivery of Notice to Seller, assign any of its rights hereunder to any Person solely in order to secure financing for the transactions contemplated in this Agreement in order to provide security for Buyer's financing obligations related to the transactions contemplated in this Agreement.

**9.8 Expenses.** Except as otherwise expressly provided herein, each Party shall bear such Party's costs and expenses and the costs and expenses of such Party's Affiliates in connection with the negotiation, preparation, execution, and delivery of this Agreement and of the Party's Closing Documents, including all legal, accounting, financial advisory, consulting, and all other fees and expenses of third parties, whether or not the transactions contemplated by this Agreement and the Closing Documents are consummated.

**9.9 Third Parties.** Except as expressly provided in Section 8.2(a) and Section 8.2(b), this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns. Without limiting the generality of the foregoing, no Transferred Employee shall be deemed a third party beneficiary of this Agreement.

**9.10 Entire Agreement.** This Agreement, Seller's Closing Documents, and the Buyer's Closing Documents, including their respective schedules, exhibits, appendices, annexes, indices, and other attachments, if any, (a) are a final, complete, and exclusive statement of the agreement and understanding of the Parties with respect of the subject matter hereof and thereof and the transactions contemplated hereby and thereby, (b) collectively constitute the entire agreement of the Parties with respect to the subject matter hereof and thereof and the transactions contemplated hereby and thereby, and (c) supersede and merge herein and therein any prior or contemporaneous negotiations, discussions, representations, understandings, and agreements between or among any of the Parties, whether oral or written, with respect to the subject matter hereof and thereof and the transactions contemplated hereby and thereby.

**9.11 Specific Performance; Injunctive Relief.** The Parties agree that irreparable damage would occur in the event any of the provisions of this Agreement, the Deed Amendment, the Returned Asset Deed, and the Hospital Lease were not performed in accordance with their specific terms or were otherwise breached or threatened to be breached and that an award of money damages would be inadequate in such event. Accordingly, it is acknowledged that the Parties, without proof of actual damages, may obtain relief, including an injunction or injunctions or Orders for specific performance to prevent breaches of the provisions of this Agreement, the Deed Amendment, the Returned Asset Deed, and the Hospital Lease, and to enforce specifically the terms and provisions of this Agreement, the Deed Amendment, the Returned Asset Deed, and the Hospital Lease, in addition to any other remedy to which they are entitled at law or in equity as a remedy for any such breach or threatened breach. Each Party further agrees that neither Party nor any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 9.11, and each Party (a) irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument and (b) agrees to cooperate fully in any attempt by the other Party in obtaining such equitable relief.

**9.12 Dispute Resolution.**

(a) In the event of any dispute or disagreement between the Parties following the Closing as to the interpretation of any provision of this Agreement, the Deed Amendment, the Returned Asset Deed, and the Hospital Lease or the performance of any obligations thereunder, the matter, upon the written request of any Party, shall be referred to representatives designated by each respective Party for resolution binding on the Parties. Such representatives shall promptly meet in a good faith effort to resolve the dispute. If the representatives do not agree upon a resolution within thirty (30) calendar days after reference of the matter to them, each Party shall be free to exercise the remedies available to it under Section 9.12(b).

(b) If any controversy, dispute or claim arising out or relating in any way to this Agreement, the Deed Amendment, the Returned Asset Deed, and the Hospital Lease or the transactions contemplated thereunder is not resolved by negotiation pursuant to Section 9.12(a), then either Party involved in such controversy, dispute or claim may demand that the controversy, dispute or claim be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in effect by three arbitrators selected in accordance with such rules unless the parties shall agree on a single arbitrator. Such arbitrator(s) shall have at least ten years of experience in the healthcare field.

The arbitration proceedings shall be held in Anchorage, Alaska, or another mutually acceptable neutral venue. Each Party shall bear all of its own expenses and the arbitrators' fees and expense shall be shared equally by the parties to the arbitration; provided, however, that at the conclusion of the arbitration, the arbitrator shall award costs and expenses (including the costs of the arbitration previously advanced and the fees and expenses of attorneys, accountants and other experts) to the prevailing Party or Parties. The decision of the arbitrators shall (i) be rendered in writing, and concurred in by a majority of the arbitrators, if more than one, and (ii) be final, binding and conclusive and entitled to be enforced to the fullest extent permitted by law and entered in any court of competent jurisdiction. To the extent practical, the decision of the arbitrators shall be rendered no more than 30 days following commencement of proceedings with respect thereto. The arbitrators shall have the power to grant equitable relief. The arbitrators shall cause their written decision to be delivered to the Parties. The Parties consent to the jurisdiction of the foregoing arbitrator or arbitrators and further consent to the jurisdiction of any state or federal court located in the State of Alaska for the purpose of enforcing the agreement to arbitrate set forth in this Section 9.12 and any decision or award of the arbitrators. The Parties agree that service of process may be made on any such Party by any means specified for Notice in Section 9.3. The submission to the jurisdiction of the courts referred to above for the purpose of enforcing the agreement to arbitrate set forth in this Section 9.12 and the decision or award of the arbitrators shall not (and shall not be construed so as to) limit the right of any Party to file or commence a proceeding against the other in any other court of competent jurisdiction for the purpose of enforcing the decision or award of the arbitrators if and to the extent permitted by applicable law. In the event any suit or other legal proceeding is brought for the enforcement of the agreement to arbitrate set forth in this Section 9.12 or any decision or award of the arbitrators, the Parties agree that the prevailing Party or Parties shall be entitled to recover from the other Party or Parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal and costs incurred in bringing such suit or proceeding. Notwithstanding anything to the contrary provided in this Section 9.12(b), and without prejudice to the above procedures, any Party may apply to any court of competent jurisdiction for temporary injunctive or other provisional judicial relief if such action is necessary to avoid irreparable damage or to preserve the status quo until such time as the arbitrator is selected and available to hear such Party's request for temporary relief.

(c) (i) Seller understands and agrees that Buyer possesses sovereign immunity from suit as a tribal consortium, recognized under the terms of the ISDEAA and acting on behalf of its constituent tribal governments. Buyer hereby provides an irrevocable limited waiver of its sovereign immunity (but not of the sovereign immunity of any of its tribal constituents) only to the limited extent necessary to (A) pursue arbitration as described in Section 9.12, (B) enforce the agreement to arbitrate set forth in Section 9.12, (C) enforce any binding decision or award issued in accordance with such arbitration, and (D) seek or pursue relief, including an injunction or injunctions or Orders for specific performance to prevent breaches of the provisions of this Agreement, the Deed Amendment, the Returned Asset Deed, and the Hospital Lease, and to enforce specifically the terms and provisions of this Agreement, the Deed Amendment, the Returned Asset Deed, and the Hospital Lease, in addition to any other remedy to which they are entitled at law or in equity as a remedy for any such breach or threatened breach, as contemplated in Section 9.11. Sovereign immunity is not waived as to any employee, board member, constituent tribe or agent of Buyer.

(ii) By this limited waiver of sovereign immunity, Buyer does hereby consent to jurisdiction only in the following fora: arbitration as described in Section 9.12 and any state or federal court located in the State of Alaska First Judicial District for the purposes described in this Section 9.12. Buyer agrees not to commence or initiate any action arising under this Agreement in any tribal court or forum and irrevocably waives, to the fullest extent permitted by law, any requirement for the exhaustion of remedies available in any tribal court or forum, if any.

(iii) Seller's agreement as set forth in the first sentence of Section 9.12(c)(i) and Buyer's limited waiver of sovereign immunity set forth in Section 9.12(c)(i) shall relate solely to the transactions contemplated in this Agreement. Buyer will not initiate a lawsuit or other action that challenges the validity of the limited waiver of sovereign immunity provided in Section 9.12(c)(i). Buyer will not raise Seller's acknowledgement of Buyer's sovereign immunity, and Seller will not raise Buyer's limited waiver of sovereign immunity, in Section 9.12(c)(i) in any future action or dispute between the Parties that is unrelated to this Agreement or the transactions contemplated herein. Buyer covenants that no future action by the Board of Directors that may be required to develop, construct, and operate the New Hospital will extinguish or change the limited waiver of sovereign immunity set forth in Section 9.12(c)(i).

**9.13 Construction.** The Parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burdens of proof shall arise favoring any Party by virtue of the authorship of any of the provisions of this Agreement. As used in this Agreement, the word "including" means without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Each defined term used in this Agreement shall have a comparable meaning when used in its plural or singular form. Unless the context otherwise requires, references herein: (a) to Articles, Sections, Exhibits and Schedules mean the Articles and Sections of and the Exhibits and Schedules attached to this Agreement, (b) to an agreement, instrument or document means such agreement, instrument or document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by this Agreement and (c) to a Law means such Law as amended from time to time and includes any successor legislation thereto. The headings and captions used in this Agreement, in any Schedule or Exhibit hereto, in the table of contents or in any index hereto are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement or any Schedule or Exhibit hereto, and all provisions of this Agreement and the Schedules and Exhibits hereto shall be enforced and construed as if no caption or heading had been used herein or therein. Any capitalized terms used in any Schedule or Exhibit attached hereto and not otherwise defined therein shall have the meanings set forth in this Agreement (or, in the absence of any ascribed meaning, the meaning customarily ascribed to any such term in the healthcare industry or in general commercial usage). All amounts payable hereunder and set forth in this Agreement are expressed in U.S. dollars, and all references to dollars (or the symbol "\$") contained herein shall be deemed to refer to United States dollars.

**9.14 Incorporation of Exhibits and Schedules.** Notwithstanding any provision of this Agreement to the contrary, Buyer and Seller acknowledge and agree that, with respect to any exhibit and/or schedule referenced in this Agreement but not completed and attached hereto as of

the Execution Date, Buyer and Seller shall, subject to the terms of Section 6.2 hereof, in good faith negotiate the contents of such exhibit and/or schedule prior to the Closing Date. Subject to the foregoing, the exhibits, and schedules identified in this Agreement are incorporated herein by reference and made a part hereof. Any matter contained in any one section or schedule shall be deemed to be included in any other section or schedule to the extent it is reasonably apparent on its face that such information is relevant to another section or schedule.

[Signature page follows]

IN WITNESS WHEREOF, the Parties hereto have duly executed this Agreement effective as of the 26th day of October 2018.

