



# CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS  
330 Harbor Drive  
Sitka, AK  
(907)747-1811

## Meeting Agenda City and Borough Assembly

*Mayor Mim McConnell  
Deputy Mayor Matt Hunter  
Vice-Deputy Mayor Benjamin Miyasato  
Aaron Swanson, Steven Eisenbeisz  
Tristan Guevin, and Michelle Putz*

*Municipal Administrator: Mark Gorman  
Municipal Attorney: Robin L. Koutchak  
Municipal Clerk: Colleen Ingman, MMC*

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Thursday, April 23, 2015

5:00 PM

Assembly Chambers

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### SPECIAL MEETING

*Budget Work Session - General Fund Immediately following Special Meeting*

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

IV. CONSENT AGENDA:

- A [ORD 15-27](#) Amending SGC Chapter 4.44, "Southeast Alaska Economic Development Fund"

*Attachments:* [CONSENT](#)

[ORD 15-27 SE Economic Dev Fund](#)

*First Reading*

- B [15-054](#) Award a contract for the Jarvis Bulk Fuel Tank API 653 Cleaning and Inspection to Enterprise Engineering, Inc. - \$79,800

*Attachments:* [Jarvis Bulk Fuel Tank](#)

V. UNFINISHED BUSINESS:

- C [ORD 15-23](#) Amending the SGC in Title 15 Public Utilities, under Chapter 15.01 Electric Utility Policies, at Section 15.01.020 Electrical Rates, by increasing Electric Rates to fund approved Electrical Utility Capital Projects including the Blue Lake Hydroelectric Expansion Project and establishing an Energy Assistance Fund and an Electric Vehicle Incentive

- D**      [ORD 15-17](#)      RECONSIDERATION: Amending Subsection 15.01.020 of SGC Electrical Rates by increasing electric rates to fund approved Electrical Utility Capital Projects including the Blue Lake Hydroelectric Expansion Project and establishing an Energy Assistance Fund

**Attachments:** [ORD 15-17 Electrical Rates 1st proposal](#)

**VI.      PERSONS TO BE HEARD:**

*Public participation on any item on or off the agenda. Not to exceed 3 minutes for any individual.*

**VII.     ADJOURNMENT**

*Colleen Ingman, MMC  
Municipal Clerk  
Publish:4-22-15*

**VIII.    WORK SESSION BUDGET GENERAL FUND**

- [15-061](#)      Work Session Agenda - Balancing Suggestions - Community Ride 10 Min

**Attachments:** [Worksession Agenda - balancing suggestions](#)



## Legislation Details

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**File #:** ORD 15-27    **Version:** 1    **Name:**  
**Type:** Ordinance    **Status:** FIRST READING  
**File created:** 4/20/2015    **In control:** City and Borough Assembly  
**On agenda:** 4/23/2015    **Final action:**  
**Title:** Amending SGC Chapter 4.44, "Southeast Alaska Economic Development Fund"  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [CONSENT](#)  
[ORD 15-27 SE Economic Dev Fund](#)

Date	Ver.	Action By	Action	Result
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## POSSIBLE MOTIONS

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I move to approve the Consent Agenda consisting of  
Items A & B

I wish to pull Item(s) \_\_\_\_, \_\_\_\_.

## **POSSIBLE MOTION**

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**I MOVE TO** approve Ordinance 2015-27 on first reading.

# Memo

**To :** Assembly, City and Borough of Sitka

**From:** Mark Gorman, Administrator.



**Date:** March 4, 2015

**Re:** Request for Transfer From The Southeast Alaska Economic Development Fund to Electric Fund, Contingent Upon Passage of Amending Ordinance

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Mayor McConnell and Assembly Members,

At the April 14 Assembly meeting, Administration will be putting forward an ordinance to amend Section 4.44 of the Sitka General Code, the Southeast Alaska Economic Development Fund, to restrict use of the Fund for Municipal purposes and to authorize transfers from the Fund in addition to loans.

The proposed ordinance states that any transfers from the Fund will be for purposes of promoting efficiency within government operations (for example, investing in new technology) or for lessening the fee and rate burden to be borne by our citizens.

As presented in previous Assembly meetings, our Electric Fund is on a course to not meet its required Rate Covenant, as set forth in its bonding ordinance, unless either (1) rates are substantially raised, (2) some sort of temporary rate subsidization is supplied, or (3) some combination of both.

Accordingly, Administration is recommending, contingent upon passage of the proposed ordinance amending the code governing the Southeast Alaska Economic Development Fund, that an amount of \$2,500,000 be transferred from the Fund into the Electric Fund Rate Stabilization Fund, effective no later than June 30, 2015, as to be accomplished in FY2015. This detail is important in ensuring that the Rate Covenant is met in FY2016.



## Memorandum

April 8, 2015

To: Mark Gorman, Municipal Administrator  
From: Christopher Brewton, Utility Director  
Subject: **Project Scoping – Installation of Additional Interruptible Electric Boilers in CBS Buildings**

### Introduction

Installing interruptible electric boilers in CBS owned buildings currently heated by oil fired boilers is an opportunity for electric load growth. Three interruptible electric boilers have previously been installed in buildings owned by CBS. To qualify as an interruptible load, the electric boilers must have a backup system that can provide heating when the utility demand requires that the electric boiler be turned off (interrupted). At the three facilities with interruptible electric boilers already installed, the preexisting oil fired boilers have remained in place to provide redundancy.

Installing an interruptible electric boiler, as opposed to a fixed electric heating system, provides the additional benefits of:

- system redundancy,
- a lower (interruptible) electric rate for the consumer, and
- flexibility for the utility in the event of significant load growth in the future.

Due to the requirement for a redundant heating system, disadvantages to installing an interruptible electric boiler, as opposed to a fixed electric heating system include:

- additional maintenance costs and
- additional space requirements.

The objective of this memo is to summarize preliminary scoping efforts as to the suitability of CBS owned buildings for installation of interruptible electric boilers.

### Methodology

All buildings owned by CBS were considered for installation of additional interruptible electric boilers. Diesel consumption estimates were obtained from the CBS Diesel Fuel contract documents. Please note that the CBS Diesel Fuel contract is based off of historic fuel consumption, which is greater than recent years due to facility upgrades and warmer weather.

Therefore the electric consumption and revenue will likely be less than described below during warmer years, such as 2014.

Estimated diesel consumption was converted to equivalent annual electric usage, assuming an oil heating efficiency of 70%. Information regarding the three existing interruptible electric boilers was used to estimate the potential boiler footprint and the scale of facility upgrades required to accommodate a new electric boiler. Electric Department staff then performed site visits and met with building maintenance staff at the five facilities with the largest heating loads that do not already have heating system conversions or upgrades planned. The largest systems were selected because the payback period on installation costs are likely to be shorter for larger systems.

### Results and Discussion

Given the information obtained during the site visits, the Electric Department assigned buildings owned by CBS an ease of installation level, with "1" being the easiest locations to install an interruptible electric boiler and "3" being the locations requiring the most facility and distribution system modifications. The perceived ease of installation was based upon the space available near the existing boiler(s), the proximity to electric service and the estimated distribution system upgrades required to serve the additional load. Table 1 includes a summary of buildings owned by CBS that initial scoping indicates may be suitable for installation of interruptible electric boilers.

Table 1. City Building Heating Energy Usage and Estimated Equivalent Electric Revenue.

