

Should this item be pulled from the Consent Agenda the following motion is suggested:

POSSIBLE MOTION

I MOVE TO approve the transfer of \$36,854 from the Bulk Water Fund to the Gary Paxton Industrial Park Fund for reimbursement of CBS staff hours spent on raw water sales.



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Monday, July 20, 2015

MEMORANDUM

To: Mark Gorman – CBS Administrator
From: Garry White, Director
Subject: Raw Water Sales Fund - Reimbursement Request

Introduction

The Gary Paxton Industrial Park (GPIP) Board of Directors is requesting funds be reimbursed to the GPIP Enterprise Fund from the Raw Water Sales Fund. The Board met in March 2015 and approved the following motion:

MOTION: M/S McConnell/Horan moved to request that the Assembly approve transferring \$36,854 from the Raw Water Sale Fund as a credit to the GPIP Enterprise Fund as reimbursement for staff hours spent working on raw water sales for FY2015 and requests the Assembly include \$31,154 as a budget item for FY2016 for the same purpose.

ACTION: Motion PASSED 3/0 on a roll-call vote.

Yeas: Horan, McConnell, Jones,

Nays: NONE

Absent: Miller, Wagner

Background

The CBS Assembly repealed Sitka General Code (SGC) 4.06 entitled “allocation of revenues from the sale of water” and approved a new chapter of 4.06 entitled “Proceeds from raw water sale contracts” in July 2014. The new ordinance establishes a new fund to receive proceeds from raw water sales and contractual mandated deposits.

Section 4.06.102 of the revised code allows reimbursement for expenditures made by other funds related to the sale of raw water. Please see attached SGC 4.06.

The Gary Paxton Industrial Park Board (GPIP) of Directors met on August 28, 2014 to discuss and approve a recommendation that the Assembly allocated funds from the newly established Raw Water Sales Fund to the GPIP Enterprise Fund for expenses incurred to facilitate the sale of raw water.

The GPIP Board’s recommendation was presented to the CBS Assembly at their September 9th, 2014 meeting. The Assembly chose not to hear the Board’s recommendation based on the recommendation from CBS Administration that the request be heard at the end of the current fiscal year.

The GPIIP Board requested that this item be brought back to the board for consideration at their February 2015 meeting during FY2016 budget discussion.

Proceeds from raw water sale contracts

- Staff time spent on the facilitation of raw water sales has generated \$1,365,000 over the past 6 years in contractual mandated deposits that have been collected by the CBS related to the sale of raw water.
- Section 4.06.103 defines contractual mandated deposits as deposits only until either earned through application towards future water sales or through the expiration of the time period to exercise such rights.
 - \$1mm of the deposits expires 12/8/2015.
 - \$15,000 of the deposits expires 07/01/2016.

Bulk Water Management

SEDA Management

The CBS enters into a service contract with SEDA each year to provide marketing and management services for GPIIP. The Executive Director of SEDA performs the duties and functions of the GPIIP Director. The GPIIP Director is the primary contact in marketing, management and support of the bulk water sales venture. The GPIIP Director spends on average 60 hours per month working with various entities to bring the venture to fruition. The service contract between the CBS and SEDA for marketing and management of the GPIIP and management of the bulk water sales venture is \$90,000 annually. These funds are expended from the Enterprise Fund of the Gary Paxton Industrial Park.

- Based on 2080 hours annually expended by SEDA staff, the organization's hourly rate would be \$43.27/hr.
- 720 annual hours estimated spent on bulk water @ \$43.27/hr = \$31,154 annually

GPIIP Site Manager

Funds to pay the GPIIP Site Manager also come from the Enterprise Fund of the Gary Paxton Industrial Park. The GPIIP Site Manager provides technical and engineering support for the bulk water sales venture. The past GPIIP Site Manager hourly rate was \$57/hr.

FY2014 – 69.5 actual annual hours spent on bulk water @ \$57/hr = \$3,962

FY2015 – 100 hours is estimated to be spent on bulk water @ \$57/hr = \$5,700.

FY2016 budget amount- unknown

Additional Information

The GPIIP Director requests that SGC 4.06 be adjusted to allow for the CBS Administrator to have authority to approve reimbursement requests of GPIIP and other CBS Departments up to \$50,000, similar to the SGC 3.16 Procurement Policy limitations.

Action Requested

- Assembly approval of GPIIP Board recommendation

Chapter 4.06 PROCEEDS FROM RAW WATER SALE CONTRACTS

Sections:

- [4.06.101](#) Establishment of raw water sale fund.
- [4.06.102](#) Reimbursing expenditures from other funds relating to the sale of raw water, maintenance of raw water distribution infrastructure, or retention of water rights.
- [4.06.103](#) Expenditure of net assets of the raw water sale fund.
- [4.06.104](#) Allocation of revenues from sales of raw water at Gary Paxton Industrial Park.

4.06.101 Establishment of raw water sale fund.

There shall be established a new fund within the fund system of the city and borough of Sitka entitled the raw water sale fund. The purpose of the raw water sale fund shall be to receive all proceeds from bulk water sales contracts, to hold such deposits, and, to reimburse expenditures made by other funds relating to the sale of bulk water, maintenance of bulk water distribution infrastructure, or retention of water rights. (Ord. 14-24 § 4 (part), 2014.)

4.06.102 Reimbursing expenditures from other funds relating to the sale of raw water, maintenance of raw water distribution infrastructure, or retention of water rights.

Any fund of the city and borough of Sitka which expends funds in order to facilitate the sale of raw water, negotiate raw water sale contracts, construct or maintain raw water distribution infrastructure, or pursue legal or regulatory action to maintain water rights may request of the assembly that such expenditures be reimbursed out of the assets of the raw water sale fund. Upon approval of the request, such reimbursements will be accomplished by the finance department. Such requests may be made whenever appropriate, but shall not be made on a basis more often than quarterly. The assembly will consider recommendations from the GPIIP board prior to disbursing funds. (Ord. 14-24 § 4 (part), 2014.)

4.06.103 Expenditure of net assets of the raw water sale fund.

At any time, the assembly of the city and borough of Sitka may authorize the transfer of the net assets of the raw water sale fund to any other fund within the city and borough of Sitka to be used for expenditures deemed appropriate by the assembly. The assembly will consider recommendations from the GPIIP board prior to transferring raw water sale fund assets. For purposes of this section, net assets shall be defined as the assets of the raw water sale fund, less any liabilities. Any contractually mandated deposits for exclusive rights to purchase raw water from the city and borough of Sitka shall be defined as deposits until such deposits are either earned through application towards future water sales or through the expiration of the time period to exercise such rights. (Ord. 14-24 § 4 (part), 2014.)

4.06.104 Allocation of revenues from sales of raw water at Gary Paxton Industrial Park.

In the allocation of revenues from the raw water sale fund, the assembly will strive to ensure that the GPIIP has adequate resources to market, manage and administer the assets of the park with the goal of maximizing economic returns to the community. Further, the assembly will allocate funds as it deems appropriate to other departments of the CBS. (Ord. 14-24 § 4 (part), 2014.)

The Sitka General Code is current through Ordinance 15-31, passed May 27, 2015.

Disclaimer: The City and Borough Clerk's Office has the official version of the Sitka General Code. Users should contact the City and Borough Clerk's Office for ordinances passed subsequent to the ordinance cited above.

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