**SELLER**

**THE CITY AND BOROUGH OF WRANGELL, ALASKA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**BUYER**

**SOUTHEAST ALASKA REGIONAL HEALTH CONSORTIUM**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## Exhibit A

### Defined Terms

For purposes of this Agreement, the following terms and variations thereof have the meanings specified or referred to in this Exhibit A:

“**Accounts Payable**” has the meaning set forth in Section 1.4(i).

“**Accounts Receivable**” means all accounts receivable of Seller, and all rights to payment, whether billed or unbilled, recorded or unrecorded, accrued and existing, whether or not written off, as of the Effective Time with respect to the Business, including rights to payment for all goods and services that Seller has provided at or through the Hospital to its patients prior to the Effective Time.

“**Accrued PTO**” has the meaning set forth in Section 1.3(c).

“**Accrued PTO Cash-Out Amount**” has the meaning set forth in Section 1.3(c).

“**Acquired Assets**” has the meaning set forth in Section 1.1.

“**Advisory Board**” has the meaning set forth in Section 6.17.

“**Affiliate**” means, with respect to any particular Person, any other Person controlling, controlled by or under common control with such Person. For purposes of this definition, the term “control” (including its correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and with respect to the City and/or Borough of Wrangell includes the power to form (or approve the formation of) any other Person.

“**Agency Settlements**” means, with respect to the Business, all rights to or liabilities for settlement and retroactive adjustments, if any, for open cost reporting periods ending on or prior to the Closing Date (whether open or closed) arising from or against any Government Reimbursement Program or other payor which is attributable to services provided during any period of time prior to the Effective Time.

“**Agreed Claims**” has the meaning set forth in Section 8.3(a)(iii).

“**Agreement**” has the meaning set forth in the introductory paragraph.

“**AICS Property**” means the property described in Exhibit E.

“**Assumed Contracts**” has the meaning set forth in Section 1.1(e).

“**Assumed Liabilities**” has the meaning set forth in Section 1.3.

“**Borough Charter**” means the Home Rule Charter of the City and Borough of Wrangell, Alaska.

“**Business**” has the meaning set forth in Recital B.

“**Business Day**” means any day that is not a Saturday, a Sunday or other day on which government offices are required or authorized by Law to be closed in Wrangell, Alaska.

“**Buyer**” has the meaning set forth in the introductory paragraph.

“**Buyer Indemnified Parties**” has the meaning set forth in Section 8.2(a).

“**Buyer Indemnifiable Losses**” has the meaning set forth in Section 8.2(c).

“**Buyer’s Closing Documents**” has the meaning set forth in Section 5.5.

“**Buyer’s Title Notice**” has the meaning set forth in Section 6.18(b).

“**Cap**” has the meaning set forth in Section 8.4(b).

“**Catastrophic Material Casualty**” means damage or destruction to an essential or significant portion of the physical structure of the Hospital by fire or the elements or by any other catastrophic cause and (i) the cost to repair such damage is reasonably likely to exceed the proceeds of both Parties’ insurance and sums payable thereunder for such damage or destruction by \$500,000 or (ii) continued operation of the Hospital has become impossible, unsafe, or unlawful.

“**Claims**” means all charges, complaints, actions, suits, proceedings, hearings, investigations, claims, and demands.

“**Closing**” has the meaning set forth in Section 1.5(a).

“**Closing Date**” has the meaning set forth in Section 1.5(a).

“**COBRA**” means Section 4980B of the Code and Sections 601 through 608, inclusive, of ERISA.

“**Collection Service Fee**” means the amount equal to the product of (a) cash received by Buyer in collecting the Accounts Receivable and Agency Settlements and (b) 12%.

“**Code**” means the Internal Revenue Code of 1986.

“**CON**” has the meaning set forth in Section 6.23.

“**Confidential Information**” means any proprietary financial, economic, and business information relating to Buyer’s practice, operations, policies, procedures, and methodologies.

“**Contract**” means any contract, agreement, license, sublicense, franchise, mortgage, purchase order, indenture, loan agreement or instrument which relates to the Business or any

binding commitment to enter into any of the foregoing (in each case, whether written or oral) to which Seller is a party or by which any of the assets used in the Business are bound, but excluding Licenses.

“**Deductible**” has the meaning set forth in Section 8.4(a).

“**Deed Amendment**” has the meaning set forth in Section 4.7(f).

“**Effective Time**” has the meaning set forth in Section 1.5(a).

“**Eligible Property**” means the Wood Campus Real Property (New Hospital Site) and improvements thereon, the on-site buildings, structures, fixed machinery and equipment, storage tanks, process units (including all integral components necessary or useful for operations), site improvements, and infrastructure and the permanent office space and related fixed improvements.

“**Employee Benefit Plan**” means, with respect to the employees of Seller who provide services in connection with the Business: (i) each “employee benefit plan,” as such term is defined in Section 3(3) of ERISA, regardless of whether subject to the requirements of ERISA; and (ii) all other pension, retirement, profit sharing, welfare, wellness, disability, group insurance, retention, change-in-control, sale bonus, severance pay, deferred compensation, flexible benefit, excess or supplemental benefit, vacation, stock-related, stock option, phantom stock, fringe benefits and incentive plans, and all employment agreements, termination, severance or other Contracts, whether formal or informal, whether or not set forth in writing, whether covering one Person or more than one Person, and whether or not subject to any of the provisions of ERISA, which pertain to any employee, former employee, director, officer, shareholder of Seller, or Seller Affiliate and (a) to which Seller or any Seller Affiliate is or has been a party or by which any of them is or has been bound as of the date of this Agreement or (b) to which Seller or any Seller Affiliate may otherwise have any liability (including any such plan or arrangement formerly maintained by Seller or any such Seller Affiliate).

“**Encumbrance**” means any charge, claim, equitable interest, lien, encumbrance, option, pledge, security interest, mortgage, easement, license, encroachment, rights of way, obligation to offer or transfer, right of first refusal or first option on transfer, conditional sale or other title retention agreement, or restriction of any kind.

“**Environmental Laws**” means shall mean all federal, state, local and foreign statutes, regulations, and ordinances concerning public health and safety, worker health and safety, and pollution or protection of the environment, including without limitation all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, or cleanup of any Hazardous Materials, as such requirements are enacted and in effect on or prior to the Closing Date.

“**Environmental Requirements**” has the meaning set forth in Section 2.14.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, and the regulations and rules issued pursuant thereto.

“**Excluded Assets**” has the meaning set forth in Section 1.2.

“**Excluded Contracts**” has the meaning set forth in Section 1.2(b).

“**Excluded Liabilities**” has the meaning set forth in Section 1.4.

“**Excluded Parcel**” has the meaning set forth in Section 6.18(c).

“**Execution Date**” has the meaning set forth in the introductory paragraph.

“**Financial Statements**” has the meaning set forth in Section 2.18(a).

“**Force Majeure**” means (a) acts of God; (b) a catastrophic natural disaster; (c) war, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) national or regional emergency; or (e) other events beyond the reasonable control of Buyer.

“**Fundamental Representations**” means the representations and warranties set forth in Sections 2.1 (Organization; Power and Authority), 2.3(a) (Assets), and 2.14 (Environmental Matters).

“**GAAP**” means United States generally accepted accounting principles as in effect from time to time.

“**Government Reimbursement Programs**” means Medicare, Medicaid, the TRICARE program, and all other similar federal, state or local reimbursement or governmental programs for which the Business is eligible.

“**Governmental Authority**” means (i) the United States of America, (ii) the State of Alaska, (iii) the City and Borough of Wrangell, and (iv) any agency, authority or instrumentality of any of the foregoing, including any court or other tribunal.

“**Hazardous Materials**” means any substance by character or concentration defined in or regulated under any Environmental Law to be a pollutant, hazardous substance, radioactive substance, toxic substance, hazardous waste, medical waste, radioactive waste, special waste, petroleum or petroleum-derived substance or waste, asbestos, polychlorinated biphenyls, or any hazardous or toxic constituent thereof and includes, but is not limited to, any substance defined in or regulated under any Environmental Law.

“**Hospital**” has the meaning set forth in Recital A.

“**Hospital Lease**” has the meaning set forth in Section 4.7(h).

“**Indebtedness**” of any Person means, as of a particular time, without duplication, (i) all obligations of such Person for borrowed money or which have been incurred in connection with the acquisition of property or assets, (ii) obligations secured by any Encumbrance upon property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations, (iii) obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, notwithstanding

the fact that the rights and remedies of Seller, lender or lessor under such agreement in the event of default are limited to repossession or sale of the property, (iv) capitalized lease obligations, (v) obligations with respect to interest rate or currency swaps, collars, caps and similar hedging obligations, (vi) all guaranties, surety or indemnity obligations by such Person and (vii) all obligations of such Person in regard to guaranties or sureties by others of such Person's obligations, regardless of whether by payment or performance, or whether such guaranties are in the form of letters of credit, deposits, bonds, insurance or other forms of security, indemnity, surety or guaranty.

**“Intellectual Property”** means any and all of the following (including all copies and embodiments thereof, in electronic, written or other media; all rights to seek and recover damages and/or settlements for any Claims whatsoever related thereto), and all improvements thereto) in the United States and outside of the United States: (i) all registered and unregistered trademarks, trade dress, industrial designs, service marks, logos, trade names, corporate names, social media designations, other indicia of source of origin, all applications to register the same, and all goodwill related thereto; (ii) all issued United States and foreign patents and pending patent applications, patent disclosures and improvements thereto, all renewals, extensions, divisions, continuations, continuations-in-part thereof, and all rights related thereto; (iii) all registered and unregistered copyrights and all applications to register the same, all copyrightable works, and all derivative works thereof; (iv) all computer software and databases (excluding software and databases that are licensed under standard, off-the-shelf, non-exclusive software licenses granted to end-user customers by third parties in the ordinary course of such third parties' business with annual fees or other payments of less than \$5,000 per license); (v) all trade secrets, know-how, inventions (whether or not patentable and whether or not reduced to practice), recipes, formulas, product methods, processes, procedures, drawings, specifications, designs, plans, proposals, technical data, financial, marketing, and business data (including customer relationship management data), pricing and cost information, business and marketing plans, customer leads, customer and supplier lists and information and other confidential and proprietary information; and (vii) all Internet domain names, websites and website materials, and all registrations.

