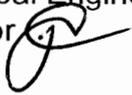

MEMORANDUM

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

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

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

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 2012-14 on
First and Final Reading.

Sponsor: Administrator

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2012-14

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 CLEAN WATER FUND FOR HOLLYWOOD WAY AND NEW ARCHANGEL STREET SEWER 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 Clean Fund; and

WHEREAS, the Municipality wishes to apply for a loan from the Alaska Clean Water Fund for Hollywood Way and New Archangel Street Sewer 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 Clean Water Fund for construction of the wastewater project named above. 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

**ALASKA CLEAN WATER FUND
Point Source Funding Priority List**

Fiscal Year 2013

Rank	Score	Community Name/System Owner	Project Title	Requested Project Amount	Available Assistance Amount ³	Interest Rate	Term (Years)	Disadvantage Community	Subsidy ⁴		Green Reserve ⁵		Estimated Binding Commitment	Sustainability Policy ⁸
									Subsidy for Disadvantage Community ³	Subsidy for Green Project	Project Type ⁶	Green Credit Amount ⁷		
1	615	Bristol Bay Borough	Sewage Line Relocation of the Beach	\$2,670,000	\$2,670,000	1.50%	20	Yes	\$75,000				7/15/2012	Fix it First
2	615	Dillingham	Wastewater Treatment Plant Upgrades	\$2,000,000	\$2,000,000	1.50%	20	Yes	\$75,000	\$15,000	ENG-BC	\$2,000,000	7/15/2012	Fix it First
3	615	Dillingham	Wastewater Collection System Upgrades ¹	\$2,000,000	\$2,000,000	1.50%	20	Yes			ENG-BC	\$2,000,000	8/1/2012	Fix it First
4	605	Unalaska	Wastewater Treatment Plant Upgrade	\$8,566,600	\$8,566,600	1.50%	20	Yes	\$75,000				7/15/2012	Improve TFM
5	550	Anchorage	Girdwood Wastewater Treatment Facility - Ph II	\$3,000,000	\$3,000,000	1.50%	20	No					9/26/2012	Fix it First
6	535	Anchorage	Asplund Disinfection Study & Upgrade	\$2,000,000	\$2,000,000	1.50%	20	No					9/26/2012	Fix it First
7	530	Anchorage	West 71st Avenue Sewer Rehab	\$800,000	\$800,000	1.50%	20	No					6/3/2013	Fix it First
8	530	Valdez	Valdez WWTP Outfall Line	\$1,230,675	\$1,230,675	1.50%	20	No					8/1/2012	Fix it First
9	525	Juneau	CBJ Lawson Ck. Lift Sta. Reconstruct-Const. Phase	\$675,000	\$675,000	1.50%	20	No					8/1/2012	Fix it First
10	500	Sitka	Hollywood Way & New Archangel St Sewer	\$500,000	\$500,000	1.50%	20	Yes	\$45,000	\$7,500	ENG-BC	\$50,000	12/20/2012	Fix it First
11	500	King Cove	Downtown Wastewater System Upgrade	\$100,000	\$100,000	1.50%	20	Yes	\$9,000				7/15/2012	Fix it First
12	495	North Pole	Utility Emergency Response Generators	\$302,500	\$302,500	1.50%	20	Yes	\$27,225	\$4,538	ENG-BC	\$302,500	11/1/2012	Improve TFM
13	490	Seward	Lowell Point and SMIC Lagoons Sludge Removal	\$490,000	\$490,000	1.50%	20	Yes	\$44,100	\$7,350	ENG-BC	\$490,000	8/1/2012	Improve TFM
14	455	Petersburg	Pumpstation 1 Force Main	\$270,000	\$270,000	1.50%	20	Yes	\$13,699				7/16/2012	Improve TFM
15	410	Anchorage	Anchorage Landfill Leachate Control Vault Upgrades ²	\$1,700,000	\$1,599,108	1.50%	20	No					10/31/2012	Improve TFM

Total Requested Amount: **\$26,304,775**

Subsidized Amounts: **\$364,024** **\$34,388**

Total Available Amount: **\$26,203,883**

Total Subsidized Amount³: **\$398,412**

Total Green: **\$4,842,500**

¹ Subsidy funding for the Dillingham - Wastewater Collection System Upgrades project was not provided due to the Dillingham - Wastewater Treatment Plant Upgrades receiving maximum allowed subsidy for both Disadvantage Community and Green project. Also, only partial subsidy funding was available for the Petersburg - Pumpstation 1 Force Main project and the Department may increase subsidy funding if funds become available.

