
MEMORANDUM

To: Mayor Westover and Members of the Assembly
Jim Dinley, Municipal Administrator

From: Michael Harmon, Public Works Director *MH*
Lance Henrie, Senior Engineer *LH*

Reviewed: Stephen Weatherman, Municipal Engineer
Jay Sweeney, Finance Director *J*
Dan Tadic, Senior Engineer *D*

Date: June 20th, 2012

Subject: FY13 Alaska Drinking Water Fund and Alaska Clean Water Fund Loans

Background:

Each year staff submits loan applications to the Alaska Drinking Water Fund (ADWF) and Alaska Clean Water Fund (ACWF). Most recently, the loans have had a 20 year term at 1.5% interest.

The following three projects were identified in the ADWF and ACWF State Water and Wastewater Loan Programs Intended Use Plans as being eligible for funding in SFY 2013:

Baranof Street Water Replacement	ADWF	\$685,000
Hollywood Way Water Main Replacement	ADWF	\$250,000
Hollywood Way & New Archangel St. Sewer	ACWF	\$500,000

All three of the projects listed above have been provided the following subsidized amount in the Intended Use Plans.

Baranof Street Water Replacement	ADWF	\$239,750
Hollywood Way Water Main Replacement	ADWF	\$87,500
Hollywood Way & New Archangel St. Sewer	ACWF	\$45,000

Baranof Street requires replacement of old undersized 6" ductile iron (DI) water main with new 8" HDPE water main and the replacement of all services between Sawmill Creek Road and Lincoln Street. Hollywood Way consists of replacing the existing 4" DI water main with 8" HDPE water main, replacing old sewer main with High Pressure PVC pipe, and the replacement of all services within the Hollywood Way Right of Way. New Archangel also requires replacement of old sewer main between Marine Street and Halibut Point Road. This section of sewer main has been an ongoing maintenance

problem for years. All projects will also address the required separation distance between water and sewer mains.

Analysis

The total value of the funding for these projects through the ADWF and ACWF FY13 loan programs would be \$1,435,000. The subsidized amount included in the FY13 Intended Use Plan would result in a \$327,250 savings to the Water Fund and \$45,000 savings to the Wastewater Fund.

Fiscal Note

The capital improvements being financed by these loans are following the plan set forth in the Water System Master Plan, previously reviewed and approved by the Assembly.

As noted during budget deliberations earlier this year and during discussions of the recent water user fee increases, undesignated working capital in the Water Fund, while slowly building, remains at a low level. For this reason, debt financing of these improvements, through a low-interest loan, is the most feasible alternative.

Each additional increment of new debt taken on impacts cash flow from operations; for this reason, we need to continue to follow the financing plan laid out within the overall Water System Master Plan.

Recommendation:

Approve Resolutions 2012-12, 2012-13 and 2012-14, authorizing the City and Borough to apply for and execute ADWF and ACWF loans for the three projects listed above, in the amount of \$1,435,000, of which \$372,250 is expected to be subsidized.

Should this item be pulled from the consent agenda, the following motion would be in order:

POSSIBLE MOTION

I MOVE TO APPROVE Resolution 2012-13 on
First and Final Reading.

Sponsor: Administrator

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2012-13

**A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF SITKA,
ALASKA AUTHORIZING THE APPLICATION FOR A LOAN FROM THE ALASKA
DEPARTMENT OF ENVIRONMENTAL CONSERVATION UNDER THE ALASKA
DRINKING WATER FUND FOR HOLLYWOOD WAY
WATER MAIN REPLACEMENT**

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 (the Department) is able to offer funding through the Alaska Drinking Water Fund; and

WHEREAS, the Municipality wishes to apply for a loan from the Alaska Drinking Water Fund for Hollywood Way Water Main Replacement.

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka, Alaska that the municipality is authorized to apply to the Alaska Department of Environmental Conservation for a loan from the Alaska Drinking Water Fund for water system improvements. Jim Dinley, Administrator, is authorized to execute any and all documents that may be required by the Department to reflect the indebtedness, the terms of its repayment, and any security therefore, including but not limited to a loan agreement and promissory note.

PASSED AND APPROVED by the Assembly of the City and Borough of Sitka, Alaska on this 26th day of June 2012.

Cheryl Westover, Mayor

ATTEST:

Colleen Ingman, MMC
Municipal Clerk