**“Indemnification Certificate”** has the meaning set forth in Section 8.3(a)(i).

**“Indemnified Party”** has the meaning set forth in Section 8.3(a)(i).

**“Indemnifying Party”** has the meaning set forth in Section 8.3(a)(i).

**“Interim Financial Statements”** has the meaning set forth in Section 2.18(a).

**“Interim Operating Period”** means the period from the Closing Date until operations at the New Hospital as a critical access hospital commence and the Business (in the manner conducted at such date) is transferred to the Wood Campus Real Property (New Hospital Site).

**“ISDEAA”** has the meaning set forth in Recital C.

**“Knowledge”** means that a particular fact or other matter will be imputed to Seller if the Chief Executive Officer of the Hospital, the Chief Financial Officer of the Hospital, the Risk Manager/Compliance Officer of the Hospital, and the Human Resources Coordinator of the

Hospital (a) is actually aware of the fact or matter or (b) a reasonably prudent individual could be expected to discover or otherwise become aware of notice of that fact or matter in the course of conducting his or her responsibilities in the conduct of his or her job duties for Seller or the Hospital, as applicable.

“**Law**” means any law, statute, the Wrangell Municipal Code or the Borough Charter, ordinance, regulation, rule, Order, stipulation, common law doctrine, rule of interpretation or other legal requirement of any Governmental Authority including but not limited to the Americans with Disabilities Act of 1990 (ADA), 42 U.S.C. 12101, et seq., the Civil Rights Act of 1964, 42 U.S.C. 2000d, et seq., the Fair Labor Standards Act, 29 U.S.C. 201, et seq., and all federal and state laws that apply to development, construction and operation of a hospital.

“**Leased Equipment**” has the meaning set forth in Section 2.6(b).

“**Leased Real Property**” has the meaning set forth in Section 2.7(a).

“**Liabilities**” mean any liability (whether known or unknown, fixed or contingent, liquidated or unliquidated, and due or to become due), obligation or Indebtedness, including any liability for Taxes.

“**Licenses**” means any license or permit required to be issued by any Governmental Authority, and any approval, authorization, consent, notice, qualification, registration, certificates of need, certificates of exemption, franchises, accreditations, and all applications therefor and waivers of any requirements pertaining thereto, or any extension, modification, amendment or waiver of any of the foregoing, of or from, or any notice, statement, filing or other communication to be filed with or delivered to, any Governmental Authority.

“**Losses**” mean any and all Liabilities, damages, fines, costs, fees, penalties, deficiencies, losses, amounts paid in settlement and expenses (including interest, court costs, reasonable fees of attorneys, accountants and other experts or other expenses of litigation or other proceedings) of a Party related to any Claim, default or assessment described in, arising under or otherwise relating to the Agreement or the transactions contemplated herein.

“**Mandatory Removal Exceptions**” means exceptions for any of the following: (i) real estate contracts, security deeds, mortgages, deeds of trust, and other instruments evidencing or securing loans or other Indebtedness; (ii) any real estate excise, sales, conveyance, transfer or stamp Taxes payable at Closing under applicable law; (iii) local improvement district and other similar assessments, and any delinquent real estate Taxes or owners association assessments; (iv) mechanics, materialmen, or construction liens, judgment liens, and lis pendens; (v) other monetary liens and monetary exceptions; (vi) any option or right to purchase all or any part of the Wood Campus Real Property (New Hospital Site), other than this Agreement; (vii) ad valorem tax covenant; or (viii) the authority, organization or legal standing of Seller or the authority of any Person signing for Seller.

“**Material Adverse Change**” means any event, change or occurrence that, individually or together with any one or more other events, changes or occurrences, would be reasonably likely to materially and adversely affect the Business, the assets or liabilities of Seller with respect to the Business, the results of operations or financial condition of the Hospital, or on the

ability of either Party to consummate the transactions contemplated hereby; provided, however, that none of the following, and no events, changes or occurrences, individually or in the aggregate, to the extent arising out of, resulting from or attributable to any of the following shall constitute or be taken into account in determining whether a Material Adverse Change has occurred or may, would or could occur:

(a) (1) changes generally affecting the economy, credit, capital or financial markets or political conditions in the United States, including changes in interest and exchange rates, (2) changes that are the result of acts of war (whether or not declared), armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war (whether or not declared), armed hostilities, sabotage or terrorism or (3) epidemics, pandemics, earthquakes, hurricanes, tornados or other natural disasters;

(b) changes that are the result of factors generally affecting the healthcare industry;

(c) changes or prospective changes in any Law or GAAP or interpretation or enforcement thereof after the date hereof;

*provided*, further, however, that any event, change, or occurrence referred to in clause (a), (b) or (c) may constitute and shall be taken into account in determining whether or not a Material Adverse Change has occurred, or would be reasonably expected to occur, to the extent such event, change or occurrence has a materially disproportionate adverse impact on Seller as compared to other participants in the healthcare industry (in which case the incremental disproportionate impact or impacts shall be taken into account in determining whether or not a Material Adverse Change has occurred).

**“Material Condemnation”** means any taking of any portion of the Real Property or conveyance of any portion of the Real Property after receipt of written notice of an offer to purchase under a threat of condemnation (except Leased Real Property) by power of eminent domain, if the result of such taking or conveyance would render the remainder of the Real Property unsuitable for the operation of the Hospital or the construction, development and operation of the New Hospital, in the case of the Wood Campus Real Property (New Hospital Site).

**“Material Contract”** means each Contract to which Seller or any Affiliate of Seller is a party and which is material to the Business and the operation of the Hospital, including all provider network agreements, clinical affiliation agreements, medical director agreements, consulting agreements, management services agreements, professional services agreements, transfer agreements, recruitment agreements, employment agreements, real estate lease agreements, personal property lease agreements, supply agreements, software agreements, agreements with managed care, health maintenance, preferred provider, and other third party private payor organizations, and agreements with any Government Reimbursement Program.

**“Medicare”** has the meaning set forth in Section 2.9(a).

**“Memorandum of Agreement”** has the meaning set forth in Section 8.3(a)(ii).

“**New Hospital**” means the critical access hospital with long-term care beds to be developed, built, and operated by Buyer or its Affiliates and located on the Wood Campus Real Property (New Hospital Site).

“**Notice**” has the meaning set forth in Section 9.3.

“**Order**” means any order, injunction, judgment, determination, decree, award, ruling or assessment of any Governmental Authority, or of an arbitration panel provided for in Article 9 of this Agreement.

“**Ordinary Course of Business**” means with respect to any Person the ordinary and usual course of normal day-to-day operations of such Person consistent with past custom and practice in all material respects (including with respect to quantity and frequency) of such Person.

“**Party**” or “**Parties**” has the meaning set forth in the introductory paragraph.

“**Permitted Encumbrances**” means, with respect to the Acquired Assets other than the Wood Campus Real Property (New Hospital Site), any (a) Encumbrances in respect of property or assets imposed by Laws such as mechanic’s, materialmen’s, warehousemen’s, landlord’s, laborer’s, workmen’s, repairmen’s, carrier’s, supplier’s and similar Encumbrances, including all statutory Encumbrances, arising or incurred in connection with capital expenditures or otherwise in the Ordinary Course of Business for amounts not yet due and payable, (b) Encumbrances for Taxes not yet due and payable or for Taxes being contested in good faith and by appropriate proceedings for which adequate reserves have been established, (c) purchase money Encumbrances (including interests of goods consigned to Seller) and Encumbrances securing rental payments under capital lease arrangements, (d) Encumbrances arising out of a conditional sale, title retention or similar arrangements for the sale of goods entered into in the Ordinary Course of Business, (e) Encumbrances arising from the filing of Uniform Commercial Code financing statements as a precautionary measure in connection with operating leases, (f) Encumbrances which constitute a setoff or banker’s liens, whether arising by Law or contract, (g) Encumbrances on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person’s obligations in respect of bankers’ acceptances issued or created in the Ordinary Course of Business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods, (h) Encumbrances on insurance proceeds in favor of insurance companies granted solely as security for financed premiums, (i) pledges or deposits under workers’ compensation legislation, unemployment insurance Laws or similar Laws, (j) zoning, building, and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority having jurisdiction over such real property which are not violated in any material respect by the current use or occupancy of such real property, (k) in the case of Leased Real Property, easements, covenants, conditions and other restrictions or matters of record or disclosed by a survey affecting title to real property which do not materially impair the current use or occupancy of the property subject thereto, (l) any interest or title of a lessee or lessor pursuant to a lease of any portion of the Leased Real Property, (m) all matters, whether or not of record, that arise out of the actions of Buyer or its agents, representatives or contractors; (n)

exceptions in Ketchikan Title Agency, LLC, Title Insurance Commitment dated August 1, 2018, Report Only, File 32421; and (o) items listed in Schedule 1.3 of the Hospital Lease.

**“Permitted Exceptions”** means, with respect to the Wood Campus Real Property (New Hospital Site), (a) all matters, whether or not of record, that arise out of the actions of Buyer or its agents, representatives or contractors; (b) any installation, service, connection, usage or maintenance charge for sewer, water, electricity, telephone, cable or internet service, and any charges under any reciprocal easement agreement, declarations of covenants, conditions, restrictions, common area agreement, shared maintenance agreement, or similar agreements which burden or benefit the Wood Campus Real Property (New Hospital Site) to the extent not yet due and payable; (c) all matters that the Title Company is willing to insure over without additional premium or indemnity from Buyer, provided that, in the exercise of Buyer’s reasonable business judgment, such matter will not have a material adverse effect on the ownership or operation of the Wood Campus Real Property (New Hospital Site) from and after the Closing; (d) standard pre-printed exceptions and provisions contained in title insurance policies, other than to the extent same can be removed by execution and delivery by Seller of a title affidavit; (e) zoning, building, and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority having jurisdiction over such real property which are not violated in any material respect by the current use or occupancy of such real property; (f) items 8 through 12 listed in Ketchikan Title Agency, LLC Title Insurance Commitment File 32378, commitment date of July 16, 2018, and last updated and amended on October 25, 2018; and (g) all other matters shown on or referenced in the Title Commitment (other than Mandatory Removal Exceptions) or the Survey, and all other matters affecting title to the Wood Campus Real Property (New Hospital Site), except for those matters as to which: (i) Buyer makes a written objection to Seller; and (ii) Seller elects to use reasonable efforts to remove in accordance with Section 6.18(b). The term “Permitted Exceptions” shall also include any matters that become Permitted Exceptions in accordance with the provisions hereof. Permitted Exceptions shall not include any Mandatory Removal Exceptions.

**“Person”** means any individual, partnership, corporation, limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or any Governmental Authority.

