



City of Homer

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Memorandum 21-098

TO: Mayor Castner and City Council
Through: Robert Dumouchel, City Manager
FROM: Janette Keiser, PE, Director of Public Works/Acting City Engineer
DATE: May 31, 2021
SUBJECT: Tasmania Court Water Project

Issue: The Tasmania Court Water Project is in limbo pending the outcome of the Tasmania Court Sewer Special Assessment District. This notwithstanding, we submitted a loan application to the AK Department of Environmental Conservation for the water project to stay on the list for the Principal Forgiveness subsidy. In the course of the loan application process, the ADEC brought to our attention that some of the numbers needed to be reconciled. The purpose of this Memoranda is to explain the issue and recommend a solution.

Background:

The Tasmania Court water main extension project includes installation of 930 of 8" HDPE pipe, two fire hydrants and 11 water service stub-outs. Multiple design adjustments have been made to address property owner concerns and add the "betterment" of a 12" water main to serve a future water storage tank in the neighborhood. These design adjustments have caused the cost estimates to fluctuate over time.

While the design progressed, we sought seeking various authorizations from Council, for funding and approval to submit an ADEC Loan Application as well as submitted documentation to the ADEC. During this process, I got confused and made a mistake.

Here's what happened:

4-29-20 Staff generated an estimate for the Total Project Costs for the water district as it was originally proposed - \$277,090. Later revisions to the design concept reduced the estimate of Total Project Costs to \$234,105.

9-28-20 Resolution 20-83. Council acknowledged the sufficiency of the SAD and approved funds from HAWSP in the amount of \$234,105.

10-26-20 Resolution 20-105 Council authorized staff to pursue an ADEC loan in the amount of \$216,681. This would have been enough to cover the 75% of the estimated project costs attributed to the property owners, with some contingency. At this time, we had not yet considered the benefit of adding the 12” water main to the project so the estimated Total Project Cost did not include the estimated cost of this element.

3-8-21 Ordinance 21-11 Council approved the 12-inch water main “betterment” & appropriated funds from HAWSP in the amount of \$88,569.
(This brought the new estimated Total Project Costs to $\$234,105 + 88,569 = \$322,674$.)

3-22-21 Resolution 21-023 Council distributed Principal Forgiveness subsidy to Tasmania Court Water SAD in the amount of \$122,822, to be applied to the property owners’ share and the City’s share of the water project.
(The adjusted estimated Total Project Costs = $\$322,674 - \$122,822 = \$199,852$.)

5-27-21 Staff filed a Loan Application with the ADEC for \$207,817, which represented the property owners’ share of the water project, based on the original estimated Total Project Cost of \$277,090, rather than the updated \$234,105. (The value of the Principal Forgiveness subsidy was not taken into consideration because we haven’t received a commitment letter yet. This will come further along in the loan application process.)

5-28-21 The ADEC advised that in order to receive the maximum amount of the Principal Forgiveness subsidy, which has been allocated to this project (\$122,822), our loan amount would need to be for the Total Project Cost of \$277,090. Further, the Council would need to pass a new action authorizing this amount.

If the City were to obtain a loan for \$277,090, the value of the loan proceeds would be approximately 86% of the estimated Total Project Costs, rather than the 75% we had originally planned. There would be no penalty for early payoff of the City’s share.

Recommendation: That Council pass a Resolution authorizing the City Manager to apply for a State of Alaska Department of Environmental Conservation loan, in an amount not to exceed \$277,090 from its Alaska Drinking Water Fund for purposes of paying the Project costs in the Tasmania Court Water SAD.