

**City of Kodiak Regular Council Meeting Agenda for May 22, 2014**  
**7:30 p.m., at 710 Mill Bay Road, Assembly Chambers (Room 232)**

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<b>I. Call to Order/Roll Call</b>	
Pledge of Allegiance/Invocation	
<b>II. Previous Minutes</b>	
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<b>IV. Unfinished Business</b>	
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b. Second Reading and Public Hearing, Ordinance No. 1316, Authorizing a Lease to Afognak Native Corporation of a 17,727 Square Foot (0.407 Acre) Portion of USS 4947 Located Adjacent to Tract D-1B.....	44
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b. Resolution No. 2014-22, Amending Section 14, Utilities (Sewer), of the Schedule of Fees, Charges, and Tariffs .....	94
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d. Authorization of Change Order No. 1 for Aleutian Homes Phase 5, Segment B, Project No. 10-03/7026 .....	132
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<b>VI. Staff Reports</b>	
a. City Manager	
b. City Clerk	
<b>VII. Mayor's Comments</b>	
<b>VIII. Council Comments</b>	
<b>IX. Audience Comments</b> (limited to 3 minutes) (486-3231)	
<b>X. Adjournment</b>	

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<b>DRAFT</b>
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**MINUTES OF THE SPECIAL COUNCIL MEETING  
OF THE CITY OF KODIAK  
HELD MONDAY, APRIL 21, 2014  
IN THE BOROUGH CONFERENCE ROOM**

**I. MEETING CALLED TO ORDER**

Mayor Pat Branson called the meeting to order at 7:50 p.m. Councilmembers Charles E. Davidson, Gabriel T. Saravia, and Richard H. Walker, and John B. Whiddon were present and constituted a quorum. Councilmembers Randall C. Bishop and Terry J. Haines were absent. Finance Director Mary Munk, City Clerk Debra L. Marlar, Harbormaster Marty Owen, and Deputy Harbormaster Lon White were also present.

**II. PUBLIC COMMENTS**

None

**III. EXECUTIVE SESSION**

**a. Discussion of Horizon Lines Contract Negotiations**

Councilmember Davidson MOVED to enter into executive session pursuant to AS 44.62.310(c)(1) to discuss matters, the immediate knowledge of which would clearly have an adverse effect upon the finances of the City, specifically negotiation of new contracts with Horizon Lines.

The roll call vote was Councilmembers Davidson, Saravia, Walker, and Whiddon in favor. Councilmembers Bishop and Haines were absent. The motion passed.

The Council entered into Executive Session at 7:51 p.m.

The regular meeting reconvened at 8:10 p.m.

**IV. ADJOURNMENT**

Councilmember Whiddon MOVED to adjourn the meeting.

The roll call vote was Councilmembers Davidson, Saravia, Walker, and Whiddon in favor. Councilmembers Bishop and Haines were absent. The motion passed.

The meeting adjourned at 8:10 p.m.

CITY OF KODIAK

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MAYOR

ATTEST:

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CITY CLERK

Minutes Approved:

<b>DRAFT</b>
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**MINUTES OF THE REGULAR COUNCIL MEETING  
OF THE CITY OF KODIAK  
HELD THURSDAY, APRIL 24, 2014  
IN THE BOROUGH ASSEMBLY CHAMBERS**

**I. MEETING CALLED TO ORDER/PLEDGE OF ALLEGIANCE/INVOCATION**

Mayor Pat Branson called the meeting to order at 7:30 p.m. Councilmembers Randall C. Bishop, Charles E. Davidson, Gabriel T. Saravia, and Richard H. Walker were present and constituted a quorum. Councilmembers Terry J. Haines and John B. Whiddon were absent. City Manager Aimée Kniazowski, City Clerk Debra L. Marlar, and Deputy Clerk Michelle Shuravloff-Nelson were also present.

After the Pledge of Allegiance, Salvation Army Sergeant Major Dave Blacketer gave the invocation.

**II. PREVIOUS MINUTES**

Councilmember Walker MOVED to approve the minutes of the April 10, 2014, regular meeting as presented.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

Councilmember Davidson MOVED to suspend the rules to reverse the order of New Business items g and h by re-lettering item h as item g and item g as item h.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**III. PERSONS TO BE HEARD**

**a. Interim Report of the Downtown Kodiak Revitalization Special Committee**

In July 2013 the Council established the Downtown Kodiak Revitalization Special Committee, Chaired by Mayor Branson, to focus on community concerns pertaining to safety, security, economic development, and aesthetic appeal of downtown Kodiak. Mayor Branson appointed three subcommittees to address economic development, social issues and public safety, and beautification and public space improvements. The Special Committee and subcommittees have met several times during the past eight months to identify short-term and long-term priorities.

Beautification and Public Space Improvements Sub-Committee Chair Katie St. John thanked the Mayor and Council for having her speak on behalf of the sub-committee. She commented there has been grass root support in the community for the beautification of downtown including people who have volunteered their time and resources. She stated their main priority is to have an improved pocket park area, and she stated there are grant opportunities due in May 2014 that can help fund some of the improvements identified.

Economic Development Sub-Committee Chair Trevor Brown shared the enthusiasm the committee has demonstrated to make downtown a beautiful and safe place to attract the public. He said a priority by the sub-committee is for the Chamber of Commerce to survey the current businesses downtown during this fall. He shared that the sub-committee feels it is important to monitor the parking downtown, clean up the graffiti, and work with the Rotary Club to get a “Welcome to Kodiak” sign.

Social Issues and Public Safety Sub-Committee Chair Monte Hawver said the snow removal, garbage cans, clean-up, and removal of junk vehicles are short term priorities. He said the pocket park needs to be revisited and potentially removed. He suggested bicycle racks be installed. He said the long-term priorities are a day shelter in Kodiak and shower and laundry facilities at the harbor.

Mayor Branson thanked the sub-committee chairs and requested the report be posted on the City website.

#### **b. Public Hearing on Proposed Fee Schedule Amendments**

The City sets its fees and charges for various services by a resolution of the Council. The public hearing on proposed fee schedule amendments, which are contained in Resolution No. 2014–20, pertain to the Harbor Department, Library, and Parks & Recreation departments. The Harbor fee changes are proposed to take effect on May 1, 2014, and the other changes will be effective July 1, 2014.

Mayor Branson closed the regular meeting and opened the public hearing.

**Judi Kidder** commented an enforcement fee for junk vehicles should be added to the fee schedule.

There being no further public testimony, the Mayor closed the public hearing and reopened the regular meeting.

#### **c. Proclamation: Declaring Child Abuse Prevention Month**

Councilmember Walker read the proclamation, which urges all citizens to increase their participation in efforts to prevent child abuse, thereby strengthening the communities in which we live.

Sandra Wilkins from Kodiak Women’s Resource and Crisis Center accepted the proclamation. She thanked Mayor Branson and Councilmembers for supporting the prevention of child abuse and she thanked the Child Advocacy Center for their service.

#### **d. Proclamation: Declaring Sexual Assault Awareness Month**

Councilmember Bishop read the proclamation, which encourages all Alaskans to support local activities and programs that assist victims of sexual assault and to learn more about the pervasiveness of sexual assault in Alaska in an effort to eliminate this crime.

Sandra Wilkins from Kodiak Women’s Resource and Crisis Center accepted the proclamation. She thanked Mayor Branson and Councilmembers for supporting the awareness of sexual assault

and she gave statistics regarding sexual assault to educate the community to reduce sexual assault in Alaska.

**e. Proclamation: Declaring Month of the Military Child**

Councilmember Saravia read this proclamation, which encourages all citizens to show appreciation and understanding to the military children in our communities and recognize their commitment, courage, sacrifice, and continued resilience.

USCG Commanding Officer White, of the Alex Haley, and his family accepted the proclamation. He thanked the Mayor and Council for recognizing all children including military children in the community. He stated Kodiak is a wonderful place to call home and it is a pleasure to serve the community.

**f. Proclamation: Declaring Municipal Clerks Week**

Mayor Branson read this proclamation, which recognizes our Municipal Clerks for the vital services they perform and their dedication to our community.

Clerk Marlar accepted the proclamation and thanked the Mayor and Councilmembers for recognizing the work the Clerk's Office performs and stated it was a pleasure to serve them and the community.

**g. Proclamation: Declaring Police Officers Memorial Day and Police Week**

Councilmember Davidson read this proclamation, which urges all citizens and patriotic, civic, and educational organizations to recognize police officers, past and present, who by their faithful and loyal devotion to their responsibilities, have rendered a dedicated service to their community and, in so doing, have established a reputation for preserving the rights and security of all citizens.

Chief of Police Wallace accepted the proclamation. She said in 1962 President Kennedy declared National Police Officer Memorial Week, and she remembered Officer Gordon Bartel who ended his watch on January 15, 1983, in Kodiak. She asked the community to thank a police officer if they have the opportunity, because they work diligently to protect and serve the community.

**h. Public Comments**

**Jeremiah Gardner**, a local business owner and a member of the Parks and Recreation Advisory Board, said the advisory board will request funding for the skate park during the City's upcoming budget in the amount of \$130,000. He commented some of the funds are carryover from FY2014, and he does not feel the funds compete with other projects. He said the park will help support the at-risk children by providing a place for them to participate in activities.

**Robin Gardner** called in and said she supports the skate park.

**Jill Bunting**, a mother of a scooter rider and a parole officer, said she supports the skate park.

**Carma Shay** called in and stated she supports the skate park and promotes confidence building activities. She urged the community to be proactive.

**Kim Bunch** said she came to ask for support of the skate park, because there is currently a lot of use at the park.

**Timothy Howland** called in and stated he is a former business owner and resident of Kodiak for 35 years and emphasized that skating is a sport and it should be funded.

**Richard** and **Sandra Thummel** called in to support the skate park.

**Levi Bunting** said he has been skating since he was six or seven and is thankful for the new wood on the ramps. He said there needs to be a safe place to skate that keeps skaters from the downtown area.

**Gavin Fitzgerald** said he has been going to the skate park since he moved to Kodiak four years ago and it would be nice to have a new skate park.

**Dawson Bunch** said he has been going to the skate park since he was in the second grade and he thought it was time for a new skate park and he supports the funding.

**Dana Carros** said his son is a skater, and he supports the funding of a skate park.

**Josh Fitzgerald** called in and said he is retired USCG, and he supports the restoration and improvement of the skate park.

**Leah Chopek** said she supports the skate park because her children have used the park. She said it is an important investment.

**Lindsey Cassidy** called in and said she works at the middle school and supports funding a new skate park.

**Judi Kidder** said she supports the skate park and feels it is vital in Kodiak. She said she supports an off-leash dog park. She shared information regarding a volunteer cleanup group in Kodiak that has been removing junk around town. She commented that the volunteer group took 1,100 pounds of garbage to the landfill and encouraged people to participate in the volunteer group. She said she supports the Beautification committee.

**Dylan Shay** called in to voice his support of the skate park. He said it is an important asset to the community.

Mayor Branson commented the skate park was not on the agenda but will be discussed during the budget process. She thanked those who made public comments.

#### IV. UNFINISHED BUSINESS



**a. Continued First Reading, Ordinance No. 1316, Authorizing a Lease to Afognak Native Corporation of a ~~15,000~~17,727 Square Foot (~~0.34~~0.407 Acre) Portion of USS 4947 Located Adjacent To Tract D-1B**

Mayor Branson read Ordinance No. 1316 by title. The Afognak Native Corporation has expressed interest in purchasing City-owned land adjacent to their property on Near Island since 2009. With Council's decision to not sell additional City land until a land plan was developed, the discussions with Afognak turned to the idea of leasing property for viewshed protection. This ordinance was postponed in the first reading at the February 13, 2014, regular meeting because of a discrepancy in the lease survey. The discrepancy has been resolved.

Councilmember Walker MOVED to amend Ordinance No. 1316 by striking 15,000 square feet and inserting 17,727 square feet and striking 0.34 acre and inserting 0.407 acre; and amending the lease document by substituting Section 4.2, which includes the updated lease amount, and Exhibits A and B, which include the corrected exhibits.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The amendment passed.

The roll call vote on the amended main motion to pass Ordinance No. 1316 in the first reading and advance to second reading and public hearing at the next special or regular meeting was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The main motion as amended passed.

**V. NEW BUSINESS**

**a. First Reading, Ordinance No. 1318, Establishing Supplemental Appropriation No. 2 to the Budget for the Fiscal Year Commencing on the First Day of July 2013 and Ending on the Thirtieth Day of June 2014**

Mayor Branson read Ordinance No. 1318 by title. The Supplemental Appropriation No. 2 to the FY2014 budget is in the amount of \$8,941,941. It is customary for the City Council to approve at least one supplemental budget annually to authorize the adjustments of current revenues and expenses as detailed in the packet. These adjustments are for the operating funds, as well as additions to project funds for grant revenues received and additional expenditures needed that were not known at the time the original budget was adopted, nor at the time the first supplemental amendment was made in January 2014. This is the second budget amendment of FY2014.

Councilmember Saravia MOVED to pass Ordinance No. 1318 in the first reading and advance to second reading and public hearing at the next regular or special Council meeting.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**b. Resolution No. 2014-20, Amending Sections 9.16, 11, and 12 of the Schedule of Fees, Charges, and Tariffs**

Mayor Branson read Resolution No. 2014–20 by title. The City sets its fees and charges for various services by a resolution of the Council. The City Council identified the importance of an annual review and update of the schedule of fees and charges by including this as a budget goal since FY2011. Staff completed the review and submitted a list of proposed changes to fees pertaining to the Harbor Department, Library, and Parks & Recreation departments. The Harbor fee changes are proposed to take effect on May 1, 2014, and the other changes will be effective July 1, 2014.

Councilmember Walker MOVED to adopt Resolution No. 2014–20.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**c. Resolution No. 2014–21, Authorizing the Borrowing From the Alaska Drinking Water Fund of an Aggregate Amount Not to Exceed \$6,000,000 to Pay for the Construction of the Monashka Pump House and Repealing Resolution 2014–10**

Mayor Branson read Resolution No. 2014–21 by title. City staff began the process to replace the Monashka pumphouse in October 2010. The design for the new facility is complete, and the project went out to bid in March. During the project development, staff worked to acquire funds to move the project through to bid award and construction. The City used local funds, Alaska Department of Environmental Conservation (ADEC) grants, and a State of Alaska legislative grant for the project. The Alaska Municipal Matching Grant program through ADEC requires a 30 percent match by the City. Staff submitted an Alaska Drinking Water Fund loan questionnaire for this project to cover the City’s match and to allow for additional funds, if needed. The City was determined to be eligible to apply for the loan and made an application to borrow up to \$2.5 million via Resolution No. 2014–10, which was submitted to ADEC in February.

Councilmember Davidson MOVED to adopt Resolution No. 2014–21.

Councilmember Davidson MOVED to substitute Resolution No. 2014–21 with Resolution No. 2014–21(SUB).

The roll call vote on the amendment by substitution was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The substitution passed.

The roll call vote on the substituted resolution was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**d. Authorization of Bid Award for Bid Package A and Pumps and Motors for Construction of the New Monashka Pumphouse, Project No.11-05/7029**

The Monashka Reservoir and Pumphouse are the primary sources of water for the City of Kodiak’s public water system. The City started evaluation of the pumphouse in 2010 and due to the age of the equipment and building and the structural and seismic issues, the pumphouse was slated for replacement. The project was designed and advertised for bid in March 2014, and two bids were received in April. Because of the timing of Alaska Municipal Matching Grant program and

the loans, the City bid the project in two packages. Bid package A is for the yard piping work and package B is for the pumphouse.

Councilmember Saravia MOVED to award bid package A, including yard piping and pumps and motors, to ASRC SKW Eskimos for the construction of the new Monashka Pumphouse project in the amount of \$1,190,671, with funds coming from Water Capital Improvement Fund, Project No. 11-05/7029.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker, in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**e. Authorization of Amendment No. 4 to the Professional Services Contract for Construction Management Services for the New Monashka Pumphouse, Project No. 11-05/7092**

The bids for construction of the City's new Monashka Pumphouse were opened on April 11, 2014, with ASRC/SKW Contractors as the apparent low bidder. Due to current project funding limitations, City staff recommends that Council award the construction management services in two phases. The packet information discusses both phases of construction management services for the new Monashka pumphouse project. Construction management is critical to ensure the project is built in a timely manner without interruption of water service to the community and to ensure that the project meets all regulatory requirements, including receipt of the Certificate to Operate by the regulatory agency.

Councilmember Davidson MOVED to authorize Amendment No. 4 to the Professional Services Contract with CH2MHill for construction management services during the initial phase of construction for the new Monashka Pumphouse in the amount of \$194,000, with funds coming from Water Capital Improvement Fund Project No.11-05/7029 and authorize the City Manager to execute the documents on behalf of the City.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmember Haines and Whiddon were absent. The motion passed.

**f. Authorization of Sole Source Purchase of Yard Piping for Construction of the New Monashka Pumphouse, Project No. 11-05/7029**

On March 12, 2014, the City advertised a separate bid for the purchase of yard piping for the new Monashka pumphouse facility. This was done because of the long lead time for certain pipe and fittings as well as the American Iron and Steel (AIS) requirement of the Alaska Drinking Water Fund (ADWF) loan. Bids were to be opened on Friday, April 11, 2014, at 2:15 p.m. No bids were received. One supplier told staff their bid was sent by express mail on April 9, and it was supposed to be delivered by April 11, but did not arrive until April 14. After discussion with the City Attorney on April 11, it was determined that since no bids were received, the City could accept a sole source bid per KCC 3.12.070 (d), which allows for such process. Staff also checked with the state grant and loan administrator who concurred with the City's sole source recommendation.

Councilmember Walker MOVED to authorize the sole source purchase of yard piping for the Construction of the New Monashka Pumphouse from HD Fowler in the amount of \$58,000, with

funds coming from the Monashka Pumphouse Project No. 11-05/7029, and authorize the City Manager to execute the documents for the City.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**g. Authorization of Bid Award for Aleutian Homes Phase 5, Segment B, Project No. 10-03/7026**

Aleutian Homes Water and Sewer Replacement Phase V, Segment B is a continuation of the upgrade of utilities, pavement, and sidewalks in the Aleutian Homes Area. Segment A was constructed during the summer of 2013. The higher project bid amounts and the current budget for Segment B result in a recommendation from staff to award the construction bid in two parts. The majority of the work can be awarded at this time and does not include sidewalk, curb, gutter, retaining walls and asphalt paving items. Additional funds are requested in the second FY2014 supplemental budget amendment to cover those items. Staff's request to authorize the second part of the project bid would come to Council following approval of the FY2014 Supplemental No. 2.