**“Personal Property”** has the meaning set forth in Section 1.1(a).

**“Personal Property Leases”** has the meaning set forth in Section 1.1(b).

**“Prepaid Expenses”** has the meaning set forth in Section 1.1(i).

**“Proceeding”** means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, and whether public or private).

**“PTO Accrual Rate”** has the meaning set forth in Section 6.4(b).

**“Public Records Disclosure Laws”** has the meaning set forth in Section 6.8(b).

“**Purchased Inventory**” has the meaning set forth in Section 1.1(h).

“**Reacquisition Offer**” has the meaning set forth in Section 6.16.

“**Real Property**” has the meaning set forth in Section 2.7(c).

“**Real Property Leases**” has the meaning set forth in Section 1.1(c).

“**Returned Asset Deed**” has the meaning set forth in Section 6.16.

“**Returned Assets**” has the meaning set forth in Section 6.16.

“**Seller**” has the meaning set forth in the introductory paragraph.

“**Seller Indemnifiable Losses**” has the meaning set forth in Section 8.2(c).

“**Seller Indemnified Parties**” has the meaning set forth in Section 8.2(b).

“**Seller Permitted Exceptions**” means, with respect to the Wood Campus Real Property (New Hospital Site), (a) all Encumbrances upon the Wood Campus Real Property (New Hospital Site) that existed as of the Closing Date (including those that may have been insured over by the Title Company as contemplated in clause (c) of the definition of Permitted Exceptions), (b) all matters, whether or not of record, that arise out of the actions of Seller or its agents, representatives or contractors, (c) any installation, service, connection, usage or maintenance charge for sewer, water, electricity, telephone, cable or internet service, and any charges under any reciprocal easement agreement, declarations of covenants, conditions, restrictions, common area agreement, shared maintenance agreement, or similar agreements which burden or benefit the Wood Campus Real Property (New Hospital Site) to the extent not yet due and payable; (d) zoning, building, and other land use Laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Authority having jurisdiction over such real property which are not violated in any material respect by the current use or occupancy of such real property; (e) any Encumbrances granted in or in connection with the Subdivision Plat; and (f) any additional non-monetary Encumbrances granted by Buyer in connection with the anticipated construction, development and operation of the New Hospital, including, without limitation, utility and access easements, to the extent such Encumbrances are not inconsistent with the construction, development and operation of a hospital on the Wood Campus Real Property (New Hospital Site).

“**Seller PIP Payments**” has the meaning set forth in Section 6.11(a).

“**Seller Straddle Patient Payments**” has the meaning set forth in Section 6.11(b).

“**Stark Law**” means Section 1877 of the Social Security Act (42 U.S.C. 1395nn).

“**State**” has the meaning set forth in Section 6.23.

“**Straddle Patients**” has the meaning set forth in Section 6.11(b).

“**Subdivision Plat**” has the meaning set forth in Section 6.18(c).

“**Survey**” has the meaning set forth in Section 6.18(a).

“**Surviving Covenants**” has the meaning set forth in Section 8.1(b).

“**Survival Period**” has the meaning set forth in Section 8.1(a).

“**Taxes**” means all (i) taxes, charges, withholdings, fees, levies, imposts, duties and governmental fees or other like assessments or charges of any kind whatsoever in the nature of taxes imposed by any United States federal, state, local or foreign or other Taxing Authority (including those related to income, net income, gross income, receipts, capital, windfall profit, severance, property (real and personal), production, sales, goods and services, use, business and occupation, license, excise, registration, franchise, liquor, employment, payroll (including social security contributions), deductions at source, withholding, alternative or add-on minimum, intangibles, ad valorem, transfer, gains, stamp, customs, duties, estimated, transaction, title, capital, paid-up capital, profits, premium, value added, recording, inventory and merchandise, business privilege, federal highway use, commercial rent or environmental tax, and any liability under unclaimed property, escheat, or similar Laws), (ii) interest, penalties, fines, additions to tax or additional amounts imposed by any Taxing Authority in connection with (x) any item described in clause (i) or (y) the failure to comply with any requirement imposed with respect to any Tax Return, and (iii) liability in respect of any items described in clause (i) and/or (ii) payable by reason of contract (including any Tax Sharing Agreement), assumption, transferee, successor or similar liability (including bulk transfer, sales or similar law), operation of law (including pursuant to Treasury Regulations Section 1.1502-6 (or any predecessor or successor thereof or any analogous or similar state, local, or foreign Law)) or otherwise.

“**Tax Return**” means any return, declaration, form, report, claim informational return (including all Forms 1099) or statement required to be filed with any Governmental Authority with respect to Taxes, including any schedule or attachment thereto or amendment thereof.

“**Tax Sharing Agreement**” means any Tax indemnity agreement, Tax sharing agreement, Tax allocation agreement or similar contract or arrangement, whether written or unwritten (including any such agreement, contract or arrangement included in any purchase or sale agreement, merger agreement, joint venture agreement or other document) or any Contract relating or attributable to Taxes with any Taxing Authority.

“**Taxing Authority**” means, with respect to any Tax or Tax Return, the Governmental Authority that imposes such Tax or requires a person to file such Tax Return and the agency (if any) charged with the collection of such Tax or the administration of such Tax Return, in each case, for such Governmental Authority.

“**Termination Date**” means February 28, 2019.

“**Third Party Claim**” has the meaning set forth in Section 8.3(b)(i).

“**Title Commitment**” has the meaning set forth in Section 6.18(b)(i).

“**Title Company**” shall mean Ketchikan Title Agency, LLC, using First American Title as the underwriter.

“**Title Policy**” has the meaning set forth in Section 6.18(b)(i).

“**Transferred Employees**” has the meaning set forth in Section 6.4(a).

“**Transferred Records**” has the meaning set forth in Section 1.1(j).

“**Transition Patients**” has the meaning set forth in Section 6.11(a).

“**Treasury Regulations**” means the Treasury regulations promulgated under the Code, as such Treasury Regulations may be amended from time to time. Any reference herein to a particular provision of the Treasury Regulations means, where appropriate, the corresponding successor provision.

“**WARN Act**” has the meaning set forth in Section 6.4(g).

“**Wind Up Activities**” has the meaning set forth in Section 6.4(i).

“**Wood Campus Real Property (New Hospital Site)**” has the meaning set forth in Section 1.1(d).

**Exhibit B**

**Form of Bill of Sale and Assignment**

[See attached]

**Exhibit C**

**Form of Bill of Sale and Assignment – Real Property**

[See attached]

**Exhibit D**  
**Form of Assignment and Assumption Agreement**

[See attached]

**Exhibit E**  
**Form of Amendment to AICS Property Deed**

[See attached]

**Exhibit F**  
**Form of Lease**

[See attached]

**Exhibit G**  
**Wrangell Medical Center Feasibility Study**

[See attached]

**Exhibit H**  
**Proposed Property Line**

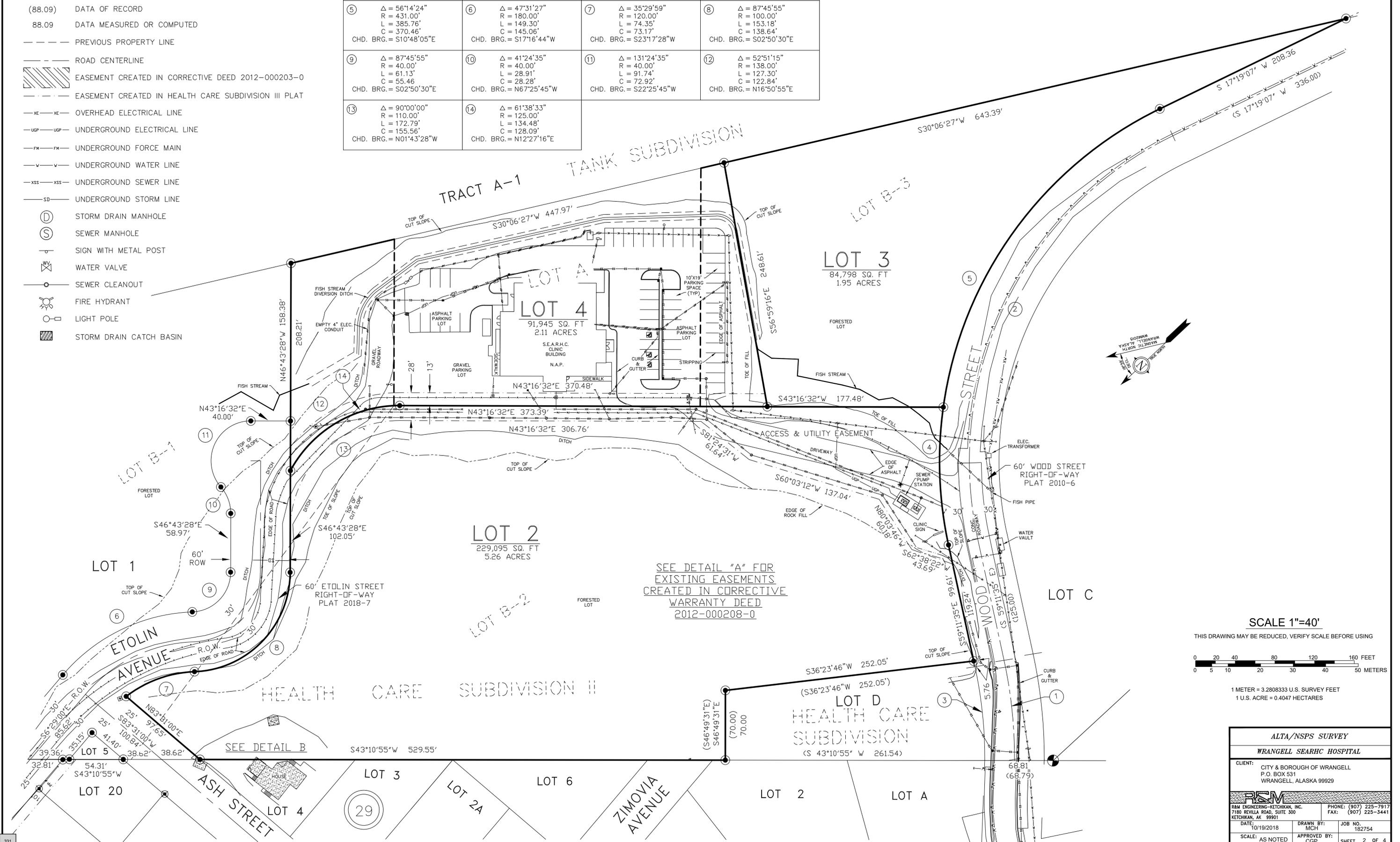
[See attached]