Priority	Building	Approximate Annual Usage (gallons)	Equivalent Annual Usage (MWh)	Equivalent Annual Electric Revenue
1	Baranof Elementary School	25,000	710	\$ 72,900
2	Keet Gooshi Heen Elementary School	30,000	852	\$ 87,500
	Airport Terminal	20,000	568	\$ 58,300
	Fire Hall	9,600	273	\$ 28,000
3	Public Services Complex: Main Building	8,500	241	\$ 24,800
<b>Totals</b>		<b>93,100</b>	<b>2,644</b>	<b>\$ 271,500</b>

Preliminary discussions with Electric Department staff indicate that all new electric boilers will require transformer upgrades. Keet Gooshi Heen Elementary School is expected to be the only location that would also require a feeder upgrade.

The three existing interruptible electric boilers are maintained by Electric Department staff. If additional electric boilers are installed, additional Electric Department staffing will likely be necessary to perform required maintenance.



### ***Sitka Community Hospital***

Sitka Community Hospital has two oil-fired boilers and two high-pressure steam boilers. The facility relies heavily on the high-pressure steam boilers, which are responsible for the majority of the facility's diesel consumption. High-pressure electric boilers are expensive to install and maintain. A high-pressure electric boiler would also require significant electric service upgrades. During preliminary scoping, conversion to an interruptible electric boiler was deemed to likely be cost prohibitive, due to the complexity of both installation and maintenance.

### ***Harrigan Centennial Hall, Kettleson Memorial Library, Wastewater Treatment Plant***

Heat pump installations are already planned for these three facilities.

### ***Sitka Animal Shelter, Public Services Complex Garage and Lineman's Shop, Other Small City Facilities***

Small facilities owned by the city are excellent candidates for electric boilers or heat pumps. The heating load of small facilities likely do not justify the cost of installing and maintaining redundant (interruptible) systems.

### ***Historical Interruptible Sales***

The following table indicates revenue produced by the three (3) existing systems presently in service from June 2012 – present, with the exception of the Sitka High School where that facility was on line from March 2014 to present. These periods include times when interruptibles were off line for maintenance or curtailment, such as preparing for and during the recent Blue Lake Generation outage.

<b>Location</b>	<b>Electric Consumption (kWh)</b>	<b>Revenue (\$)</b>	<b>Displaced Fuel Oil (gal)</b>
City/State Building	976,800	\$97,196.87	25,705
Blatchley Middle School	2,252,160	\$238,094.89	59,267
<u>Sitka High School</u>	<u>1,589,400</u>	<u>\$157,529.22</u>	<u>41,826</u>
Total	4,818,360	\$492,820.98	126,798

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2015-27

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA, ALASKA AMENDING SITKA GENERAL CODE CHAPTER 4.44, "SOUTHEAST ALASKA ECONOMIC DEVELOPMENT FUND"

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code.

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstances shall not be affected.

3. **PURPOSE.** The purpose of this ordinance is to amend the Sitka General Code pertaining to the Southeast Alaska Economic Development Fund by permitting a portion of the corpus of the Fund to be permanently transferred to another fund of the City and Borough of Sitka without requirement for repayment, and, to establish guidelines for participation loans and loan guarantees to private enterprise.

4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that Section 4.44 of the Sitka General Code is amended to read as follows (deleted language is stricken and new language us underlined):

Chapter 4.44
SOUTHEAST ECONOMIC DEVELOPMENT FUND

Sections:

- 4.44.010 Establishment.
4.44.020 Participation Loans to Private Enterprise
4.44.0530 Procedure for deciding upon applications for loan guarantees. Loans or Transfers to Other Municipal Funds
4.44.040 Repayments and Investment Earnings On The Fund Corpus

4.44.010 Establishment.

There shall be established a southeast economic development fund ("fund"), for qualifying private-sector loans and transfers to other Municipal funds, and, for financial institution participation loans to private enterprises.

Loans or transfers to other Municipal funds shall be for purposes of promoting the efficiency and effectiveness

41 of Municipal government, or, for improvements which shall lessen rate and fee burdens on citizens. Loans to  
42 private enterprises shall be for purposes of expanding the Municipality's economic base, generating commerce  
43 external to Sitka, and creating family wage jobs in Sitka. Only the assembly can authorize any loan or transfer  
44 from this fund.

45 **4.44.020 Participation Loans And Loan Guarantees To Private Enterprise**

46 A. Any loan or loan guarantee to a private-enterprise shall be a participation loan in conjunction with a financial  
47 institution. No loans shall be made by the Fund directly to a private enterprise.

48 B. Proposals for participation loans or loan guarantees shall be prepared by the participating financial  
49 institution and presented to the Assembly for approval by the participating institution.

50 C. The Municipal Administrator shall be responsible for developing and administrating administrative policies  
51 governing participation loans and loan guarantees to private enterprise

52 **4.44.0530 Procedure for deciding upon applications for loan guarantees. Loans and**  
53 **Transfers to Other Municipal Funds**

54 A. Application forms can be obtained from the finance director for loans from this fund. Completed application  
55 forms will be submitted to the assembly.

56 B. The finance director shall certify in writing the following to the municipal administrator and assembly  
57 regarding any submitted application form:

58 1. The funds to make the loan are available and shall be accounted for in future reports to the  
59 assembly;

60 2. The remaining fund balance if the full amount of the loan is awarded; and

61 3. The applicant has all necessary licenses and permits to do business with the city and  
62 borough, and the applicant is not delinquent on any of their accounts with the city and borough,  
63 including sales taxes, property taxes, hotel, motel, bed and breakfast transient room rental tax,  
64 and utility payments.

65 GA. Any proposed loan or transfer from the Fund to another Municipal fund shall be proposed to the Assembly  
66 by the Administrator with justification as to the benefits to be derived from the loan or transfer. The assembly

67 shall decide whether to approve the loan or transfer, including whether to grant the full amount requested or a  
68 lesser amount, and whether to set any conditions.

69 DB. Any loan granted from the Fund to another Municipal fund requires interest to be charged at a rate to be  
70 determined by the assembly.

71 C. This is a revolving fund, ~~with loan repayments and interest earned on loans deposited in the fund.~~

72 **4.44.040 Repayments and Interest Earnings on the Fund Corpus**

73 A. All loan repayments, including both interest principal repayments, shall be re-deposited into the Fund.

74 B. Investment earnings on the undisbursed corpus of the Fund shall be transferred to the Building  
75 Maintenance Fund.

76 \* \* \*

77  
78 5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after  
79 the date of its passage.

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81 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough  
82 of Sitka, Alaska this 12<sup>th</sup> Day of May, 2015.

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Mim McConnell, Mayor

87 **ATTEST:**

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91 \_\_\_\_\_  
92 Sara Peterson, CMC  
93 Municipal Clerk  
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## Legislation Details

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File #: 15-054      Version: 1      Name:  
Type: Item      Status: AGENDA READY  
File created: 4/20/2015      In control: City and Borough Assembly  
On agenda: 4/23/2015      Final action:  
Title: Award a contract for the Jarvis Bulk Fuel Tank API 653 Cleaning and Inspection to Enterprise Engineering, Inc. - \$79,800

Sponsors:

Indexes:

Code sections:

Attachments: [Jarvis Bulk Fuel Tank](#)

Date	Ver.	Action By	Action	Result
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## **POSSIBLE MOTION**

**I move to** Award a contract for the Jarvis Bulk Fuel Tank API 653 Cleaning and Inspection to Enterprise Engineering, Inc. in the amount of \$79,800.