Councilmember Bishop MOVED to award the bid for the Aleutian Homes Phase V Segment B, Project No. 10-03/7026 to Brechan in the amount of \$2,994,895.50, with funds coming from the Water Capital Improvement Fund, Project No. 10-03/7026 and authorize the City Manager to execute the documents on behalf of the City.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**h. Authorization of Amendment No. 1 to the Professional Services Contract for Construction Management Services for the Aleutian Homes Phase 5, Segment B, Project No. 10-03/7026**

Aleutian Homes Water and Sewer Replacement Phase V, Segment B is a continuation of the upgrade of utilities, pavement, and sidewalks in the Aleutian Homes area. Council is scheduled to review and approve the construction contract for this project at this meeting. If the award is authorized, City staff will issue a Notice of Award for construction to Brechan Enterprises, Inc. on April 25. This memorandum discusses the construction management services for the Phase V, Segment B project. Staff recommends Council authorize Amendment No.1 to the professional services contract with DOWL HKM to perform construction management services for \$321,890.

Councilmember Davidson MOVED to authorize Amendment No. 1 to the Professional Services Contract with DOWL HKM for Construction Management Services for the Aleutian Homes Phase 5, Segment B, Project No. 10-03/7026, in the amount of \$321,890, with funds coming from the Water Capital Improvement Project No. 10-03/7026, and authorize the City Manager to execute the necessary documents for the City.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

**VI. STAFF REPORTS****a. City Manager**

Manager Kniaziowski commented the Department of Transportation bid process for Pier I, the ferry dock, closes on May 9, 2014. She said the Monashka pumphouse and Aleutian Homes project are still in the legislative budget and the E911 system will be funded by various unused project funds in the area. Manager Kniaziowski stated the PERS and TRS funding passed through both houses unanimously. She commented that she is currently working on the budget summary. She said the reception for the Alaska Energy Authority is scheduled for May 13, which will be hosted by Senator Gary Steven's office, the City, and the KIB. She said the meeting with Department of Transportation to discuss replacement of the Tustemena is scheduled for May 21, 2014; currently, Port Lions, Old Harbor, and Ouzinkie are scheduled to participate. The meeting will be held at the Kodiak Public Library multi-purpose room and is open to the public. She stated the retirement party for Harbormaster Marty Owen will be on May 9 from 6 to 7:30 p.m. at the Fisheries Research Center, and it is open to the public. Manager Kniaziowski said the budget meeting will begin the morning of May 10. Manager Kniaziowski announced the hiring of Deputy Harbormaster Lon White as the new Harbormaster; she indicated he has been with the City for 32 years. She said she has received two resignations effective in May – Finance Director Mary Munk and Parks and Recreation Director Charlie Powers, and she will be acting in those capacities until the positions are filled. She stated the emergency response management training for Council is scheduled for June 19. She congratulated Chief Wallace and the police department for their recent drug arrests. She indicated she is working with department heads to review the recommendations from the Downtown Kodiak Revitalization Special Committee, and they will make their suggestions back to the committee and Council. Manager Kniaziowski said she will be in Washington DC for lobbying until May 1 and said there is a grand opening on May 2 for American Fast Freight. She said she appreciated the feedback for the skate park and commented that the skate park is in the CIP budget for approximately \$130,000. She clarified the FY2015 does have some of the FY2014 carryover funds.

**b. City Clerk**

City Clerk Marljar thanked Finance Director Munk for her years of financial assistance and congratulated Deputy Harbormaster Lon White on his appointment as Harbormaster. She informed the public of the next scheduled Council work session and regular meeting.

**VII. MAYOR'S COMMENTS**

Mayor Branson thanked the Downtown Kodiak Revitalization sub-committee chairs and the full committee for their work. She congratulated Chief of Police Wallace for sending the message that dealing drugs is not tolerated in Kodiak. She thanked those that made public comments for the skate park. She congratulated Lon White as the new Harbormaster. She stated the Council approved big projects during this meeting, and she was pleased the legislature voted to support the Governor's three billion dollar infusion into PERS, TRS, and the E911 system. She thanked Senator Alan Austerman for changing his vote and proposed the City consider hosting a reception for his retirement and years of service. She said there is a meeting in June with the Marine

Highway Transportation Advisory Board to discuss the Tustemena. She said she went to the Marine Science Symposium and said the sea grant representatives did a great job.

### **VIII. COUNCIL COMMENTS**

Councilmember Walker thanked and congratulated Lon White for his role as the new Harbor-master, and he wished Harbormaster Marty Owen good luck in his retirement. He said he was disappointed in the resignations, and those individuals will be hard to replace; he congratulated the police department. He commented he was pleased with the legislature for the work they are doing including the E911. He said he was pleased to receive comments from the kids regarding the skate park. He said he supports the reception for Alan Austerman and he encouraged the public to attend the Alaska Energy Association reception. He commented the upcoming weekend was prom, the serendipity auction, and a track meet.

Councilmember Davidson congratulated Chief of Police Wallace and the police department for their recent drug arrest and commented this is the first step to protect the youth in the community. He congratulated Lon White, stating he will do a great job and said he will miss Harbormaster Marty Owen. He said he will miss Finance Director Mary Munk and commented she has done a great job. He said he hopes to see the snack shack on the fast track and appreciates all the work done behind the scenes at the City to get funding for the projects that were approved earlier in the evening.

Councilmember Saravia thanked Chief Wallace for removing drugs from the streets. He congratulated Lon White as the new Harbormaster, and he wished Harbormaster Marty Owen well and commented he will be out of town during his retirement party. He said he supports the kids for the skate park and gave an update on fishing.

Councilmember Bishop congratulated Chief of Police Wallace and KPD for cleaning up the streets in Kodiak. He congratulated Lon White as the new Harbormaster and said the camaraderie for the skate park was nice to see.

### **IX. AUDIENCE COMMENTS**

None

### **X. ADJOURNMENT**

Councilmember Davidson MOVED to adjourn the meeting.

The roll call vote was Councilmembers Bishop, Davidson, Saravia, and Walker in favor. Councilmembers Haines and Whiddon were absent. The motion passed.

The meeting adjourned at 9:44 p.m.

APRIL 24, 2014

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CITY OF KODIAK

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MAYOR

ATTEST:

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CITY CLERK

Minutes Approved:

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## **PERSONS TO BE HEARD**

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**MEMORANDUM TO COUNCIL**

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**Date:** May 22, 2014

**Agenda Item: III. a. Proclamation: Declaring Emergency Medical Services Week**

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**SUMMARY:** This proclamation urges residents to recognize the value and the accomplishments of emergency medical services providers.

**ATTACHMENTS:**

Attachment A: Proclamation: Declaring Emergency Medical Services Week

**PROCLAMATION**  
**Declaring Emergency Medical Services Week**  
**May 18 – May 24, 2014**

WHEREAS, emergency medical services are a vital public service; and

WHEREAS, the members of emergency medical services teams are ready to provide lifesaving care to those in need 24 hours a day, seven days a week; and

WHEREAS, access to quality emergency care dramatically improves the survival and recovery rate of those who experience sudden illness or injury; and

WHEREAS, the emergency medical services system consists of emergency physicians, emergency nurses, emergency medical technicians, paramedics, firefighters, first responders, educators, administrators and others; and

WHEREAS, the members of emergency medical services teams, whether career or volunteer, engage in thousands of hours of specialized training and continuing education to enhance their lifesaving skills; and

WHEREAS, it is appropriate to recognize the value and the accomplishments of emergency medical services providers by designating Emergency Medical Services Week.

NOW, THEREFORE, I, Pat Branson, do hereby proclaim the week of May 18 through May 24, 2014, as

**EMERGENCY MEDICAL SERVICES WEEK**

in Kodiak and with the theme, “EMS: Dedicated. For Life.” I encourage the community to observe this week with appropriate programs, ceremonies, and activities.

Dated this 22nd day of May 2014.

City of Kodiak

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Pat Branson, Mayor

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**MEMORANDUM TO COUNCIL**

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**Date:** May 22, 2014

**Agenda Item: III. b. Proclamation: Declaring Older Americans Month**

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**SUMMARY:** This proclamation urges every citizen to recognize this year's theme focusing on injury prevention, "Safe Today. Healthy Tomorrow," and take time this month to celebrate older adults and the people who serve and support them as powerful and vital citizens who greatly contribute to the community.

**ATTACHMENTS:**

Attachment A: Proclamation: Declaring Older Americans Month

## PROCLAMATION Declaring Older Americans Month

WHEREAS, Kodiak is committed to helping all individuals maintain their health and independence in later life; and

WHEREAS, the older adults in Kodiak have an important role in sharing knowledge, wisdom, and understanding of the history of our community through interactions with children, youth, and adults from other generations; and

WHEREAS, Kodiak's older adults play an important role by continuing to contribute experience, knowledge, wisdom, and accomplishments; and

WHEREAS, our older adults are active community members involved in volunteering, mentorship, arts and culture, and civic engagement; and

WHEREAS, our community can provide opportunities to allow older citizens to continue to flourish by:

- Emphasizing the importance of elders and their leadership by publicly recognizing their continued achievements;
- Presenting opportunities for older Americans to share their wisdom, experience, and skills; and
- Recognizing older adults as a valuable asset in strengthening American communities.

NOW, THEREFORE, I, Pat Branson, Mayor of the City of Kodiak, do hereby proclaim May 2014 as

### OLDER AMERICANS MONTH

in Kodiak and urge every citizen to recognize this year's theme focusing on injury prevention, "Safe Today. Healthy Tomorrow," and take time this month to celebrate older adults and the people who serve and support them as powerful and vital citizens who greatly contribute to the community.

Dated this 22nd day of May 2014.

City of Kodiak

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Pat Branson, Mayor

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**MEMORANDUM TO COUNCIL**

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**Date:** May 22, 2014

**Agenda Item: III. c. Public Hearing on Resolution No. 2014–22, Amending Section 14, Utilities (Sewer), of the Schedule of Fees, Charges, and Tariffs**

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**SUMMARY:** The City sets its fees and charges for various services by a resolution of the Council. The public hearing on proposed fee schedule amendments is scheduled prior to New Business item V. b, Resolution No. 2014–22, Amending Section 14, Utilities (Sewer) of the Schedule of Fees, Charges and Tariffs. The proposed changes to fees pertain to the sewer rate increases. The sewer rate fee changes are proposed to take effect on July 1, 2014.

The Council has requested a public hearing prior to amending fees.

**NOTES/ATTACHMENTS:**

Attachment A: Resolution No. 2014–22

**CITY OF KODIAK  
RESOLUTION NUMBER 2014-22**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AMENDING SECTION 14, UTILITIES (SEWER), OF THE SCHEDULE OF FEES, CHARGES, AND TARIFFS**

WHEREAS, in 2014, the City contracted with CH2MHill to complete a review and to recommend an updated rate structure for the sewer system; and

WHEREAS, the purpose of the update was to determine revenue requirements related to sewer system operation and maintenance and capital improvement needs for the next ten years; and

WHEREAS, the study shows existing sewer fees are not sufficient to fund operation and maintenance and capital improvements for the sewer system into the future; and

WHEREAS, at the May 20, 2014, work session the ten-year rate study was presented to the Council; and

WHEREAS, at the May 22, 2014, regular meeting the Council held a public hearing on the proposed sewer rate increases.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Section 14, Utilities (sewer) of the City’s Schedule of Fees, Charges and Tariffs, which is attached hereto and incorporated by reference, is hereby amended.

BE IT FURTHER RESOLVED that the changes to the Schedule of Fees, Charges, and Tariffs herein shall be effected on July 1, 2014, unless subsequently amended by the City Council.

CITY OF KODIAK

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

Adopted:

City of Kodiak  
Sewer Rate Study  
Existing and Projected Sewer Rates, FY2014/15 – FY 2018/19

Customer Class		Basis for Charge	Existing	Projected				
			FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<b>Inside City</b>								
<b>Service Charge - Inside City</b>								
Apartments		one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Auditorium		on unit per 3,500 sf of floor area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bakery		one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bar		one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Beauty Shops/Barber/Animal Grooming		one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
B&B / Boarding House		one-half unit per operator chair/tub	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
		one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
		plus one-half unit per guest room	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Churches		one unit per facility	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Construction		one-half the regular rate for intended use of building	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Day Care Facilities		one unit per business/dwelling unit	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
		plus one-quarter unit for each 5 persons or fraction thereof	\$15.70	\$16.49	\$17.31	\$18.17	\$19.08	\$20.04
Dining Facility/Café/Bakeries		one unit per 200 sf of patron area	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Doctor's office, medical clinic, dentist		one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dry Cleaners		one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Gas Station / Auto Repair Shop		2 units per business	\$125.61	\$131.89	\$138.49	\$145.41	\$152.68	\$160.31
Hospital/Major Care Center		one unit per bed	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Hotel/Motel		one-half unit per guest room w/o cooking	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
		three-quarter unit per guest room w/cooking	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11
Industrial		one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Laundries and bath houses		three-quarter unit per washing machine	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11



Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Museums	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Office/Retail	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Powerhouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Schools	one unit per 20 persons in daily attendance, including staff	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Senior Citizens (primary residence)	one-half unit	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate, per month	one-half the regular rate for intended use of building	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate Noncompliance Fee		\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Warehouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dump Fee		\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal domestic sludge	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29
disposal septic tank/portable toilet water	per gallon						
<b>Outside City</b>		<b>Existing</b>	<b>Projected</b>				
		<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
<b>Customer Class</b>	<b>Basis for Charge</b>						
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bakery	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bar	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
B&B / Boarding House	one-half unit per operator chair/tub	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Churches	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Construction	plus one-half unit per guest room	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Day Care Facilities	one unit per facility	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	one-half the regular rate for intended use of building	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	one unit per business/dwelling unit	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	plus one-quarter unit for each 5 persons or fraction thereof	\$18.83	\$19.77	\$20.76	\$21.80	\$22.89	\$24.03

Dining Facility/Café/Bakeries	one unit per 200 sf of patron area	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Dry Cleaners	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Gas Station / Auto Repair Shop	2 units per business	\$150.58	\$158.11	\$166.01	\$174.32	\$183.03	\$192.18
Hospital/Major Care Center	one unit per bed	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Hotel/Motel	one-half unit per guest room w/o cooking	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
	three-quarter unit per guest room w/cooking	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Industrial	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Laundries and bath houses	three-quarter unit per washing machine	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Museums	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
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Powerhouses	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Residential (no additional charge for home-based office/retail use)							
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Schools	one unit per 2 beds or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Senior Citizens (primary residence)	one unit per 20 persons in daily attendance, including staff	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Vacant Rate, per month	one-half unit	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Vacant Rate Noncompliance Fee	one-half the regular rate for intended use of building	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Warehouses	one unit per 6 employees or fraction thereof	\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Dump Fee		\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
disposal domestic sludge	per gallon	\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal septic tank/portable toilet water	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29

# **UNFINISHED BUSINESS**

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniaziowski, City Manager 

**Thru:** Mark Kozak, Public Works Director 

**Date:** May 22, 2014

**Agenda Item:** **IV. a. Authorization of Purchase of Replacement Chlorine Storage Tanks Tank Liner, Project No. 7030/11-08**

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**SUMMARY:** The City's water treatment process uses a chlorine solution that is generated on site and stored in a chlorine storage tank. The existing 3,000 gallon fiberglass storage tank is deteriorating and needs to be repaired or replaced. Staff looked at several options, and initially recommended to replace the existing tank with two smaller polyethylene tanks that will allow the same storage capacity. In December staff requested more time to evaluate the possibility of using a liner system as an option to replacing the tank. After evaluating additional information about liner systems, staff recommends the repair of the existing tank using a liner. Staff recommends approval of the quote from Stein Industries for a complete liner system and installation for the 3,000 gallon storage tank in the amount not to exceed \$30,000 with funds coming from the Water Capital Improvement Fund.

**PREVIOUS COUNCIL ACTION:**

- Council approved the funding for the replacement of this tank in the FY2012 budget.
- Staff brought the initial recommendation to replace the existing tank on December 10, 2013.
- At staff's request on December 12, Council agreed to postpone action on the item while other, more cost effective measures could be researched.

**DISCUSSION:** The tank that is in use since 1994 was originally part of a scrubber system for chlorine gas. When the City went to on site chlorine generation in 1999, this system was adapted for use of the chlorine solution. The tank has begun to deteriorate and is in need of replacement. Screens within the system show material from the tank beginning to deteriorate. Further investigation shows the interior of the 19-year-old fiberglass tank is starting to delaminate.

The building was built around the existing storage tank so in order to remove and replace the tank, the side of the building would need to be opened. Staff originally planned to replace the existing tank with two smaller tanks that would provide the same capacity in such a manner that in the future it would be easier to access the building. Another important aspect of this tank replacement is to maintain continuous chlorination. This requires staff to create a temporary chlorination storage tank and system for the installation period regardless of the replacement method selected.

Staff looked at several options for replacement. The first was a coating liner. This had the benefit of not having to create a large opening in the building. The major problem with this is staff was not sure how structurally sound the existing tank is as well as how long it would be out of service.

Staff looked at a bladder liner system that CH2MHill was familiar with. The quote arrived on Nov 19 and had additional discussions with them about the process and condition of the existing tank. The liner system provides a much simpler and quicker work plan without having to relocate electrical and operation systems as well as totally eliminates the need to open the side of the building in order to remove the existing tank and install new tanks. Based on the concentration of the City's disinfectant solution, up to 15 years or more life can be expected using a liner system, comparable to the same life span as the polyethylene tanks.

After discussion and questions between staff and Stein Industries, staff concluded that the liner system will provide the dependability needed. Staff will still have to put together a temporary chlorination system, but for much shorter operation time. This shorter duration will reduce the amount of effort to monitor the temporary chlorination system by a significant amount.

CH2MHill also provided a contact with Whitney Equipment Company. On August 19 and 20, 2013, they had a company technician in Kodiak and did a site inspection of the facility. They provided staff with a quote in late September. The quote included two tanks, equipment, and engineering support. The shortcoming of this system pertain to the additional work needed to gain access into the building and creating a temporary chlorination system that would operate for several weeks while all the other work is occurring to get the area ready for installation of the new tanks. This quote was quite a bit higher than the liner system plus an estimated additional cost equal to the quote.

Based on staff follow up work, the liner system is recommended as the best and less expensive option.

**ALTERNATIVES:**

1. Approve purchase of the liner to repair the existing tank. This would reduce the impact of having to open the building up, moving existing operation and control systems and based on solution concentration, we should see up to 15 years of life. This is the recommended option.
2. Authorize the replacement of the existing fiberglass storage tank with two smaller polyethylene tanks and schedule 80 PVC plumbing as recommended in December. This option would do the job, however at a substantially higher installation cost considering all the extra work of opening the side of the building, moving electrical and operational controls, and much longer time operating the water system on a temporary chlorination system. Staff heavily considered these options and recommends using the liner system.
3. Approve coating the interior of the existing tank. Staff has serious concern about the structural strength of the existing fiberglass tank in its current condition and do not recommend this option.

4. Do nothing and retain existing equipment and system. Not replacing or reconditioning is not an option. This is a critical component of the water treatment system and must be upgraded.

