

CITY AND BOROUGH OF SITKA
RESOLUTION 2011-01

A RESOLUTION BY THE CITY AND BOROUGH OF SITKA ASSEMBLY
SUPPORTING THE CITY AND BOROUGH OF SITKA FY'2012 CONGRESSIONAL
PRIORITIES

WHEREAS, the City and Borough of Sitka, Alaska, has requested Federal assistance on four high priority projects for many years; and

WHEREAS, the Alaska Congressional Delegation has been very supportive of Sitka's highest priority requests, and in several instances has helped the City and Borough of Sitka receive partial funding for Sitka's highest priority projects; and

WHEREAS, this partnership between the Alaska Congressional Delegation and City and Borough of Sitka has been extremely beneficial in permitting projects such as upgrading the Municipal electrical system, infrastructure upgrades at Sawmill Cove Industrial Park, supporting the U.S. Army Corps of Engineers (COE) Sitka Harbor Breakwater Upgrade, and implementation of the Japonski Island Infrastructure Upgrade Plan;

NOW, THEREFORE, BE IT RESOLVED that the Mayor and Assembly of the City and Borough of Sitka, as Sitka's elected officials, strongly support the following City and Borough of Sitka FY'2012 Congressional Priority Requests, as detailed in the enclosed Congressional request letter and the Delegation's Alaska Federal Appropriations Request Forms:

- SITKA BLUE LAKE HYDROELECTRIC EXPANSION PROJECT (Priority #1)
- SITKA SAWMILL COVE INDUSTRIAL PARK BULKHEAD (Priority #2)
- COE SITKA HARBOR BREAKWATER UPGRADE (Priority #3)
- SITKA JAPONSKI ISLAND INFRASTRUCTURE COMPLETION (Priority #4)

NOW, FURTHER BE IT RESOLVED that the Sitka Assembly appreciates the Alaska Congressional Delegation's assistance to Sitka to enable the City and Borough of Sitka and its State and Federal partners to complete these projects of great importance to the City and Borough of Sitka and its citizens.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska, on this 11th day of January, 2011.

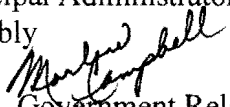
Cheryl Westover, Mayor

ATTEST:

Sara Peterson, Acting Municipal Clerk

January 5, 2011

MEMO TO: Jim Dinley, Municipal Administrator
Mayor and Assembly

FROM:  Marlene Campbell, Government Relations Director

SUBJECT: Resolution supporting Federal Congressional Request

Members of the Alaska Congressional Delegation are all continuing to require separate on-line Congressional Appropriations Request processes this year, which will require completion of separate on-line Federal application forms for each of the CBS Federal requests (four each). Although CBS requests are similar to last year's, new request forms and supporting documents will be required, including the attached resolution supporting these requests.

A draft CBS Federal request summary letter is attached for your information. This letter will be hand carried to each of our three Congressional Delegation members: Senator Murkowski, Senator Begich, and Representative Young. This request letter signed by the Administrator will also serve as one of three letters of support. Resolution 2011-01 approved by Sitka's elected officials is also required and is attached for your consideration. A third letter will again be requested from the Sitka Economic Development Association supporting the positive economic impacts of the CBS requests.

If there are any questions about the Congressional requests or process, please give me a call at 747-1855 or e-mail me at campbell@cityofsitka.com. Thank you for your assistance.

January 11, 2011

DRAFT

The Honorable Senator Lisa Murkowski
United States Senate
709 Hart Building
Washington, D.C. 20510-0202

Dear Senator Murkowski:

The City and Borough of Sitka (CBS) appreciates your long commitment to public service in Alaska and congratulates you on your re-election. This letter summarizes the City and Borough of Sitka 'FY2012 Federal requests, which are the same projects, in priority order, which CBS has advocated for several years. Also attached are completed Federal Request application forms for Sitka's four projects:

- **SITKA BLUE LAKE HYDROELECTRIC EXPANSION PROJECT (priority #1)**
- **SITKA SAWMILL COVE INDUSTRIAL PARK BULKHEAD (priority #2)**
- **C.O.E. SITKA HARBOR BREAKWATER UPGRADE (priority #3)**
- **SITKA JAPONSKI ISLAND INFRASTRUCTURE PROJECT COMPLETION (priority #4)**

The #1 highest priority project is Blue Lake Hydroelectric Expansion. Sitka lacks adequate electric power to meet peak needs and must maximize its energy generation capabilities and develop new facilities to generate required power for our isolated community. Both State and Federal matching funds are needed for CBS 50 percent share.