## Memorandum

April 20, 2015

To: Mark Gorman, Municipal Administrator  
From: Christopher Brewton, Utility Director  
Subject: **Award of Contract – Jarvis Bulk Fuel Tank API 653 Inspection**

### **Request:**

I request Assembly approval authorizing the Municipal Administrator to issue Enterprise Engineering, Inc. a Purchase Order in the amount of \$66,500 for the Cleaning and Inspection of the Jarvis Street Bulk Tank. Authorization of an additional 20% of the contract value (\$13,300) is recommended for contingency. The total cost of award, including contingency, is \$79,800. Please note that the inspection may reveal issues that prevent the bulk tank from being returned to service and require immediate attention. The inspection contract scope does not include tank repairs or replacement, as it is impossible to accurately develop a work scope prior to the inspection. Additional funding may be needed for required repairs.

### **Background:**

On March 24<sup>th</sup>, the Assembly awarded the Jarvis Bulk Fuel Tank API 653 Inspection to Taku Engineering, LLC in the amount of \$60,668, including contingency. The Electric Department has been coordinating the inspection and associated work with Taku Engineering and Schmolck Mechanical. Schmolck will be installing some fuel system improvements while the tank is out of service for the inspection.

Last week, Taku Engineering informed the Electric Department that the cost of the tank inspection must either increase by \$24,000, due to a change in subcontractor, or must be delayed until sometime in August or September. This change in subcontractor would either lead to a total cost of \$84,668, including the initial contingency approved, or a substantial delay in the tank inspection schedule. Further delay of the tank inspection is inadvisable as the inspection is overdue and both the inspection and any necessary repairs should be completed this summer when the risk of a significant transmission line outage is low.

### **Analysis:**

During the initial comparison of tank inspection cost estimates, Enterprise Engineering was more expensive than Taku Engineering. Given the change order requested by Taku Engineering, Enterprise Engineering is now less expensive. Enterprise Engineering also has availability in the May or June timeframe and good references from EPS, an engineering firm that the Electric Department has a long-standing positive working relationship with.

### **Fiscal Note:**

Funding for the work will come from CIP No. 90646 – Jarvis Street Diesel Capacity Increase<sup>1</sup>.

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<sup>1</sup> CIP No. 90647 - Jarvis Tank Inspection was closed and funds transferred to CIP No. 90646 by Assembly action on April 8, 2014.



## Legislation Details

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File #: ORD 15-23    Version: 1    Name:  
Type: Ordinance    Status: POSTPONED  
File created: 4/6/2015    In control: City and Borough Assembly  
On agenda: 4/23/2015    Final action:  
Title: Amending the SGC in Title 15 Public Utilities, under Chapter 15.01 Electric Utility Policies, at Section 15.01.020 Electrical Rates, by increasing Electric Rates to fund approved Electrical Utility Capital Projects including the Blue Lake Hydroelectric Expansion Project and establishing an Energy Assistance Fund and an Electric Vehicle Incentive

Sponsors:

Indexes:

Code sections:

Attachments:

Date	Ver.	Action By	Action	Result
4/14/2015	1	City and Borough Assembly		





## Legislation Details

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File #: ORD 15-17    Version: 1    Name:

Type: Ordinance    Status: FIRST READING

File created: 3/18/2015    In control: City and Borough Assembly

On agenda: 3/24/2015    Final action:

Title: RECONSIDERATION: Amending Subsection 15.01.020 of SGC Electrical Rates by increasing electric rates to fund approved Electrical Utility Capital Projects including the Blue Lake Hydroelectric Expansion Project and establishing an Energy Assistance Fund

Sponsors:

Indexes:

Code sections:

Attachments: [ORD 15-17 Electrical Rates 1st proposal](#)

Date	Ver.	Action By	Action	Result
4/14/2015	1	City and Borough Assembly		
3/24/2015	1	City and Borough Assembly	RECONSIDER	
3/24/2015	1	City and Borough Assembly	POSTPONED INDEFINITELY	Fail

## MOTION TO RECONSIDER

I move to reconsider the motion to approve Ordinance 2015-17 on first reading.

Notes:

- If the motion to reconsider passes: The motion to reconsider is adopted and the motion is reconsidered. The motion on the floor and open for discussion would be: To approve Ordinance 2015-17 on first reading.
- Notice of reconsideration was given by deputy mayor Matthew Hunter on March 24, 2015.
- Requires a second and a majority vote

# Memo

**Via:** Colleen Ingman, Acting Municipal Administrator  
**To:** City and Borough of Sitka Assembly  
**From:** Jay Sweeney, Chief Financial and Administrative Officer  
**Date:** March 17, 2015  
**Re:** Electricity Rate Increase and Alternative for Potential Subsidization

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Mayor McConnell and Assembly Members,

## Current Issue and Background

Staff is recommending an electric rate increase, effective with the commencement of the next electric billing cycle (Cycle 1).

A mild winter with warmer than normal temperatures has caused electricity consumption to be both well behind planned consumption for FY15, and, lower than FY14. As of February 28, 2015, electricity consumption has declined from FY14 by 1,185,600 kWh, a (1.62%) decrease. Electricity sales revenue has also declined from FY14 by (\$17,059). Compared to budget plan for the year, electricity consumption is (2,827,950 kWh) below plan and electricity sales revenue is (\$1,456,315) below plan.

While electricity consumption and sales have decreased, debt service related to the Blue Lake Hydroelectric Expansion project increased this year, as a result of the 4<sup>th</sup> issuance of revenue bonds last November. \$342,372 in additional debt service in FY15 is associated with this bond, which rises to \$816,250 in FY16.

Covenants agreed to by the Municipality in the bond issuance ordinance commit the Municipality to generate cash flow from operations equal to 125% of the annual debt service for revenue bonds. Thus, the additional debt service for the 4<sup>th</sup> bonding equates to a need for additional revenue of 1.25 x \$816,250, or \$1,020,312.50 in additional cash flow.

In preparing the FY15 budget, the Municipality made an assumption that electricity consumption would grow by 2.5%, from 109,133,150 kWh to 112,000,000 kWh. Electricity consumption of 112,000,000 was historically achieved in both FY12 and FY13, thus a return to historical consumption levels was viewed as a realistic assumption. If historical electricity consumption was obtained in FY15, combined with previous rate increases and a modest withdrawal from the Rate Stabilization Fund, the 125% coverage ratio was achievable.

Unfortunately, electricity consumption has not returned to normal levels and, instead, has declined from FY14, thus creating a revenue shortfall which threatens to cause the Municipality to not achieve the required coverage ratio. Current electricity consumption and revenue trends are such that, without a sizeable rate increase, the entire Rate Stabilization Fund of \$2,508,000 will need to be liquidated in order to achieve the required 125% coverage ratio in FY15.

Staff was very explicit in its discussions with the Assembly and the public that a 4<sup>th</sup> electric rate increase, in conjunction with the 4<sup>th</sup> bonding, was not foregone and was simply delayed. The desire was to have a moderate rate increase put in place for July 1, 2015; however, the decline in consumption has made an electric rate increase urgent, compelling a higher than anticipated rate increase and an earlier adoption.