# EXHIBIT B

LEGEND

- SECONDARY MONUMENT RECOVERED THIS SURVEY
- ⊕ BLM BRASS CAP RECOVERED THIS SURVEY
- ⊙ HIGHWAY CENTERLINE BRASS CAP RECOVERED THIS SURVEY
- (88.09) DATA OF RECORD
- 88.09 DATA MEASURED OR COMPUTED
- PREVIOUS PROPERTY LINE
- ROAD CENTERLINE
- ▨ EASEMENT CREATED IN CORRECTIVE DEED 2012-000203-0
- ▨ EASEMENT CREATED IN HEALTH CARE SUBDIVISION III PLAT
- xe—xe— OVERHEAD ELECTRICAL LINE
- ugp—ugp— UNDERGROUND ELECTRICAL LINE
- fm—fm— UNDERGROUND FORCE MAIN
- v—v— UNDERGROUND WATER LINE
- xss—xss— UNDERGROUND SEWER LINE
- sd—sd— UNDERGROUND STORM LINE
- ⊕ STORM DRAIN MANHOLE
- ⊙ SEWER MANHOLE
- ⊙ SIGN WITH METAL POST
- ⊙ WATER VALVE
- ⊙ SEWER CLEANOUT
- ⊙ FIRE HYDRANT
- ⊙ LIGHT POLE
- ▨ STORM DRAIN CATCH BASIN

| CURVE DATA                                                                                 |                                                                                            |                                                                                          |                                                                                            |
|--------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|
| ①<br>Δ = 12°27'16"<br>R = 461.00'<br>L = 100.21'<br>C = 100.01'<br>CHD. BRG. = S52°57'57"E | ②<br>Δ = 76°30'42"<br>R = 363.00'<br>L = 484.74'<br>C = 449.52'<br>CHD. BRG. = S20°56'14"E | ③<br>Δ = 12°36'46"<br>R = 431.00'<br>L = 94.88'<br>C = 94.69'<br>CHD. BRG. = S52°57'12"E | ④<br>Δ = 20°16'18"<br>R = 393.00'<br>L = 139.05'<br>C = 138.32'<br>CHD. BRG. = S49°03'26"W |
| ⑤<br>Δ = 56°14'24"<br>R = 431.00'<br>L = 385.76'<br>C = 370.46'<br>CHD. BRG. = S10°48'05"E | ⑥<br>Δ = 47°31'27"<br>R = 180.00'<br>L = 149.30'<br>C = 145.06'<br>CHD. BRG. = S17°16'44"W | ⑦<br>Δ = 35°29'59"<br>R = 120.00'<br>L = 74.35'<br>C = 73.17'<br>CHD. BRG. = S23°17'28"W | ⑧<br>Δ = 87°45'55"<br>R = 100.00'<br>L = 153.18'<br>C = 138.64'<br>CHD. BRG. = S02°50'30"E |
| ⑨<br>Δ = 87°45'55"<br>R = 40.00'<br>L = 61.13'<br>C = 55.46'<br>CHD. BRG. = S02°50'30"E    | ⑩<br>Δ = 41°24'35"<br>R = 40.00'<br>L = 28.91'<br>C = 28.28'<br>CHD. BRG. = N67°25'45"W    | ⑪<br>Δ = 131°24'35"<br>R = 40.00'<br>L = 91.74'<br>C = 72.92'<br>CHD. BRG. = S22°25'45"W | ⑫<br>Δ = 52°51'15"<br>R = 138.00'<br>L = 127.30'<br>C = 122.84'<br>CHD. BRG. = N16°50'55"E |
| ⑬<br>Δ = 90°00'00"<br>R = 110.00'<br>L = 172.79'<br>C = 155.56'<br>CHD. BRG. = N01°43'28"W | ⑭<br>Δ = 61°38'33"<br>R = 125.00'<br>L = 134.48'<br>C = 128.09'<br>CHD. BRG. = N12°27'16"E |                                                                                          |                                                                                            |



SEE DETAIL "A" FOR  
EXISTING EASEMENTS  
CREATED IN CORRECTIVE  
WARRANTY DEED  
2012-000208-0

**SCALE 1"=40'**  
THIS DRAWING MAY BE REDUCED. VERIFY SCALE BEFORE USING

0 20 40 80 120 160 FEET  
0 5 10 20 30 40 50 METERS

1 METER = 3.2808333 U.S. SURVEY FEET  
1 U.S. ACRE = 0.4047 HECTARES

|                                                                                                                                  |                  |
|----------------------------------------------------------------------------------------------------------------------------------|------------------|
| <b>ALTA/NSPS SURVEY</b>                                                                                                          |                  |
| <b>WRANGELL SEARHC HOSPITAL</b>                                                                                                  |                  |
| CLIENT: CITY & BOROUGH OF WRANGELL<br>P.O. BOX 531<br>WRANGELL, ALASKA 99929                                                     |                  |
| <b>R&amp;M</b>                                                                                                                   |                  |
| R&M ENGINEERING-KETCHIKAN, INC. PHONE: (907) 225-7917<br>7180 REVILLA ROAD, SUITE 300 FAX: (907) 225-3441<br>KETCHIKAN, AK 99901 |                  |
| DATE: 10/19/2018                                                                                                                 | DRAWN BY: MCH    |
| SCALE: AS NOTED                                                                                                                  | APPROVED BY: CGP |
| JOB NO. 182754                                                                                                                   | SHEET 2 OF 4     |

**CITY & BOROUGH OF WRANGELL, ALASKA  
BOROUGH ASSEMBLY AGENDA STATEMENT**

|                           |                       |            |
|---------------------------|-----------------------|------------|
| <u>AGENDA ITEM TITLE:</u> | <u>DATE:</u>          | 05-10-2022 |
|                           | <u>Agenda Section</u> | <b>13</b>  |

Approval of City & Borough Tidelands Annual 2022 Five-Year Reassessments

SUBMITTED BY:

Kim Lane, Borough Clerk

FISCAL NOTE:

|                                                        |                 |          |
|--------------------------------------------------------|-----------------|----------|
| <b>Expenditure Required:</b> \$XXX Total               |                 |          |
| FY 20: \$                                              | FY 21: \$       | FY22: \$ |
| <b>Amount Budgeted:</b>                                |                 |          |
|                                                        | FY20 \$XXX      |          |
| <b>Account Number(s):</b>                              |                 |          |
|                                                        | XXXXX XXX XXXX  |          |
| <b>Account Name(s):</b>                                |                 |          |
|                                                        | Enter Text Here |          |
| <b>Unencumbered Balance(s) (prior to expenditure):</b> |                 |          |
|                                                        | \$XXX           |          |

Reviews/Approvals/Recommendations

|                          |                                |
|--------------------------|--------------------------------|
| <input type="checkbox"/> | Commission, Board or Committee |
| Name(s)                  | Planning and Zoning Commission |
| Name(s)                  |                                |
| <input type="checkbox"/> | Attorney                       |
| <input type="checkbox"/> | Insurance                      |

ATTACHMENTS: 1. Annual Reassessments from Michael Renfro, Borough Assessor.

**RECOMMENDATION MOTION:**  
Move to Approve the five-year City Tidelands Reassessments for tax year 2022, as presented.

**SUMMARY STATEMENT:**  
Per WMC 16.08.220 – Rental Adjustments: The annual rental payable pursuant to any lease issued under the provisions of this chapter shall be subject to adjustment by the assembly on the fifth anniversary of the date of the lease and each anniversary date thereafter which

is divisible by the number five. All adjusted rates shall be computed at six percent on the fair market value of the land and improvements owned by the borough and leased thereunder. Such value shall be determined by an appraisal made by the borough assessor and reviewed and determined by the assembly as provided in WMC [16.08.120](#).

- #20 new fee value \$26,800 = \$1,608 + tax, per year (Lot 7, Block 83-A) (Leonard & Lynn Campbell)** old fee was \$12,100 (\$726 + tax, per year)
- #21 new fee value \$28,700 = \$1,722 + tax, per year (Lot 15, Blk 1A) (James Leslie)** old fee was \$27,500 (\$1,650 + tax, per year)
- #34 new fee value \$202,800 = \$12,168 + tax, per year (Tracts A & B ATS 1114) (Sealevel Seafoods)** old fee was \$67,100 (\$4,056 + tax, per year)
- #34B new fee value \$71,300 = \$4,278 + tax, per year (Lot 1 and Lot 2B) (Sealevel Seafoods)**
- #40 new fee value \$28,700 = \$1,692 + tax, per year (Lot 24, Blk 83A) (Randy Easterly)** old fee was \$10,000 (\$600 + tax, per year)

We are aware that leased lots 20, 34, 34B and 40 have gone up substantially in value however, in speaking with the Borough Assessor, these values are accurate. Letters were sent out to the Leaseholders, notifying them of the jump in their annual rent amount.

As per WMC 16.08.120, if a leaseholder does not agree with the Borough Assessors assessment, they are able to hire their own assessor to assess their property at their own expense. We do not bill the lease holders for our Borough Assessor to assess their leases that they hold with the city.

May 5, 2022

Kim Lane  
City and Borough of Wrangell  
P.O. Box 531  
Wrangell, Alaska 99929

Re: Five Tideland Lease Sites for the City and Borough of Wrangell  
Wrangell, Alaska

Dear Ms. Lane:

Pursuant to your request, I have prepared a limited appraisal report on the fair market value of the above parcels as if vacant. The appraisal date is May 10, 2022. The purpose of the report is to determine the fair market value for lease purposes. A description and current status of each site is facing the valuation section of each lease by lease number.

The reader is referred to the City and Borough of Wrangell comparable lease and sales book for a complete description of the comparable leases and sales utilized in this report.

