

POSSIBLE MOTION

I MOVE TO approve Resolution 2019-22 on first
and final reading.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly
Members David Miller, Interim
Municipal Administrator

From: Stan Eliason, Harbormaster

Date: July 23rd, 2019

Subject: ADOT&PF Municipal Harbor Facility Tier II Grant Applications:
Eliason Harbor Electrical Replacement
Thomsen Harbor Corrosion Protection

Background

Eliason Harbor, once referred to as New Thomsen Harbor, was designed by the State of Alaska, Department of Transportation and Public Facilities (ADOT&PF) and constructed in two phases. Phase I construction began in 1996 and Phase II construction was completed in 1999.

Eliason Harbor was evaluated as a part of the Harbor System Master Plan in late 2011. While the overall harbor facility was deemed in good condition with a remaining safe and useable life of approximately 20 years, the consultants noted that the electrical system required substantial rehabilitation within the next five years. Significant issues within the Eliason electrical system include feeder cable abrasion/failure and rusting panels and load centers to the point of structural failure. In addition, new electrical code requirements mandate ground fault protection be provided when any significant work is done to the system.

Thomsen Harbor was originally designed by the Alaska Department of Transportation and Public Facilities in 1976 and deeded to the City and Borough of Sitka in 2004. The harbor was reconfigured and replaced entirely in 2006. The project was partially funded by the State of Alaska Municipal Harbor Matching Grant Program, as a Tier I project. Sacrificial anodes were not installed on moorage float and access dock pilings as part of that project, leaving that infrastructure vulnerable to corrosion.

Analysis

The Alaska Legislature established the State of Alaska Municipal Harbor Facility 50/50 Grant Program in 2006 to provide financial assistance up to \$5,000,000 per project for municipally-owned harbor facilities. The grant program is funded on an annual basis at the discretion of the

Governor and Legislature. Applications for the grant program are competitively scored based on 10 weighted criteria.

The 50/50 Grant Program is comprised of two Tiers: Tier I applications are for repair/replacement of formerly State-owned facilities and Tier II applications are for expansion, new construction, or repair/replacement of facilities whether formerly State-owned or not. Since Eliason Harbor was never State-owned, the Eliason Harbor Electrical Replacement project would fall under a Tier II grant application. Each harbor facility is only eligible for one Tier I grant. Since the 2006 Thomsen Harbor project was funded with a Tier I grant, the Corrosion Protection application would be for a Tier II grant.

Harbor, Electric, and Public Works Staff have worked to develop a scope of work for Eliason Harbor that includes the replacement of the components of the harbor electrical system which are in the worst condition: main service equipment, main distribution panelboard and load centers on the floats, and the main cables between these components. Also included are new pedestals and light poles. The cables that feed the pedestals and lights are being reused. The total estimated cost of this scope is approximately \$4.1 million to include construction, design, permitting, management and contingencies. Per the Harbor Master Plan, the expected service life of the electric components of Eliason Harbor is 20 years, which means that without replacements we can expect components to begin to fail.

The Thomsen Harbor scope of work is to install sacrificial anodes on all moorage float and access dock piles. Without installing these anodes, it is unlikely that we will be able to achieve the 40-year life expectancy for this harbor. The seaplane base pilings were not provided with anodes, and they failed prematurely. The total estimated cost of this scope is approximately \$438,250 to include construction, design, permitting, management and contingencies.

For each of these projects, any State grant would cover 50% of construction costs, not to exceed \$5,000,000

Securing Tier II grant funding for these projects would allow the City and Borough to complete the required work with State of Alaska cost-sharing, thereby reducing the burden on the local rate payers. Both of these projects will need to be done, regardless of whether we receive grant funding or not.