**FINANCIAL IMPLICATIONS:** Chlorine Tank Replacement Project No. 7030 has a current balance of \$119,823.50. The account has adequate funding to cover the purchase of the liner for \$24,220 as well as the estimated costs to prepare a temporary chlorination system.

**LEGAL:** The City is required to meet federal and state standards for drinking water systems and must perform necessary maintenance or replacement to maintain required water quality.

**STAFF RECOMMENDATION:** Staff recommends that Council authorize the purchase and installation of the chlorine storage tank liner system per Stein Industries quote (Attachment A) in an amount not to exceed \$30,000 with funds coming from Project No. 7030/11-08.

**CITY MANAGER'S COMMENTS:** I support staff's recommendation to move forward with this purchase. We do not have flexibility in the maintenance or replacement of our regulated water system. The existing chlorine storage tank is in critical need of repair or replacement, and staff did their research on options available and selected a less expensive and more manageable alternative by installing the liner system rather than the original recommendation of replacing the existing tank with two smaller tanks. Therefore, I ask Council to authorize the purchase of this liner system.

**ATTACHMENTS:**

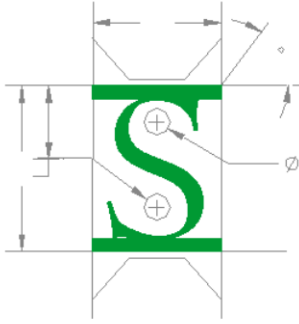
Attachment A: Stein Industries proposal for complete liner system and installation

Attachment B: Whitney Company Quote

*Clerk's Note: The motion to authorize the purchase of the replacement chlorine storage tanks, Project No. 7030/11-08, and the Whitney Equipment Company quote in an amount not to exceed \$45,000, with funds coming from the Water Capital Improvement Fund, Project No. 7030/11-08 and authorize the City Manager to execute the documents for the City is already on the floor. The following amendment is suggested.*

**PROPOSED MOTION:**

Move to amend the motion by striking storage tanks and inserting storage tank liner, striking Whitney Equipment Company quote and inserting Stein Industries proposal, and striking \$45,000 and inserting \$30,000.



# Stein Industries

PO Box 97 Bryant, IN 47326  
Ph. 260-997-6700 Fax 260-997-6767

[www.steinindustries.com](http://www.steinindustries.com) [info@steinindustries.com](mailto:info@steinindustries.com)

May 12, 2014

Mr. Hap Heiburg  
Kodiak Wastewater Treatment Plant  
2853 Spruce Cape Rd.  
Kodiak, Alaska 99615

Subject: Quote #Q1311-1R2; Chlorine tank liner. (Updated & corrected)

Dear Mr. Heiburg,

Thank you for the opportunity to quote on this project for you. I have reviewed the figures we first gathered in mid August and recalculated the travel expenses based on the work being done in the next 30 days or so.

The tank is an existing FRP vessel, 8' dia. with 2500 gal. capacity, flat bottom, dish top. A 24" side manway, 4" pump suction, 2" overflow, drain and fill lines will need to be lined. The original Nexus veil lining of the tank, which provides the chemical resistance for the tank, has been eroded away. This also exposes the tank to wicking of the solution, via exposed and uncoated glass fibers, into the structural build portion of the vessel. Further deterioration could compromise the integrity of the tank. The tank is located in an area of the building which only has pedestrian access.

We propose to furnish a Witt Lining Systems 1/8" thick flexible PVC lining suitable for potable water exposure, which can be installed inside the tank. The lining will be prefabricated to fit the tank at the factory using RF equipment. This material and fabrication process is suitable for storage of up to 15% bleach concentration. The lining is folded and inserted through one of the manway openings into the tank. A polyethylene water pipe is inserted through a hem in the top of the liner to provide a rigid support ring. The liner is then raised and secured in position via stainless steel cables and cable clamps protruding through holes drilled in the top of the tank at 12" intervals around the perimeter. Sika-flex polyurethane caulk is used to reseal the holes with the cables protruding. All flanged outlets below the top of the liner will be lined as well. Any additional outlets required will be furnished using posi-flange compression fittings.

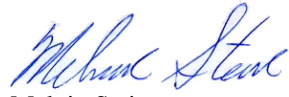
Installation will be by personnel trained and approved as factory installers in field welding of the lining materials, appropriate methods of handling and lining support, leak detection and quality control, as well as OSHA safety requirements for working in confined spaces. The lining will carry the manufacturer's standard one year warranty against defects in materials and workmanship. The installation is warranted for 2 years FOB Bryant, IN for tools and manpower. For this project, as a cost cutting measure, we will make use of your in-house confined space entry equipment and will require the support of one of your personnel as standby tank watch while we are working inside the vessel. We may need the temporary assistance of another person to get

the liner up the stairs and through the tank manway. Only Stein industries personnel will enter the tank. We anticipate being on site for 2-3 days to complete the installation.

I am pleased to offer the lining and installation described above for \$24,220.00, which includes all freight, transportation, and living expenses for the lining, tools, and personnel to Kodiak, AK. This quote is valid for 30 days. Invoicing of 50% will be done upon receipt of order, due on receipt, balance upon completion, with terms of net 30 days. Drawings will be furnished for approval once funds are received and lining fabrication can begin upon approval of the drawings. Installation can be scheduled when the order is placed. It is anticipated the lining can be installed within 3 -4 weeks of receipt of order.

This product is custom fabricated, therefore cancellation of an order can result in substantial charges. The attached Provisions for Work Performed on Site, and Terms and Conditions of Sale are to be considered part of this quote. If you have further questions, please call. We look forward to working with you!

Sincerely,



Melvin Stein  
Stein Industries

Attachments: Provisions for Work Performed on Site  
Terms and Conditions of Sale




 Whitney Equipment Company, Inc.

Seattle Area  
21222 30th Dr. SE #110  
Bothell, WA 98021  
425-486-9499

Portland Area  
7017 NE Hwy. 99 #118  
Vancouver, WA 98665  
360-694-9175



To: Hap Heiberg  
Project: Kodiak WTP  
Quote Number: 19179  
Date: 9/25/2013

Thank you for the business opportunity. We are excited to serve you. Our proposal follows:

Tank System:		<b>1550 Vertical Tanks</b>
Consisting of:		
Sodium Hypochlorite Storage	2	1550 Gal Vertical 1.35 Specific Gravity Crosslinked Polyethylene Black with NSF Certification
Lid/Manway	2	Cap 17" Buttress Thread Black Pe
Fill	2	1" PVC Bulkhead Fitting W/Epdm Gasket
Spare	2	1" PVC Bulkhead W/Epdm Gasket
Pump Suction	2	B.O.S.S. Fitting 1" Assembly Pe/Pvc/Titan/Epdm
Overflow	2	2" PVC Bulkhead Fitting W/Epdm Gasket
Vent	2	U-Vent 3" PVC
Reverse Float Level Gauge	2	Level Gage Large Fit Type Pvc
Restraint System	2	IBC-2009 Seismic Restraints
System Subtotal:		\$18,339.00
Estimated Freight to Kodiak, AK:		\$8,750.00
Estimated Freight to Seattle, WA:		\$2,214.00 (800 lbs. shipping weight)
Service assistance	1	\$3000 per trip (2 days on-site)
Lot of misc. fittings and temporary tubing	1	\$1500
		<b>\$33,803.00</b>

Whitney Equipment offers Poly Processing Company's reliable, robust tank systems for safe storage of harsh chemicals. Our product line of cross-linked polyethylene storage tanks offers a margin of safety that meets or exceeds ASTM D 1998 standards.

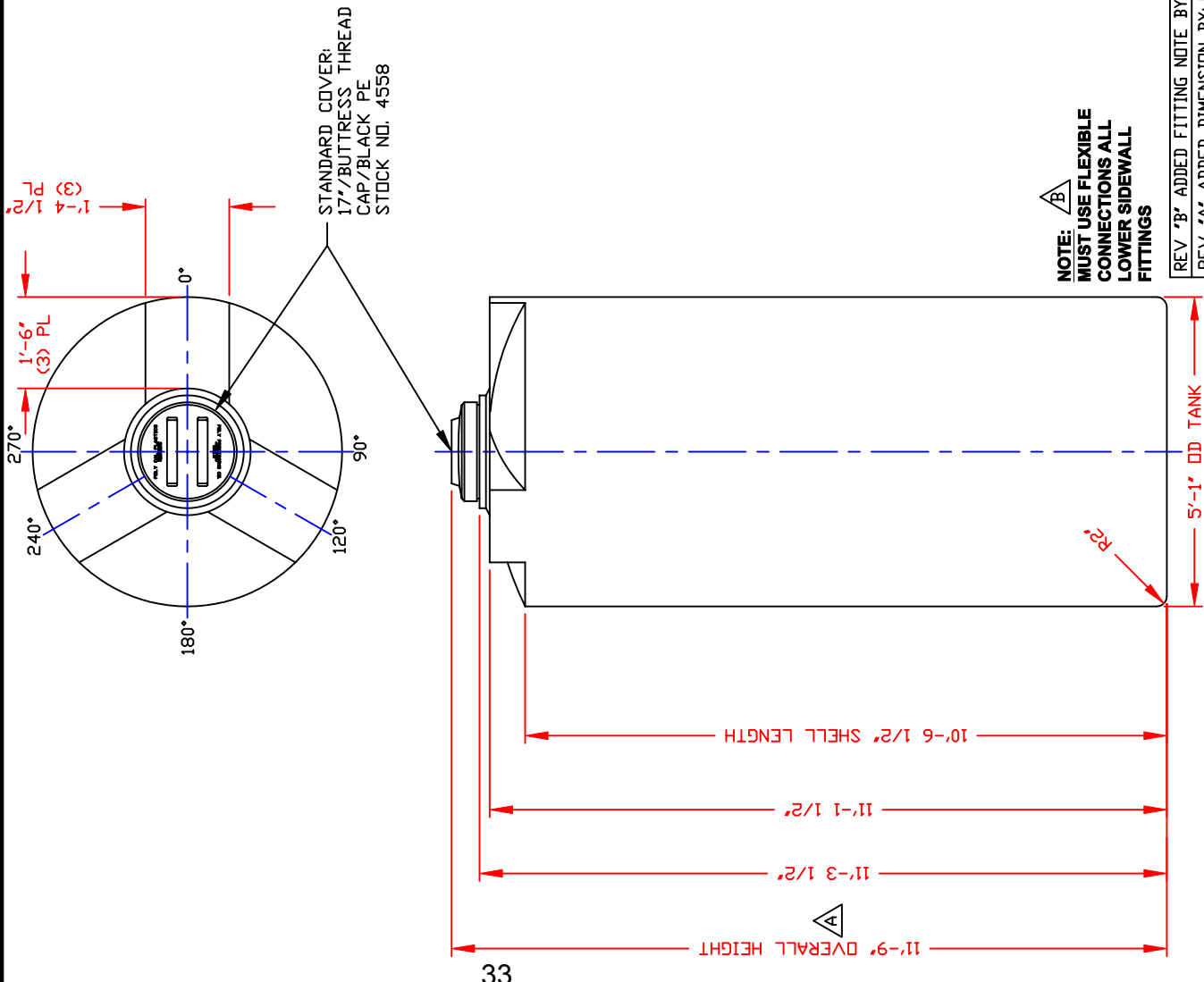
I will be contacting you soon to discuss this project and answer any questions you may have. Thank you for the opportunity.

Lead-time is 15 working days or less upon receipt of an approved PO and signed approval drawing.

*All sales are according to Poly Processing's Terms and Conditions, available upon request and at <http://www.polyprocessing.com/technical-resources/poly-processing-companys-terms-conditions/>*

Warm regards,  
Dana Wehrman  
dwehrman@weci.com  
425-486-9499

CC: Account Manager, Jason Morse [jmorse@weci.com](mailto:jmorse@weci.com) 503-310-9893



**NOTE:**  
 MUST USE FLEXIBLE CONNECTIONS ALL LOWER SIDEWALL FITTINGS

REV 'B' ADDED FITTING NOTE BY:JB 3/19/03 CKMBW  
 REV 'A' ADDED DIMENSION BY:JB 10/17/02 CKMBW

**NOTES:**  
 1. THIS IS A COMPUTER GENERATED DWG. DO NOT REVISE BY HAND.  
 2. DIMENSIONS WILL VARY ±3% DUE TO VARIATIONS IN MULTIPLE MOLDS & CONDITIONS PREVALENT DURING MANUFACTURE & USAGE.  
 3. MOLDED IN GALLONAGE MARKERS @ 0° IN 100 GAL INCREMENTS STARTING @ 100 GAL UP TO 1400 GAL. AVOID WHEN PLACING FITTINGS.

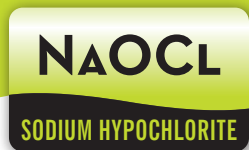
CALCULATED CAPACITIES/ VOLUME IN U.S. GALLONS		
DESIGN CAP	DOME VOL	TOTAL VOL
1568	45	1613

CONFIDENTIAL PROPERTY OF  
 POLY PROCESSING COMPANY  
 NOT FOR REPRINT OR USE  
 WITHOUT PERMISSION

DWG TITLE		1550 GALLON UPRIGHT TANK	
SCALE:	1/2"=1'-0"	Western Region	DR: MB WILKERSON
DATE:	2/29/00	P.O. Box 88 10000 Hwy 101 French Camp, CA 92531 (951) 945-4444 FAX: (951) 945-4445	CK: D. RECTOR
SHEET		1	OF 1
COMPUTER FILE		11001550	
REV		B	

## SODIUM HYPOCHLORITE.

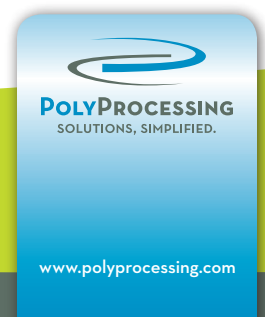
An aggressive oxidizer that presents a major storage challenge.



Commonly known as bleach, sodium hypochlorite is used in a variety of applications, particularly for the disinfection of drinking water and wastewater. When it comes to storage of this chemical, three factors must be considered:

- UV can degrade sodium hypochlorite, so special precautions must be taken to reduce this effect.
- Sodium hypochlorite typically contains transition metals such as nickel, iron and copper, which can buildup in a storage tank creating off-gassing.
- “Hypo” is a potent oxidizer, so all materials in the chemical’s storage tank must be up to the task.

By addressing all three of these issues, this caustic chemical can be contained in a more secure and effective manner, with a tank system that meets NSF/ANSI Standard 61 for chemical storage.





**NaOCl**  
SODIUM-HYPOCHLORITE

## The Poly Processing Hypo System

Poly Processing's Sodium Hypochlorite Storage Systems are specifically designed for containment of this challenging chemical. By using carbon black, white or gray compound XLPE resin, **UV degradation of the chemical can be dramatically reduced.** Mastic coatings and insulation are other ways to reduce UV's effect on the chemical.

To **prevent the potential buildup of transition metals in the tank**, Poly has developed the IMFO® system. This special design allows for full drainage of the tank, which can greatly increase the half-life of the chemical\*.

\* Natural tanks are available for indoor use.

Poly's OR-1000™ system is another key component of the Hypo System. OR-1000™ is the result of our exclusive rotomolding process, which creates a seamless bond between an inner surface of medium-density polyethylene and an outer surface of high-density crosslinked polyethylene. OR-1000™ allows **four times the antioxidant strength** of a normal polyethylene. In any application where OR-1000™ is used, all wetted surfaces - including covering the face of the IMFO® drain - are completely covered by the material, eliminating any opportunity for a chemical attack on the structural portion of the tank.

CHEMICAL	RESIN TYPE	SPECIFIC GRAVITY RATING	FITTING MATERIAL	GASKET MATERIAL	BOLT MATERIAL
Sodium Hypochlorite 9%-15%	XLPE with OR-1000™	1.9	PVC	EPDM/Viton®	Titanium
Sodium Hypochlorite 2%-9%	XLPE with OR-1000™	1.9	PVC	EPDM/Viton®	Titanium
Sodium Hypochlorite < 1%	XLPE	1.35-1.9	PVC	EPDM/Viton®	Titanium

» See our website for a complete Chemical Resistance Chart.

**NOTE:** To meet NSF-61 certification, use EPDM or Viton® GF.

## Tank Specifications



- **High-density crosslinked polyethylene (XLPE)** outer surface ensures maximum corrosion protection through molecular bonding.
- **OR-1000™** molecularly bonds XLPE with an antioxidant inner surface that resists the heavily oxidizing nature of sodium hypochlorite.
- **Integrally Molded Flanged Outlet (IMFO®)** constructed as part of tank ensures complete drainage. Non-IMFO® options also available
- **UV protection** for the chemical is achieved by using compounded black, white or gray resin or insulation coating to help maximize the half-life of the chemical for outdoor applications.

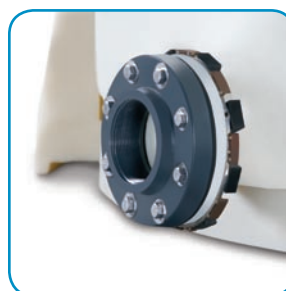
## Recommended System Components



### Secondary containment:

Recommended.

**Alternative:** PPC secondary containment basin of XLPE, or SAFE-Tank® if concrete containment is not available.



### Fittings:

IMFO® to prevent transition metal buildup

**NOTE:** Do NOT use stainless steel or Alloy C-276 due to nickel content reaction.



### Plumbing:

Requires flexible, Hypo-resistant connections [see pages 54-55] to allow for lateral and vertical tank contraction and expansion, and to reduce vibration stress



### Venting:

SAFE-Surge® manway cover is recommended on pneumatically loaded systems to support tank longevity.

The above components are just a few of the many options offered by Poly Processing. See our website or talk to your Poly Processing representative to find out more.



**CAUTION!** The life of a Sodium Hypochlorite Storage System is greatly affected by the quality of the chemical itself. Tank owners are cautioned to use high-quality sodium hypo with low iron, nickel and copper content, to avoid decomposition of the chemical and acceleration of the oxidization and degradation of the tank.

## TECHNICAL OVERVIEW: Sodium Hypochlorite Storage Tanks.

### TANK

#### IMFO® Vertical Flat Bottom of XLPE with OR-1000™:

- 1,000–13,650 gallons
- 1.9 spg rating

NOTE: 230–1,000 gallons do not require OR-1000™.

#### Non-IMFO® alternative\*:

#### Standard Vertical Flat Bottom XLPE with OR-1000™:

- 1,000–13,650 gallons
- 1.9 spg rating

NOTE: 30–1,000 gallons do not require OR-1000™.

\*Three-year warranty offered on Non-IMFO® alternatives.

#### SAFE-Tank® XLPE:

- 1,500–8,700 gallons
- 1.9 spg rating for primary tank with OR-1000™
- Spg ratings for secondary tanks  $\geq$  3,000 gallons may be equal to or 1 less spg than primary tank.
- All other tank sizes must equal primary tank spg rating.