A summary of the leases to be valued are as follows:

| <u>No</u> | <u>Lessee</u>              | <u>Legal</u>                                                          | <u>Area<br/>Sq. Ft.</u> | <u>Filled<br/>Tidelands</u> | <u>Fee<br/>Value</u> |
|-----------|----------------------------|-----------------------------------------------------------------------|-------------------------|-----------------------------|----------------------|
| 20        | Leonard & Lynn<br>Campbell | Lot 7, Block 83-A                                                     | 13,408                  | Yes                         | \$26,800             |
| 21        | James D. Leslie            | Lot 15, Blk 1A,                                                       | 2,867                   | Yes                         | \$28,700             |
| 34        | Sea Level Seafoods         | Tracts A & B ATS 1114                                                 | 84,506                  | No                          | \$202,800            |
| 34B       | Sea Level Seafoods         | Lot 1, Sea Level Subdivision II &<br>Lot 2B, Sea Level Subdivsion III | 8,912                   | Yes                         | \$71,300             |
| 40        | Randy Easterly             | Lot 24, Block 83A                                                     | 12,518                  | No                          | \$28,200             |

All of the lots are valued as vacant, the condition at the original signing of the leases.



WRANGELL TIDELANDS LEASE

Lease No. 20

Current Status

LOCATION: NHN Case Avenue, Wrangell, Alaska

LEGAL DESCRIPTION: Lot 7, Block 83A, Wrangell Tidelands Addition

LESSOR: City and Borough of Wrangell INSTRUMENT: Lease

LESSEE: Leonard & Lynn Campbell

FEE VALUE: \$26,800

DATE OF LEASE: 9-16-67

REVALUE: 9-16-72, 77, 82, 87, 97, 02, 07, 12, 17, 22

TERMS: 55 yrs. 6% of fee value per year, 5 yr. revalue

ZONING: WFD

AREA: 13,408 sq.ft.

USE AT LEASE: Commercial building site

ANTICIPATED USE: Commercial

ACCESS: Good

ASSESSMENTS: None noted

UTILITIES: All available

EASEMENTS/RESTRICTIONS: None noted

CONFIRMED WITH: City and Borough of Wrangell

BY/DATE: MCR/5-2022

PROPERTY DESCRIPTION: Level lot at street grade with access to the inner small boat harbor. Improved with a metal sided shop building. Fill provided by lessee.

ANALYSIS: 2022 \$26,800 / 13,408 sq.ft. = \$2.00/sq.ft.

\$26,800 x .06 = \$1,608/year



## LEASE NUMBER 20

### Analysis of Comparable Land Sales

Time: With a limited amount of sales it is difficult to obtain paired sales for analysis to arrive at the adjustments needed to bring the available sales and leases into conformity with the subject.

Although limited, available market data indicates a relatively stable market with approximately two percent per year increase in value.

Terms: None of the sales and leases used in the analysis is believed to require consideration for special financing or other sale conditions.

Size: Smaller parcels tend to sell for more per unit of comparison than larger parcels, all other factors being equal. In relation to the subject comparable No. 4 is adjusted downward for size.

Location and Access: Location and access is somewhat subjective on the part of the appraiser in relation to the comparable data utilized. However, analysis of other sales contained in our separate report on the summary of Wrangell lease transactions indicates that location and access can account for up to 20% difference between superior and inferior locations. Comparable 2 is considered to have a superior location and is adjusted downward 10%.

Utilities: All of the comparables have similar utilities and no adjustment is required.



LAND VALUE: There have been limited sales of similar submerged tideland lots. The sales provided are considered to be representative of the market for undeveloped land.

COMPARABLE LAND SALES

| NUMBER | LEGAL                      | DATE  | SALE PRICE                        | AREA/SF                 | PRICE/SF        | REMARKS                                   |
|--------|----------------------------|-------|-----------------------------------|-------------------------|-----------------|-------------------------------------------|
| 1      | 4/83 USS1119<br>14/83A WTA | 10/20 | \$150,000<br>uplands<br>\$105,000 | 136,500 TL<br>13,500 up | \$.33<br>\$7.78 | Estimated allocation % upland to TL value |
| 2      | Lot 2A<br>Sortyard         | 11/01 | \$50,281                          | 14,366                  | \$3.50          | Business Industrial Lot on Front Street   |
| 3      | Lot Z Blk 3<br>USS1593     | 11/20 | \$125,000                         | 11,811                  | \$10.58         | Sloping W/F Lot off of Evergreen Ave      |
| 4      | Lot 2B<br>Sealevel SD III  | 04/17 | \$27,200                          | 6,983                   | \$3.90          | Business Waterfront Lot                   |

\*Capitalized Value of Lease

LEASE NO. 20 - Continued

Adjustment Grid: The following grid shows the estimated adjustments for each sale bringing it into conformity with the subject.

|                        | 1        | 2           | 3        | 4           |
|------------------------|----------|-------------|----------|-------------|
| Price/Sq.Ft.           | \$7.78   | \$3.50      | \$10.58  | \$3.90      |
| Time                   | +2%      | 22%         | +2%      | .5%         |
| Net After Time         | \$7.93   | \$4.27      | \$10.79  | \$4.10      |
| Terms                  | 0        | 0           |          | 0           |
| Size                   | 0        | 0           |          | -20%        |
| Location/Access        | 0        | -10%        |          | 0           |
| Utilities              | 0        | 0           |          | 0           |
| Net Adjustment         | <u>0</u> | <u>-10%</u> | <u>0</u> | <u>-20%</u> |
| Indicated Value/Sq.Ft. | \$7.93   | \$3.84      | \$10.79  | \$3.28      |

Conclusion

After adjustments for property differences the available transactions indicate a range of value for the subject adjoining uplands from \$3.28 to \$10.79 per square foot.

Submerged tidelands generally sell for between 20% to 30% of the adjoining uplands. Considering the subject's size and location, the tidelands would be valued at 30% of the indicated uplands value, say \$2.00 per square foot.

After analysis of the property differences, including the subject's size and location, the market value of the subject's 13,408 square feet is concluded to be \$2.00 per square foot or \$26,816.00 rounded to \$26,800.00.



May 5, 2022

Kim Lane  
City and Borough of Wrangell  
P.O. Box 531  
Wrangell, Alaska 99929

Re: Five Tideland Lease Sites for the City and Borough of Wrangell  
Wrangell, Alaska

Dear Ms. Lane:

Pursuant to your request, I have prepared a limited appraisal report on the fair market value of the above parcels as if vacant. The appraisal date is May 10, 2022. The purpose of the report is to determine the fair market value for lease purposes. A description and current status of each site is facing the valuation section of each lease by lease number.

The reader is referred to the City and Borough of Wrangell comparable lease and sales book for a complete description of the comparable leases and sales utilized in this report.

A summary of the leases to be valued are as follows:

| <u>No</u> | <u>Lessee</u>              | <u>Legal</u>                                                          | <u>Area<br/>Sq. Ft.</u> | <u>Filled<br/>Tidelands</u> | <u>Fee<br/>Value</u> |
|-----------|----------------------------|-----------------------------------------------------------------------|-------------------------|-----------------------------|----------------------|
| 20        | Leonard & Lynn<br>Campbell | Lot 7, Block 83-A                                                     | 13,408                  | Yes                         | \$26,800             |
| 21        | James D. Leslie            | Lot 15, Blk 1A,                                                       | 2,867                   | Yes                         | \$28,700             |
| 34        | Sea Level Seafoods         | Tracts A & B ATS 1114                                                 | 84,506                  | No                          | \$202,800            |
| 34B       | Sea Level Seafoods         | Lot 1, Sea Level Subdivision II &<br>Lot 2B, Sea Level Subdivsion III | 8,912                   | Yes                         | \$71,300             |
| 40        | Randy Easterly             | Lot 24, Block 83A                                                     | 12,518                  | No                          | \$28,200             |

All of the lots are valued as vacant, the condition at the original signing of the leases.



WRANGELL TIDELANDS LEASE

Lease No. 21

LOCATION: Northeast corner of Brueger Street and Lynch Street, Wrangell Alaska

LEGAL DESCRIPTION: Lot 15, Block 1-A, Wrangell Townsite

LESSOR: City and Borough of Wrangell

INSTRUMENT: Lease

LESSEE: James D Leslie

FEE VALUE: \$28,700

DATE OF LEASE: 6/9/2021

REVALUE: 4/22

TERMS: 6% of fee value per year  
5 yr. revalue

ZONING: WFD

AREA: 2,867 sq.ft.

USE AT LEASE: Retail and apartment

ANTICIPATED USE: Commercial building

ACCESS: Very good

ASSESSMENTS: None noted

UTILITIES: All available

EASEMENTS/RESTRICTIONS: 228 sq. ft.,  
sidewalk along two boundaries

CONFIRMED WITH: City and Borough of Wrangell BY/DATE: MCR 2/22

PROPERTY DESCRIPTION: Level lot at street grade improved with a two story retail store and apartment

ANALYSIS: 2022 \$28,700 / 2,867 sq.ft. = \$10.00/sq.ft.

\$28,700 x .06 = \$1,722.00/year



LEASE NO. 21 - Continued

Adjustment Grid: The following grid shows the estimated adjustments for each sale bringing it into conformity with the subject.

|                        | 1           | 2           | 3           | 4           |
|------------------------|-------------|-------------|-------------|-------------|
| Price/Sq.Ft.           | \$7.70      | \$7.75      | \$7.60      | \$7.60      |
| Time                   | +16%        | +16%        | +20%        | +19%        |
| Net After Time         | \$8.93      | \$8.99      | \$9.12      | \$9.04      |
| Terms                  | 0           | 0           | 0           | 0           |
| Size                   | +10%        | +10%        | +10%        | +10%        |
| Location/Access        | 0           | 0           | 0           | 0           |
| Utilities              | 0           | 0           | 0           | 0           |
| Net Adjustment         | <u>+10%</u> | <u>+10%</u> | <u>+10%</u> | <u>+10%</u> |
| Indicated Value/Sq.Ft. | \$9.82      | \$9.89      | \$10.03     | \$10.05     |

Conclusion

After adjustments for property differences the available transactions indicate a range of value for the subject site from \$9.82 to \$10.05 per square foot.

After analysis of the property differences, including the subject's size and location, the market value of the subject's 2,867 square feet is concluded to be \$10.00 per square foot or \$28,670.00 rounded to \$28,700.



May 5, 2022

Kim Lane  
City and Borough of Wrangell  
P.O. Box 531  
Wrangell, Alaska 99929

Re: Five Tideland Lease Sites for the City and Borough of Wrangell  
Wrangell, Alaska

Dear Ms. Lane:

Pursuant to your request, I have prepared a limited appraisal report on the fair market value of the above parcels as if vacant. The appraisal date is May 10, 2022. The purpose of the report is to determine the fair market value for lease purposes. A description and current status of each site is facing the valuation section of each lease by lease number.

The reader is referred to the City and Borough of Wrangell comparable lease and sales book for a complete description of the comparable leases and sales utilized in this report.