² Full funding of the Anchorage - Landfill Leachate Control Vault Upgrades project for \$1,700,000 will be dependent upon remaining available loan funds. The Department will negotiate with Anchorage to provide additional funds as they become available later in the year.

³ Total available loan and subsidy funding amounts of \$32,754,854 and \$469,287, respectively are split on a ratio of 80/20 between Point Source Priority List (\$26,203,883 & \$375,430 of subsidy) and Non-Point Source Priority List (\$6,550,971 & \$93,857 of subsidy) projects. Note - an added amount of subsidy for Point Source Priority Listed projects resulted from an insufficient amount of listed disadvantaged Non-Point Source Priority Listed projects.

⁴ Criteria for being eligible for a loan subsidy may be referenced on page 9 under the narrative section of the IUP.

⁵ Funding for Green projects is based on meeting a minimal required amount of \$844,400 under the State's capitalization grant for the program.

⁶ Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative. Green Project Justification Type: BC - Business Case / CAT - Categorical.

⁷ Prior to funding any project shown to have a funding subsidy for Green, a Business Case for project Green eligibility must be found justified.

⁸ Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "Improve TFM" - improve technical, financial and managerial capacity of the system; and, "Planning" - planning and development of alternative projects that reflect the full life cycle cost of infrastructure.

**ALASKA DRINKING WATER FUND
Point Source Funding Priority List**

Fiscal Year 2013

Rank	Score	Community Name/System Owner	Project Title	Requested Project Amount	Available Assistance Amount ²	Interest Rate	Term (Years)	Disadvantage Community	Subsidy ³		Green Reserve ⁴		Estimated Start Date	Sustainability Policy ⁷
									Subsidy for Disadvantage Community ²	Subsidy for Green Project	Project Type ⁵	Green Credit Amount ⁶		
1	146	College Utilities	Sherwood Forest Water Main Extension Phase II	\$1,540,000	\$1,540,000	1.50%	20	Yes	\$500,000				5/1/2013	Fix it First
2	126	Sitka	Hollywood Way Water Main Replacement	\$250,000	\$250,000	1.50%	20	Yes	\$87,500	\$1,500	WTR-BC	\$25,000	5/30/2013	Fix it First
3	126	Sitka	Baranof Street Water Main Replacement	\$685,000	\$685,000	1.50%	20	Yes	\$239,750	\$4,110	WTR-BC	\$68,500	7/16/2012	Fix it First
4	126	Haines	Piedad Springs Water Source Upgrades	\$338,760	\$338,760	1.50%	20	Yes	\$118,566	\$12,226	ENG-BC	\$203,760	8/1/2012	Fix it First
5	126	Haines	AC Replacement Muncaster	\$787,500	\$787,500	1.50%	20	Yes	\$275,625	\$47,250	WTR-BC	\$787,500	7/1/2012	Fix it First
6	126	Anchorage	41st Cope Northstar Water Upgrade	\$1,699,402	\$1,699,402	1.50%	20	No					8/1/2012	Fix it First
7	125	Bethel	Institutional Corridor ¹	\$ 14,417,880	\$ 4,811,842	1.50%	20	Yes	\$500,000	\$8,473	ENG-BC	\$3,200,000	6/1/2015	Fix it First

Total Requested Amount: **\$ 19,718,542**

Subsidized Amounts: **\$1,721,441** **\$73,559**

Total Available Amount: **\$ 10,112,504**

Total Subsidized Amount³: **\$1,795,000**

Total Green: **\$ 4,284,760**

¹ Full project funding and Green subsidy funding of the Bethel - Institutional Corridor project will be dependent upon remaining available loan funds. The Department will negotiate with Bethel to provide additional funds as they become available later in the year.

² Determination of total available funding for projects may be referenced on page 5 of the IUP narrative section.

³ Total available loan subsidy allowed under this IUP is \$1,795,000.

⁴ Criteria for being eligible for a loan subsidy may be referenced on page 9 under the narrative section of the IUP.

⁵ Projects which demonstrate adequate criteria for meeting a Green project component will be eligible to receive additional subsidy as shown.

⁶ Green Project Reserve Category Type: GIF - Green Infrastructure, WTR - Water Efficiency, ENG - Energy Efficiency & EIN - Environmentally Innovative. Green Project Justification Type: BC - Business Case / CAT - Categorical.

⁷ Prior to funding any project shown to have a funding subsidy for Green, a Business Case for project Green eligibility must be found justified.

⁸ Sustainability Policy - "Fix it First" - fix existing critical infrastructure; "Improve TFM" - improve technical, financial and managerial capacity of the system; and, "Planning" - planning and development of alternative projects that reflect the full life cycle cost of infrastructure.