NOTE: 55–1,000 gallons do not require OR-1000™.

Black, white or gray color or insulation with mastic coating required in outdoor applications to minimize bleach degradation and maximize chemical half-life.

### SECONDARY CONTAINMENT

Recommend **SAFE-Tank®** secondary XLPE as shown above.

#### Non-SAFE-Tank® Alternatives:

- PPC secondary containment basin
- Other secondary containment suitable for sodium hypochlorite, of adequate size for use

### FITTINGS

**Sidewall:** Recommend 3" maximum B.O.S.S.® fitting

**Dome:** No restrictions

### PLUMBING TO THE TANK

- Required use of **flexible connections** with fittings on lower third of sidewall
  - » Allows for lateral and vertical expansion and contraction of the tank
  - » Reduces pump and piping vibration stress on the tank
- Expansion joints must meet the following minimum requirements:
  - » Axial Compression  $\geq$  1.5"
  - » Axial Extension  $\geq$  0.625"
  - » Lateral Deflection  $\geq$  0.750"
  - » Angular Deflection  $\geq$  14°
  - » Torsional Rotation  $\geq$  4°

### VENTING

Please refer to the venting chart on [www.polyprocessing.com/pdf/technical/Venting.pdf](http://www.polyprocessing.com/pdf/technical/Venting.pdf)

### FOUNDATION AND RESTRAINTS

- PPC IMFO® tank pad or smooth concrete, asphalt or steel foundation designed to accommodate IMFO®, SAFE-Tank® or vertical tank
- No restraint or ladder attachment bands circumscribing the tank are allowed. Cable restraint systems must pass cables over the top of the tank.

### TEMPERATURE

Product should not exceed 100°F at delivery or during storage to reduce the decomposition of the chemical and maintain ASTM D1998 design parameters.

### LID

SAFE-Surge® manway cover for pneumatically loaded tanks; bolted manway cover for all other applications

### OPTIONS

Restraint systems for wind and seismic, level gauges, ladders, heating pads, insulation, fume-tight manway cover, NSF-61 certification and engineering stamp

#### CALIFORNIA

8055 S. Ash St.  
French Camp, CA 95231  
Tel: 877.325.3142

#### LOUISIANA

P. O. Box 4150  
2201 Old Sterlington Rd.  
Monroe, LA 71203  
Tel: 866.590.6845

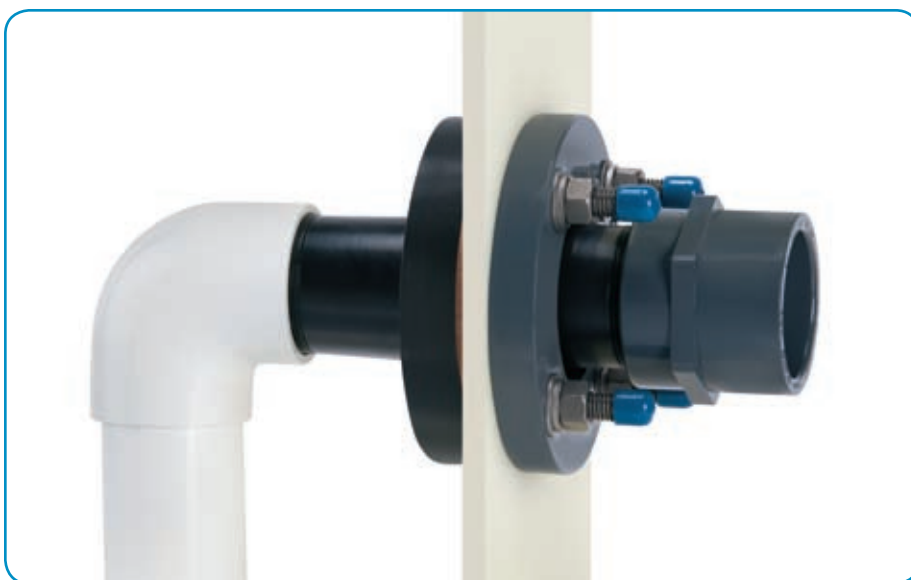
#### VIRGINIA

161 McGhee Rd.  
Winchester, VA 22603  
Tel: 866.590.6845

[sales@polyprocessing.com](mailto:sales@polyprocessing.com)

## POLY PROCESSING INTRODUCES THE B.O.S.S.™ FITTING:

With a Bolted, One-Piece, Sure-Seal Design for Superior Leak Protection.



**Bolts:** 316 stainless steel, titanium and C-276

**Body:** Polyethylene

**Connections:** socketed

**Size:** 1, 2 and 3-in.

**Gaskets:** EPDM, Viton®, Viton® GF

**Options:** flange adapter, siphon leg



After extensive development and testing, chemical tank manufacturer Poly Processing introduces the official release of the B.O.S.S.™, a new, simplified fitting that offers a superior margin of safety in design. With its streamlined one-piece structure, the B.O.S.S.™ (bolted one-piece sure seal) **reduces seal points to a single gasket.**

This breakthrough product has undergone third-party engineering validation for its structural and mechanical properties. Its features include:

- An innovative back-ring design that reduces stress on the fitting, making it three times stronger than its plastic counterparts.
- Easy maintenance and troubleshooting, since the pipe connection is extended beyond the sidewall of the tank.
- Easy installation, since the fitting comes fully assembled and pressure tested.

To find out more about the B.O.S.S.™ or any of a number of other innovations in chemical storage, visit our website, or contact Poly Processing at 800.523.9871 (Louisiana) or 877.325.3142 (California).

  
**POLYPROCESSING**  
SOLUTIONS, SIMPLIFIED.

[www.polyprocessing.com](http://www.polyprocessing.com)



PIPE SUPPORT PPC STOCK NDS	
BOLT TYPE	EXTERIOR/INTERIOR
316SS	3198
ALLOY 400	3201
TITANIUM	3204
ALLOY C-276	3207
GASKET PPC STOCK NOS.	
EPDM X/LE	BUNA N/TON
3209	12751
2752	2759
2766	

**PVC FLOAT TYPE SIGHT GAGE**  
 PPC STOCK # 4089 FOR VERTICAL TANKS UNDER 7 FEET TALL  
 PPC STOCK # 3356 FOR VERTICAL TANKS OVER 7 FEET TALL

2" /SCH 80 PIPE/ PVC/TH'D (1) END  
 FITTING AS REQUIRED FOR TANK APPLICATION (2" UNIVERSAL BALL (2" UNIVERSAL BALL DOME FIG. SHOWN)  
 2" /SCH 80 PIPE/ PVC/TH'D AS REQ'D. OPTIONAL\*  
 3" X 2" /SCH 80 REDUCER BUSHING/PVC OPTIONAL\*  
 4" X 3" /REDUCER COUPLING/PVC OPTIONAL\*  
 4" /PERFORATED SEWER PIPE/PVC OPTIONAL\*  
 1/8" DIA. ROPE/ TWISTED YELLOW POLYPROPYLENE  
 PIPE SUPPORT SEE DETAIL  
 PROMIO TANK PIPE SUPPORT SEE DETAIL  
 REQ'D FOR PIPING INSIDE SAFE-TANK ASSEMBLIES MAY BE USED ON ANY TANK AS REQ'D BY CUSTOMER

2" /SCH 40 PIPE PVC/CUT TO FIT  
 2" /SCH 40 90° ELBOW/PVC W/ROLLER PULLEY SEE DETAILS  
 LEVEL INDICATOR SEE DETAIL  
 2" /SCH 40 CLEAR TUBE/PVC  
 NOTE: DO NOT MAKE ANY PERMANENT CONNECTIONS ON PIPE FITTINGS UNLESS SPECIFIED ON DRAWING  
 FLOAT SEE DETAIL  
 2" /SCH 40 PIPE CAP/ PVC OR OPTIONAL CPLG. & PLATE SEE DETAIL

2" /SCH 80 PIPE/ BLACK/PE--WELD TO PLATE & STUD  
 1/2-13 STUD/316SS W/LOCK, WASHER & (3) NUTS W/PE ENCAPSULATED HEAD W/(2) GASKET/EPDM W/PE WASHER  
 HOSE CLAMP/SS (2) REQ'D.  
 1/8" THK X 2" FB/304SS 'J' BRACKET TO HAVE (2) 4" LG. LEG & (1) 2" LG. LEG 2" LG. LEG TO HAVE 17/32" Ø HOLE  
 3/8" THK X 9" X 7" BLACK PE PLATE W/ 4 1/2" Ø HOLE  
 1/2" X 1 1/2" X 1"-0" PIPE SUPPORT SCALE: 1 1/2"=1'-0"

3" Ø CUT OUT FILL W/SAND WELD SHUT  
 3/8" THK. PLATE/PE  
 4 1/2" Ø HOLE  
 PROMIO TANK PIPE SUPPORT SCALE: 1 1/2"=1'-0"  
 WHEN PROMIO TANK PIPE SUPPORT IS USED INSIDE PIPING WILL BE SHIPPED LOOSE.

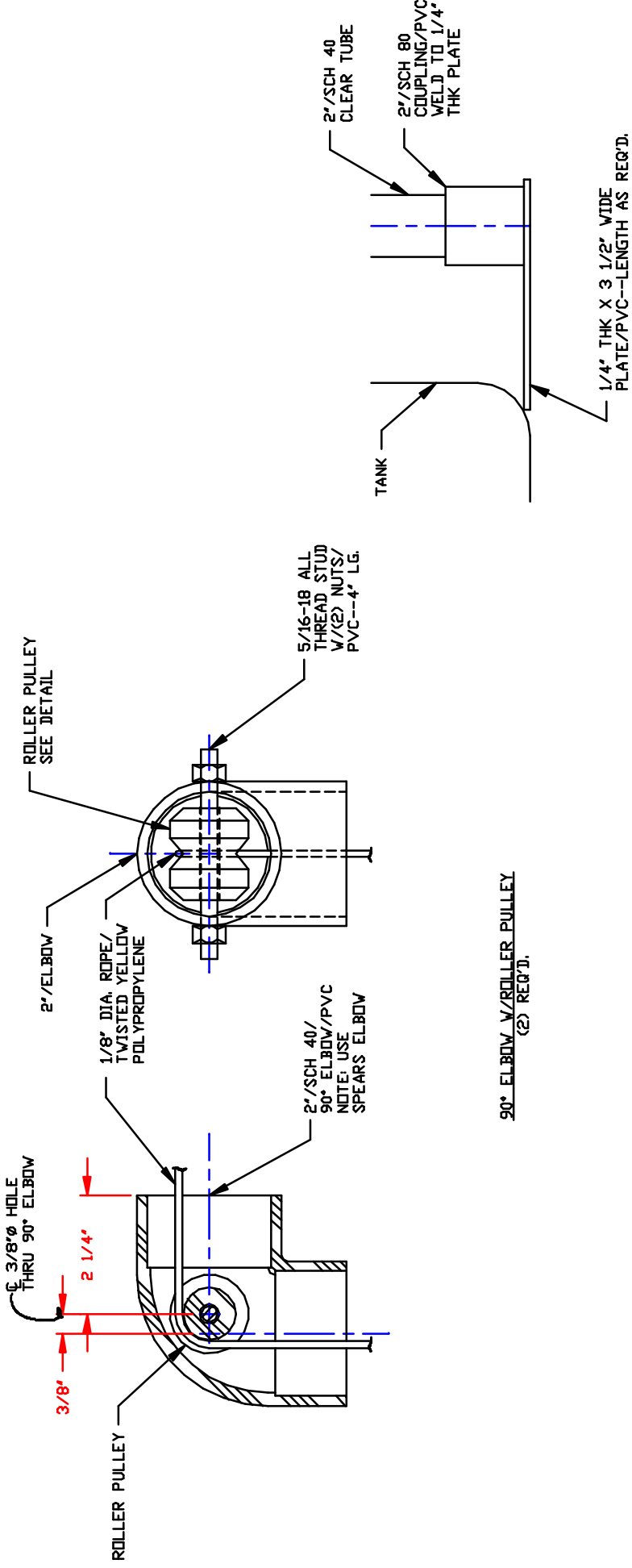
PPC STOCK # 99999998 FOR PROMIO TANK PIPE SUPPORT ASSEMBLY  
 PROMIO TANK PIPE SUPPORT SCALE: 1 1/2"=1'-0"  
 WHEN PROMIO TANK PIPE SUPPORT IS USED INSIDE PIPING WILL BE SHIPPED LOOSE.

NOTES:  
 1. THIS IS A COMPUTER GENERATED DWG. DO NOT REVISE BY HAND.  
 2. COMPUTER DRAWING NAME 'FTSGA/'=SHEET 1, 'FTSGB/'=SHEET 2, 'FTSGC/'=SHEET 3.  
 3. THIS DRAWING REPLACES DRAWING NO. PPC071585-1, TITLE, 'FLOAT TYPE SIGHT GAGE.'

DWG. TITLE: **FLOAT TYPE SIGHT GAGE**

SCALE: NONE  
 DATE: 4-11-96

DR. D. RECTOR  
**POLY PROCESSING CO.** (CK. E.T./W.T.)  
 SHEET: 1 OF 3  
 DWG. NO. 3PPC041196-1 D  
 REV:



OPTIONAL COUPLING & PLATE DETAIL  
SCALE: 3" = 1'-0"

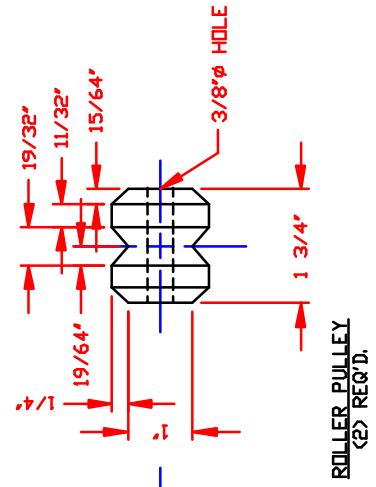
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1. THIS IS A COMPUTER GENERATED DWG. DO NOT REVISE BY HAND.  
2. COMPUTER DRAWING NAME 'FTSGA,'=SHEET 1, 'FTSGB,'=SHEET 2,  
'FTSGC,'=SHEET 3  
3. THIS DRAWING REPLACES DRAWING NO. PPC071585-1, TITLE,  
'FLOAT TYPE SIGHT GAGE.'

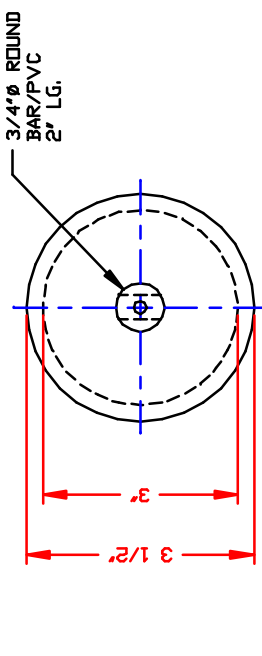
DWG. TITLE

FLOAT TYPE SIGHT GAGE

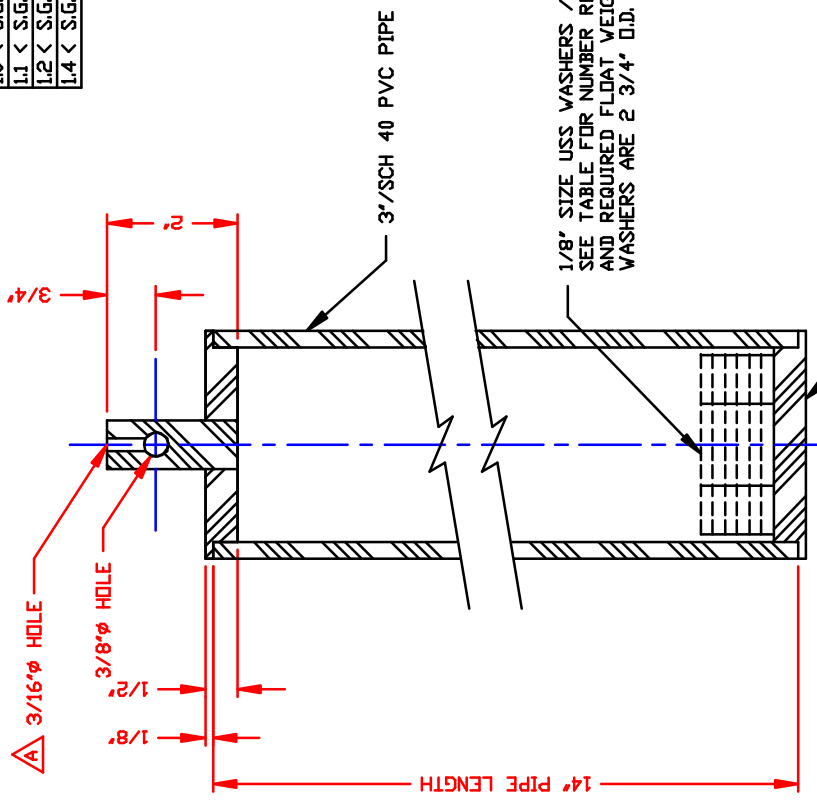
SCALE: 6"=1'-0"	DR. D. RECTOR
DATE: 4-11-96	CK. E.T./M.T.
SHEET: 2 OF 3	
DWG. NO. 3PPC041196-1	
REV. D	

90° ELBOW W/ROLLER PULLEY  
(2) REQ'D.



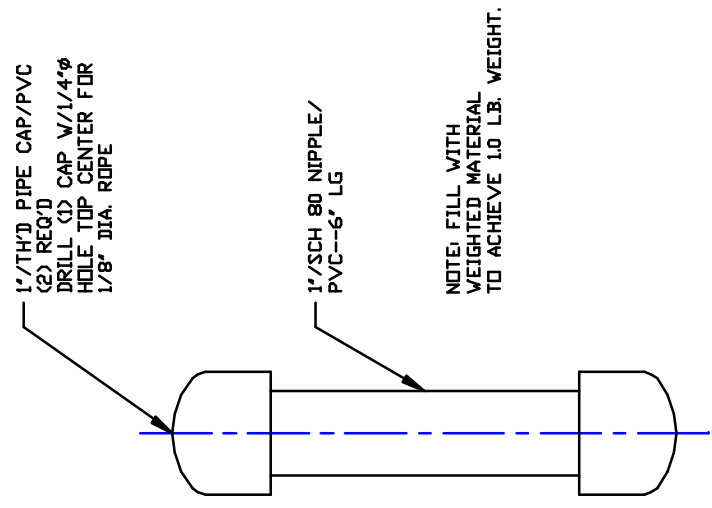


FLUID S.G. / RANGE	WASHER QTY.	FLOAT WEIGHT LB.	DZ.
S.G. = 1.0	6	3	5.33
1.0 < S.G. <= 1.1	7	3	8.85
1.1 < S.G. <= 1.2	8	3	12.37
1.2 < S.G. <= 1.4	10	4	3.41
1.4 < S.G. <= 1.9	15	5	5.01



NOTE: SOLVENT WELD ALL JOINTS

FLOAT (1) REQ'D.