Fiscal Note

The Eliason Harbor Electrical Replacement project is a scheduled improvement contained within the Sitka Harbor Master Plan (2012). This project is included in the capital improvement plan, though delays in implementing the project as well as a more in-depth understanding of the scope of work, have increased the projected cost. The installation of sacrificial anodes at Thomsen Harbor, while not included in the capital improvement plan, is of relatively low cost and is an investment that will maximize the life of the harbor. Obtaining matching grant funding for both projects minimizes the burden that harbor users will have to bear to undertake these critical projects. The local matching funding of this project will come from working capital that the fund has generated.

In order to maintain the financial health of the fund and to ensure future access to debt for significant renovations of the harbor system in the future, implementation of multi-year moorage rate increase is necessary. Based on the current fiscal model, future rate increases that have been discussed over the last few years will not see significant change based on these projects

and funding them through the State's matching grant program. As has been discussed with the Assembly several times previously and consistently stated in the financial analyses which accompany interim financial statements for the Harbor Fund, consistent annual rate increases above the rate of inflation are required to generate enough working capital to be able to finance all future planned key infrastructure renovation or replacement.

The concept of consistent annual rate increases above the rate of inflation has been deemed politically unsustainable, however. Accordingly, the current fiscal model is not a good reference source for the effect on future moorage increases that this request entails.

The political issue of what annual moorage rate increases, if any, must be resolved before a comprehensive revision of the Harbor master plan and accompanying financial model can be accomplished. The current Harbor master plan can't be accomplished without sustained annual moorage rate increases which are politically untenable, thus the plan must be revised to accommodate future moorage increases which are politically supportable. The political climate surrounding moorage rate increases must be taken into consideration when determining whether or not this grant application should be approved and submitted,

Recommendation

Approve Resolution 2019-22 and authorize the Administrator to submit ADOT&PF Municipal Harbor Facility Tier II Grant Applications for the Eliason Harbor Electrical Replacement and Thomsen Harbor Corrosion Protection projects, and execute the grants if received.

CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2019-22

A RESOLUTION OF THE CITY AND BOROUGH OF SITKA APPROVING SUBMITTAL AND EXECUTION OF MUNICIPAL HARBOR FACILITY GRANT APPLICATIONS TO THE STATE OF ALASKA, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOT&PF) IN THE AMOUNTS OF \$1,500,000 FOR THE PROJECT ENTITLED ELIASON HARBOR ELECTRICAL REPLACEMENT, AND \$219,125 FOR THE PROJECT ENTITLED THOMSEN HARBOR CORROSION PROTECTION

WHEREAS, the State of Alaska, Department of Transportation and Public Facilities administers the Municipal Harbor Facility Grant program; and

WHEREAS, the City and Borough of Sitka owns and maintains Eliason and Thomsen Harbors and said harbors are eligible for Municipal Harbor Facility Grants which, if awarded, will pay 50 percent of the eligible construction costs (\$5 million limit) of these projects; and

WHEREAS, the City and Borough of Sitka will provide the required 50 percent in local matching funds for construction of the projects per the Municipal Harbor Facility Grant program; and

WHEREAS, the City and borough of Sitka is capable of completing the projects within eighteen (18) months after award of any Municipal Harbor Facility Grant; and

WHEREAS, Eliason and Thomsen Harbors are critical to the City and Borough of Sitka.

NOW, THEREFORE, BE IT RESOLVED that the Assembly of the City and Borough of Sitka that the City and Borough of Sitka supports the projects entitled Eliason Harbor Electrical Replacement and Thomsen Harbor Corrosion Protection, and agrees, subject to available Alaska Legislative funding and selection by DOT&PF, to enter into grant agreement with the State of Alaska, Department of Transportation and Public Facilities for Municipal harbor Facility Grants.

BE IT FURTHER RESOLVED by the Assembly that the Administrator is authorized to apply for the grants and to execute the grants if received.

PASSED, APPROVED AND ADOPTED by the Assembly of the City and Borough of Sitka this 23rd day of July, 2019.

Gary L. Paxton, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st and final reading 7/23/19

Sponsor: Administrator