

If this item is pulled from the consent agenda the following motion would be in order:

## **POSSIBLE MOTION**

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**I MOVE TO** approve Resolution 2014-14 on first and final reading.

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## MEMORANDUM

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

**From:** Michael Harmon, Public Works Director *MH*  
Dan Tadic, P.E., Municipal Engineer *DT*  
David Longtin, P.E., Senior Engineer *DLL*

**Reviewed:** Chaix Johnson, Office Manager *CJ*

**CC:** Jay Sweeney, Chief Finance and Administrative Officer *JWS*

**Date:** September 3, 2014

**Subject:** Alaska Energy Authority Grant Application

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Background:

The Alaska Energy Authority (AEA) is soliciting applications for grant funding made available through the Renewable Energy Program, Round VIII. Public Works would like to pursue design and construction grant funding for the installation of a heat pump system at the Wastewater Treatment Plant (WWTP). This heat pump project would utilize WWTP effluent as its heat source. A fuel oil boiler would be used to provide redundancy and supplemental heat during cold weather. The application would benefit from a resolution from the Assembly expressing its support for the project. The application deadline is September 22, 2014.

Analysis:

With Assembly approval, the City and Borough of Sitka (CBS) applied for AEA funding for the WWTP heat pump last year, along with heat pumps for Harrigan Centennial Hall and the Kettleston Library. CBS was awarded a \$232,000 grant for Centennial Hall; however, neither of the other two applications succeeded.

The Heating, Ventilation and Cooling (HVAC) system at the WWTP is beyond its useful life. Although three small, individual projects to replace the HVAC components most in need are in the Fiscal Year 2015 budget, it makes more sense to view the HVAC replacement project as a whole. CBS submitted a grant questionnaire to the Alaska Department of Environmental Conservation for replacement/upgrade of the entire HVAC system in August, including the heat pump. This application is for the heat pump only, as the other HVAC improvements are not eligible for the AEA Renewable Energy Fund program.

Fiscal Note:

Design and construction costs for the heat pump system are estimated at \$895,484. Estimated life-cycle costs for the existing system are approximately \$750,000 greater than the estimated life cycle costs of the heat pump system over a 30-year period.

As mentioned earlier, the FY2015 budget contains line items for three projects to replace individual components of the WWTP HVAC system. These projects would not be completed if the heat pump system is funded and constructed, because they would not be needed. CBS intends to identify the \$113,000 budgeted for this work as a cash match in the application. The CBS grant request would be for \$782,484, which represents the estimated cost of the project minus the cash match.

**Recommendation:**

**Approve Resolution 2014-14 authorizing CBS to apply for and execute a grant agreement with the Alaska Energy Authority for the design and construction of a heat pump at the Wastewater Treatment Plant.**

**CITY AND BOROUGH OF SITKA**

**RESOLUTION NO. 2014-14**

**A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA,  
ALASKA, APPROVING CBS TO SUBMIT AN ALASKA ENERGY AUTHORITY  
RENEWABLE ENERGY GRANT APPLICATION FOR A HEAT PUMP PROJECT  
AT THE WASTEWATER TREATMENT PLANT**

**WHEREAS,** heat pump technology has improved to the point where it can be reliably expected to save significant amounts of money over the life cycle of the heat pumps; and

**WHEREAS,** the City and Borough of Sitka seeks to obtain financial assistance to design and construct building heat improvements;

**WHEREAS,** the State of Alaska, Alaska Energy Authority (the Authority) is offering funding through the Renewable Energy Fund; and

**WHEREAS,** the City and Borough of Sitka is in compliance with applicable federal, state and local laws including existing credit and federal tax obligations.

**NOW, THEREFORE, BE IT RESOLVED** that the Assembly of the City and Borough of Sitka, Alaska, by this resolution, affirms and supports the request to submit an AEA Renewable Energy Grant Application for the design and construction of a heat pump project at the Wastewater Treatment Plant utilizing \$113,000 of already-committed funding as the match.

**FURTHER BE IT RESOLVED,** the Municipal Administrator or his designee is authorized to execute the grant application and the grant agreement with the Authority on behalf of the City and Borough of Sitka.

**FURTHER BE IT RESOLVED,** Senior Engineer David Longtin is designated as the point of contact for the City and Borough of Sitka for this application.

**PASSED AND APPROVED** by the Assembly of the City and Borough of Sitka, Alaska on this 9<sup>th</sup> day of September 2014.

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Mim McConnell, Mayor

ATTEST:

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Colleen Ingman, MMC  
Municipal Clerk