LEVEL INDICATOR (1) REQ'D

NOTE: FILL WITH WEIGHTED MATERIAL TO ACHIEVE 1.0 LB. WEIGHT.

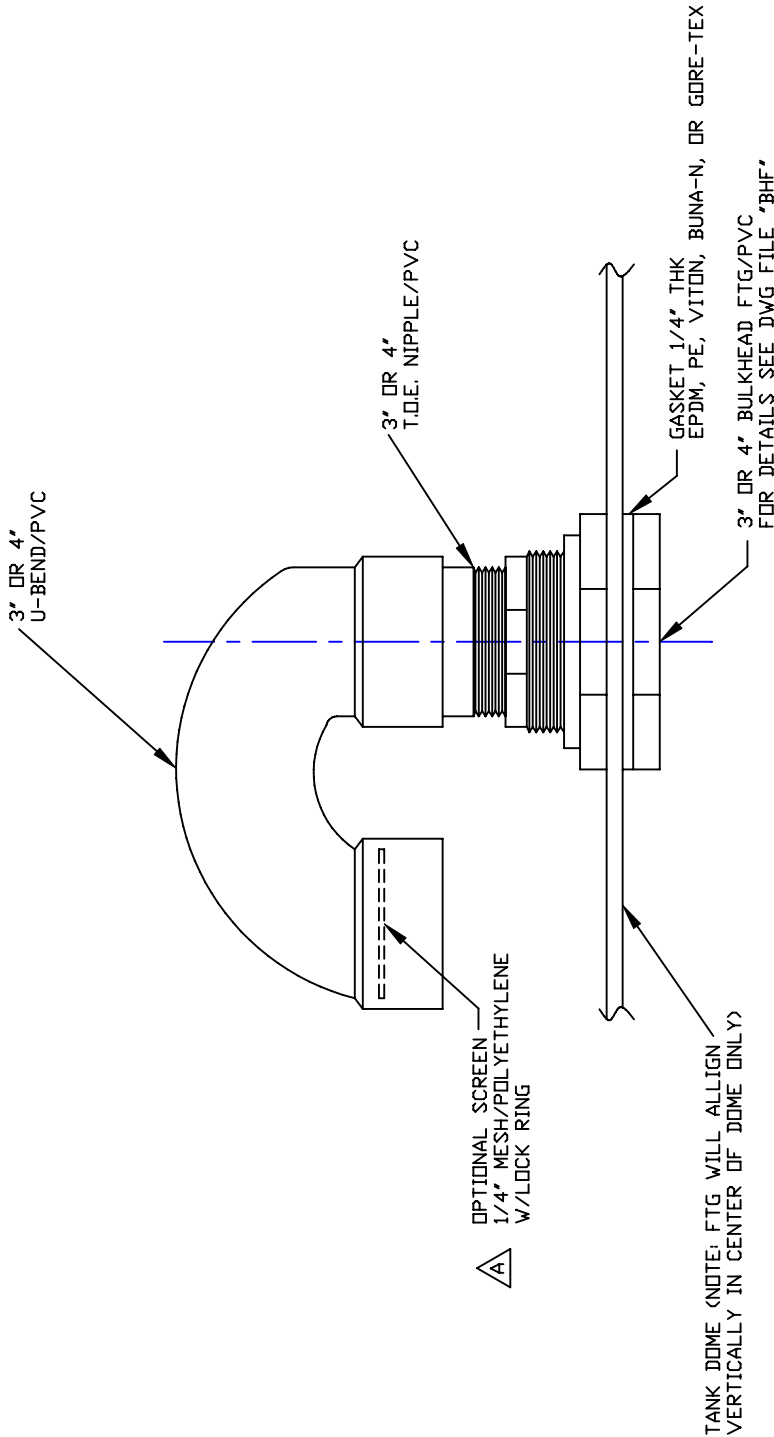
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  3. THIS DRAWING REPLACES DRAWING NO. PPC071585-1, TITLE, 'FLOAT TYPE SIGHT GAGE.'

REV. 'D' PPC STOCK NOS. ADDED (3) PL SHT 1 BY:D.R. 7-29-98 CK:W.T.  
 REV. 'C' PROMO TANK PIPE SUPPT JIL 3/8" THK PLATE BRACKET REV & REDRAWN BY:D.R. 7-29-98 CK:W.T.  
 REV. 'B' REVISED AND REDRAWN BY:K.K. 9-26-97 CK:D.R./W.T.  
 REV. 'A' 3/16"Ø HOLE ADDED TO FLOAT BY:D.R. 9-10-96 CK:E.T./W.T.

**FLOAT TYPE SIGHT GAGE**

SCALE: 6"=1'-0"	DR. D. RECTOR
DATE: 4-11-96	CK. E.T./W.T.
SHEET: 3 OF 3	
DWG. NO. 3PPC041196-1 D	

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DWG TITLE		3" & 4" "U" VENT/PVC	
SCALE:	NONE	DR:	MB WILKERSON
DATE:	9-7-00	CK:	J. BRANTLEY
SHEET		COMPUTER FILE	REV
1		DF	1
3-4UVENTPVC		A	



Central Region  
 P.O. Box 4827 Grand  
 Rapids, MI 49508  
 Phone: 616-235-7945  
 Fax: 616-235-0795

REV "A" REVISED NOTE BY:JB 3/15/07 CK:BS

**LIMITED WARRANTY**  
**Poly Processing Company**

Poly Processing Company Product	Warranty Period
<b>CROSSLINKED POLYETHYLENE TANKS</b> for all suitable applications except those listed below	5 yrs
<b>IMFO® TANKS STORING SODIUM HYPOCHLORITE 9 – 15 wt%</b> (refer to PPC Position Statement) <u>HDXLPE w/ OR-1000™</u> , 1.9 spg rating	5 yrs
<b>NON-IMFO® TANKS STORING SODIUM HYPOCHLORITE 9 – 15 wt%</b> (refer to PPC Position Statement) 1000 gallons and larger: <u>HDXLPE w/ OR-1000™</u> , 1.9 spg rating Less than 1000 gallons: <u>HDXLPE</u> 1.9 spg rating	3 yrs
<b>TANKS STORING SULFURIC ACID ≥ 80% CONCENTRATION</b> (refer to PPC Position Statement) <b>SAFE-TANK®</b> to 8700 gallons: <u>HDXLPE w/ OR-1000™</u> , 2.2 spg rating Vertical tanks 1000 - 6600 gallons: <u>HDXLPE w/ OR-1000™</u> , 2.2 spg rating Vertical tanks less than 1000 gallons: <u>HDXLPE</u> 1.9 spg rating	3 yrs
<b>TANKS STORING HYDROCHLORIC ACID ≤ 37% CONCENTRATION</b> (refer to PPC Position Statement) <u>HDXLPE w/ OR-1000™</u> , 1.9 spg rating	5 yrs
<b>TANKS STORING HYDROCHLORIC ACID ≤ 37% CONCENTRATION</b> (refer to PPC Position Statement) <u>HDXLPE</u> 1.9 spg rating	3 yrs
<b>LINEAR POLYETHYLENE TANKS</b> for all suitable applications except for those listed above	3 yrs

Poly Processing Company's warranty consists of repair or replacement of defective product. Owner and/or user may be requested to provide a cleaned section of the product in question for evaluation. Product disposal or alternate use is the owner and/or user's responsibility. Warranty begins at date of shipment from PPC plant. Parts and ancillary items are warranted for ninety (90) days.

Poly Processing Company's liability is limited to either repair or replacement of its product. By accepting delivery of the product, owner and/or user waives any claim against PPC for incidental or consequential damages as they relate to lost profits or sales or to injury of persons or property, including secondary containment. Owner and/or user accepts full responsibility for providing secondary containment appropriate and adequate for the stored material.

This warranty will be nullified if:

1. Product has been used in manner other than its originally declared purpose or if PPC tank recommendations have not been followed.
2. Product has not been installed, used, and maintained in accordance with a) all federal, state, and local laws and regulations; b) generally accepted best practices within the applicable industry; c) guidelines set forth in the PPC Installation Manual and/or in PPC Position Statements.
3. Product has been altered or repaired by unauthorized personnel.
4. Notification of the defect has not been made in writing within the warranty period.
5. Invoice for product has not been paid.
6. Product has been subjected to misuse, negligence, fire, accident, act of war, or act of God.

**The limited warranty described herein is Poly Processing Company's sole warranty and the complete, final and exclusive statement of the terms of the warranty. Owner and/or user may not rely on any oral statement or representations. This warranty is neither assignable nor transferable.**  
Issued: September 1, 2003

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**MEMORANDUM TO COUNCIL**

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniazowski, City Manager 

**Date:** May 22, 2014

**Agenda Item: IV. b. Second Reading and Public Hearing, Ordinance No. 1316, Authorizing a Lease to Afognak Native Corporation of a 17,727 Square Foot (0.407 Acre) Portion of USS 4947 Located Adjacent To Tract D-1B**

---

**SUMMARY:** The Afognak Native Corporation has expressed interest in the purchase of City-owned land adjacent to their property on Near Island since 2009. Following a series of meetings with City staff starting in 2010, Afognak expressed the desire to acquire some or all of the land within Tract USS 4947. With Council's decision to not sell City land, the discussions with Afognak turned to the idea of leasing property for the purposes of viewshed protection. Knowing Council's wish to complete an updated land use study on Near Island before entering into long-term property leases, the attached lease is for a relatively short duration, and staff believes it is a benefit to Afognak and the City. This ordinance was postponed in the first reading at the February 13, 2014, regular meeting because of a discrepancy in the lease survey. The discrepancy was resolved and the Council amended and passed Ordinance No. 1316 in the first reading at the April 24 meeting. Staff recommends Council adopt Ordinance No. 1316 in the second reading after the public hearing.

**PREVIOUS COUNCIL ACTION:** Afognak made a presentation of their request to the City Council at the work session on December 10, 2013. Council expressed support for moving forward with a lease of this property to them. Ordinance No. 1316 was postponed in the first reading on February 13, 2014, and passed in the first reading and advanced to second reading and public hearing at the April 24 meeting.

**DISCUSSION:** Afognak Native Corporation purchased land from the City on Alimaq Drive on Near Island and recently constructed their corporate headquarters there. They have maintained an interest in acquiring adjacent land on Tract USS 4947 since before 2009.

City and Afognak staff met in 2012 to discuss land availability for a portion of land adjacent to their property. The City Manager explained that Council decided not to sell anymore City property on Near Island. The Manager suggested Afognak consider leasing the property, which would protect their viewshed and benefit the City through retained ownership and revenue from the rent. Afognak made a written request in March 2013 (Attachment D) to request a long-term lease if the option to purchase was not possible. After a brief meeting in July 2013, it was agreed to move forward with a lease of the property. Afognak would get the property surveyed, and the City would obtain an updated commercial appraisal for the property.

Afognak completed the survey of the requested parcel in December 2013, and the City received a final appraisal report in early December. The appraisal identified the market value of the parcel at \$95,000, or \$6.34 per square foot for 15,000 square feet and recommended a lease rate of 8 percent of value. KCC 18.12.110 states the minimum rental price would be 1/10<sup>th</sup> of the current appraised value.

The discrepancy in the survey identifying the lease area was discovered the day the ordinance and lease were introduced at the Council meeting on February 13. The Council agreed to continue the first reading of the ordinance until the discrepancy was resolved. City staff worked with Afognak to walk the site and identify the area to be leased, and Afognak completed a new survey (Attachment B) that indicated the lease area to be 17,727 square feet. City staff confirmed the land value of the larger portion of USS 4947 remained the same.

Therefore, at 10 percent of the value the lease reflects a rate of \$930.67 per month for the duration of the five-year lease, which would become effective approximately 37 days from passage of the ordinance. The lease also provides for two successive five-year renewal options if both parties agree and the request is made in writing to the City. Staff believes the lease terms are reasonable and gives the City time to conduct a land use analysis and develop an updated plan for its Near Island properties to better address how to oversee development there as a wide variety of development and usage has occurred in recent years.

**ALTERNATIVES:**

1. Adopt Ordinance No. 1316 in the second reading, which is the staff recommendation, because it supports both Afognak and the City's interests at least in the near-term.
2. Delay or do not approve the ordinance, which is not recommended.

**FINANCIAL IMPLICATIONS:** The lease, if approved, will provide the General Fund with \$11,168 per year in rents over the course of a five-year period.

**LEGAL:** The City Attorney reviewed the request for staff and drafted the lease document attached. The lease must be authorized by ordinance to meet the requirements of Section V-17 of the City Charter and will not become effective for at least one month after final adoption of the ordinance. The lease rate is set per KCC 18.12.110, which states the minimum lease rate will be 1/10<sup>th</sup> of the current appraised value of the property which is \$112,389.

**CITY MANAGER'S RECOMMENDATION AND COMMENTS:** I support Afognak's request to lease the 17,727 sf parcel next to their property on Alimaq Drive. I believe it's in the City's best interest to enter this lease, because the City will retain ownership, the lease will provide revenue to the General Fund, and an updated land use study for Near Island can be prepared during the lease term. I believe the lease supports Afognak's investment in Kodiak and protects their viewshed, although they would prefer purchase or a long-term lease.

**ATTACHMENTS:**

Attachment A: Ordinance No. 1316

Attachment B: Proposed lease between the City and Afognak

Attachment C: MacSwain and Associates Summary of appraised value, dated Nov 25, 2013

Attachment D: Letter of request from Afognak, dated March 21, 2013

**PROPOSED MOTION:**

Move to adopt Ordinance No. 1316.



**CITY OF KODIAK  
ORDINANCE NUMBER 1316**

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK AUTHORIZING A LEASE TO AFOGNAK NATIVE CORPORATION OF A 17,727 SQUARE FOOT (0.407 ACRE) PORTION OF USS 4947 LOCATED ADJACENT TO TRACT D-1B**

WHEREAS, the City of Kodiak (“City”) owns a 17,727 square foot (0.407 acre) portion of USS 4947 on Near Island located adjacent to Tract D-1B USS 4947 (“Premises”); and

WHEREAS, Afognak Native Corporation (“Afognak”), the owner of Tract D-1B, has requested to lease the Premises from the City to preserve the Premises as open space and protect the viewshed for Tract D-1B; and

WHEREAS, the City has determined that the Premises is not required for any public purpose, and that it is in the best interest of the City to authorize a lease of the Premises to Afognak.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Kodiak, Alaska, as follows:

**Section 1:** Notwithstanding anything to the contrary in Kodiak City Code Chapter 18.20, the Council of the City of Kodiak hereby authorizes the lease of the Premises to Afognak in the form now before this meeting (“Lease”), for a term of five years plus two five-year renewal options, and the City Manager hereby is authorized, empowered and directed to execute and deliver the Lease on behalf of the City, in substantially the form and content now before this meeting but with such changes, modifications, additions and deletions therein as shall to her seem necessary, desirable or appropriate, the execution thereof to constitute conclusive evidence of approval of any and all changes, modifications, additions or deletions therein from the form and content of said document now before this meeting, and from and after the execution and delivery of said document, the City Manager and City Clerk, and their respective designees, each hereby is authorized, empowered and directed to do all acts and things and to execute all documents as may be necessary to carry out and comply with the provisions of said document as executed.

**Section 2:** The Lease authorized by this ordinance is subject to the requirements of City Charter Section V-17. Therefore, if one or more referendum petitions with signatures are properly filed within one month after the passage and publication of this ordinance, this ordinance shall not go into effect until the petition or petitions are finally found to be illegal and/or insufficient, or, if any such petition is found legal and sufficient, until the ordinance is approved at an election by a majority of the qualified voters voting on the question. If no referendum petition with signatures is filed, this ordinance shall go into effect one month after its passage and publication.

CITY OF KODIAK

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MAYOR

ATTEST:

---

CITY CLERK

First Reading: Postponed February 13, 2014

Continued First Reading: April 24, 2014

Second Reading:

Effective Date:

**LEASE FOR CITY PROPERTY  
BY AND BETWEEN  
THE CITY OF KODIAK AND AFOGNAK NATIVE CORPORATION**

This LEASE FOR REAL PROPERTY (the “Lease”) is made and entered into and effective as of the \_\_\_\_ day of \_\_\_\_\_ 2014 (the “Effective Date”), by and between the CITY OF KODIAK, an Alaska municipal corporation (“Lessor”), and AFOGNAK NATIVE CORPORATION, an Alaska Native corporation (“Lessee”).

1. Premises. Lessor, for and in consideration of the rents, covenants, and conditions hereinafter specified to be paid, performed, and observed by Lessee, hereby leases to Lessee, and Lessee hereby leases from Lessor, the unimproved real property located in Kodiak, Alaska, more particularly described on Exhibit A and diagramed on Exhibit B, attached hereto, together with all rights, rights-of-way, easements, alleys, reversionary rights and privileges, and appurtenances now or hereafter belonging or appertaining thereto, pursuant to this Lease (the “Premises”). Lessor expressly reserves the right to grant easements or rights-of-way across the Premises.

2. Use and Acceptance of Premises.

2.1 Use. Lessee may use and occupy the Premises solely for maintaining the unobstructed viewshed of the Near Island Channel and the City of Kodiak from Lessee’s headquarters building on adjacent property. No structures shall be placed on the property. The Premises shall not be used for any other purpose without the prior written consent of Lessor, which Lessor may withhold in its sole discretion. Lessee shall keep the entire Premises in a clean, safe, sanitary, and orderly condition and in good maintenance, repair, and condition at all times. Lessee shall comply with all applicable federal, state, and local statutes, laws, rules, regulations, orders, and ordinances (regardless of their enactment date) affecting, in any manner or portion, the Premises, Lessee’s property, and/or Lessee’s operations. Lessee shall not use or permit any part of the Premises to be used for any unlawful or unauthorized purpose or perform, permit, or suffer any act or omission upon or about the Premises or improvements which would result in a nuisance or a violation of any applicable laws, ordinances, or regulations. Lessee shall not cause or permit any waste, damage, or injury to the Premises and shall not vacate or abandon the Premises at any time during the Term.

2.2 Acceptance. Lessee has inspected the Premises and Lessee accepts the Premises “AS IS, WITH ALL FAULTS.” Lessor makes no warranties, expressed or implied, concerning the title or condition of the Premises, including survey, access, utility availability, or suitability for use, including those uses authorized by this Lease. Lessor shall have no liability or obligation with respect to the condition, maintenance, or use of the Premises or any improvements hereinafter placed on the Premises.

3. Term.

3.1 Initial Term. The initial term of this Lease shall be for a period of five (5) years, beginning on the Effective Date and expiring at 11:59 pm, \_\_\_\_\_, 2019 (the “Initial Term”). On that date the lease will terminate, unless renewed as provided in Section 3.2.

