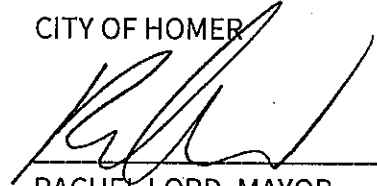


<u>Fund</u>	<u>Description</u>	<u>Amount</u>
256-0378	Water Main Replacement Ohlson Lane / West Bunnell Ave	\$300,000

ENACTED BY THE CITY COUNCIL OF HOMER, ALASKA, this 10th day of March, 2025.

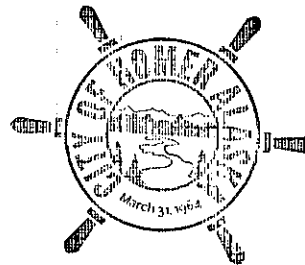
CITY OF HOMER


RACHEL LORD, MAYOR

ATTEST:


RENEE KRAUSE, MMC, CITY CLERK

YES: 5
NO: 0
ABSTAIN: 0
ABSENT: 1



Introduction: 2/24/25
Public Hearing: 3/10/25
Second Reading: 3/10/25
Effective Date: 3/11/25



MEMORANDUM

Ordinance 25-21, An Ordinance of the City Council of Homer, Alaska, Amending the FY25 Capital Budget Appropriating \$300,000 from the Water Capital Asset Repair Maintenance Allowance (CARMA) Fund for the Replacement of the Water Main on Ohlson Lane and Bunnell Avenue.

Item Type: Backup Memorandum
Prepared For: Mayor Lord and City Council
Date: February 14, 2025
From: Daniel Kort, Public Works Director
Through: Melissa Jacobsen, City Manager

Summary:

Appropriation of construction funds to amend the funding sources for the water main replacement portion of the Ohlson Lane and Bunnell Avenue Roadway and Water Improvement Project. This is not an increase in the anticipated project cost, but rather a correction in the funding sources used.

Background:

This project began with a design and study by Nelson Engineering in 2023 which recommended that Public Works Department reconstruct the subgrade for Ohlson Lane and West Bunnell Avenue. According to the 100% cost estimate, the total cost will be approximately \$2,559,149.

The project additionally replaces the water main on the affected roads as well as construct storm sewer in conjunction with the new curb to alleviate local stormwater issues. As stated in previous legislation, the water main is being replaced because it is an approximately 60-year old cast iron pipe that is near the end of its service life and is prone to failure. Approximately 10-years ago a cost estimate was developed for the replacement of this water main prior to the conception of the roadway reconstruction project, but the project was shelved for a later date. The roadway reconstruction offers a unique opportunity to replace the aging infrastructure as part of one effort, thereby avoiding digging up the newly constructed road to make future repairs or replace the pipe. The storm sewer portion of the project will replace some aging drainage piping and improve storm drainage issues in this neighborhood as well as to accommodate the projects new street design.

Public Works Department submitted questionnaires to the Alaska Department of Environmental Conservation (ADEC) in 2023 to apply for loans to cover both the water main replacement and storm drain portions of the construction project from the Alaska Drinking Water Fund and Alaska Clean Water Fund respectively. The ADEC added both the water main replacement and storm drain to their project priority list and both projects scored high and were granted 100% principal forgiveness subsidy in the following amounts:

Ohlson & Bunnell Water Main Replacement: \$491,400

Ohlson & Bunnell Storm Drain Construction: \$324,000

The principle forgiveness between the two loans totals to \$815,400 in loan subsidy which will cover a portion of the construction costs for the subject project. Ordinance 24-61 was passed on January 28, 2025 which obligated \$2,000,000 from HART Roads to supplement the two ADEC loans in order to obligate money towards the construction effort for a total of \$2,851,000, which is greater than the estimated project cost of \$2,559,149.

The updated construction cost estimate by Nelson Engineering was provided to the City around the same time as the passage of Ordinance 24-61. The cost estimate shows the water portion of the construction project is estimated to cost \$790,450. At this point, we looked into why there was such a large discrepancy between the loan application's cost estimate and the new Engineer's Estimate. This is when it was identified that the approximately 10-year old engineer's estimate was used at the time of the ADEC application because there was no better data available at the time.

For the water main replacement portion of the project, the original plan was to use an appropriation (Ordinance 23-23 (A-3)) of \$90,000 from the Water CARMA to cover design related costs, and the ADEC Loan of \$491,400 (with principle forgiveness) would cover the construction costs. The design by Nelson Engineering cost \$55,867, Alaska DOT permits cost \$2,600, and ADEC review cost \$1,088 leaving a balance of \$30,445 from the original \$90,000 Water CARMA appropriation.