Second priority central bulkhead waterfront development is key to realize the economic potential of CBS's Sawmill Cove Industrial Park. Uplands infrastructure is complete. Design/permitting funding has been received, but assistance is needed for construction.

Third priority, upgrading the Corps of Engineers Sitka Harbor Breakwater, is close to construction if the Corps of Engineers is provided with funding and direction to reduce this wave energy problem at full Federal expense.

Fourth priority Japonski Island Infrastructure Project – most projects to replace the World War II era roads and utilities in this \$26 million upgrade to support Sitka's major institutions are completed. Still unfunded are projects to replace the failing BIA waterline and relocate the utility corridor out of the Sitka Airport frontage road.

- **SITKA EXPANSION TO MAXIMUM CAPACITY OF THE BLUE LAKE HYDROELECTRIC PROJECT – Federal Request: \$12,500,000.** The State of Alaska has committed \$20,500,000; \$28,500,000 requested in FY2011. CBS Match: \$38,500,000 – 38.5 percent. Total Project: \$100,000,000.

The City and Borough of Sitka requests financial assistance in constructing a \$100M expansion of the Blue Lake Hydroelectric Project to its maximum energy capacity. The State of Alaska committed \$20,500,000 to the project, and \$28,500,000 further assistance is requested from the State of Alaska for FY'2012. The Federal government is also requested to provide \$12,500,000 match to the much larger CBS and State funds. Sitka will match each dollar of State or Federal assistance with the goal of ultimately financing the project 50 percent with State and Federal funds and 50 percent municipal funds.

The Blue Lake Hydroelectric Project will raise the height of the existing dam by 83 feet to 425 feet, construct a new intake gate and a new section of power tunnel to supply a new powerhouse to be constructed adjacent to the existing powerhouse. The new powerhouse will replace the existing two 4MW generators with three 5.3MW generators, which will increase installed capacity from 7.6MW to 17MW. This will increase Sitka's average total annual hydroelectric energy production by about 32,000 MW or 29 percent of system capacity. Sitka is aggressively engaged in the preliminary engineering and licensing phase of this expansion of its hydroelectric capability at Blue Lake. The goal is to complete the construction and bring this new hydroelectric capacity on line in 2015.

Sitka has exhausted its hydroelectric resources. Load studies predict up to 5,000,000 gallons of fuel oil for the use of supplemental diesel generators will be required prior to completion of the Blue Lake Expansion Project. Sitka homes and businesses are moving from high- cost heating oil to clean, renewable hydroelectric energy. The total energy requirements of Sitka are currently met by about 80 percent oil and 20 percent hydroelectric energy resources. Total annual KW hours sold in FY'09 increased by 3.36 percent over FY'08, which follows load increases of 4.5 percent in FY'08, and 8 percent in FY'06. Base-case load studies have predicted annual load growth at approximately 1.2 percent; yet the electric system has seen unprecedented growth, averaging 3.8 percent annually since 1973. Existing hydroelectric generation is now operating at over 96 percent capacity. It is expected that volatile oil prices will continue the trend of exponential system load growth and that any new hydroelectric capacity will be fully utilized to displace oil for space and water heating.

Despite CBS actively promoting energy conservation, hydroelectric energy usage is escalating at a rate that will shortly exceed system capacity. Therefore, Sitka is actively working to complete the project as quickly as possible and is pledging 50 percent of the total project costs.