A summary of the leases to be valued are as follows:

| <u>No</u> | <u>Lessee</u>              | <u>Legal</u>                                                          | <u>Area<br/>Sq. Ft.</u> | <u>Filled<br/>Tidelands</u> | <u>Fee<br/>Value</u> |
|-----------|----------------------------|-----------------------------------------------------------------------|-------------------------|-----------------------------|----------------------|
| 20        | Leonard & Lynn<br>Campbell | Lot 7, Block 83-A                                                     | 13,408                  | Yes                         | \$26,800             |
| 21        | James D. Leslie            | Lot 15, Blk 1A,                                                       | 2,867                   | Yes                         | \$28,700             |
| 34        | Sea Level Seafoods         | Tracts A & B ATS 1114                                                 | 84,506                  | No                          | \$202,800            |
| 34B       | Sea Level Seafoods         | Lot 1, Sea Level Subdivision II &<br>Lot 2B, Sea Level Subdivsion III | 8,912                   | Yes                         | \$71,300             |
| 40        | Randy Easterly             | Lot 24, Block 83A                                                     | 12,518                  | No                          | \$28,200             |

All of the lots are valued as vacant, the condition at the original signing of the leases.



WRANGELL TIDELANDS LEASE

Lease No. 34

LOCATION: NHN Zimovia Highway, South of Berger Street

LEGAL DESCRIPTION: Tracts A & B, ATS 1114

LESSOR: City and Borough of Wrangell

INSTRUMENT: Lease

LESSEE: Sea Level Seafoods, Inc.

FEE VALUE: \$202,800

DATE OF LEASE: 2/10/2017

REVALUE: 2/22

TERMS: 55 years

ZONING: WFD

AREA: 84,506.4 sq.ft.

USE AT LEASE: Dock site

ANTICIPATED USE: Dock site

ACCESS: good

ASSESSMENTS: RW per ADL  
No. 38205

UTILITIES: All

EASEMENTS/RESTRICTIONS:  
None noted

CONFIRMED WITH: City and Borough of Wrangell BY/DATE: MCR 2/22

PROPERTY DESCRIPTION: Submerged tidelands adjoining Zimovia Highway.  
Good dock site.

ANALYSIS: 2022 \$202,800 / 84,506.4 sq.ft. = \$2.40/sq.ft.

\$202,800 x .06% = \$12,168.00/year



## LEASE NUMBER 34 - Continued

### Analysis of Comparable Land Sales

Time: With a limited amount of sales it is difficult to obtain paired sales for analysis to arrive at the adjustments needed to bring the available sales into conformity with the subject.

Although limited, available market data indicates a relatively stable market with approximately two percent per year increase in value for these companies.

Terms: None of the sales and leases used in the analysis is believed to require consideration for special financing or other sale conditions.

Size: Larger parcels tend to sell for less per unit of comparison than smaller parcels, all other factors being equal. In relation to the subject, all of the sales are smaller except Sale 4 and would be adjusted downward

Location and Access: Location and access is somewhat subjective on the part of the appraiser in relation to the comparable data utilized. However, analysis of other sales contained in our separate report on the summary of Wrangell lease transactions indicates that location and access can account for up to 20% difference between superior and inferior locations. All of the comparables are considered to be similar to the subject's location.

Utilities: All of the comparables have similar utilities and no adjustment is required.



LAND VALUE: There have been limited sales of similar submerged tideland lots. The sales provided are considered to be representative of the market for undeveloped land.

COMPARABLE LAND SALES

| NUMBER | LEGAL                      | DATE  | SALE PRICE                        | AREA/SF                 | PRICE SF        | REMARKS                                     |
|--------|----------------------------|-------|-----------------------------------|-------------------------|-----------------|---------------------------------------------|
| 1      | 4/83 USS1119<br>14/83A WTA | 10/20 | \$150,000<br>Uplands<br>\$105,000 | 136,500 TL<br>13,500 up | \$.33<br>\$7.78 | Estimated allocation's % upland to TL value |
| 2      | Lot 25A<br>AOC<br>Lot B    | 4/21  | \$81,635<br>Land<br>Allocation    | 11,183                  | \$7.30          | Business Industrial Lot on Case Ave.        |
| 3      | Lot Z Blk 3<br>USS1593     | 11/20 | \$125,000                         | 11,811                  | \$10.58         | Sloping W/F Lot off Evergreen Ave.          |
| 4      | Lots 1-5<br>Blk 12A WTS    | 9/17  | \$400,000                         | 43,715                  | \$9.15          | Business Waterfront Lot                     |

\*Capitalized Value of Lease



LEASE NUMBER 34 - Continued

Adjustment Grid: The following grid shows the estimated adjustments for each sale bringing it into conformity with the subject.

|                        | 1             | 2             | 3              | 4              |
|------------------------|---------------|---------------|----------------|----------------|
| Price/Sq.Ft.           | \$7.78        | \$7.30        | \$10.58        | \$9.15         |
| Time                   | +4%           | +2%           | +4%            | +10%           |
| Net After Time         | <u>\$8.09</u> | <u>\$7.45</u> | <u>\$11.00</u> | <u>\$10.07</u> |
| Terms                  | 0             | 0             | 0              | 0              |
| Size                   | -20%          | -20%          | -20%           | 0              |
| Location/Access        | 0             | 0             | 0              | 0              |
| Utilities              | 0             | 0             | 0              | 0              |
| Net Adjustment         | <u>-20%</u>   | <u>-20%</u>   | <u>-20%</u>    | <u>0</u>       |
| Indicated Value/Sq.Ft. | \$6.47        | \$5.96        | \$8.80         | \$10.07        |

Conclusion

After adjustments for property differences the available transactions indicate a range of value for the subject adjoining uplands is from \$5.96 to \$10.07 per square foot.

Submerged tidelands generally sell for between 20% to 30% of the adjoining uplands. Considering the subject's size and location, the tidelands would be valued at 30% of the indicated uplands value, say \$8.00 per square foot.

After analysis of the property differences, including the subject's size and location, the market value of the subject's 84,506.4 square feet is concluded to be \$2.40 per square foot or \$202,815.36 rounded to \$202,800.



May 5, 2022

Kim Lane  
City and Borough of Wrangell  
P.O. Box 531  
Wrangell, Alaska 99929

Re: Five Tideland Lease Sites for the City and Borough of Wrangell  
Wrangell, Alaska

Dear Ms. Lane:

Pursuant to your request, I have prepared a limited appraisal report on the fair market value of the above parcels as if vacant. The appraisal date is May 10, 2022. The purpose of the report is to determine the fair market value for lease purposes. A description and current status of each site is facing the valuation section of each lease by lease number.

The reader is referred to the City and Borough of Wrangell comparable lease and sales book for a complete description of the comparable leases and sales utilized in this report.

A summary of the leases to be valued are as follows:

| <u>No</u> | <u>Lessee</u>              | <u>Legal</u>                                                           | <u>Area<br/>Sq. Ft.</u> | <u>Filled<br/>Tidelands</u> | <u>Fee<br/>Value</u> |
|-----------|----------------------------|------------------------------------------------------------------------|-------------------------|-----------------------------|----------------------|
| 20        | Leonard & Lynn<br>Campbell | Lot 7, Block 83-A                                                      | 13,408                  | Yes                         | \$26,800             |
| 21        | James D. Leslie            | Lot 15, Blk 1A,                                                        | 2,867                   | Yes                         | \$28,700             |
| 34        | Sea Level Seafoods         | Tracts A & B ATS 1114                                                  | 84,506                  | No                          | \$202,800            |
| 34B       | Sea Level Seafoods         | Lot 1, Sea Level Subdivision II &<br>Lot 2B, Sea Level Subdivision III | 8,912                   | Yes                         | \$71,300             |
| 40        | Randy Easterly             | Lot 24, Block 83A                                                      | 12,518                  | No                          | \$28,200             |

All of the lots are valued as vacant, the condition at the original signing of the leases.



WRANGELL TIDELANDS LEASE

Lease No. 34B

Current Status

LOCATION: NHN Zimovia Highway, South of Berger Street

LEGAL DESCRIPTION: Lot 1 Sealevel Sub II and Lot 2B Sealevel Sub III

LESSOR: City and Borough of Wrangell

INSTRUMENT: Lease

LESSEE: Sea Level Seafoods, Inc.

FEE VALUE: \$71,300

DATE OF LEASE: 5/10/2017

REVALUE: 2/22

TERMS: 55 years

ZONING: WFD

AREA: 8,913 sq.ft.

USE AT LEASE: Commercial site

ANTICIPATED USE: Commercial site

ACCESS: Good

ASSESSMENTS: None

UTILITIES: All

EASEMENTS/RESTRICTIONS  
None noted

CONFIRMED WITH: City and Borough of Wrangell BY/DATE: MCR 2/22

PROPERTY DESCRIPTION:

ANALYSIS: 2022 8913 / \$8.00 sq.ft. = \$71,300

$\$71,300 \times .06 = \$4,278.00/\text{year}$





LAND VALUE: There have been limited sales of similar submerged tideland lots. The sales provided are considered to be representative of the market for undeveloped land.

COMPARABLE LAND SALES

| NUMBER | LEGAL                      | DATE  | SALE PRICE                        | AREA/SF                 | PRICE SF        | REMARKS                                     |
|--------|----------------------------|-------|-----------------------------------|-------------------------|-----------------|---------------------------------------------|
| 1      | 4/83 USS1119<br>14/83A WTA | 10/20 | \$150,000<br>Uplands<br>\$105,000 | 136,500 TL<br>13,500 up | \$.33<br>\$7.78 | Estimated allocation's % upland to TL value |
| 2      | Lot 25A<br>And<br>Lot B    | 4/21  | \$81,6355<br>Land<br>Allocation   | 11,183                  | \$7.30          | Business Industrial Lot on Case Ave.        |
| 3      | Lot 2 Blk 3<br>USS1593     | 11/20 | \$125,000                         | 11,811                  | \$10.58         | Sloping W/F Lot off Evergreen Ave.          |

\*Capitalized Value of Lease



LEASE NUMBER 34B- ContinuedAnalysis of Comparable Land Sales

Time: With a limited amount of sales it is difficult to obtain paired sales for analysis to arrive at the adjustments needed to bring the available sales and leases into conformity with the subject.

Although limited, available market data indicates a relatively stable market with approximately two percent per year increase in value for these comparables.

