

POSSIBLE MOTION

I MOVE TO approve Resolution
2014-02 on first and final reading.

MEMORANDUM

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

From: Christopher Brewton, Electric Department Director
Michael Harmon, P.E., Public Works Director 
Jay Sweeney, Chief Finance and Administrative Officer

Date: February 18, 2014

Subject: Application for ADEC loan to fund Temporary Filtration Project

Background:

The City and Borough of Sitka (CBS) Electric Department is completing improvements to the Blue Lake Dam, a project that will have a substantial and long-lasting positive impact on the utility's ability to generate electricity. Besides providing a source of hydroelectric power, Blue Lake is the potable water source for CBS. The construction project will require a two- to four-month shutdown of the dam's penstock, requiring CBS to utilize an alternative source of potable water.

The Public Works Department has identified a low-interest loan from the Alaska Department of Environmental Conservation (ADEC) to provide a water-treatment system that would allow CBS to use water from Indian River while the Blue Lake water is unavailable. Public Works needs Assembly approval to submit an application for the ADEC loan, which would be managed and paid back by the Electric Department.

Analysis:

Engineering consultant CH2M Hill has designed a microfiltration and disinfection system that will satisfy the drinking water regulations. They have estimated the cost of the system at \$4.32 million, including investigations, design and construction. Based on an earlier cost estimate, CBS submitted a loan questionnaire to ADEC estimating project costs at \$3.13 million. ADEC has indicated that if we pursue this loan, we'd have to initially request the \$3.13 million per the loan questionnaire, but could later request an increase to the loan amount.

A resolution of support from the Assembly is required to be submitted with the ADEC loan application. The proposed resolution includes the total cost of the project, not including operations. The resolution will allow staff to increase the amount of the loan request after ADEC accepts the initial \$3.13 million request.

Fiscal Note:

Funding this project with the ADEC loan (at an interest rate of 1.5 percent) rather than a bond (at an interest rate of at least 4.75 percent) would save CBS in excess of \$1.2 million in interest payments for a \$3.13 million loan, or over \$1.7 million for a \$4.32 million loan. Staff would request the maximum amount eligible for ADEC loan funding to maximize our savings.

Recommendation:

Approve the attached resolution expressing Assembly support for CBS's application for an ADEC loan to finance the temporary water filtration plant at Indian River for an amount up to \$4.32 million.

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2014-02

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA, ALASKA, APPROVING CBS TO APPLY FOR AN ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION LOAN TO FINANCE CONSTRUCTION OF THE TEMPORARY WATER FILTRATION PLANT AT INDIAN RIVER

WHEREAS, potable water from Blue Lake will not be available to CBS during a two- to four-month period in Summer/Fall 2014; and

WHEREAS, CBS's alternative water source – Indian River – requires a more robust water treatment train than the Blue Lake water; and

WHEREAS, the State of Alaska Department of Environmental Conservation (ADEC) is offering favorable terms on a 20-year loan to finance the required treatment of the temporary water source;

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 a loan application to ADEC for up to \$4.32 million to fund the construction of the treatment plant.

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

PASSED AND APPROVED by the Assembly of the City and Borough of Sitka, Alaska on this 25th day of February 2014.

Mim McConnell, Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk

Sponsor: Administrator

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