

---

## MEMORANDUM

---

**To:** Mayor McConnell and Members of the Assembly  
Mark Gorman, Municipal Administrator

**From:** Dan Tadic, P.E., Municipal Engineer *DT*  
David Longtin, P.E. Senior Engineer *OLL*  
Mike Middleton, Deputy Finance Director *MM*

**Reviewed:** Tori Fleming, Contract Coordinator *A*  
Michael Harmon, P.E., Public Works Director *MH*  
Mark Buggins, Environmental Superintendent *MB*

**Date:** January 20, 2015

**Subject:** Alaska Department of Environmental Conservation  
Application to increase existing loan for lift station construction

---

### Background

Each year, Public Works submits loan applications to the Alaska Department of Environmental Conservation (ADEC) Alaska Clean Water Fund (ACWF) program. On June 12, 2014, ADEC sent a "letter of binding commitment" to the City and Borough of Sitka (CBS), indicating that the state would make a \$1,379,170 loan available to CBS to upgrade the Channel, Lake Street and Monastery Street lift stations. CBC Construction Inc. is in the process of replacing the Lake Street and Monastery Street lift stations under a CBS contract.

The Environmental Division has since identified serious problems at the Landfill Lift Station, which pumps landfill leachate from a closed municipal landfill and residential wastewater from four lots on Tilson Street. The corrosive leachate has contributed to excessive pump maintenance and five force main breaks in the last 12 years, the most recent in November 2014.

ADEC has agreed to allow CBS to add the Landfill lift station to the scope of the existing \$1.38 million loan. However, due to the cost of the Lake Street and Monastery Street lift station repairs, there will not be enough money remaining in the loan to complete repairs at the Channel and Landfill lift stations. Public Works is seeking Assembly authorization to submit a loan increase application to ADEC in the amount of \$775,000.

## **Analysis**

Terms of the loan increase would be the same as for the existing loan: a 20-year term at 1.5 percent interest. Design would begin in 2015 and construction would follow in 2016.

The Landfill lift station pumps approximately 200,000 gallons per day, with the pumps running 8 hours per day. Its replacement will be composed of corrosion-resistant parts and more efficient pumps. Since 2005, the Environmental Division has spent over 900 hours servicing the lift station.

## **Fiscal Note**

The cash flow from operations in the Wastewater Fund necessary to provide for debt service coverage is currently forecasted to be \$602,000. Current debt service is \$367,536 annually. Sufficient positive cash flow from operations exists in order to support additional debt. It must be noted, however, that any additional debt service will negatively impact the growth of undesignated working capital.

## **Recommendations**

Approve Resolution 2015-01 authorizing the City and Borough to apply for and execute a loan increase of \$775,000 to the Alaska Department of Environmental Conservation Clean Water Fund for a total loan commitment of \$2,154,170.