



CITY AND BOROUGH OF SITKA

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

Minutes - Draft

City and Borough Assembly

Mayor Gary Paxton
Deputy Mayor Steven Eisenbeisz,
Vice Deputy Mayor Valorie Nelson,
Aaron Bean, Kevin Knox, Dr. Richard Wein, Kevin Mosher

Municipal Administrator: Keith Brady
Municipal Attorney: Brian Hanson
Municipal Clerk: Sara Peterson

Tuesday, April 30, 2019

6:00 PM

Assembly Chambers

SPECIAL MEETING

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

Present: 7 - Eisenbeisz, Knox, Bean, Wein, Paxton, Mosher, and Nelson

IV. PERSONS TO BE HEARD:

None.

V. NEW BUSINESS:

A 19-091 Discussion / Direction / Decision on bulk water and NSRAA contract negotiations

Municipal Administrator Keith Brady noted direction was needed for two issues: 1) bulk water options of not to pursue bulk water, move forward with one of the two plans to be presented which varies on levels of risk, or form a public/private partnership; and 2) the NSRAA contract that contained three areas of dispute. Paul Carson from Currents Consulting came forward with an overview of the study that was conducted and reports from 2018. He stated a study was commissioned to the physical arrangement, capability, safety, and condition of the industrial water systems at Blue Lake combined with bulk water and the equipment that exists there by McMillen Jacobs Associates, the construction management firm for the expansion. He commented on the structure of the bulk water system and findings that there were two butterfly valves and 36" pipeline that were unsafe and the conditions inadequate or unknown. He relayed the upgrade and repair options for replacement of the valve and pipeline that could be accomplished by either draining the tunnel and shutdown of the penstock or by all new construction at a cost of \$1.6 or \$1.8 million respectively. He noted there was a third option that was risky and not advised because the penstock would be pressurized and

the valve was not considered adequate for a primary shutoff.

Carson answered that there was testing done on the valves previously, which at the time were operating at less pressure than they were now due to lake levels. Mosher wondered if there was another option without having the secondary water supply in place prior to replacement. Brady noted the risk involved and boiled water notice. Members wondered cost of previous work done and why replacement was not considered at the time of the expansion. Carson stated that during the expansion, the bulk water system was not in the scope of work or in the construction, however in 2015 there was a change order to carry out construction for bulk water. Knox wondered if placement of an additional valve could be possible.

Mosher stated he would like to have both NSRAA and bulk water functioning and inquired of water from Indian River. Carson noted the high cost in 2014 of approximately \$4 million for the use of the Indian River Temporary Filtration Plant and that electricity could be used from Green Lake with diesel fuel to supplement. Public Works Director Michael Harmon commented that a boiled water notice would need to be in place if water was used from Indian River. Carson stated it would take approximately a week to drain the tunnel and refill it with another week or 10 days of work to set the second valve.

Garry White Executive Director of SEDA and Gary Paxton Industrial Park Board Director (GPIP) was tasked by the assembly/city to market bulk water. He was looking for direction from the assembly with regards to bulk water and told of various scenarios he had explored with multiple groups interested in bulk water.

Eisenbeisz was not in support of spending without a guarantee return and noted the volatility of bulk water. Mayor Paxton reminded the purpose of the meeting was to give direction to staff. Bean thought to offer water credits in exchange for infrastructure to interested parties. Wein agreed to explore other options because there wasn't a rush to make a decision. Mayor Paxton was in support for White to continue exploring water purchase options. Bean offered a suggestion to consider that this be funded through the bond proceeds from the expansion. Although Eisenbeisz had concerns with obtaining water from Indian River, Bean did not.

Brady opened the discussion on the CBS and NSRAA agreement by asking for direction on the disputed items between the two parties of where the water would be pulled from and what party would be responsible for paying for the electricity if the water was pulled from the after bay. Scott Wagner Operations Manager for NSRAA came forward to explain the facility was built on a certain design condition with a pressurized water supply which gave more time to respond to emergencies rather than being on a pump supply and would prefer to be on the pressurized supply. He stated in order to not run risk to their facility, they would prefer to pull off of the penstock. He also stated the GPIP Board passed the original draft agreement at a zero cost for water for NSRAA. Brady told of another possible solution of providing a tank, with pressure, and water that would supply NSRAA and the GPIP. Utility Director Bryan Bertacchi mentioned that there had been engineering studies done with regards to bulk water and that it was complicated with so many users of the system. He stated that water off the penstock was valuable and that there were many scenarios/situations of when NSRAA would need to be off the penstock. He had concerns with cost and possible drought. He advocated for NSRAA obtaining water from the after bay. Bean was not in favor of NSRAA taking water from the penstock for concern to the electric rate.