Terms: None of the sales and leases used in the analysis is believed to require consideration for special financing or other sale conditions.

Size: Larger parcels generally tend to sell for less per unit of comparison than smaller parcels, all other factors being equal. In relation to the subject, all of sales are approximately the same size.

Location and Access: Location and access is somewhat subjective on the part of the appraiser in relation to the comparable data utilized. However analysis of other sales contained in our separate report on the summary of Wrangell lease transactions indicates that location and access can account for up to 20% difference between superior and inferior locations. The comparables are all similar to the subject's location.

Utilities: All of the comparables have similar utilities and no adjustment is required.



LEASE NUMBER 34B - Continued

Adjustment Grid: The following grid shows the estimated adjustments for each sale bringing it into conformity with the subject.

|                        | 1        | 2        | 3        |
|------------------------|----------|----------|----------|
| Price/Sq.Ft.           | \$7.78   | \$7.30   | \$10.58  |
| Time                   | +4%      | +2%      | +4%      |
| Net After Time         | \$8.09   | \$7.45   | \$11.00  |
| Terms                  | 0        | 0        | 0        |
| Size                   | 0        | 0        | 0        |
| Location/Access        | 0        | 0        | 0        |
| Utilities              | 0        | 0        | 0        |
| Net Adjustment         | <u>0</u> | <u>0</u> | <u>0</u> |
| Indicated Value/Sq.Ft. | \$8.09   | \$7.45   | \$11.00  |

Conclusion

After adjustments for property differences the available transactions indicate a range of value for the subject adjoining uplands is from \$7.45 to \$11.00 per square foot.

After analysis of the property differences, including the subject's size and location, the market value of the subject's 8,913 square feet is concluded to be \$8.00 per square foot or \$71,301 rounded to \$71,300



May 5, 2022

Kim Lane  
City and Borough of Wrangell  
P.O. Box 531  
Wrangell, Alaska 99929

Re: Five Tideland Lease Sites for the City and Borough of Wrangell  
Wrangell, Alaska

Dear Ms. Lane:

Pursuant to your request, I have prepared a limited appraisal report on the fair market value of the above parcels as if vacant. The appraisal date is May 10, 2022. The purpose of the report is to determine the fair market value for lease purposes. A description and current status of each site is facing the valuation section of each lease by lease number.

The reader is referred to the City and Borough of Wrangell comparable lease and sales book for a complete description of the comparable leases and sales utilized in this report.

A summary of the leases to be valued are as follows:

| <u>No</u> | <u>Lessee</u>              | <u>Legal</u>                                                           | <u>Area<br/>Sq. Ft.</u> | <u>Filled<br/>Tidelands</u> | <u>Fee<br/>Value</u> |
|-----------|----------------------------|------------------------------------------------------------------------|-------------------------|-----------------------------|----------------------|
| 20        | Leonard & Lynn<br>Campbell | Lot 7, Block 83-A                                                      | 13,408                  | Yes                         | \$26,800             |
| 21        | James D. Leslie            | Lot 15, Blk 1A,                                                        | 2,867                   | Yes                         | \$28,700             |
| 34        | Sea Level Seafoods         | Tracts A & B ATS 1114                                                  | 84,506                  | No                          | \$202,800            |
| 34B       | Sea Level Seafoods         | Lot 1, Sea Level Subdivision II &<br>Lot 2B, Sea Level Subdivision III | 8,912                   | Yes                         | \$71,300             |
| 40        | Randy Easterly             | Lot 24, Block 83A                                                      | 12,518                  | No                          | \$28,200             |

All of the lots are valued as vacant, the condition at the original signing of the leases.



WRANGELL TIDELANDS LEASELease No. 40

LOCATION: City of Wrangell Inner Harbor, West of Case Avenue

LEGAL DESCRIPTION: Lot 24, Block 83A, Wrangell Tidelands

LESSOR: City and Borough of Wrangell

INSTRUMENT: Lease

LESSEE: Randy Easterly

FEE VALUE: \$28,200

DATE OF LEASE: April 2002

REVALUE: 2007,12,17,22

TERMS: 55 yrs. 6% of fee value  
per year, 5 year revalue

ZONING: WFD

AREA: 12,518 sq.ft.

USE AT LEASE: Vacant Submerged  
Site

ANTICIPATED USE: Commercial development

ACCESS: From adjoining Lot 17

ASSESSMENTS: None noted

UTILITIES: Electricity

EASEMENTS/RESTRICTIONS:  
None noted

CONFIRMED WITH: City and Borough of Wrangell BY/DATE: MCR 2/22

PROPERTY DESCRIPTION: Submerged site located within Wrangell Inner Harbor

ANALYSIS: 2022 \$28,200 / 12,518 sq.ft. = \$2.25/sq.ft.

$\$28,200 \times .06 = \$1,692.00/\text{year}$



LAND VALUE: There have been limited sales of similar submerged tideland lots. The sales provided are considered to be representative of the market for undeveloped land.

COMPARABLE LAND SALES

| NUMBER | LEGAL                      | DATE  | SALE PRICE                        | AREA/SF                 | PRICE SF        | REMARKS                                     |
|--------|----------------------------|-------|-----------------------------------|-------------------------|-----------------|---------------------------------------------|
| 1      | 4/83 USS1119<br>14/83A WTA | 10/20 | \$150,000<br>Uplands<br>\$105,000 | 136,500 TL<br>13,500 up | \$.33<br>\$7.78 | Estimated allocation's % upland to TL value |
| 2      | Lot 25A<br>And<br>Lot B    | 4/21  | \$81,6355<br>Land<br>Allocation   | 11,183                  | \$7.30          | Business Industrial Lot on Case Ave.        |
| 3      | Lot 2 Blk 3<br>USS1593     | 11/20 | \$125,000                         | 11,811                  | \$10.58         | Sloping W/F Lot off Evergreen Ave.          |

\*Capitalized Value of Lease



## LEASE NUMBER 40- Continued

### Analysis of Comparable Land Sales

Time: With a limited amount of sales it is difficult to obtain paired sales for analysis to arrive at the adjustments needed to bring the available sales and leases into conformity with the subject.

Although limited, available market data indicates a relatively stable market with approximately two percent per year increase in value for these comparables.

Terms: None of the sales and leases used in the analysis is believed to require consideration for special financing or other sale conditions.

Size: Larger parcels generally tend to sell for less per unit of comparison than smaller parcels, all other factors being equal. In relation to the subject, all of the upland sales are similar in size. No adjustment is allocated.

Location and Access: Location and access is somewhat subjective on the part of the appraiser in relation to the comparable data utilized. However analysis of other sales contained in our separate report on the summary of Wrangell lease transactions indicates that location and access can account for up to 20% difference between superior and inferior locations. The comparables are considered slightly superior to the subject's location and are adjusted upward.

Utilities: All of the comparables have similar utilities and no adjustment is required.



LEASE NUMBER 40 - Continued

Adjustment Grid: The following grid shows the estimated adjustments for each sale bringing it into conformity with the subject.

|                        | 1           | 2           | 3           |
|------------------------|-------------|-------------|-------------|
| Price/Sq.Ft.           | \$7.78      | \$7.30      | \$10.58     |
| Time                   | +4%         | +2%         | +4%         |
| Net After Time         | \$8.09      | \$7.45      | \$11.00     |
| Terms                  | 0           | 0           | 0           |
| Size                   | 0           | 0           | 0           |
| Location/Access        | -10%        | -10%        | -10%        |
| Utilities              | 0           | 0           | 0           |
| Net Adjustment         | <u>-10%</u> | <u>-10%</u> | <u>-10%</u> |
| Indicated Value/Sq.Ft. | \$7.28      | \$6.71      | \$9.90      |

Conclusion

After adjustments for property differences the available transactions indicate a range of value for the subject adjoining uplands is from \$6.71 to \$9.90 per square foot.

Submerged tidelands generally sell for between 20% to 30% of the adjoining uplands. Considering the subject's size and location, the tidelands would be valued at 30% of the indicated uplands value, say \$2.25 per square foot.

After analysis of the property differences, including the subject's size and location, the market value of the subject's 12,518 square feet is concluded to be \$2.25 per square foot or \$28,165.50 rounded to \$28,200.



**CITY & BOROUGH OF WRANGELL, ALASKA  
BOROUGH ASSEMBLY AGENDA STATEMENT**

|                           |                       |              |
|---------------------------|-----------------------|--------------|
| <u>AGENDA ITEM TITLE:</u> | <u>DATE:</u>          | May 10, 2022 |
|                           | <u>Agenda Section</u> | <b>15</b>    |

**EXECUTIVE SESSION:** Update and Discussion on the Tax Contribution Agreement Proposal between SEARHC and the City and Borough of Wrangell

SUBMITTED BY:

Jeff Good, Borough Manager

FISCAL NOTE:

|                                                        |               |          |
|--------------------------------------------------------|---------------|----------|
| <b>Expenditure Required:</b> \$N/A                     |               |          |
| FY 19: \$                                              | FY 20: \$ N/A | FY21: \$ |
| <b>Amount Budgeted:</b>                                |               |          |
| FY20 \$N/A                                             |               |          |
| <b>Account Number(s):</b>                              |               |          |
| N/A                                                    |               |          |
| <b>Account Name(s):</b>                                |               |          |
| N/A                                                    |               |          |
| <b>Unencumbered Balance(s) (prior to expenditure):</b> |               |          |
| \$N/A                                                  |               |          |

Reviews/Approvals/Recommendations

|                                     |                                |
|-------------------------------------|--------------------------------|
| <input type="checkbox"/>            | Commission, Board or Committee |
| Name(s)                             |                                |
| Name(s)                             |                                |
| <input checked="" type="checkbox"/> | Attorney                       |
| <input type="checkbox"/>            | Insurance                      |

ATTACHMENTS: 1. None

**RECOMMENDATION MOTION:**  
I move, pursuant to AS 44.62.310 (c)(1), that we recess into executive session to discuss matters in which the immediate knowledge would clearly have an adverse effect upon the finances of the borough, specifically for an update and to discuss the Tax Contribution Agreement Proposal between SEARHC and the City and Borough of Wrangell.

**Clerks Note:**  
After the Executive Session, if the Assembly tabled the motion to approve the proposed Tax Contribution Agreement with SEARHC, an assembly member would need to make the following

motion **"I move to remove Item 13c from the table to consider it"**. That motion would need to be seconded and voted on before consideration.

**SUMMARY STATEMENT:** None.