

## **POSSIBLE MOTION**

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**I MOVE TO** approve Resolution 2014-10 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, P.E., Public Works Director *MH*  
David Longtin, P.E., Senior Engineer *DL*

**Reviewed:** Jay Sweeney, Chief Finance and Administrative Officer *J* 21 JUL 14  
Dan Tadic, P.E., Municipal Engineer *DT*  
Tori Fleming, Contract Coordinator *TF*

**Date:** July 11, 2014

**Subject:** Alaska Department of Environmental Conservation  
FY15 Municipal Loans Applications

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Background:

Each year, staff submits loan questionnaires to the Alaska Department of Environmental Conservation's Municipal Grants and Loans (MGL) Program for priority water and sewer infrastructure projects. Questionnaires are competitively scored and ranked against other applicants statewide. For FY2015, two City and Borough of Sitka (CBS) projects scored well enough to be listed on the Priority Funding Lists (DeGroff Water and Sewer Improvements), and one (Cathodic Protection of Six Major Lift Stations) scored just one spot shy of the funding list. The likelihood that funding will be made available for the Cathodic Protection project is still high, however.

Project	Loan Amount
DeGroff Street Water Improvements	\$1,352,100
DeGroff Street Sewer Improvements	\$1,463,700
Cathodic Protection for Six Major Lift Stations	\$397,000

The next step is for CBS to complete loan applications for the projects identified in MGL's Intended Use Plans, shown above.

Analysis:

MGL also offers grant funding for water and sewer projects. Grants have to be matched with a 30 percent municipal contribution, which can be covered by the loans. Standard practice is to not begin a project until both grant and funding have been obtained. We are in the process of submitting a grant questionnaire for the DeGroff Street Water and Sewer Improvements project. If funded, that money would be available no sooner than July 1, 2015.

The DeGroff Sewer Improvements and Cathodic Protection of Six Major Lift Stations projects are both identified in our current sewer master plan as priority projects. The DeGroff water main is 40 years old, undersized and vulnerable to corrosion. Replacing the water main at the same time as the sewer main would cost less than staggering the projects.

Fiscal Note:

Funding these projects with loan funds (20-year term, 1.5% interest rate) is the most prudent fiscal course of action and is the consensus staff recommendation.

In the context of our approved Master Plans, we would note that these projects were included in the Plans and were programmed for execution in the current time frame.

It is critical to note, however that the financial position forecasted for the Water Fund by the Water Master Plan has not been achieved. As noted in the recent Quarterly Financial Update, the Water Fund has been unable to build a sustainable level of working capital despite a series of significant user fee increases.

The problematic financial position of the Water Fund is not a reason to delay the infrastructure improvements, however. The improvements are critical to the proper functioning of the utility and need to be constructed.

To address the weak financial condition of the Water Fund, Staff intends to embark on a updating of the Water Mater Plan.

Recommendation:

**Approve Resolution 2014-10 authorizing CBS to apply for and execute three loans to the Alaska Department of Environmental Conservation's MG&L Program as indicated above. The loans are for DeGroff Street Water and Sewer Improvements, and for Cathodic Protection of Six Major Lift Stations.**

Sponsor: Administrator

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2014-10

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 DEGROFF STREET WATER IMPROVEMENTS AND UNDER THE ALASKA CLEAN WATER FUND FOR DEGROFF STREET SEWER IMPROVEMENTS AND CATHODIC PROTECTION FOR SIX MAJOR LIFT STATIONS.

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 Municipal 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 funded.

Passed and approved by the Assembly of the City and Borough of Sitka, Alaska on this 22nd day of July, 2014.

Deputy Mayor Matthew Hunter

ATTEST:

Colleen Ingman, MMC  
Municipal Clerk