For a historical perspective, electricity consumption, electricity sales, and the average rate per kWh for the last three fiscal years and projected for FY15 are as follows:

<b>Fiscal Year</b>	<b>Electricity Sales Revenue</b>	<b>Electricity Consumption</b>	<b>Average Rate Per kWh</b>
FY12	\$11,272,293	111,718,100 kWh	\$0.1009 / kWh
FY13	\$11,232,485	112,761,750 kWh	\$0.1002 / kWh
FY14	\$13,028,667	109,133,150 kWh	\$0.1194 / kWh
FY15 (Projected)	\$13,000,000	107,362,200 kWh	\$0.1211 / kWh

The companion historical perspective on bonded debt service and coverage ratios is as follows:

<b>Fiscal Year</b>	<b>Bonded Debt Service</b>	<b>Coverage Ratio</b>
FY12	\$3,467,567	1.43 Times
FY13	\$3,449,735	1.69 Times
FY14	\$5,045,158	1.34 Times
FY15 (Projected)*	\$7,733,628	0.90 Times*

\*Note. Data with asterisks in the Table above do not include anticipated withdrawals from the Rate Stabilization Fund. The governing Bond Ordinance for Blue Lake Revenue Bonds allows the Finance Director to make deposits of revenues above those required to make the minimum 125% debt service coverage ratio into a Rate Stabilization Fund. We made deposits to the Rate Stabilization Fund in FY12 and FY13 equal to a total of \$2,508,000. Note that this correlates to the large coverage ratios in those fiscal years in the Table above. It is anticipated, as previously mentioned, that the entire Rate Stabilization Fund will be withdrawn in FY15 to meet the minimum coverage ratio.

**Alternative For Potential Subsidization**

Staff has identified an alternative that could help to ease the rate increases required to meet the minimum coverage ratio in FY16.

The governing bond ordinance allows for funds from an external source to be deposited into the Rate Stabilization Fund. If and when such funds are withdrawn from the Rate Stabilization Fund to help mitigate rate increases, the withdrawal has the effect of being classified as revenue for purposes of calculating the coverage ratio. To wit, the existing \$2,508,000 currently in the Rate Stabilization Fund is being planned for withdrawal this fiscal year (FY15) to help achieve the FY15 coverage ratio, which is always measured annually on June 30.

The alternative Staff has identified is the potential transfer of most, or all, of the remaining funds in the Southeast Alaska Economic Development Loan Fund into the Electric Fund Rate Stabilization Fund **THIS FISCAL YEAR**, so that it is available to be withdrawn from the Rate Stabilization Fund next fiscal year (FY16) and be counted as revenue towards achieving the minimum coverage ratio.

As a second part of this alternative, Staff would embark on a course of action to use the funds from the Economic Development Loan Fund to pay for the capital costs of converting Municipal buildings (especially schools) from oil heat to electric heat. In doing so, outlays leaving Sitka in the form of heating oil purchases would remain in the Municipality, and, overall electric consumption would be increased.

Staff estimates that every \$100,000 so transferred from the Economic Development Loan Fund would have the effect of lessening the required FY16 rate increase by \$0.0093/kwh. If, for example, \$2,500,000 was so transferred, it would have the effect of lessening the required rate increase by \$0.023 per kWh.

It is important to note that the effect of such a transfer from the Economic Development Loan Fund would be a **ONE TIME EFFECT** for FY16 only. A combination of increased electricity consumption and/or subsequent rate increases would still be required to achieve the coverage ratio in subsequent years.

One thing that favors Sitka is that annual debt service will gradually decline over time, not rise. Hence, the denominator in the debt service calculation will decline, making the coverage ratio easier to achieve each year and mitigating future rate increases.

The basic calculation for achieving the 1.25 debt service coverage ratio in subsequent years is as follows:

1. *Annual bonded debt service of \$7,730,000 times 1.25 = \$9,662,500 required cash flow*
2. *Electric Department earnings before interest and depreciation (EBID) plus interest income as a percentage of top-line revenue = 57.11%*
3. *\$9,662,500 require cash flow divided by 57.11 % EBID = sales of \$17,444,000*
4. *\$17,444,000 divided by 112,000,000 kWh = \$0.1556 per kWh*

*But if consumption increases....*

5. *\$17,444,000 divided by 113,120,000 kWh (1% consumption increase) = \$0.1542 per kWh*

### **Summary**

Staff recommends the combination of rate increases plus transfers from the Southeast Alaska Economic Development Fund, in order to generate increased system revenue of \$2,500,000 for FY16, be adopted as soon as possible. A rate increase, plus perhaps an additional transfer from the Economic Development Loan Fund necessary to generate required income necessary to meet the required rate covenant, must also be planned for FY17 in order to stabilize rates.

An ordinance would need to be introduced promptly to change the language in Title 4 of the Sitka General Code governing the Southeast Alaska Economic Development Loan Fund to permit transfer to another fund, as opposed to loaning, as the code now reads.

# **Electric Rates – Additional Information**

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**1 - Sitka Annual Gross Generation**

**2 - Residential Rate Comparison – Statewide**

**3 - Residential Rate Comparison – Regional**

**4 - Electric Rates – Alaska Statewide<sup>1</sup>**

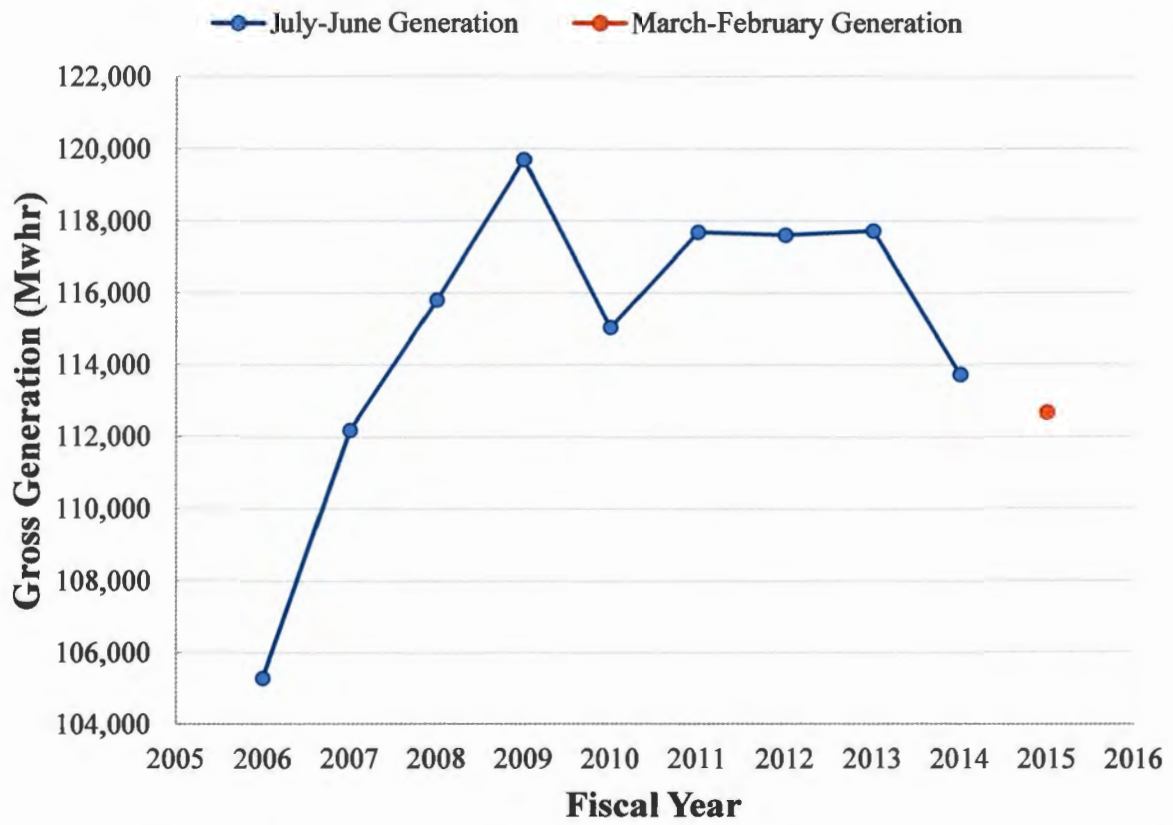
**5 - Electric Rates - Nationwide<sup>2</sup>**