Wagner told of the concerns with taking water from the after bay and of a sinking fund option to protect rate payers if they pulled from the penstock. Bean stated he would like to edit the water delivery agreement. Wein felt the contract needed to be more robust with the addition of cost benefit and risk. Eisenbeisz noted the conflicts in the agreement.

Wein stated he would like to know the costs associated and what the benefit to the city was. He did not agree with how the agreement came to the assembly and felt there were major issues in which the agreement needed to be sent back to staff. Nelson was not in favor of editing at the table. Bean would like to give direction, noting the agreement was not a final document and by editing it, it allowed for input.

Public Comment: GPIIP Director Garry White came forward and stated the GPIIP board met and he relayed that part of the water should be used for economic development. He added that there was a current customer for bulk water and they were only interested in water from the penstock.

A motion was made by Bean to edit on the record the water delivery agreement between CBS and NSRAA. The motion FAILED by the following vote.

Yes: 2 - Knox, and Bean

No: 5 - Eisenbeisz, Wein, Paxton, Mosher, and Nelson

Mayor Paxton thought this agreement should be brought back at a later date. Knox felt like there was an impasse between the CBS and NSRAA and that more direction to staff was needed. Brady noted that suggestions had been made, but that direction was needed. Wein agreed that discussion could be gone over with the agreement one-by-one. Eisenbeisz explained that the motion was to support the CBS's position on this issue. Brady clarified that A and B would not remain in the contract.

A motion was made by Eisenbeisz on number 2 that CBS shall maintain the wording, "Have the right to determine which method or water line is used to deliver raw water to Gary Paxton Industrial Park (GPIIP)"

Yes: 7 - Eisenbeisz, Knox, Bean, Wein, Paxton, Mosher, and Nelson

Bean brought up number 13 as a disputed item of the metered cost to which entity: NSRAA, GPIIP, CBS, or electric customers. Utility Director Bryan Bertacchi explained that pumping costs was dependent on the system that would be put in. He estimated the cost to be approximately \$120,000 yearly. Nelson wondered if there were other options not thought of yet, and gave the example of adding it to the alternate water contract or creating a capital project. She also wondered what NSRAA thought of the cost. Wagner noted they were a nonprofit and told of the value that was brought to Sitka.

A motion was made by Eisenbeisz to ensure that the metered cost of pumping shall be charged to NSRAA. The motion PASSED by the following vote.

Yes: 5 - Eisenbeisz, Knox, Bean, Wein, and Paxton

No: 2 - Mosher, and Nelson

Mosher agreed with Wein with that value was needed, noting it difficult to make an informed decision without it. Bertacchi explained that he had most of the values in a memo from two months ago.

A motion was made by Wein that all the items in the water delivery agreement

that can be assigned a cost be assigned a value within a reasonable frame and be returned to the Assembly. The motion **PASSED** by the following vote.

Yes: 7 - Eisenbeisz, Knox, Bean, Wein, Paxton, Mosher, and Nelson

Bean recalled that the assembly was informed of a completion date in 6 to 9 months from a prior meeting. Wagner stated he could not speak for his supervisor or the board, but there would be an evaluation with regards to costs to make sure it penciled out. Mosher stated he was not in support. Eisenbeisz offered he would like better ideas but that direction was needed for staff. Bertacchi reminded that decisions should be most efficient and best for the community. Knox explained that the agreement was not a final document, but direction was being provided. Wein agreed that it was not written in stone. Bean told he would not be in support if he thought it would cause problems for NSRAA and costs should not be passed on to the rate payers. Nelson was not in support because it was noted in item 2 under CBS shall have the right to determine which method of water line was used to deliver water to GPIIP.

A motion was made by Eisenbeisz to accept under NSRAA shall #8 to accept as written. (#8 states, "Use the after-bay as primary system and penstock as the secondary system (to be completed by 2021)). The motion PASSED by the following vote.

Yes: 4 - Eisenbeisz, Knox, Bean, and Wein

No: 3 - Paxton, Mosher, and Nelson

Bean mentioned that he would like a timeframe on the document. Wagner commented that there was a lease timeframe and thought to have it coincide with the lease. Bean stated the lease was for 10 more years. Brady would bring back with a date in a more formal document.

A motion was made by Eisenbeisz to include an end date to the agreement to coincide with the end date of the lease with NSRAA. The motion PASSED by the following vote.

Yes: 7 - Eisenbeisz, Knox, Bean, Wein, Paxton, Mosher, and Nelson

VI. PERSONS TO BE HEARD:

Garry White, SEDA Executive Director stated he didn't have the most recent agreement and felt lost during some of what was taking place. He noted the Gary Paxton Industrial Park Board of Directors had several meetings regarding this topic and would like to have the document the assembly was going off of available for the public.

VII. ADJOURNMENT

A motion was made by Nelson to ADJOURN. Hearing no objections, the meeting ADJOURNED at 8:16 p.m.

ATTEST: _____
Melissa Henshaw, CMC
Deputy Clerk