3.2 Renewal Term. Lessee shall have the option to renew this Lease (“Renewal Option”) for two (2) successive five (5) year terms (each a “Renewal Term”) by giving Lessor written notice of its intent to commence a Renewal Term at least thirty (30) calendar days, but not more than sixty (60) calendar days, before the date the then current term would otherwise expire, provided that at the time of each renewal notice and the date of commencement of each Renewal Term, Lessee is in compliance with all Lease terms. Failure of Lessee to exercise the option as to any Renewal Term shall terminate the option as to all succeeding Renewal Terms. Unless otherwise required by the context, references herein to “Term” include both the Initial Term and any Renewal Term.

4. Rent.

4.1 General. Lessee shall pay in advance to Lessor monthly rent (“Rent”), commencing on the Effective Date and due thereafter on the first day of each month during the Term. Rent shall be paid at the address shown in Section 17 below, or such other place as Lessor may designate in writing from time to time. All Rent shall be paid without prior demand or notice and without any deduction or offset whatsoever. All Rent shall be paid in lawful currency of the United States of America. Rent due for any partial month shall be prorated on the basis of the number of days included in the Lease Term.

4.2 Rental Amount and Adjustments. Rent for the first year of this Lease shall be Nine Hundred Thirty Dollars and Sixty Seven Cents (\$930.67) per month. Rent adjustments, including establishing Rent for any Renewal Term entered, shall occur as directed under Kodiak City Code 18.20.220 as amended from time to time.

5. Additional Rent.

5.1. Triple Net Lease. This is a triple net Lease, and Lessee shall be responsible for all costs of operating the Premises. Any payment called for in this Lease other than Rent shall be deemed Additional Rent and shall be due as set forth in this Lease, or in the absence of a contrary provision, within ten (10) days of invoice. The failure to pay Additional Rent shall entitle Lessor to the same remedies as the failure to pay Rent.

5.2. Property Taxes and Assessments. Beginning on the Effective Date Lessee agrees to promptly pay, as Additional Rent, to the public authorities charged with the collection thereof, as the same become due and payable, all taxes, assessments (general and special), permits, inspection, and license fees and other public charges, whether of a like or different nature, levied upon or assessed against the Premises and any buildings, structures, fixtures, or improvements now or hereafter located thereon, or arising in respect to the occupancy, use, or possession of the Premises, and which are assessed and are, or may become, a lien during the Lease Term; Lessee agrees to exhibit to Lessor, on demand, receipts evidencing payment of all taxes, assessments, and public charges so payable by Lessee.

5.3. Other Taxes. As Additional Rent, Lessee further agrees to pay any sales, use, gross receipts, or business revenues tax that may in the future be imposed by any public authority upon the rents or revenues payable to Lessor hereunder. Lessor agrees and understands

that the payment of Rent to Lessor shall be net of any such tax that may be imposed upon gross rents or revenues, and those taxes shall be paid by Lessee to Lessor as Additional Rent.

5.4. Utilities. All costs for utilities and other services necessary for the operation of the Premises, improvements thereon, and Lessee's activities thereon, including without limitation, water, sewer, garbage, and snow removal, shall be provided by Lessee at Lessee's sole cost and expense. Lessee shall be solely responsible, at Lessee's sole cost and expense, for necessary utility hook-ups and connection, including without limitation, those necessary for water and sewer.

5.5. Payment by Lessor. Lessor shall have the right to pay any taxes, assessments, levies, or other charges upon the Premises, or other charges payable by Lessee under the terms of this Lease, and to pay, cancel, and clear off all tax sales, liens, charges, and claims upon or against the Premises or any building or improvement that may be placed thereon, and redeem the Premises from the same, from time to time without being obligated to inquire as to the validity of the same. Any sum so paid by Lessor shall become Additional Rent due and payable by Lessee on the next day after any such payment by Lessor.

6. Quiet Enjoyment. Lessor hereby represents and warrants to Lessee that Lessee, upon paying the Rent, Additional Rent, and other charges provided for in this Lease as well as observing and keeping all of the Lease covenants and conditions required of Lessee, Lessee shall lawfully and quietly hold, occupy, and enjoy the Premises during the Term without hindrance or interference by Lessor or by any person or entity claiming a right, title, or interest in or to the Premises through Lessor.

7. Insurance. As of the Effective Date, Lessee shall have obtained and shall maintain throughout the Term, public liability insurance coverage as required under this Lease. All coverage shall be with insurance carriers licensed and admitted to do business in the State of Alaska. All coverage shall be with carriers acceptable to Lessor. The required lines and limits of insurance shall not be less than (1) \$1,000,000 per person, \$3,000,000 in the aggregate per accident, and \$2,000,000 property damage; or (2) amounts which the Lessor reasonably requires to adequately cover the risks involved. Upon the commencement of the first Renewal Term and each Renewal Term thereafter, upon request of either party, Lessor and Lessee shall agree upon new limits for such insurance coverage, which new limits shall, at a minimum, reflect increases (but not decreases) to the cost of living during the Renewal Term. Lessee shall procure and maintain property insurance on any buildings and improvements on the Premises in a minimum amount equal to the replacement value of such building and improvements, and Lessee shall name Lessor and Lessee as insureds on all insurance policies that Lessee is required to maintain under the provisions of this Section 8. Lessee shall furnish copies of certificates evidencing insurance coverage to Lessor automatically, without demand of Lessor, within thirty (30) days of the Effective Date.

8. Indemnification.

8.1 General. Lessee shall save, protect, hold harmless, indemnify, and defend Lessor, and Lessor's officers, directors, employees, agents, and shareholders, of, from, and against any and all liability, damages, demands, penalties, fines, causes of action, losses, costs, or expenses,

including attorneys fees, arising from any act, omission, or negligence of Lessee or the officers, contractors, subcontractors, licensees, agents, servants, employees, sublessees, guests, invitees, visitors, customers, or trespassers of Lessee in or about the Premises or improvements located thereon, or arising from any accident, injury, or damages however and by whomever caused, to any person or property, including but not limited to damage to the Premises itself, improvements thereon, or injury to or death of persons, occurring in or about the Premises or improvements located thereon, or in any manner arising out of Lessee's use and occupation of the Premises or improvements thereon, or as a result of the condition of the Premises or improvements thereon.

8.2 Environmental. Lessee shall abide by, and shall cause its employees, agents, customers, any contractors or subcontractors it employs, and any sublessees, and its and all of their invitees and guests, to abide by all applicable rules and regulations related to fire, safety, health, and environmental protection. Lessee shall transport and dispose of any Hazardous Substances in accordance with all applicable laws. Hazardous Substances may not be used or stored on the Premises without Lessor's express written consent. Without limiting the duty to indemnify as provided in Section 8.1 above, Lessee shall save, protect, defend, indemnify, and hold harmless Lessor from and against any and all demands, claims, causes of action (whether in the nature of an action for damages, indemnity, contribution, government cost recovery, or otherwise), lawsuits, settlements, actions, damages, fines, penalties, judgments, costs, and expenses (including without limitation costs of defense, settlement, and reasonable attorneys' fees), charges, forfeitures, liens, liabilities, or loses of any nature and kind whatsoever that arise during or after the Lease Term from or in connection with the presence or suspected presence of Hazardous Substances in the soil, groundwater, or otherwise on, above, or in the Premises, or otherwise generating from the Premises, or operations or activities thereon, or from Lessee (or its employees, affiliates, parents, agents, contractors, subcontractors, sublessees, guests, invitees, customers, or assigns, and their respective employees, agents, contractors, subcontractors, or subusers), or from any alleged or actual violation of an Environmental Law. This indemnification includes, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal, or restoration work. For purposes of this Lease, the term "Hazardous Substance" means any flammables, explosives, radioactive materials, crude or refined petroleum, pollutants, contaminants, or any hazardous, toxic, or dangerous waste, substance, or material, including asbestos, defined as such in (or for purposes of) the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. Sec. 9601 *et. seq.*), any so-called "Superfund" or "Superlien" law, or any other Environmental Law, including, but not limited to, Alaska Statutes Title 46, Chapters .03, .08, and .09, as now or at any time hereafter in effect. For purposes of this Lease, the term "Environmental Law" means any federal, state, or local laws, ordinances, codes, regulations, rules, orders, or decrees, relating to or imposing liability or standards of conduct concerning the treatment, storage, use, or disposal of any Hazardous Substances.

8.3 Survival. All of the foregoing indemnification, defense, and hold harmless obligations in Sections 8.1 and 8.2 above survive the expiration or early termination of this Lease.

9. Inspection. Lessor and its authorized representatives and agents shall have the right, but not the obligation, to enter the Premises at any reasonable time to inspect the use and condition of the Premises; to serve, post, or keep posted any notices required or allowed under

the provisions of this Lease, including notices of non-responsibility for liens; and to do any act or action necessary for the safety or preservation of the Premises.

10. Condemnation. If all of the Premises or such portion as may be required for the reasonable use of the Premises, are taken by eminent domain, this Lease shall automatically terminate as of the date Lessee is required to vacate the Premises, and all Rent shall be paid, which is due and owing through that date. In the case of a taking of less than that portion of the Premises required for the reasonable use of the Premises, then this Lease shall continue in full force and effect, and the Rent shall be equitably reduced based upon the proportion of the square footage by which the Premises is reduced, such rent reduction to be effective as of the date possession of such portion is delivered to the condemning authority. Lessor reserves all rights to just compensation and/or damage for any taking of the Premises, and Lessee hereby assigns to Lessor, and Lessee shall make no claim against Lessor, for damages arising out of the condemnation, provided, Lessee shall have the right to claim and recover from the condemning authority, to the extent permitted by law, compensation for any loss to which Lessee may be put for the improvements or for Lessee's moving expenses to the extent such damages may be claimed and awarded separately from the damages and/or compensation awarded to Lessor.

11. Assignment or Subletting. Except as provided below, Lessee shall not sublet, mortgage, pledge, or assign its rights under this Lease without the prior written consent of Lessor, which may be withheld in Lessor's sole and absolute discretion. Any purported sublease, mortgage, pledge, or assignment without Lessor's written consent shall be null and void and of no force or effect. Any permitted assignment or sublease will be subject to the terms and conditions of this Lease.

12. Liens. Lessee shall keep the Premises and any part thereof free from liens for labor or materials ordered or supplied upon the express or implied request of Lessee. Should any lien be recorded or a lien be recorded by Lessee, Lessee shall forthwith and within ten (10) days of learning of the recording cause the same to be cancelled and discharged of record at Lessee's sole cost and expense.

13. Surrender of Premises. Upon the expiration or sooner termination of the Term, Lessee shall: quit and surrender the Premises to Lessor clean and in the condition existing on the Effective Date, ordinary wear and tear excepted; remove all of Lessee's property; and, at Lessor's option, remove any alteration, addition, and improvement made by Lessee, repairing all damages to the Premises caused by such removal. Any improvements or installations that are required to be removed but are not shall be deemed to have been abandoned by Lessee and may be retained or disposed of by Lessor, as Lessor shall desire and in accordance with Kodiak City Code, but Lessee shall be responsible for the cost of restoring the Premises as well as all removal and disposal costs.

14. Holding Over. If Lessee fails to surrender the Premises at the expiration or earlier termination of this Lease, occupancy of the Premises shall be deemed to be that of a month-to-month tenancy. Lessee's occupancy of the Premises during the holdover shall be subject to all terms and provisions of this Lease, except Rent shall be 150% of the then-current Rent. No holdover by Lessee or payment by Lessee after the expiration or early termination of this Lease shall be construed to extend the Term or prevent Lessor from immediately recovering possession of the Premises by summary proceedings or otherwise.

15. Subsidence. Lessor shall not be responsible for any washout, subsidence, evulsion, settling or reliction to the Premises, or for any injury caused thereby to Lessee's or any other person's property. Lessor is not obligated to replace, refill, or improve any part of the Premises during Lessee's occupancy in the event of such washout, subsidence, avulsion, settling, or reliction.

16. Default and Remedies.

16.1 Events of Default. The occurrence of any of the following shall constitute a default by Lessee:

(a) If Lessee at any time during the Lease Term shall fail to make payment of any installment of Rent, Additional Rent, or of any other sum herein specified to be paid by Lessee within ten (10) days after such payment is due; or

(b) If Lessee at any time during the Lease Tern shall fail to observe or perform any of Lessee's other material covenants, agreements, or obligations hereunder, and if within forty five (45) days after Lessor has provided Lessee written notice specifying the failure or failures, Lessee has not commenced to correct the same and proceed diligently to correct the same.

16.2 Remedies. In the event Lessee is in default as defined in Section 16.1 above, Lessor shall have the right at its sole election, then or at any time thereafter, and while such default, defaults, or events shall continue to avail itself of the following remedies:

(a) Lessor may give Lessee notice of Lessor's intention to terminate this Lease and all Lessee's rights hereunder on a date specified in such notice, which date shall be at least thirty (30) days after the date Lessor provides notice. On the date specified in the notice, the Lease Term and all rights granted Lessee hereunder shall come to an end as fully as if the Lease then expired by its own terms. Upon such termination, Lessor shall also be entitled to sue for and recover all Rent, Additional Rent, and other sums accrued up to the time of such termination, and damages arising out of any breach on the part of Lessee, including damages for Rent not then accrued; and

(b) Lessor may, upon written notice to Lessee, without terminating the Lease, immediately terminate Lessee's right to possession of the Premises and retake possession of the same and eject all persons therefrom, and Lessor may then relet or attempt to relet the Premises for the benefit of Lessee for the remainder of the Term or for a longer or shorter period as Lessor may decide is appropriate; notwithstanding the termination of Lessee's right to possession, Lessee shall nevertheless pay to Lessor on the due dates specified in this Lease all Rent, Additional Rent, and other sums required to be paid under this Lease together with the costs of reletting, less the proceeds of any reletting, and Lessee shall continue to perform all other obligations imposed on it under the Lease; and

(c) Lessor may, whether or not it has terminated this Lease or retaken possession of the Premises, sue Lessee for and recover all Rent, Additional Rent, and other sums, including damages, at any time and from time to time accruing hereunder.



17. Notices. Any and all notices and other communications under this Lease, must be in writing and will be deemed to have been duly provided when (a) delivered by hand, (b) sent by facsimile (with written confirmation of receipt), or (c) when deposited in a United States general or branch post office, enclosed in a registered or certified mail prepaid wrapper or envelope addressed as follows:

Lessor: CITY OF KODIAK  
710 Mill Bay Road  
Kodiak, Alaska 99615  
Attention: City Manager  
Facsimile: (907) 486-8600

Lessee: AFOGNAK NATIVE CORPORATION  
215 Mission Road, Suite 212  
Kodiak, Alaska 99615  
Attention: \_\_\_\_\_  
Facsimile: (907) 486-2514

Any party may change its address or facsimile number by giving notice in accordance with this Section.

18. Miscellaneous.

18.1 Entire Agreement. This Lease contains the entire agreement between the parties with respect to the subject matter hereof, and except as set forth herein, there are no other agreements, promises, representations, or covenants of any party with respect to the matters covered by this Lease. This Lease may not be amended, modified, or terminated except by a written agreement signed by each party.

18.2 Attorneys' Fees, Costs, and Expenses. In the event either party brings or commences legal proceedings to enforce any of the terms of this Lease, the prevailing party in such action shall receive from the other, in every action commenced, a reasonable sum for attorneys' fees and costs to be fixed by the court in the same action.

18.3 Rights and Remedies. No right or remedy herein conferred upon or reserved to a party hereunder is intended to be exclusive of any other right or remedy. Every right and remedy shall be cumulative and in addition to any other right or remedy provided hereunder, or now or hereafter existing at law or in equity or by statute.

18.4 No Waiver. The failure by Lessor or Lessee to insist upon the strict performance of any term hereof or to exercise any right, power, or remedy consequent upon a breach thereof, and the acceptance of Rent during the continuance of any such breach, shall not constitute a waiver by Lessor of any breach or of any term. No waiver of any breach shall affect or alter this Lease, which shall continue in full force and effect, or the rights of Lessor or Lessee with respect to any other then-existing or subsequent breach.

18.5 Successors in Interest. This Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, and permitted sublessees and assigns.

18.6 Late Payment. In the event that any Rent, Additional Rent, or other amount due under this Lease is not received by Lessor when due, a late fee of one and one-half percent (1.5%) per month of the principal amount due shall be due and payable until the full amount of Rent, Additional Rent, or other payment is received by Lessor.

18.7 Applicable Law. This Lease Agreement shall be construed and enforced in accordance with the laws of the State of Alaska.

18.8 Authority. Lessee covenants and acknowledges that it has the full, complete, and absolute authority to enter into this Lease; this Lease has been duly authorized by its governing body; this Lease is a binding and enforceable agreement of and against Lessee; and the person executing the Lease on Lessee's behalf is duly and properly authorized to do so.

18.9 No Partnership, Joint Venture, Etc. Nothing in this Lease shall be intended or deemed to create a partnership, joint venture, association, or other similar relationship between the parties hereto.

18.10 No Third Party Beneficiaries. This Lease does not create, and shall not be construed as creating, any rights or interests enforceable by any person not a party to this Lease.

18.11 Severability. If any provision of this Lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions of this Lease shall remain in full force and effect and shall in no way be affected, impaired, or invalidated.

18.12 No Brokers. Each party represents that it has not dealt with a broker in connection with this Lease. Each party agrees to indemnify, defend, and hold harmless the other party from claims of any person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such person in connection with this Lease.

18.13 No Recording. The parties agree that this Lease shall not be recorded as a title document with any governmental authority.

18.14 Counterparts. This Lease may be executed in one or more counterparts, and delivered by facsimile or other electronic transmission, each of which when so executed shall be deemed to be an original and all of which taken together shall be deemed to be one and the same instrument.

IN WITNESS WHEREOF, the undersigned have executed this Lease as of the Effective Date.