**6 - Sitka Interruptible Electric Rate**

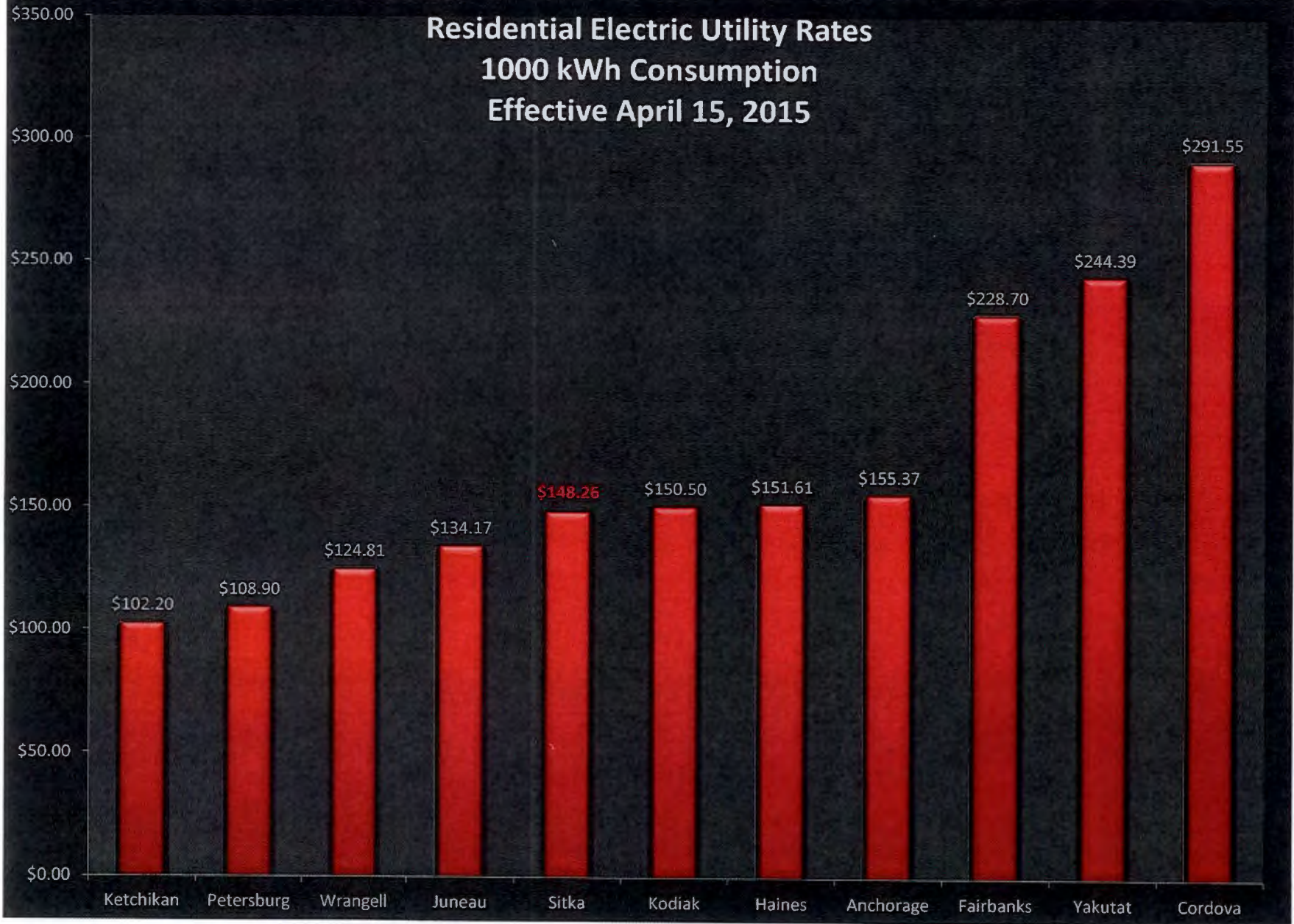
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<sup>1,2</sup> Information is latest data compiled by the Energy Information Administration – CY2013

