

## **Possible Motion**

**I MOVE** to reallocate funding to increase the Marine Street N-1 capital project by \$1.7 million per the Interim Administrator's recommendation.



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members *AB*  
**From:** Hugh Bevan, Interim Municipal Administrator  
**Date:** October 14, 2019  
**Subject:** Electric Department Marine Street Substation Project

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### Background

Over eighty percent of electric customers are served from the forty year old Marine Street substation.

Failure of this facility would result in a complete power loss for those customers for an extended period, likely months.

In 2016 the Assembly approved an overall capital project plan for the Department which included a \$4.3M estimate for the Marine Street project.

It was funded by unspent bond funds and did not require new sources of funding.

The project will provide for a redundant substation immediately adjacent to the old facility which allows the Department to do much needed maintenance on the older systems.

### Analysis

Several issues arose as the project construction progressed including:

- Subsurface rock was discovered that required geotechnical drilling to quantify the extent.
- Excavation at the edge of Erler Street revealed that the street was supported by logs and rocks that when removed required a retaining wall to support the street.
- The estimated electric loads for proposed new facilities on Japonski Island required upsizing of some of the new electric equipment.
- Inflation in the prices of electrical equipment is much higher than the overall national rate and costs have gone up since 2016.

### **Fiscal Note**

The cost overruns described above result in a shortage of \$1.71M to complete the project.

These funds will come from a restructuring of the overall Electric Fund capital improvement program.

The restructuring of future projects does not touch the funds presently ear marked for the major Green Lake work that is in our future.

### **Closing Comments**

It is apparent to me that the present Electric Fund cash flow does not support the magnitude of the future needs of the enterprise fund.

Significant cuts in the operating budget and/or rate increases will be necessary to direct more funds into the capital program while continuing to meet the Fund's debt repayment obligations.

The Assembly may want to consider hiring a consultant to review the entire financial structure of the Electric Fund and make independent recommendations that bring fresh eyes to Sitka's situation.

Additionally, I will meet with Electric Department staff and discuss project management strategies that include coming to the Assembly as soon as unexpected events occur.

### **Recommendation**

1. Reallocate budgeted funds within the Electric Fund Capital Improvement Plan to increase the Marine Street Substation project budget from \$4.3M to \$6.1M and complete the work.
2. During the FY21 budget process carefully review and prioritize the Electric Department capital improvement program.

<b>Project Balance 10/04/19</b>				
<b>Project #</b>	<b>Project Description</b>	<b>Total Approp minus Expenses and Encumbrances</b>	<b>Reappropriation for N-1</b>	<b>Project Balance After Reappropriation for N-1</b>
63010	Green Lake FERC Compliance: Inspect and Upgrades	\$ 62,711.79		
80003	Feeder Improvements	\$ (28,604.00)		
90261	Island Improvements	\$ 44,983.50		
90410	SCADA System Enhancements	\$ 143,459.00		
90562	Green Lake Power Plant Improvements	\$ 109,012.00		
90610	Blue Lake FERC License Mitigation	\$ 231,749.00	\$ 181,749.00	\$ 50,000.00
90672	Medevejje Hatchery Transformer Replacement	\$ 103,507.29	\$ 103,507.29	-
90717	Jarvis Street Improvements	\$ 17,192.34		
90718	Marine Street Substation Replacements	\$ 202.00		
90777	Meter Replacement Upgrading Meters	\$ 112,010.93		
90804	Blue Lake Powerhouse Conversion	\$ 300,000.00	\$ 290,000.00	\$ 10,000.00
90821	Capital for Fuel Conversions (Interruptibles) (Revenue in Red)	\$ 941,786.79		
90823	Marine St N-1 Design to New HPR North Sub	\$ 103,949.00		
	Marine St N-1 Additional Appropriation	\$ -		
90829	Harbor Meters	\$ 158,672.80		
90839	Green Lake Power Plant 35yr Overhaul - Phase 1 of 3	\$ 985,266.00		
90840	Green Lake Power Plant pre overhaul inspection	\$ 5,744.00		
90841	Jarvis Fuel System Repairs and Storage Tanks	\$ 1,115,542.00	\$ 965,542.00	\$ 150,000.00
90860	Cell Service Enhancement Project(Revenue in Red)	\$ (12,977.00)		
90868	69 kV Thimbleberry Trans Line Bypass	\$ 35,000.00		
90869	Blue Lake Auto start Back-up Diesel	\$ 70,000.00	\$ 60,000.00	\$ 10,000.00
90884	Blue Lake Project Completion	\$ 240,636.00	\$ 110,866.71	\$ 129,769.29

**Sum of capital reappropriations for N-1 \$ 1,711,665.00**