CITY OF HOMER 1 2 HOMER, ALASKA 3 City Manager/ 4 Public Works Director 5 **RESOLUTION 21-042** 6 7 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA AUTHORIZING THE CITY MANAGER TO APPLY FOR A LOAN FROM THE STATE OF ALASKA 8 DEPARTMENT OF ENVIRONMENTAL CONSERVATION, ALASKA DRINKING 9 WATER FUND, IN AN AMOUNT NOT TO EXCEED \$277,090 TO FINANCE 10 COSTS OF THE TASMANIA COURT WATER IMPROVEMENT PROJECT AND 11 SUPERSEDING THE AMOUNT AUTHORIZED BY RESOLUTION 20-105. 12 13 14 WHEREAS, The City Council created the Tasmania Court Water Improvement Special 15 Assessment District (SAD); and 16 WHEREAS, Council adopted Resolution 20-105 which authorized the City Manager to 17 apply for an Alaska Department of Environmental Conservation, Alaska Drinking Water Fund 18 Loan in the amount of \$216,681 for the project; and 19 20 WHEREAS, the following actions have been taken relating to funding: 21 22 a. 4-29-20 Staff generated an estimate for the Total Project Costs 23 for the water district as it was originally proposed \$277,090. 24 25 b. 10-26-20 Council approved application Resolution 20-105 26 for ADEC loan in the amount of \$216,681 27 28 c. 3-22-21 Council distributed the Principal Resolution 21-023 29 Forgiveness subsidy to Tasmania Ct Water SAD in the amount of \$122,822 30 31 d. 5-27-21 Staff filed Loan Application for Prop. Owner Share 32 of SAD in the amount of \$207,817 33 34 WHEREAS, The ADEC advised that in order to receive the maximum amount of the 35 Principal Forgiveness subsidy, which has been allocated to this project (\$122,822) we need to 36 show a Loan Application amount of \$277,090; and 37 38 WHEREAS, The Council needs to pass a new resolution authorizing a loan application 39 amount of \$277,090 to receive the maximum benefit of the Principal Forgiveness subsidy; and 40 WHEREAS, The net effect of the Principal Forgiveness subsidy is that the updated Total 41 Project Costs, to be shared between the City and the property owners, is \$199,852. 42

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43 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer Alaska hereby the 44 City Manager to apply for a State of Alaska Department of Environmental Conservation loan, 45 in an amount not to exceed \$277,090 from its Alaska Drinking Water Fund for purposes of 46 paying the Total Project Costs in the Tasmania Court Water SAD and superseding the amount 47 authorized by Resolution 20-105. 48 49 PASSED AND ADOPTED by the City Council of Homer, ALASKA, this 14th day of June, 50 2021. 51 52 CITY OF HOMER 53 54 55 56 KEN CASTNER, MAYOR 57 58 ATTEST: 59 60 61 62 MELISSA JACOBSEN, MMC, CITY CLERK 63





publicworks@cityofhomer-ak.gov (p) 907- 235-3170 (f) 907-235-3145

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.

CITY OF HOMER 1 2 HOMER, ALASKA 3 City Manager/ 4 Public Works Director **RESOLUTION 20-105** 5 6 7 A RESOLUTION OF THE CITY COUNCIL OF HOMER, ALASKA AUTHORIZING THE CITY MANAGER TO APPLY FOR A LOAN FROM 8 THE STATE OF ALASKA DEPARTMENT OF ENVIRONMENTAL 9 CONSERVATION, ALASKA DRINKING WATER FUND, 10 AMOUNT NOT TO EXCEED \$469,874, TO FINANCE COSTS OF THE 11 ALDER LANE AND TASMANIA COURT WATER IMPROVEMENT 12 PROJECTS. 13 14 WHEREAS, Alder Lane and the Tasmania Court Water Improvement Projects (together, 15 the "Project") include the following work: design, bid, and construct water distribution 16 infrastructure improvements located in the City of Homer, Alaska ("City"); and 17 18 WHEREAS, the Alder Lane Water Improvement Special Assessment District ("Alder Lane 19 SAD")was created by Resolution 20-095, adopted by the City Council October 12, 2020; and the 20 Tasmania Court Water Improvement Special Assessment District ("Tasmania Court SAD") was 21 created by Resolution 20-083 adopted by the City Council on October 28, 2020; and 22 23 24 WHEREAS, the City seeks to secure necessary financial assistance for purposes of 25 designing, bidding and constructing the Project; and 26 27 WHEREAS, the State of Alaska, Department of Environmental Conservation ("ADEC") 28 may have available funding for Project costs through its Alaska Drinking Water Fund; and 29 30 WHEREAS, ADEC has represented that it will include funding for the Project, from the 31 Alaska Drinking Water Fund, on its priority list for Fiscal Year 2021; and 32 WHEREAS, the requested loan amount would be in the not to exceed principal amount 33 of \$469,874 (\$253,193 allocated to the Alder Lane SAD and \$216,681 for Tasmania Court SAD), 34 to be repaid over no more than a 20-year term, with a finance rate calculated pursuant to 18 35 AAC 76.255 (for an ADEC Drinking Water Fund loan); and 36 37 NOW, THEREFORE, BE IT RESOLVED that the City Council of Homer, Alaska Authorizes 38 39 the City Manager to apply for a State of Alaska Department of Environmental Conservation loan, in an amount not to exceed \$469,874, from its Alaska Drinking Water Fund for purposes 40

of paying Project costs in the Alder Lane SAD and Tasmania Court SAD.

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Recitals to this resolution are hereby incorporated into this resolution as if fully set forth 43 herein. 44 45 Terms not otherwise defined in this resolution shall have the meanings set forth in the 46 recitals to this resolution. 47 48 PASSED AND ADOPTED by the Homer City Council this 26th day of October, 2020. 49 50 51 CITY OF HOMER 52 53 54 KEN CASTNER, MAYOR 55 56 ATTEST: 57 58 59 60 MELISSA JACOBSEN, MMC, CITY CLERK 61 62 Fiscal Note: HAWSP 63