- **SITKA SAWMILL COVE INDUSTRIAL PARK WATERFRONT DEVELOPMENT PROJECT Federal Request – Priority 1 Intermodal Dock Facility \$4,000,000; State Request \$6,000,000; CBS Match \$850,000. TOTAL Intermodal Dock: \$10,850,000. Total SCIP Project including completed upgrades: \$26,988,450.**

With Federal, State, and CBS funds, uplands utilities and system upgrades are complete. The State contributed \$1 million toward the raw water line. The Wastewater Outfall Project is also completed. The Industrial Park is operational, with tenants including Theobroma Chocolate Company, Fortress of the Bear, Sitka Tribal Tannery, NSRAA Coho Salmon Hatchery, and Silver Bay Seafoods. Silver Bay Seafoods processed over 25,000,000 pounds of fish in 2009 and invested nearly \$10,000,000 in facility upgrades and equipment. In 2010, the seafood processors had 175 seasonal employees. A facility to process fish waste is being planned for the part and projects to be operational in 2011.

The 2002 Sawmill Cove Industrial Park Waterfront Plan details the improvements that must be completed to permit intermodal use of the Industrial Park. The old waterfront facilities are unusable and must be removed and new pilings, bulkheads, dredging and shoreline protection, and other improvements completed to permit vessels to use the deep water port for freight and passengers.

The highest priority Waterfront Development Project is the Intermodal Dock – Total cost \$10,850,000. CBS requests \$4,000,000 Federal funds and \$6,000,000 State funds. CBS has \$850,000 match and \$487,000 HUD grant. CBS appreciates the \$487,000 for Waterfront Development in the report H. 111-366 accompanying Omnibus Appropriations Bill H. 3288

This multi-purpose dock will be located in the center of the Industrial Park waterfront (Area 4). It will include a bulkhead cargo and freight dock which may also serve bulk water tankers from the completed bulk water line. **Phase 1 includes a bulkhead dock, fender system, and uplands improvements for \$5,650,000. Phase 2 includes 8 breasting/mooring dolphins and catwalks for \$5,200,000.** Completion of this project will provide deep water port facilities in Sitka.

Sitka is closer to open ocean than any other SE Alaska port, yet currently has no usable dock. The Waterfront Development Project at Sawmill Cove Park is the key to enabling Sitka to develop an economically viable deep-water port facility.

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- **C.O.E. SITKA HARBOR BREAKWATER UPGRADE Federal Request for COE budget: \$10,000,000 at Full Federal Expense to fully fund upgrade.**

The Sitka Harbor Breakwater was completed in 1994 by the U.S. Army Corps of Engineers (COE) as a “Sitka Harbor of Refuge” to protect the entire Sitka Channel area. It has never functioned effectively due to gaps designed into the breakwater which permit excessive wave action to enter the mooring area. This is especially serious during westerly storm events and causes damage and deterioration to Eliason Harbor and New Thomsen Harbor and inadequately protects the area planned for the new seaplane facility. Sitka has been paying the excessive costs of the deteriorating harbors ever since 1994. The COE needs to reduce the 15 year old wave energy problem.

Excessive harbor deterioration, damage, and unsafe conditions would be reduced by adding to the breakwaters to reduce ocean wave and swell motion. The COE is completing its Deficiency Correction Evaluation Report, including NEPA, which details the proposed project to construct a 315 LF rubblemound breakwater to close the gap between the west stub and main breakwater at approximate cost of \$10,000,000. This project will reduce wave energy entering Sitka inner harbor from the west. The original \$6.3 million project cost was estimated from the 905 (b) report issued in 2002. Costs and complexity of the project have risen substantially since then.

The Alaska Delegation provided multiple funds to COE for this project as well as directions to complete it at full Federal expense. The COE breakwater failed to prevent wave action causing deterioration of CBS harbors and high maintenance costs to CBS; therefore, the City of Sitka should be held harmless for additional cost sharing requirements. WRDA 2007 did establish that \$6.3 million of the project cost will be conducted at full Federal cost. Appropriations for this project must include “full federal expense” language in a bill to increase the full Federal limit.

WRDA 2007 included language authorizing the COE to upgrade the Sitka Harbor Breakwater: The previously authorized project “is modified to direct the Secretary to take such action as is necessary to correct design deficiencies in Sitka Harbor Breakwater at federal expense. The estimated cost is \$6.3 million.”