## Sitka Annual Power Generation

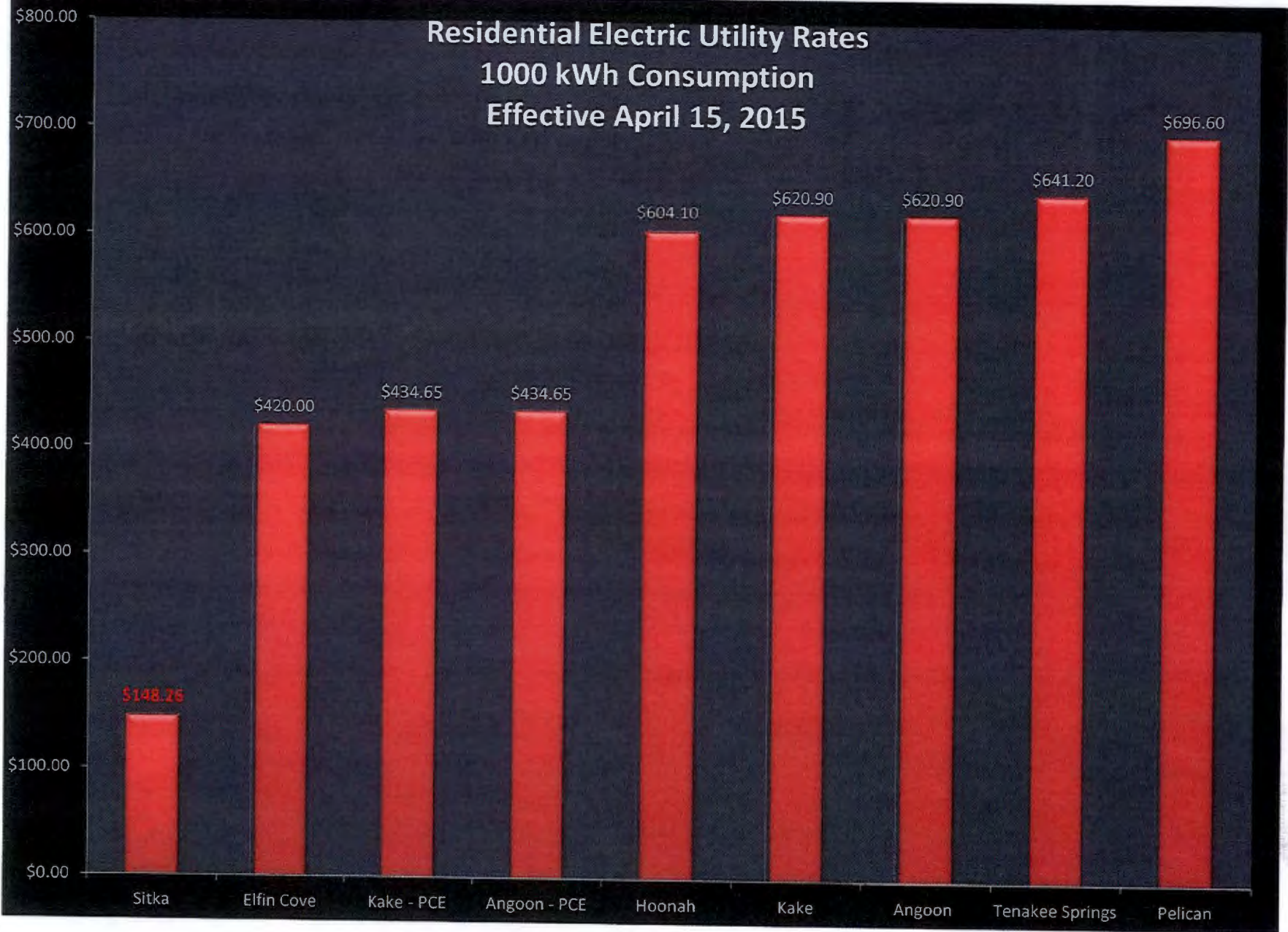


### Residential Electric Utility Rates 1000 kWh Consumption Effective April 15, 2015





### Residential Electric Utility Rates 1000 kWh Consumption Effective April 15, 2015



Average Revenue per kWh, 2013  
(in cents)  
United States and Alaska

	Residential <u>Rev/kWh</u>	Commercial <u>Rev/kWh</u>	Industrial <u>Rev/kWh</u>	Total* <u>Rev/kWh</u>
<b><u>Alaska</u></b>				
Publicly Owned	13.4	11.7	19.3	13.6
Investor-Owned	17.7	19.9	9.7	23.4
Cooperative	18.4	16.4	15.8	17.7
<b>Alaska</b>				
<b><u>Publicly Owned</u></b>				
Anchorage Municipality of	13.2	10.4	-	10.7
Ketchikan City of	10.2	9.7	8.4	9.7
Nome Joint Utility Systems	37.7	35.4	-	36.1
North Slope Borough Power & Light	17.4	31.0	-	28.4
Petersburg City of	9.7	11.4	10.8	10.5
Seward City of	20.4	21.6	17.4	18.8
Sitka City & Borough of	10.7	11.1	11.3	10.9
Unalaska City of	47.5	42.9	39.0	40.8
Wrangell City of	10.6	10.7	-	10.7
<b>Alaska</b>				
<b><u>Investor-Owned</u></b>				
Alaska Electric Light & Pwr Co	12.8	10.5	9.7	11.2
Alaska Power Co	30.7	27.0	-	28.4
Aniak Light & Power Co Inc	NA	NA	NA	73.9
Bethel Utilities Corp	54.9	54.6	-	54.7
Chitina Electric Inc	-	-	66.9	59.7
G & K, Inc	NA	NA	NA	71.7
Gustavus Electric Inc	NA	NA	NA	43.9
Gwitchyaa Zhee Utility Co	NA	NA	NA	62.8
Hughes Power & Light Co	NA	NA	NA	72.0
Kuiggluum Kallugvia	NA	NA	NA	50.5
McGrath Light & Power Co	NA	NA	NA	58.4
Napakiaq Ircinraq Power Co	NA	NA	NA	80.5
Pelican Utility	NA	NA	NA	32.1
Smart Prepaid Electric	NA	NA	NA	73.9
Tanana Power Co Inc	NA	NA	NA	48.9
TDX North Slope Generating Co	-	18.5	-	18.5
<b>Alaska</b>				
<b><u>Cooperative</u></b>				
Akiachak Native Community Electric Co.	NA	NA	NA	69.2

	Residential <u>Rev/kWh</u>	Commercial <u>Rev/kWh</u>	Industrial <u>Rev/kWh</u>	Total* <u>Rev/kWh</u>
Alaska Village Elec Coop, Inc	61.0	53.4	-	56.6
Barrow Utils & Elec Coop, Inc	12.1	10.6	-	10.9
Chugach Electric Assn Inc	14.8	12.2	10.9	13.4
Copper Valley Elec Assn, Inc	28.2	24.4	-	25.2
Cordova Electric Coop, Inc	41.2	32.6	22.9	30.7
Golden Valley Electric Assn Inc	22.9	21.1	17.2	18.9
Homer Electric Assn Inc	21.0	18.3	7.9	16.7
I-N-N Electric Coop, Inc	NA	NA	NA	36.5
Kodiak Electric Assn Inc	17.9	17.4	16.3	16.8
Kotzebue Electric Assn Inc	41.1	38.8	-	39.6
Matanuska Electric Assn Inc	15.1	12.6	-	14.2
Middle Kuskokwim Elec Coop Inc	NA	NA	NA	90.0
Naknek Electric Assn, Inc	NA	NA	NA	52.2
Nelson Lagoon Elec Coop, Inc	NA	NA	NA	73.2
Nushagak Electric Coop, Inc	NA	NA	NA	44.1
Tuntutuliak Comm Services Assn	NA	NA	NA	51.3
Unalakleet Valley Elec Coop	NA	NA	NA	40.9

<b>Alaska</b>	<b>Total</b>
<b><u>Publicly Owned - Small Utilities</u></b>	<b><u>Rev/kWh</u></b>
Akutan City of	31.7
Atka, City of	39.5
Atmautluak Tribal Utilities	62.2
Birch Creek Village Elec Util	60.0
Chefornak City of	40.0
Chignik City of	50.8
EDF Industrial Power Services (NY), LLC	86.3
Elfin Cove City of	69.2
Galena Electric Utility	50.8
Igiugig Electric Company	77.3
Inside Passage Elec Coop, Inc	59.7
Ipnatchiaq Electric Company	120.4
King Cove City of	28.1
Kokhanok Village Council	43.3
Kwig Power Company	61.0
Larsen Bay City of	38.0
Manokotak City of	41.6
Metlakatla Power & Light	10.1
Native Village of Perryville	94.8
Ouzinkie City of	37.2
Pedro Bay Village Council	75.9
Saint Paul City of	55.8
Tatitlek Electric Utility	30.5
TDX Power	85.1
Tenakee Springs City of	60.6
White Mountain City of	62.0
Yakutat Power, Inc	49.5

Source: U.S. Department of Energy, Energy Information Administration, Form EIA-861, 2013 data.

