

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2013-01

A RESOLUTION OF THE CITY AND BOROUGH OF SITKA, ALASKA AUTHORIZING THE APPLICATION FOR LOANS TO THE ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION UNDER THE ALASKA DRINKING WATER FUND FOR JEFF DAVIS STREET WATER MAIN REPLACEMENT, MONASTERY & BARANOF WATER – SMC TO DEGROFF AND STARRIGAVAN WATER WELL DEVELOPMENT AND UNDER THE ALASKA CLEAN WATER FUND FOR MONASTERY & BARANOF SEWER – SMC TO DEGROFF AND CHANNEL, LAKE & MONASTERY LIFT STATION UPGRADES.

Whereas, the City and Borough of Sitka (CBS) seeks to obtain the necessary financial assistance to construct water and wastewater improvements; and

Whereas, the State of Alaska Department of Environmental Conservation is able to offer funding through the Alaska Drinking Water Fund and Alaska Clean Water Fund; and

Whereas, the Municipality wishes to apply for loans for these important capital projects.

Now therefore be it resolved by the Assembly of the City and Borough of Sitka that the Administrator is authorized to apply to the Alaska Department of Environmental Conservation for loans from the Alaska Drinking Water Fund and Alaska Clean Water Fund for planning, design and construction of the above referenced water and sewer projects and to execute the loan agreements if the projects are selected.

Passed and approved by the Assembly of the City and Borough of Sitka, Alaska on this 12th day of February, 2013.

Mim McConnell, Mayor

ATTEST:

Colleen Ingman, MMC  
Municipal Clerk

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## MEMORANDUM

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**To:** Mayor McConnell and Members of the Assembly  
Jim Dinley, Municipal Administrator

**From:** Michael Harmon, P.E., Public Works Director *MH*  
Dan Tadic, P.E., Senior Engineer *DMT*

**Reviewed:** Jay Sweeney, Finance Director *JS NOT REVIEWED*  
Mellissa Cervera, Contract Coordinator *MC*  
Lance Henrie, P.E., Senior Engineer *LH*

**cc:** Mark Buggins, Environmental Superintendent  
Stephen Weatherman, P.E., Municipal Engineer *SW*

**Date:** February 6, 2013

**Subject:** Alaska Department of Environmental Conservation  
FY14 ACWF and ADWF Intended Use Plans Questionnaires

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### Background

Each year, Public Works submits loan and grant applications to the Alaska Department of Environmental Conservation (ADEC) Alaska Drinking Water Fund (ADWF) and Alaska Clean Water Fund (ACWF) programs. Grants offer a 70% grant / 30% local match requirement for communities with fewer than 10,000. Two CBS projects were identified in the FY14 Governor's Proposed Budget as being eligible for funding under the Municipal Matching Grant (MMG) Program:

Project	Program	Est. Project Cost	Grant Eligible Amount	CBS Match Req'd
Monastery & Baranof Street Water & Sewer Improvements – SMC to DeGroff	MMG	\$1,030,000	\$721,000	\$309,000
Jeff Davis Water & Sewer Improvements	MMG	\$875,000	\$612,500	\$262,500

Public Works now wishes to submit questionnaires for the FY 2014 Intended Use Plan ACWF and ADWF loan programs for these and two other high priority project as indicated in the table below.

### Analysis

Most recently, the ADEC loans have had a term of 20 years at 1.5% interest rate. The intent of Public Works is to use the ADWF and ACWF loans for the municipal match for the grants if available. However, since the above grants are not yet official until the FY 2014 budget is signed, loan amounts will be requested for the full estimated project costs. Separate loans are required for ADWF (water) and ACWF (sewer) portions of each project as applicable.

Project	Est. Project Cost	ADWF Loan Request	ACWF Loan Request
Monastery & Baranof Sewer – SMC to DeGroff	\$533,000	-	\$533,000
Monastery & Baranof Water – SMC to DeGroff	\$497,000	\$497,000	-
Jeff Davis Water Main Replacement	\$812,000	\$812,000	-
Channel, Lake & Monastery Lift Station Upgrades	\$1,379,170	-	\$1,379,170
Starrigavan Valley Groundwater Well Development	\$5,000,000	\$5,000,000	-
<b>TOTALS</b>	<b>\$8,221,170</b>	<b>\$6,309,000</b>	<b>\$1,912,170</b>

**Fiscal Note**

Most of the projects in which loans would be applied for through this action have been identified as top priorities in Municipal Capital Improvement Master Plans. Utilizing loans to cover the required local match on the grants, where possible, is the most prudent fiscal course of action. Current borrowing rates are very low and uncertain economic times may cause borrowing rates to increase in the future.

The cash flow from operations in the Water Fund necessary to provide for debt service coverage is currently forecasted to be \$720,000. Current debt service is \$375,000.

The cash flow from operations in the Wastewater Fund for debt service coverage is currently forecasted to be \$1,625,000. Current annual debt service is \$234,000.

For both funds, 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.

**Recommendation:**

**Approve Resolution 2013-01 authorizing the City and Borough to apply for and execute loans to the Alaska Department of Environmental Conservation Alaska Drinking Water Fund and Alaska Clean Water Fund as indicated in the above table.**