\$10,000,000 “at full federal expense” is requested for the FY’2012 COE budget to complete the construction of the upgrade of the Sitka Breakwater. **Such language could read: “ The Sitka, Alaska, element of the project for navigation, Southeast Alaska Harbors of Refuge, Alaska, authorized by section 101 (1) of Water Resources Development Act of 1992 (106 Stat. 4801), is modified to authorize the Secretary to extend the existing breakwater by approximately 315 feet to close the gap between the main breakwater and the detached breakwater near Japonski Island, at an estimated cost of \$10,000,000 at full Federal expense.”** This is the most cost effective solution.

- **SITKA JAPONSKI ISLAND INFRASTRUCTURE PROJECT COMPLETION FY2012 Federal Request Priorities 1 and 2: \$2,500,000.** Total Project: \$26+ million.

With support from the Congressional Delegation, the City and Borough of Sitka, in partnership with the Alaska Department of Transportation and Public Facilities, has completed much of the \$26 million Japonski Island Infrastructure Upgrade. CBS is eager to complete the Japonski upgrades and take over permanent ownership and maintenance of the roads and utilities serving SEARHC, Sitka's largest employer, and other institutions.

With \$2,500,000 in Federal funds, CBS can complete the remaining two highest priority projects to upgrade the deteriorating road and utility infrastructure on Japonski Island, some of which dates from World War II when the island was a Federal military base. This project will bring the roads and utilities up to specifications to provide safe transportation and utility services to Sitka's major institutions: Southeast Alaska Regional Health Consortium (SEARHC), Mt. Edgecumbe State Boarding High School, Sitka Airport, U.S. Coast Guard Air Station, U.S. Coast Guard Buoy Tender, and Shee Atika Native Corporation. These upgrades are critical to the safety and operations of several of Sitka's largest employers and need to be completed before failures occur.

The Loop Waterline System is now priority one since the old BIA waterline to Japonski Island hanging under the O'Connell Bridge is leaking. CBS installed a new waterline across Sitka Channel to serve Japonski Island but needs to replace the failing waterline to provide a looped water system to the Island and improve supply volume and pressure to all island institutions. CBS will then assume ownership and maintenance of the entire system. Budget is estimated at \$2,000,000. \$1,000,000 Federal funding is requested; \$900,000 is requested from the State; and CBS is committing \$100,000.

The second priority project is to relocate the utility corridor from the Sitka Airport frontage road. With the realignment of the Airport Access Road, urgent airport expansion including new commercial facilities can now occur. When the Airport frontage road is built to serve the new lease lots, the utilities currently located within the Airport must be relocated. Budget is estimated at \$2,500,000.

Sitka is grateful for the "Congressional Interest" language in the Rural Development section of the FFY'08 budget for the Sitka Japonski Infrastructure Project in the amount of \$5,482,409, but no actual funding was ever available. CBS also appreciates previous EPA funds with a generic label "**Sitka Water/Utility Upgrades**" which were used to complete several Japonski upgrades efficiently and cost effectively. CBS requests \$2,500,000 to complete these critical infrastructure upgrades:

- Replacement of BIA waterline under bridge to create loop system \$ 2,000,000 Priority 1 (\$1,000,000 Federal; \$900,000 State; \$100,000 City)
 - Utility Corridor Relocation (based on Airport Road Realignment) \$1,500,000 Priority 2
- TOTAL FEDERAL REQUEST: \$2,500,000**

DRAFT

The Honorable Senator Lisa Murkowski
January 11, 2011
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The City and Borough of Sitka is very grateful for your past support and assistance, including your support for the Secure Rural Schools and Self-Determination Act funding and the appropriation of \$487,000 for the Sawmill Cove Bulkhead Dock. Your commitment to Alaska ensures a better future for our State. Your consideration of the City and Borough of Sitka's requests in these difficult times is very much appreciated.

The Sitka Congressional Delegation looks forward to meeting with you to discuss these requests. The Delegation is composed of Mayor Cheryl Westover, Administrator Jim Dinley, Electric Superintendent Christopher Brewton, Government Relations Director Marlene Campbell, and lobbyist Larry Markley. If any further information is needed, please contact Marlene at 907-747-1855 (email campbell@cityofsitka.com) or Larry at 907-250-2855 (email larrymarkleyak@aol.com).

Sincerely,

Jim Dinley
Municipal Administrator

Cc: John Katz, Office of the Governor
Mayor and Assembly