Therefore, the appropriation of \$2,000,000 via Ordinance 24-61 from HART Roads actually overstated the HART Roads portion of the project cost. This proposed ordinance for supplemental appropriation is intended to fund the balance of the water portion of the construction project from Water CARMA as it originally should have been.

Estimated Construction Cost - \$790,405

Less the Anticipated remaining balance from Ordinance 23-23 (A-3) - \$30,445

Less the ADEC Loan (with principle forgiveness) - \$491,400

For a total balance of - \$268,605

The overall anticipated cost of the project has not increased, but rather the HART Roads portion of the funding via Ordinance 24-61 was mistakenly overstated. It is anticipated that this Ordinance will free up \$268,605 of the \$2,000,000 HART Roads funding obligated via Ordinance 24-61 towards the Project to be returned to HART Roads at the completion of this project.

Recommendation:

Public Works recommends that \$300,000 be appropriated from the Water CARMA Fund to cover the shortfall of \$268,605. The proposed appropriation is greater than the shortfall to provide a modest contingency of approximately 11% in effort to prevent future supplemental appropriations in the event that the bid for the water portion of the project exceeds \$790,450.

CITY OF HOMER FINANCIAL SUPPLEMENT

PROJECT NAME	<u>Water Main Replacement - Ohlson Lane and West Bunnell Avenue</u>	DATE	<u>02/19/2025</u>
DEPARTMENT	<u>Public Works</u>	SPONSOR	<u>City Manager/PW Director</u>
REQUESTED AMOUNT	<u>\$ 300,000</u>		

DESCRIPTION	<p>The City is rebuilding the roadways Ohlson Lane and West Bunnell Avenue. The water main on both roads is 60 years old and replacing it at the same time as the roadway would be more cost efficient than replacing them separately. The original plan was to pay for design of the water main with \$90,000 out of the Water CARMA appropriated in Ordinance 23-23 (A-3) and for construction with a \$491,400 principal forgiveness subsidy associated with a loan offered through the Alaska Department Environmental Conservation (ADEC) State Revolving Fund. The \$491,400 figure, that Public Works gave to the Alaska Department of Environmental Conservation (ADEC) when filing the questionnaire for the loan, based off of an old cost estimate, is no longer valid. Design work and permitting cost \$59,555 and the latest construction cost estimate for the water portion of the project is \$790,450. The \$268,605 between total budget and total expenses cannot be covered by the HART Roads appropriation from Ordinance 24-61 because that would not be in keeping with the intent of the HART Roads Fund. In light of recent bids coming over Engineer's estimates, Public Works recommends a 11% contingency.</p>
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FUNDING SOURCE(S)	OPERATING	GF CARMA	GF FLEET CARMA	PORT RESERVES	WATER CARMA
	0%	0%	0%	0%	100%
	HAWSP	HART-ROADS	HART-TRAILS	PORT FLEET RESERVES	SEWER CARMA
	0%	0%	0%	0%	0%

FUNDING SOURCE 1: WATER CARMA (256-0378)		FUNDING SOURCE 2:		FUNDING SOURCE 3:	
Current Balance	<u>\$ 2,222,705</u>	Current Balance	<u> </u>	Current Balance	<u> </u>
Encumbered	<u>\$ 1,156,706</u>	Encumbered	<u> </u>	Encumbered	<u> </u>
Requested Amount	<u>\$ 300,000</u>	Requested Amount	<u> </u>	Requested Amount	<u> </u>
Other Items on Current Agenda	<u>\$ 17,000</u>	Other Items on Current Agenda	<u> </u>	Other Items on Current Agenda	<u> </u>
Remaining Balance	<u>\$ 748,999</u>	Remaining Balance	<u> </u>	Remaining Balance	<u> </u>
FUNDING SOURCE 4:		FUNDING SOURCE 5:		FUNDING SOURCE 6:	
Current Balance	<u> </u>	Current Balance	<u> </u>	Current Balance	<u> </u>
Encumbered	<u> </u>	Encumbered	<u> </u>	Encumbered	<u> </u>
Requested Amount	<u> </u>	Requested Amount	<u> </u>	Requested Amount	<u> </u>
Remaining Balance	<u> </u>	Remaining Balance	<u> </u>	Remaining Balance	<u> </u>