## Full Service Sales vs. Unbundled (retail choice) Sales, 2013

		<u>Residential</u> <u>Rev/kWh</u>	<u>Commercial</u> <u>Rev/kWh</u>	<u>Industrial</u> <u>Rev/kWh</u>	<u>Total</u> <u>Rev/kWh</u>
<b>All U.S. Customers</b>					
	Full Service Sales	12.0	10.1	6.7	10.0
	Unbundled Sales	13.5	11.1	7.5	10.3
	Total: All Customers	12.1	10.3	6.9	10.1
<b><u>By State</u></b>					
California	Full Service Sales	15.3	13.6	10.7	13.8
	Unbundled Sales	20.1	11.7	9.6	11.0
	Total	15.3	13.4	10.5	13.5
Connecticut	Full Service Sales	17.1	14.5	10.1	15.8
	Unbundled Sales	17.7	14.7	13.5	15.4
	Total	17.3	14.7	12.6	15.6
Delaware	Full Service Sales	13.6	12.3	9.9	12.8
	Unbundled Sales	13.1	8.7	7.4	8.3
	Total	13.6	10.1	8.4	11.1
Illinois	Full Service Sales	11.7	9.4	5.8	10.4
	Unbundled Sales	10.0	7.2	5.8	6.8
	Total	11.4	8.0	5.8	8.4
Maine	Full Service Sales	13.8	12.4	10.9	12.8
	Unbundled Sales	14.7	11.5	7.9	11.8
	Total	14.7	11.5	8.0	11.8
Maryland	Full Service Sales	12.8	10.7	8.4	12.2
	Unbundled Sales	13.1	10.3	8.0	10.5
	Total	12.8	10.4	8.1	11.3
Massachusetts	Full Service Sales	14.8	14.1	11.1	14.0
	Unbundled Sales	15.9	13.6	13.1	13.5
	Total	14.9	13.8	12.6	13.8
Michigan	Full Service Sales	14.1	11.3	7.8	11.4
	Unbundled Sales	14.1	7.7	6.5	7.1
	Total	14.1	10.9	7.6	11.0
Montana	Full Service Sales	10.1	9.2	7.0	9.3
	Unbundled Sales	n/a	5.8	3.9	4.0
	Total	10.1	9.1	5.1	8.2
Nevada	Full Service Sales	11.8	8.9	6.7	9.1
	Unbundled Sales		6.8	4.6	5.2
	Total	11.8	8.8	6.5	8.9
New Hampshire	Full Service Sales	16.1	15.0	16.2	15.8
	Unbundled Sales	14.3	11.9	10.8	11.5
	Total	16.1	13.4	11.8	14.2

New Jersey	Full Service Sales	15.9	13.6	8.5	14.9
	Unbundled Sales	15.3	12.4	11.0	12.5
	Total	15.8	12.8	10.5	13.7
New York	Full Service Sales	17.3	16.2	7.7	16.3
	Unbundled Sales	18.8	14.5	6.3	14.0
	Total	17.6	15.1	6.7	15.1
Ohio	Full Service Sales	12.0	10.7	6.4	10.0
	Unbundled Sales	11.3	8.8	6.1	8.3
	Total	11.8	9.5	6.2	9.1
Oregon	Full Service Sales	9.8	8.3	5.6	8.3
	Unbundled Sales	n/a	7.9	5.1	6.1
	Total	9.8	8.4	5.7	8.3
Pennsylvania	Full Service Sales	12.7	11.0	7.6	12.0
	Unbundled Sales	12.8	8.9	7.2	8.8
	Total	12.7	9.4	7.2	9.9
Rhode Island	Full Service Sales	14.4	12.4	11.7	13.6
	Unbundled Sales	14.0	11.4	10.4	11.2
	Total	14.4	11.9	10.7	12.7
Texas *	(see note at bottom)				
Washington	Full Service Sales	8.5	7.7	4.1	7.0
	Unbundled Sales	n/a	4.5	4.2	4.2
	Total	8.5	7.7	4.1	6.9
Washington, DC	Full Service Sales	12.2	12.5		12.3
	Unbundled Sales	12.5	12.0	5.5	11.7
	Total	12.3	12.0	5.5	11.9

**\* Note:** While Texas is a retail choice state, total sales are reported by retail electric providers, who do not differentiate between Full Service and Unbundled Sales.

**City and Borough of Sitka  
Interruptible Power Rates**

Maximum charge is .11

Two month look back on cost

Billing	Cost of #2			Date Rate
Month	2 mnths prior	Multiplier	Kw rate	Changed
Jul-14	3.4618	0.0317	0.1097	
Aug-14	3.4799	0.0317	0.1103	
Sep-14	3.4466	0.0317	0.1093	
Oct-14	3.3915	0.0317	0.1075	
Nov-14	3.4328	0.0317	0.1088	
Dec-14	3.3972	0.0317	0.1077	
Jan-15	3.3352	0.0317	0.1057	1/16/2015
Feb-15	2.8709	0.0317	0.0910	
Mar-15	january	0.0317	#VALUE!	
Apr-15	february	0.0317	#VALUE!	
May-15	march	0.0317	#VALUE!	
Jun-15	april	0.0317	#VALUE!	
Jul-15	may	0.0317	#VALUE!	
Aug-15	june	0.0317	#VALUE!	
Sep-15	july	0.0317	#VALUE!	
Oct-15	august	0.0317	#VALUE!	
Nov-15	september	0.0317	#VALUE!	
Dec-15	october	0.0317	#VALUE!	
Jan-16	november	0.0317	#VALUE!	
Feb-16	december	0.0317	#VALUE!	
Mar-16	january	0.0317	#VALUE!	
Apr-16	february	0.0317	#VALUE!	
May-16	march	0.0317	#VALUE!	
Jun-16	april	0.0317	#VALUE!	
Jul-16	may	0.0317	#VALUE!	
Aug-16	june	0.0317	#VALUE!	
Sep-16	july	0.0317	#VALUE!	
Oct-16	august	0.0317	#VALUE!	
Nov-16	september	0.0317	#VALUE!	

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2015-17

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING SUBSECTION 15.01.020 OF THE SITKA GENERAL CODE ELECTRICAL RATES BY INCREASING ELECTRIC RATES TO FUND APPROVED ELECTRICAL UTILITY CAPITAL PROJECTS INCLUDING THE BLUE LAKE HYDROELECTRIC EXPANSION PROJECT AND ESTABLISHING AN ENERGY ASSISTANCE FUND

1. CLASSIFICATION. This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code ("SGC").

2. SEVERABILITY. If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. PURPOSE. This ordinance will increase the electrical rates for certain consumer classes at SGC 15.01.020 and provide sufficient revenues to meet all fiscal requirements to complete approved capital projects, including the Blue Lake Hydroelectric Expansion Project. The ability to meet financial margins and revenue bond covenants require electric rate increases.

4. ENACTMENT. NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that SGC 15.01.020 is amended as follows (new language underlined; deleted language stricken):

Chapter 15.01
ELECTRIC UTILITY POLICIES

\*\*\*

Section
15.01.020 Electrical rates.

\*\*\*

B. Residential Services. (v3)
2. Energy Charges.

Table with 4 columns: kWh range, rate per kWh, kWh range, rate per kWh. Rows include: First 1,000 kWh's (\$0.0935), Next 1,000 kWh's (\$0.1089), Next 1,000 kWh's (\$0.1144), Over 3,000 kWh's (\$0.1903), and Customer Charge (\$19.50 per month).

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C. General Service – Small (v4)  
2. Energy Charges.

