

POSSIBLE MOTION

I MOVE TO approve Resolution 2020-07 on first and final reading authorizing the Municipal Administrator to apply for and execute a grant with the Economic Development Administration (EDA) for up to \$3,000,000 to support the Critical Secondary Water Source Project and the Northern Southeast Regional Aquaculture Association.







City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

From: John Leach, Municipal Administrator 

Reviewed: Michael Harmon, P.E., Public Works Director 
Cliff Richter, P.E., Municipal Engineer 
Melissa Haley, Controller 

Date: April 6, 2020

Subject: Pursuit of grant funding for the Critical Secondary Water project

Requested Action

Approve Resolution 2020-07 authorizing the City and Borough of Sitka (CBS) Municipal Administrator to apply for and execute a grant with Economic Development Administration (EDA) for up to \$3 million to support the Critical Secondary Water Source Project and Northern Southeast Regional Aquaculture Association (NSRAA).

Summary

The EDA issued a Notice of Funding Opportunity in October 2019 that solicited applications for design and construction projects that advance economic prosperity in distressed communities.

Applicants can apply for grants totaling up to \$3 million and must match the grant amount 50/50 (i.e., a project must have \$3 million in local match to get \$3 million in grant funds). CBS intends to request the maximum grant amount. Existing project funding will serve as local match.

There is no application deadline, but the funding opportunity will not be available after all available funds have been awarded (first come, first served).

NSRAA and CBS are working on a potential partnership to install a water intake to serve our new water filtration plan and the hatchery.

This action item forms a partnership in applying for a grant to help fund needed

improvements and increase the likelihood of high scores on our application. NSRAA will pay for and own any additional infrastructure needed to serve their facility. These grant funds could be used to assist both parties.

NSRAA will be responsible to pay for all expenses for their needed improvements. CBS will reimburse funds received under this grant program at a 50/50 match ratio based on actual cost for needed NSRAA improvements. If we do not receive grant funds, NSRAA will be required to pay 100% of their cost.

It is proposed to set the limit on the total NSRAA reimbursement at one-third the total grant amount awarded, and for CBS to provide all necessary grant and project administration for NSRAA. CBS would not deduct that cost from their reimbursements.

The grant-scoring criteria award points for such items as:

- The extent to which the project demonstrates support from regional stakeholders;
- The project's ability to foster retention of high-quality jobs
- The extent to which the project will enable the community to become more economically prosperous.

Fiscal Note

The project is fully funded, with the majority of the funding in the form of a low-interest (1.5563%) ADEC loan. The following is the current approved budget breakdown:

Water Fund Working Capital	\$	530,000
<u>ADEC Loan</u>	\$	<u>17,620,000</u>
Total	\$	18,150,000

If this grant is awarded, it would reduce the loan amount dollar for dollar. For example, this could result in an annual reduction of \$117,000 in debt service if \$2 million in grant funds were utilized for CBS infrastructure.

The infrastructure solely owned by NSRAA would be funded by the grant on a cost reimbursement basis for each dollar they put in they would receive one dollar of grant funds. As proposed, that would be up to a maximum of one-third of the total grant amount.

As this project is already funded with an ADEC loan, which consists of both Federal and State funding, federal procurement standards are already being followed and thus no additional burden is anticipated should this grant be awarded.

The actual cost of the NSRAA component of the work is not yet known. The cost will depend on design calculations that have not yet been completed to size the pumping vault, the pumps, the electrical requirements and other design elements.

Background

CBS is in the process of designing a water filtration plant that will provide potable water to our customers when the Blue Lake Dam penstock is not available. The project will require the design and construction of an intake structure in Sawmill Creek to collect raw water and deliver it by gravity to pumps that will, in turn, deliver the water to the new filter plant. The project is fully funded with a combination of Water Fund working capital and a loan from the Alaska Department of Environmental Conservation (ADEC) State Revolving Loan Program. Public Works staff have identified a grant-funding opportunity that would offset some of the ADEC loan and would like to pursue this opportunity.

NSRAA uses the Blue Lake penstock to provide water to its hatchery at Gary Paxton Industrial Park. Because of this, NSRRA will also need a means to deliver water to its hatchery when the penstock is unavailable.

Figure 1 shows the proposed project's key features: a shared intake in Sawmill Creek, a shared raw water line, and individual pumping vaults to deliver raw water to the CBS filter plant and the NSRAA hatchery. The Critical Secondary Water project budget supports the CBS portion of this project but would not provide enough money without the additional grant to build the NSRAA infrastructure. The sharing of this grant could both subsidize the CBS project and support the fishing industry.

Without additional grant funding, CBS would not be able to financially assist NSRAA meet the hatchery's needs when the penstock is unavailable. CBS would need to build an intake and raw water line for our own needs and would still work with NSRAA to share this infrastructure to the extent it works for both parties.

Additional information on the project can be found on the CBS Projects web page:

<https://www.cityofsitka.com/government/departments/publicworks/projects.html>



NORTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION, INC.
1308 Sawmill Creek Road
Sitka, Alaska 99835
Office: (907) 747-6850 fax:(907) 747-1470 Email:scott_wagner@nsraa.org

MEMORANDUM

To: Mayor Paxton and Assembly Members
From: Scott Wagner, General Manager
Date: March 18, 2020
Subject: Pursuit of grant funding for the Critical Secondary Water project

NSRAA supports Resolution 2020-07 authorizing the City and Borough of Sitka (CBS) Municipal Administrator to apply for and execute a grant with the Economic Development Administration (EDA) for up to \$3 million to support the Critical Secondary Water Source Project and Northern Southeast Regional Aquaculture Association.