LESSEE:

AFOGNAK NATIVE CORPORATION

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

LESSOR:

CITY OF KODIAK

\_\_\_\_\_  
By: \_\_\_\_\_  
Its: \_\_\_\_\_

EXHIBIT A

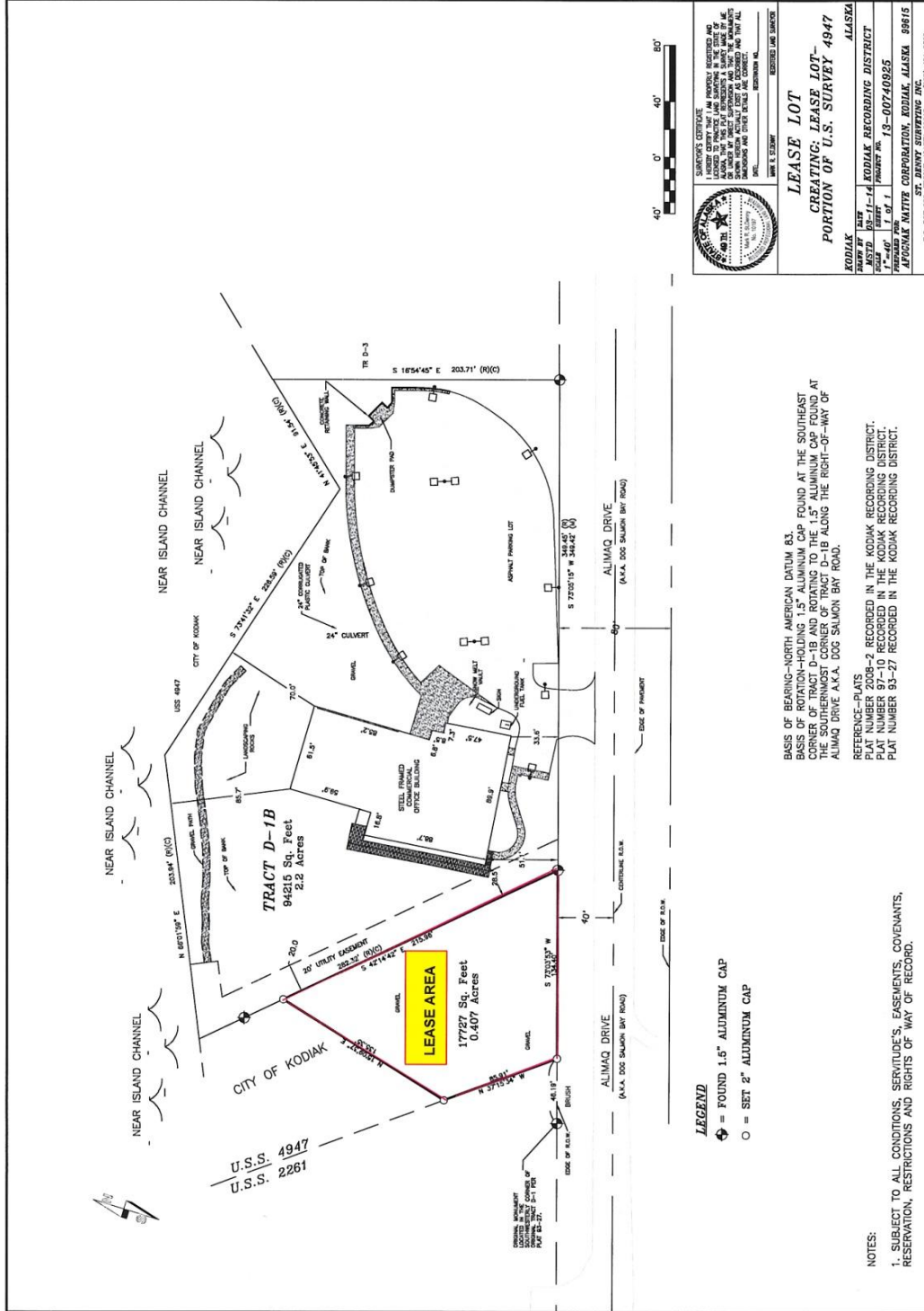
DESCRIPTION OF PREMISES

A 17,727 square foot portion (0.407 acres) of USS 4947 on Near Island located adjacent to Tract D-1B USS 4947, depicted as the Lease Area in Exhibit B.

# EXHIBIT B

## SURVEY OF LEASE AREA

### EXHIBIT B SURVEY OF LEASE AREA



**LEASE LOT**  
CREATING: LEASE LOT  
PORTION OF U.S. SURVEY 4947

**KODIAK** DISTRICT OF ALASKA  
 REGISTERED LAND SERVICE  
 19-00740985

**KODIAK** DISTRICT OF ALASKA  
 REGISTERED LAND SERVICE  
 19-00740985

**AFOGNAK NATIVE CORPORATION, KODIAK, ALASKA 99615**

BASIS OF BEARING-NORTH AMERICAN DATUM 83.  
 PLAT NUMBER 2038-2 RECORDED IN THE KODIAK RECORDING DISTRICT.  
 PLAT NUMBER 87-10 RECORDED IN THE KODIAK RECORDING DISTRICT.  
 PLAT NUMBER 83-27 RECORDED IN THE KODIAK RECORDING DISTRICT.

**LEGEND**  
 ◉ = FOUND 1.5" ALUMINUM CAP  
 ○ = SET 2" ALUMINUM CAP

**NOTES:**  
 1. SUBJECT TO ALL CONDITIONS, SERVITUDE'S, EASEMENTS, COVENANTS, RESERVATION, RESTRICTIONS AND RIGHTS OF WAY OF RECORD.

REAL PROPERTY LEASE

**MacSwain Associates LLC**

4401 Business Park Blvd., Suite 22  
Anchorage, Alaska 99503  
Ph 907.561.1965  
Fax 907.561.1955  
s.macswain@macswain.com

November 25, 2013

Glenn Melvin P.E. City Engineer  
City of Kodiak  
2410 Mill Bay Road  
Kodiak, Alaska 99615

Re: Appraisal of 15,000 SF (0.34-Acres) of Commercial Land in Kodiak, Alaska  
300 Alimaq Drive (15,000 SF portion of USS 4947)

Dear Mr. Melvin:

We have prepared a **Summary** appraisal of the above-referenced land located in Kodiak, Alaska. The appraised land is a 15,000 square foot commercial lot on Near Island within the City of Kodiak. Per our instructions, we disregard the existing land lease and appraise the unencumbered fee simple value. We prepare this appraisal to comply the *Uniform Standards of Professional Appraisal Practice* (USPAP).

Based on the data, reasoning, and analyses contained in this report, we estimate the market value and annual market rent of the 15,000 square foot lot, as of November 8, 2013, is as follows.

<b>Market Value of 15,000 SF Lot:</b>	<b>\$95,000</b>
<b>Market Rent of 15,000 SF Lot:</b>	<b>\$7,600/Year</b>

Your attention is directed to the Assumptions and Limiting Conditions of this report. We hope the appraisal report assists your evaluation of the property. If you have any questions regarding this report, please contact our office.

Respectfully submitted,



Steve MacSwain, MAI  
State of Alaska Certificate No. 42



Trevor Lund  
State of Alaska Certificate No. 705



**Afognak Native Corporation**  
215 Mission Road, Suite 212  
Kodiak, Alaska 99615  
(907) 486-6014 + fax (907) 486-2514  
karl@afognak.com

March 21, 2013

Aimée Kniazowski, City Manager  
City of Kodiak  
710 Mill Bay Road, Room 220  
Kodiak, Alaska 99615

Re: Near Island/Purchase and Lease Options for City-Owned Property

Dear Ms. Kniazowski:

As you have requested, I write on behalf of Afognak Native Corporation to reaffirm and follow-up on what we have previously discussed regarding Near Island. Afognak is currently constructing its Kodiak headquarters building on Near Island on Tract D-1B, which Afognak owns. The City of Kodiak owns real property, approximately 15,000 square foot portion of USS 4947, adjacent to Tract D-1B which is the only lot located between Afognak’s property and the Near Island Channel.

Afognak’s Near Island headquarters will be important not only because it will be of significant architectural and artistic merit, but because it will have considerable cultural and economic impacts on the Afognak shareholders residing on Kodiak Island and the City of Kodiak itself. For these reasons, it is essential to Afognak that its headquarters’ views of the Near Island Channel and the City be preserved. Afognak proposes to do so by either purchasing or leasing the portion of the City’s Near Island property adjacent to Tract D-1B.

Afognak has been on record with the City for many years as being interested in acquiring the City’s property adjacent to Tract D-1B. In March of 2007, Jana Turvey of Afognak met with your predecessor as City Manager, Linda Freed, and made known Afognak’s desire to acquire any part of Tract D-1 not used for a ferry terminal. Attached is an April 16, 2007, letter from Ms. Turvey to Ms. Freed confirming the discussion at that meeting. Later, on April 30, 2009, Ms. Turvey met with you and Ms. Freed to again discuss the City’s land adjacent to Afognak’s property on Near Island. Attached is Ms. Turvey’s May 26, 2009, letter to you in which Afognak expressly stated its desire to have a “first option for purchase” of the City’s adjacent land.

Afognak’s interest in the City’s Near Island property is thus not a frivolous or “spur of the moment” desire. Instead, Afognak’s long record of discussions with the City on this issue demonstrates Afognak’s seriousness and desire to come to an accommodation for the benefit of both Afognak and the City.

Therefore, by this letter and as we have discussed, Afognak again formally requests that it be given a right of first refusal to purchase the City's property adjacent to Tract D-1B. We understand that the City of Kodiak has imposed a freeze on the disposal of its real property until it can review its procedures. However, we believe there is no reason why an agreement for a right of first refusal in the event of a sale for the Near Island property cannot be negotiated by Afognak and the City prior to the finalization of the City's land disposal procedures.

In the alternative, and as we have also discussed, Afognak would be interested in a long-term lease with the City for the adjacent Near Island property. Afognak would also like to include a right of first refusal to purchase the property as part of the lease.

Please present Afognak's offers for the right of first refusal option and the lease option to the City Council for their consideration.

Afognak appreciates your prior statements to me expressing an understanding of our objectives and the reasonableness of our requests. We would of course be pleased to discuss this further with you and the City Council, and to provide such additional information you or the City Council need to review and consider the options presented in this letter. In the meantime, please do not hesitate to contact me if you have any questions regarding this matter.

Thank you,



Karl McLaughlin  
Sr. VP IT and Lands

Enclosures as stated

CC: Dick Hobbs, President/CEO  
Dean Clowers, EVP

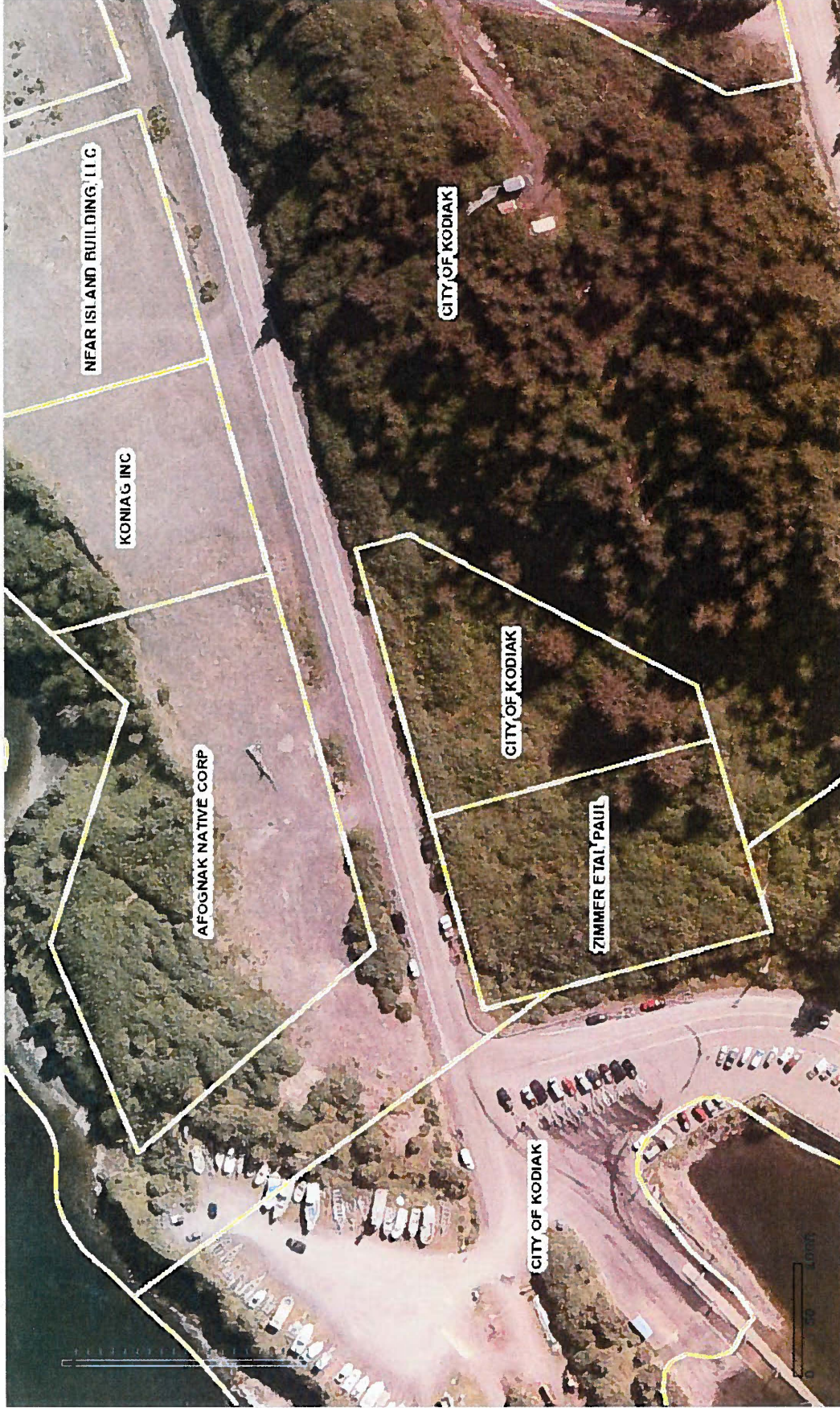


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**MEMORANDUM TO COUNCIL**

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**To:** Mayor Branson and City Council Members

**From:** Aimée Kniazowski, City Manager 

**Thru:** Mary Munk, Finance Director

**Date:** May 22, 2014

**Agenda Item: IV. c. Second Reading and Public Hearing, Ordinance No. 1318, Establishing Supplemental Appropriation No. 2 to the Budget for the Fiscal Year Commencing on the First Day of July 2013 and Ending On the Thirtieth Day of June 2014**

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**SUMMARY:** The Supplemental Appropriation No. 2 to the budget for the fiscal year commencing on the first day of July 2013 and ending on the thirtieth day of June 2014 is in the amount of \$8,941,941. It is customary for the City Council to approve at least one supplemental budget annually to authorize the adjustments of current revenues and expenses as detailed in the attachments provided. These adjustments are for the operating funds as well as additions to project funds for grant revenues received and additional expenditures needed that were not known at the time the original budget was adopted, nor at the time the first supplemental amendment was made in January of this year. This is the second budget amendment of FY2014. Staff recommends Council pass Ordinance No. 1318 in the second reading following the public hearing.

**PREVIOUS COUNCIL ACTION:**

- June 13, 2013, Council adopted Ordinance No. 1309 for the FY2014 budget in the amount of \$41,574,208 commencing on the first day of July 2013 and ending on the thirtieth day of June 2014.
- February 13, 2014, Council adopted Ordinance No. 1315, which authorized Supplemental Appropriation No. 1 to the FY2014 budget.
- April 22, 2014, staff reviewed Ordinance 1318 with Council at the work session and answered questions in preparation for first reading later that week.
- April 24, 2014, Council passed Ordinance 1318 in the first reading and advanced to the second reading.

**DISCUSSION:** The adoption of the budget by the City Council puts the budget into effect for the budget year July 1 through June 30. Amendments to the budget can occur anytime during the fiscal year through a supplemental budget ordinance, which is introduced at one Council meeting and typically adopted at the next Council meeting.

All new appropriations are authorized by an ordinance that amends the annual budget ordinance. An ordinance is required to move amounts between funds, departments and projects. An ordinance is required to accept or appropriate additional funds, move funds, add regular full- or part-time positions, or to grant unscheduled salary increases. The Supplemental No. 2 Appropriation is requesting the addition of \$8,941,941 to the adopted budget bringing the total amended budget to \$52,073,329 for FY2014.

The Supplemental No. 2 Appropriation is requesting an increase in non-capital funds in the amount of \$1,241,463 and an increase in capital funds in the amount of \$7,700,478. Of the \$1,241,463 increase for non-capital funds, \$72,463 is for adjustments in the General Fund, \$1,154,000 is a transfer from the Water Fund to the Water Capital Project fund for the Aleutian Homes Water & Sewer Replacement Project, Phase V, and \$15,000 is for additional funds in the Cargo Fund to offset costs for the Horizon Lines negotiations. Capital projects increased overall as a result of the aggregated clean water loan for up to \$6 million and grant revenue in the amount of \$544,478 for project 7029, the Monashka pumphouse. Additionally, a transfer from the Water Fund in the amount of \$1,154,000 to project 7026, the Aleutian Homes Water & Sewer Replacement Phase V is included in this amendment.

**FINANCIAL IMPLICATIONS:** All expense appropriations requested in Supplemental Appropriation No. 2 are funded by increased revenue sources, additional state and federal grant sources, and use of fund balances and transfers. The ordinance makes a number of changes in the FY2014 budget reflecting increased revenues and expenditures, new project and grant funding, and movement of funds to more accurately reflect current City operations. Details of funding sources and expenses are submitted in the attachments.

**LEGAL:** The Kodiak City Charter and Kodiak City Code grant Council the authority to make appropriations and adopt and amend budgets as required.

**STAFF RECOMMENDATION:** Staff recommends that the City Council adopt Ordinance No. 1318 following the public hearing at this meeting.

**CITY MANAGER'S COMMENTS:** The City traditionally adopts one major budget amendment each fiscal year to make necessary adjustments to cover changes or additions to projects, to account for the receipt of additional revenues, and increased operating expenses. This second amendment is to budget for new revenues, expenses, and grant & loan funds we didn't know about or anticipate when we presented the first FY2014 supplemental in January. The ordinance and attachments detail the sections of the City's operating and capital budget that require changes. I recommend Council adopt Ordinance No. 1318 as presented and discussed.

**ATTACHMENTS:**

Attachment A: Ordinance No. 1318

Attachment B: Backup descriptions containing details and summaries by each fund

Attachment C: Backup line item detail to budget.

**PROPOSED MOTION:**

Move to adopt Ordinance No. 1318.

## CITY OF KODIAK ORDINANCE NUMBER 1318

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK ESTABLISHING SUPPLEMENTAL APPROPRIATION NO. 2 TO THE BUDGET FOR THE FISCAL YEAR COMMENCING ON THE FIRST DAY OF JULY 2013 AND ENDING ON THE THIRTIETH DAY OF JUNE 2014**

BE IT ORDAINED by the Council of the City of Kodiak, Alaska, as follows:

**Section 1:** The following estimated revenues and expenditures are hereby appropriated for the corporate purposes and objects of the City of Kodiak for fiscal year 2014.