First 500 kWh	\$0.1771 per kWh
501 kWh to 10,000 kWh	<del>\$0.1133</del> <u>\$0.1246</u> per kWh
10,001 kWh to 100,000 kWh	<del>\$0.1133</del> <u>\$0.1218</u> per kWh
Over 100,001 kWh	<del>\$0.1133</del> <u>\$0.1190</u> per kWh
Customer charge is \$39.00 per month	

3. Demand Charges.

First 25 kW	No Charge
Over 25 kW	\$5.60 per kW

D. General Service – Large (v4)  
2. Energy Charges.

First 500 kWh	\$0.1771 per kWh
501 kWh to 10,000 kWh	<del>\$0.1128</del> <u>\$0.1297</u> per kWh
10,001 kWh to 100,000 kWh	<del>\$0.1128</del> <u>\$0.1263</u> per kWh
Over 100,001 kWh	<del>\$0.1128</del> <u>\$0.1241</u> per kWh
Customer charge is \$60.00 per month	

3. Demand Charges.

First 25 kW	No Charge
Over 25 kW	\$5.60 per kW

E. General Service – Public Authority (v3)  
2. Energy Charges.

First 500 kWh	<del>\$0.1771</del> <u>\$0.2037</u> per kWh
501 kWh to 10,000 kWh	<del>\$0.1133</del> <u>\$0.1303</u> per kWh
10,001 kWh to 100,000 kWh	<del>\$0.1133</del> <u>\$0.1303</u> per kWh
Over 100,001 kWh	<del>\$0.1133</del> <u>\$0.1303</u> per kWh
Customer charge is \$45.00 per month	

3. Demand Charges.

First 25 kW	No Charge
Over 25 kW	\$5.60 per kW



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\* \* \*

**M. Energy Assistance Fund. An energy assistance fund is hereby established to provide an opportunity for City and Borough of Sitka electric customers to make a voluntary monthly contribution to a fund that will provide limited financial assistance to customers. The intent of the program is to help provide emergency financial assistance to customers to pay electric utility bills. The program will be administered by the Salvation Army.**

5. **EFFECTIVE DATE.** This ordinance shall become effective on day after the date of its passage.

**PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka, Alaska this 14th day of April, 2015.

\_\_\_\_\_  
Matthew Hunter, Deputy Mayor

**ATTEST:**  
  
\_\_\_\_\_  
Colleen Ingman, MMC  
Municipal Clerk

Clarification: STA Board Member Miyasato recused himself did not vote nor participate.



April 1, 2015

Mayor Mim McConnell  
City & Borough of Sitka  
100 Lincoln Street  
Sitka, AK 99835

Dear Mayor McConnell:

Sitka Tribe of Alaska is opposed to the utility rate increases being proposed by the City & Borough of Sitka. The trend of rates and fees increases imposed this past year is just too much to bear for the citizens of this community who either live on medium or low incomes or are senior citizens who live on fixed incomes. To burden the citizens with another rate increase on top of last year's increases in the utility rates and the increase in moorage rates - for the third year in a row - and other proposed rate increases, is unreasonable.

Especially impacted with this proposed rate increase are our STA Tribal citizens who are lifelong residents of Sitka, but are at the brink of being forced to consider moving out of Sitka because they simply cannot afford to live here. We see this trend already taking place among our Tribal citizens and find ourselves striving to provide the additional support to our citizens in need. We would also go so far as to say that these repeated increases have contributed to a growing homeless population in Sitka.

It appears that with this trend to move costs out of reach of the average citizen, the City & Borough of Sitka is purposely creating a community environment where only the elite can afford to live. That is not representative of the rich history of this community. The City & Borough of Sitka Assembly has had such a focus on serving a select population and large businesses, now is the time to consider how these actions affect the common citizen.

At the regular monthly STA Tribal Council meeting held on March 18, 2015, the STA Tribal Council unanimously approved the STA Tribal Chairman signing this letter in opposition to the proposed utility rate increases. We stand as representatives of our Tribal citizens to say enough is enough.

Sincerely,

Michael Baines  
Tribal Chairman

cc: STA Tribal Council  
CBS Assembly

RECEIVED  
APR - 6 2015

City & Borough of Sitka



## Legislation Details

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File #: 15-061      Version: 1      Name:  
Type: Item      Status: AGENDA READY  
File created: 4/23/2015      In control: City and Borough Assembly  
On agenda: 4/23/2015      Final action:  
Title: Work Session Agenda - Balancing Suggestions - Community Ride 10 Min  
Sponsors:  
Indexes:  
Code sections:  
Attachments: [Worksession Agenda - balancing suggestions](#)

Date	Ver.	Action By	Action	Result
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**CITY AND BOROUGH OF SITKA  
1<sup>ST</sup> FY2016 BUDGET WORK SESSION  
APRIL 23, 2015**

**AGENDA**

1. Deputy Mayor Hunter opens the work session and reviews the agenda. Deputy Mayor Hunter reminds all that it is an Assembly work session and public comments and testimony won't be taken, unless solicited by the Assembly during or after the meeting.
2. Mark Gorman and Jay Sweeney provide brief introduction to agenda and procedures for recording and tracking identified discrepancies, recommended changes, and open items. Jay Sweeney and Janet review how recommended changes and corrected discrepancies are disseminated to the Assembly.
3. Representatives from The Ride are afforded 15 minutes to make a request for increased funding.
4. \$1 million budget deficit is reviewed and strategic discussion held regarding possible new revenue streams, service cuts, or use of reserves necessary to cover the deficit.
5. Mark Gorman and Jay Sweeney review key assumptions, resource allocation decisions and challenges in FY16 General Fund budget, as follows:
  - Scope of general governmental services provided
  - Tax revenues
  - State and Federal support
  - Other revenue
  - Personnel-related expenditures
    - Position description changes and FTE Count
    - Collectively bargained wage increases
    - Non-represented employee wage increases
  - Operating expenditures
  - General Fund Capital improvement Program
  - Unfunded general governmental capital expenditures
6. Funding to be provided to the Sitka School District is reviewed. Jay Sweeney reviews Alaska State Law regarding school district funding and budget approval.
7. Adjourn

**City and Borough of Sitka  
Budget Balancing Suggestions**

**Possible Increased Revenue Streams - \$1,000,000 achieved through increased tax collections**

Increase taxable transaction limit from \$1,500 to \$3,000. Estimate: \$400,000.

Increase senior citizens tax exemption with annual rebate. Estimate: \$478,000.

Reinstate long term rental sales tax. Estimate: \$657,671.

Sales tax on non-profit organization activities such as dances, concerts, dinners and other such entertainment. Estimate: \$100,000

Double tobacco tax. Estimate \$250,000 - \$300,000 (Note Charter requires that these funds go to the Sitka Community Hospital)

Vehicle Registration Fee. Estimate: \$400,000

Annualize sales tax at 6%. Estimate: - \$672,000.

Increase the millage rate (effective FY2017): Estimate: \$1,064,000/mill

**Possible Expenditure reductions. \$1,000,000 achieved through expenditure cuts**

Reduction of Library operating hours to coincide with Municipal Solutions recommended nationwide average. Estimated savings: \$25,000

Elimination of snow plowing and road treatment outside of Monday – Friday, 8 to 5 pm. Estimated savings - \$30,000

Reduction of size and content of newspaper advertising. Estimated savings: \$20,000

Reduction of employee benefits. Estimated savings - \$25,000

Eliminate in-house animal control and traffic enforcement positions. Replace with contracted services. Estimate: - \$100,000

Do not refill Governmental Relations/Public Affairs position. Contract out significant aspects. Estimate: savings \$55,000.

Non-profit support. Estimate savings - \$0 to \$375,000.

General non-profit grants: \$100,000

Sitka Historical Society - \$120,000

SAFV - \$50,000

The RIDE - \$25,000

Catholic Community Services (Senior Center) - \$80,000