NSRAA uses the Blue Lake penstock to provide water to its hatchery at Gary Paxton Industrial Park. NSRRA also needs a means to deliver water to its hatchery when the penstock is unavailable. During planned or emergency penstock outages our facility lacks a reliable means of backup supply. The development of the secondary water source will have economic benefits to all users and industries in Sitka. The commercial salmon fishing sector and processors are strong economic drivers in the community.

NSRAA's Sawmill Creek Hatchery in the Gary Paxton Industrial Park is a large contributor to the local salmon fleet and the region as a whole producing approximately 1.8 million coho salmon smolt and 45 million chum salmon fry annually. Fish reared at Sawmill Creek Hatchery are released at two local sites, Deep Inlet and Crawfish Inlet. Crawfish Inlet, in particular, has been a huge success for the local salmon fleet contributing over \$8.35 million in ex-vessel value in 2019, and a total economic benefit to the salmon fleet in 2018 of over \$14 million dollars. In a dismal wild fish return year in 2019 the Crawfish Inlet project provided approximately 9.4% of the entire value ex-vessel to salmon fishermen in all of SE Alaska.

Additionally, NSRAA is in the process of expanding production at the facility for up to 2 million chinook salmon smolts. The secondary water source will provide water security for NSRAA's existing and proposed future water needs. In a planned penstock outage it would be necessary to reduce or eliminate production from the facility for an entire rearing year. This occurred during the Blue Lake Dam raise project in 2014 and 50% of the coho production was cut as those fish were transferred to Medvejie Hatchery during the penstock outage. In an emergency the reliability of the Blue Lake afterbay pumps source water puts the entire production of the facility at risk of catastrophic loss.

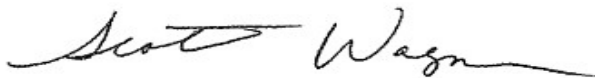
Currently the estimated cost of the NSRAA portion of the project is within the ability of NSRAA to fund and NSRAA is committed to matching its portion of the grant. Partnering with the CBS on the EDA application will help to bolster and demonstrate additional economic benefit to the community. NSRAA appreciates the CBS taking the initiative to seek grant funding for the project which will benefit rate payers and one of the largest economic drivers of the local economy and tax base.

Once the Secondary water source is constructed NSRAA is ready and willing to assist in routine inspection, testing and maintenance. Should the CBS and NSRAA be fortunate enough to secure this grant funding a Memorandum of Understanding would be created delineating the shared responsibilities. The water use agreement with the CBS for Sawmill Creek Industrial Water is a good example of this type of shared arrangement. NSRAA has been actively engaged in the routine inspection, testing and operation of the existing afterbay pumps since they were installed in 2014.

Thank you for the opportunity to provide this support and background information. NSRAA appreciates the mutually beneficial relationship with the CBS. This project will benefit the CBS as well as local fish processors and commercial salmon fishermen which are one of the primary drivers of the local economy and property tax base.

I am available if any assembly members have questions related to this project or arrangement.

Sincerely,

A handwritten signature in black ink that reads "Scott Wagner". The signature is fluid and cursive, with a long horizontal stroke at the end.

Scott Wagner
General Manager

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2020-07

A RESOLUTION OF THE CITY AND BOROUGH OF SITKA AUTHORIZING THE MUNICIPAL ADMINISTRATOR TO APPLY FOR AND EXECUTE A GRANT WITH THE ECONOMIC DEVELOPMENT ADMINISTRATION (EDA) FOR UP TO \$3,000,000 TO SUPPORT THE CRITICAL SECONDARY WATER SOURCE PROJECT AND THE NORTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION

WHEREAS, both the City and Borough of Sitka (CBS) Water Division and the Northern Southeast Regional Aquaculture Association (NSRAA) need a means to provide water to their facilities in Gary Paxton Industrial Park when the Blue Lake penstock is unavailable; and

WHEREAS, CBS has developed a preliminary design to construct an intake in Sawmill Creek to meet its water needs; and

WHEREAS, some of the CBS's proposed intake infrastructure could be used to meet NSRAA's needs; and

WHEREAS, CBS has identified a grant-funding opportunity that would benefit from NSRAA's inclusion on the application; and

WHEREAS, CBS is supportive of NSRAA's hatchery operation and recognizes its economic benefits; and

WHEREAS, CBS will reimburse funds received under this grant program at a 50/50 match ratio based on actual cost for needed NSRAA improvements up to a maximum of 1/3rd of the total grant amount awarded to CBS.

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka to authorize the CBS Municipal Administrator to apply for and execute a grant with the Economic Development Administration (EDA) for up to \$3 million to support future design and construction of water collection and delivery infrastructure to the benefit of both CBS and NSRAA; and to use already allocated project funds for the required 50/50 local match.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska on this 14th day of April, 2020.

Gary L. Paxton, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st and final reading 4/14/2020

Sponsor: Administrator