



City of Homer

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Memorandum 21-052

Through: Robert Dumouchel, City Manager
FROM: Janette Keiser, PE, Director of Public Works
DATE: March 16, 2021
SUBJECT: “Principal Forgiveness” Grant from ADEC for water main extensions

Issue: We have been notified by the ADEC that three of our water main Special Assessment Districts qualify for “principal forgiveness”, for a total of \$500,000, from a Federal Capitalization Grant program. We need to tell the ADEC how we want to distribute the money no later than March 23. The purpose of this memorandum is to make a recommendation about this.

Background:

We are working on multiple Special Assessment Districts to extend water and sewer mains to neighborhoods, which have requested them. The City typically finances such work through the AK Dept. of Environmental Conservation (ADEC), which administers loan funds from the Environmental Protection Agency. In this competitive process, we submit a questionnaire, which the ADEC ranks using pre-established criteria. The ADEC uses this ranking to develop a prioritized list of eligible projects, for which the ADEC recommends loan funding. Thus, getting “in line” for this funding starts with the initial questionnaire.

We submitted questionnaires for the following Special Assessment Districts;

- Tasmania Court Water District including the Betterment – Fully Formed
- Tasmania Court Sewer District – Held Neighborhood Meeting – no objections
- Alder Lane Water District – Fully Formed
- Charles/Bunnell Street Water District – Initiating petition still being collected.
- Charles/Bunnell Street Sewer District – Initiating petition still being collected.

The ADEC notified us today that not only will our projects be listed as potential loan recipients, the water main extension projects are eligible for something called “Principal Forgiveness”, as part of the Federal Capitalization Grant program, up to \$500,000. We are being offered a grant of \$500,000, for water projects!

There are some strings attached to this money:

1. It can only be spent on water main extension projects.

2. Each project may receive a maximum of 50% of the anticipated water infrastructure costs in loan forgiveness.
3. The money may only be directed to projects, currently in the ADEC loan program queue.

The question now is this: How do we want to distribute these funds? There is no prescribed formula – we can spread the money between the various water projects as we see fit. We recommend the grant be applied to each project in proportion to the project’s share of the overall program costs. For example, costs for the Tasmania Water District, \$277,090, not including the 12-inch Betterment, comprise 24.6% of the total program costs of \$1,128,019. We recommend applying 24.6% of the \$500,000 grant to the Tasmania Water District. A chart illustrating the impact of the recommended distribution is shown below.

The ADEC asked that we declare our intended distribution with 7-10 days, from today. They would probably be willing to wait until March 23, so we would have an opportunity to address this at the March 22 Council meeting.

Recommendation:

We recommend asking the ADEC to distribute the \$500,000 as follows:

• Tasmania Court Water District	24.6%	\$122,822
• Tasmania Court Water District Betterment	7.9%	\$ 39,259
• Alder Lane Water District	22.4%	\$112,229
• Charles/Bunnell Water District	<u>45.1%</u>	<u>\$225,690</u>
	100 %	\$500,000

The chart below illustrates the impact of this:

Project	Cost of Project	% Share of Total Project Costs	Share of Grant \$	Remaining Project Costs	City Share - 25%	Property Owner Share - 75%
Tasmania Water	\$ 277,090.00	24.6%	\$ 122,821.51	\$ 154,268.49	\$ 38,567.12	\$ 115,701.37
Tasmania Water Betterment	\$ 88,569.00	7.9%	\$ 39,258.65	\$ 49,310.35	\$ 88,569.00	\$ -
Alder Water	\$ 253,193.00	22.4%	\$ 112,229.05	\$ 140,963.95	\$ 35,240.99	\$ 105,722.96
Charles / Bunnell Water	\$ 509,167.00	45.1%	\$ 225,690.79	\$ 283,476.21	\$ 70,869.05	\$ 212,607.16
Totals	\$ 1,128,019.00	100.0%	\$ 500,000.00	\$ 628,019.00	\$ 233,246.16	\$ 434,031.49