<b>FY 2014 Supplemental Budget No. 2</b>				
<b>GENERAL FUND</b>				
	<b>Amended Budget</b>	<b>Supplemental #1</b>	<b>Supplemental #2</b>	<b>Revised Budget</b>
<b>Anticipated Revenues:</b>				
Property Tax	\$ 773,500	\$ -	\$ 97,000	\$ 870,500
Sales Tax	11,630,000	-	-	11,630,000
Licenses and Permits	76,800	15,000	-	91,800
Intergovernmental	2,589,448	(40,809)	-	2,548,639
Charges for Services	1,633,193	297,241	-	1,930,434
Fines and Forfeitures	20,500	-	-	20,500
Interest Income	45,000	-	-	45,000
Rental Income	180,000	-	-	180,000
Other Revenues	43,800	-	50,000	93,800
Interfund Charges	882,869	-	-	882,869
Use of Fund Balance	1,156,232	864,775	(74,537)	1,946,470
Transfers In	-	-	-	-
Total Amended Revenues	<b>\$ 19,031,342</b>	<b>\$ 1,136,207</b>	<b>\$ 72,463</b>	<b>\$ 20,240,012</b>
<b>Planned Expenditures:</b>				
Legislative	\$ 302,660	\$ 2,000	\$ -	\$ 304,660
Legal	50,000	-	-	50,000
Executive	518,015	28,338	2,000	548,353
Emergency Preparedness	56,500	-	-	56,500
City Clerk	454,300	4,287	-	458,587
Finance	1,351,521	-	-	1,351,521
Police	6,794,359	39,098	10,463	6,843,920
Fire	1,851,093	93,500	50,000	1,994,593
Public Works	2,331,959	-	-	2,331,959
Engineering	255,849	-	-	255,849
Parks & Recreation	1,359,945	-	10,000	1,369,945
Library	966,805	47,400	-	1,014,205
Non-Departmental	738,531	-	-	738,531
Transfers	1,999,805	921,584	-	2,921,389
Total Amended Expenditures	<b>\$ 19,031,342</b>	<b>\$ 1,136,207</b>	<b>\$ 72,463</b>	<b>\$ 20,240,012</b>

**SPECIAL REVENUE FUNDS**

	Amended Budget	Supplemental #1	Supplemental #2	Revised Budget
Anticipated Revenues:				
Tourism Development	\$ 142,860	\$ -	\$ -	\$ 142,860
KFDA	60,050	-	-	60,050
City Enhancement	-	-	-	-
Total Amended Revenues	<u>\$ 202,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,910</u>
Planned Expenditures:				
Tourism Development	\$ 142,860	\$ -	\$ -	\$ 142,860
KFDA	60,050	-	-	60,050
City Enhancement	-	-	-	-
Total Amended Expenditures	<u>\$ 202,910</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,910</u>

**CAPITAL PROJECTS**

	Amended Budget	Supplemental #1	Supplemental #2	Revised Budget
Anticipated Revenues:				
\$300.00 General Capital Projects	\$ 562,500	\$ 47,973	\$ 2,000	\$ 612,473
\$315.00 Vehicle Replacement Capital	72,305	-	-	72,305
\$301.00 Street Improvements	450,000	(365,000)	-	85,000
\$302.00 Building Improvements	-	-	-	-
\$305.00 Water Capital Fund	3,450,000	505,000	7,698,478	11,653,478
\$306.00 Sewer Capital Fund	-	(285,000)	-	(285,000)
\$307.00 Cargo Development Fund	-	100,000	-	100,000
\$308.00 Harbor Development	-	(100,000)	-	(100,000)
\$309.00 Parks & Recreation Fund	-	50,000	-	50,000
Total Amended Revenues	<u>\$ 4,534,805</u>	<u>\$ (47,027)</u>	<u>\$ 7,700,478</u>	<u>\$ 12,188,256</u>
Planned Expenditures:				
\$300.00 General Capital Projects	\$ 562,500	\$ 47,973	\$ 2,000	\$ 612,473
\$315.00 Vehicle Replacement Capital	72,305	-	-	72,305
\$301.00 Street Improvements	450,000	(365,000)	-	85,000
\$302.00 Building Improvements	-	-	-	-
\$305.00 Water Capital Fund	3,450,000	505,000	7,698,478	11,653,478
\$306.00 Sewer Capital Fund	-	(285,000)	-	(285,000)
\$307.00 Cargo Development Fund	-	100,000	-	100,000
\$308.00 Harbor Development	-	(100,000)	-	(100,000)
\$309.00 Parks & Recreation Fund	-	50,000	-	50,000
Total Amended Expenditures	<u>\$ 4,534,805</u>	<u>\$ (47,027)</u>	<u>\$ 7,700,478</u>	<u>\$ 12,188,256</u>

**ENTERPRISE FUNDS**

	Amended Budget	Supplemental #1	Supplemental #2	Revised Budget
Anticipated Revenues:				
Cargo Fund 500	\$ 1,052,675	\$ 453,000	\$ 15,000	\$ 1,520,675
Harbor Fund 510	3,486,750	-	-	3,486,750
Boat Yard/Lift 512	1,331,698	-	-	1,331,698
Electric Fund 515	697,854	-	-	697,854
Water Fund 550	4,421,088	15,000	1,154,000	5,590,088
Sewer Fund 570	5,768,895	-	-	5,768,895
Trident Basin Fund 580	381,120	-	-	381,120
E-911 Services	74,570	-	-	74,570
Total Amended Revenues	<u>\$ 17,214,650</u>	<u>\$ 468,000</u>	<u>\$ 1,169,000</u>	<u>\$ 18,851,650</u>
Planned Expenditures:				
Cargo Fund 500	\$ 1,052,675	\$ 453,000	\$ 15,000	\$ 1,520,675
Harbor Fund 510	3,486,750	-	-	3,486,750
Boat Yard/Lift 512	1,331,698	-	-	1,331,698
Electric Fund 515	697,854	-	-	697,854
Water Fund 550	4,421,088	15,000	1,154,000	5,590,088
Sewer Fund 570	5,768,895	-	-	5,768,895
Trident Basin Fund 580	381,120	-	-	381,120
E-911 Services	74,570	-	-	74,570
Total Amended Expenditures	<u>\$ 17,214,650</u>	<u>\$ 468,000</u>	<u>\$ 1,169,000</u>	<u>\$ 18,851,650</u>

**INTERNAL SERVICE FUND**

	Amended Budget	Supplemental #1	Supplemental #2	Revised Budget
Anticipated Revenues:				
Self Insurance Fund	\$ 590,501	\$ -	\$ -	\$ 590,501
Total Amended Revenues	<u>\$ 590,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590,501</u>
Planned Expenditures:				
Self Insurance Fund	\$ 590,501	\$ -	\$ -	\$ 590,501
Total Amended Expenditures	<u>\$ 590,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590,501</u>
<b>Total Revenues</b>	<b>\$ 41,574,208</b>	<b>\$ 1,557,180</b>	<b>\$ 8,941,941</b>	<b>\$ 52,073,329</b>
<b>Total Expenditures</b>	<b>\$ 41,574,208</b>	<b>\$ 1,557,180</b>	<b>\$ 8,941,941</b>	<b>\$ 52,073,329</b>

**Section 2:** This ordinance shall be in full force and effect from and after its passage as required by law.

CITY OF KODIAK

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

First Reading: April 24, 2014

Second Reading:

Effective Date:

**Ordinance No. 1318**

**Page 3 of 3**

CITY OF KODIAK  
 FY 2014 Supplemental  
 Attachment B

Fund 100 General Fund

	Adopted Budget 2014	Capital Project Rollover 2013	Supplemental #1 2014	Supplemental #2 2014	Total Budget 2014	Revenues & Expenses As of 3/31/2014	Difference	%
REVENUES:								
310.100 Property Taxes	770,000			97,000	867,000	866,619	381	100% Higher than anticipated
310.111 PILOT from KIIHA	3,500				3,500	2,948	552	84%
310.200 Sales Taxes	11,600,000				11,600,000	6,042,689	5,557,311	52%
310.900 Penalty & Interest	30,000				30,000	14,721	15,279	49%
320.000 License & Permits	76,800		15,000		91,800	67,712	24,088	74%
330.100 PERS Relief	804,708		291		804,999	-	804,999	0%
330.105 State Revenue Sharing	400,065		2,000		402,065	402,490	(425)	100%
330.130 Fish Tax - Dept of Rev	1,253,000		(63,000)		1,190,000	1,189,750	250	100%
330.131 Fish Tax - DCED (Shared Fish Tax)	50,000				50,000	15,331	34,669	31%
330.140 Fuel Tax Sharing	7,075				7,075	5,859	1,216	83%
330.150 Alcohol Beverage Sharing	15,000				15,000	13,500	1,500	90%
330.160 Utility Revenue Sharing	38,100				38,100	-	38,100	0%
330.300 State Grant Capital	15,000		9,800		24,800	1,300	23,500	5%
330.305 State Grant - Operations	6,500		100		6,600	9,632	(3,032)	146%
330.325 Federal Grant - Operations	-		10,000		10,000	3,854	6,146	39%
340.100 Boarding of Prisoners	1,133,993		74,297		1,208,290	1,209,652	(1,362)	100%
340.110 State Trooper Comm Contract	120,000				120,000	39,375	80,625	33%
340.120 Other Police Services	20,000				20,000	884	19,116	4%
340.130 Police Protective Custody	2,000				2,000	2,035	(35)	102%
340.210 Borough Animal Control Services	-		72,944		72,944	72,885	59	100%
340.240 Borough Building Inspections	140,000				140,000	45,343	94,657	32%
340.300 Ambulance Services	70,000		150,000		220,000	189,223	30,777	86%
340.310 Fire Miscellaneous	7,000				7,000	-	7,000	0%
340.405 School Lifeguard Services	12,000				12,000	12,967	(967)	108%
340.405 Parks & Recreation Revenues	100,000				100,000	71,342	28,658	71%
340.520 Library Revenue	18,000				18,000	12,000	6,000	67%
340.545 Miscellaneous Service Charges	10,200				10,200	7,885	2,315	77%
350.100 Fines & Forfeits	20,500				20,500	9,207	11,293	45%
360.100 Interest on Investments	45,000				45,000	8,033	36,967	18%
363.100 Rents & Royalties	180,000				180,000	152,698	27,302	85%
375.600 Miscellaneous other	43,800				43,800	2,754	41,046	3%
380.100 Cargo Terminal Services	85,270			50,000	135,270	85,270	50,000	100%
380.110 Boat Harbor Services	85,270				85,270	85,270	-	100%
380.115 Boat Yard Service	85,270				85,270	85,270	-	100%
380.118 Electric	63,951				63,951	63,951	-	100%
380.120 Water Services	85,260				85,260	85,260	-	100%
380.121 Sewer Services	85,260				85,260	85,260	-	100%
380.125 Trident Basin	42,630				42,630	42,630	-	100%
380.130 Tourism Services	36,860				36,860	36,860	-	100%
380.150 Public Works	184,503				184,503	184,503	-	100%
380.190 Engineering/Inspections Fees	56,290				56,290	56,290	-	100%
380.400 Vehicle Replacement	72,305				72,305	61,306	10,999	85%
385.100 Approp. From Fund Balance	1,156,232		864,775	(74,537)	1,946,470	-	1,946,470	0% Use of Fund Balance
390.780 Transfer In	-				-	-	-	-
<b>TOTAL REVENUES</b>	<b>19,031,342</b>	<b>-</b>	<b>1,136,207</b>	<b>72,463</b>	<b>20,240,012</b>	<b>11,344,559</b>	<b>8,895,453</b>	<b>56%</b>
EXPENDITURES:								
Legislative	302,660		2,000		304,660	141,107	163,553	46%
Legal	518,015		28,338	2,000	548,353	27,963	22,037	56%
Executive	56,500				56,500	246,810	301,543	45% New Vehicle Replacement Charge
Emergency Preparedness						24,557	31,943	43%



City Clerk - Clerk	297,475	3,529	301,004	180,002	121,002	60%
City Clerk - Records	156,825	758	157,583	92,866	64,717	59%
Finance	1,351,521		1,351,521	861,475	490,046	64%
Police	6,794,359	39,098	6,843,920	4,138,494	2,705,426	60%
						Repair PD2 Quantar Transmitter - Department
						\$5,463, Overtime \$5,000 Canine
Fire	1,851,093	93,500	1,994,593	1,302,969	691,624	65%
Public Works	2,331,959		2,331,959	1,339,022	992,937	57%
Engineering	255,849		255,849	133,652	122,197	52%
Parks & Recreation	1,359,945	10,000	1,369,945	809,603	560,342	59%
						Increase in Temp Salaries - Aquatics
Library	966,805	47,400	1,014,205	562,589	451,616	55%
Non-Departmental	738,531		738,531	610,156	128,375	83%
Transfers	1,999,805	921,584	2,921,389	2,910,390	10,999	100%
<b>TOTAL EXPENDITURES</b>	<b>19,031,342</b>	<b>-</b>	<b>20,240,012</b>	<b>13,381,655</b>	<b>6,858,357</b>	<b>66%</b>

#### Fund 251 Tourism Development

Revenues:						
Hotel/Motel Tax	142,860		142,860	106,885	35,975	75%
Interest on Investments	-		-	-	-	
Approp. From Fund Balance	-		-	-	-	
<b>Revenues:</b>	<b>142,860</b>	<b>-</b>	<b>142,860</b>	<b>106,885</b>	<b>35,975</b>	<b>75%</b>
Expenditures:						
	142,860		142,860	110,360	32,500	77%

#### Fund 254 KFDD

Revenues:						
Rents	60,000		60,000	80,890	(20,890)	135%
Interest on Investments	50		50	245	(195)	490%
Approp. From Fund Balance	-		-	-	-	0%
<b>Revenues:</b>	<b>60,050</b>	<b>-</b>	<b>60,050</b>	<b>81,135</b>	<b>(21,085)</b>	<b>135%</b>

#### Expenditures:

	60,050		60,050	8,032	52,018	13%
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#### Expenditures:

	-		-	-	-	0%
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#### Fund 300 General Capital Projects

Revenues:						
State Grants	760,860		760,860	703,516	57,344	92%
Federal Grants	(366,500)		360,973	245,843	115,130	68%
Approp. From Fund Balance	1,500	50,000	51,500	51,500	51,500	0%
Transfer from General Fund	927,500	2,050,000	2,977,500	2,977,500	-	100%
Transfer from Enhancement Fund	-	100,000	100,000	100,000	-	100%
Transfer from Harbor Fund	-	20,000	20,000	20,000	-	100%
Transfer from Land Development	-	70,000	70,000	70,000	-	100%
<b>Revenues:</b>	<b>562,500</b>	<b>3,728,360</b>	<b>4,340,833</b>	<b>4,116,859</b>	<b>223,974</b>	<b>95%</b>

#### Expenditures:

4002 City Land Development	70,000		70,000	52,489	17,511	75%
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4009 Compr Records Management Prog	275,000	275,000	250,307	24,693	91%
4013 Museum Building - Phase I	250,000	250,000	248,677	1,323	99%
4014 Municipal Airport Improvements	700,000	700,000	695,516	4,484	99%
4015 Fire Station Upgrades	550,000	550,000	472,333	77,667	86%
4027 Alaska Shield Hazmat Exercise/Anchorage	14,500	14,500	8,045	6,455	55%
4028 Financial Software Upgrade	530,000	530,000	489,668	40,332	92%
4029 E-911 Upgrade System	275,000	275,000	-	275,000	0%
4030 Classification & Compensation Study	100,000	100,000	81,960	18,040	82%
4032 Fire Department Engine Replacement	450,000	450,000	432,943	17,057	96%
4033 Fire Department Ambulance Replacement	35,000	201,000	-	201,000	0%
4034 Paving Police Station Parking Lot	166,000	248,500	248,215	285	100%
4035 Demolition of Old KPD & 1118 Mission	(103,500)	500,000	387,066	228,434	63%
4037 Home Land Security & Emergency Management	115,500	11,360	4,349	7,011	38%
4038 Home Land Security & Emergency Management FY 2014	-	47,973	-	49,973	0%
Expenditures:	562,500	3,728,360	47,973	2,000	49,973
			2,000	4,340,833	3,371,569
				969,265	78%

0% Increased due to costs estimates

#### Fund 315 Vehicle Replacement Capital Fund

Revenue:					
Transfer from General Fund	72,305	88,694	150,183	10,816	93%
Revenues:	<b>72,305</b>	<b>88,694</b>	<b>150,183</b>	<b>10,816</b>	<b>93%</b>
Expenditures:					
4900 Vehicle Replacement Capital	72,305	88,694	160,999	160,999	0%
Expenditures:	<b>72,305</b>	<b>88,694</b>	<b>-</b>	<b>160,999</b>	<b>0%</b>

#### Fund 301 Street Improvement

Revenue:					
State Grants	-	-	-	-	-
Federal Grants	-	-	-	-	-
Interest on Investments	120,000	120,000	120,000	-	100%
Approp. From Fund Balance	641,000	641,000	641,000	-	0%
Transfer from General Fund	944,000	1,074,000	1,174,000	(100,000)	109%
Transfer from Water Fund 550	665,032	(30,000)	635,032	-	100%
Transfer from Sewer Fund 570	60,000	(15,000)	45,000	-	100%
Revenues:	<b>450,000</b>	<b>2,430,032</b>	<b>1,974,032</b>	<b>541,000</b>	<b>78%</b>
Expenditures:					
5003 Annual Sidewalk/Curb	700,032	700,032	606,315	93,717	87%
5025 Pavement Repairs	800,000	1,150,000	1,135,050	14,950	100%
5028 Specs 2000	45,000	(45,000)	43,213	(43,213)	0%
5029 Mission Road Retaining Wall Repair	220,000	(220,000)	183,752	(183,752)	0%
5030 Preliminary Design of Snow Dump Storage Yard	70,000	70,000	68,190	1,810	97%
5031 Storm Drainage Repair on Shelkof	70,000	70,000	70,000	-	100%
5032 Storm Drainage Repair on Simeonof	465,000	465,000	465,000	-	0%
5033 Pillar-Mountain Waste Material Dump Site	60,000	60,000	15,109	44,892	25%
5098 Transfers	-	-	-	-	-
Expenditures:	<b>450,000</b>	<b>2,430,032</b>	<b>(365,000)</b>	<b>393,402</b>	<b>84%</b>

#### Fund 302 Building Improvement Fund

Revenue:					
Interest on Investments	1,000	1,000	1,000	-	0%
State Grants	6,900,000	6,900,000	6,900,000	-	100%
Local Funding - Pledges	750,000	750,000	500,000	250,000	100%

Local Funding Grant	500,000	500,000	-	500,000	500,000	500,000	100%
Other Local Funding	46,763	46,763	-	46,763	46,763	46,763	100%
In-Kind City Owned Land	650,000	650,000	-	650,000	650,000	650,000	100%
In-Kind Pre Development	85,185	85,185	-	85,185	85,185	85,185	100%
Transfer from General Fund	1,000,000	1,000,000	-	1,000,000	1,000,000	1,000,000	100%
Transfer from New Library Fund 255	5,424	5,424	-	5,424	5,424	5,424	100%
Transfer from Enhancement Fund	2,510,000	2,510,000	-	2,510,000	2,510,000	2,510,000	100%
Approp. From Fund Balance	-	-	-	-	-	-	-
Revenues:	<b>12,448,372</b>	<b>12,448,372</b>	<b>12,448,372</b>	<b>12,448,372</b>	<b>10,915,424</b>	<b>1,532,948</b>	<b>88%</b>
Expenditures:							
<b>6012 New Library</b>	<b>12,448,372</b>	<b>12,448,372</b>	<b>12,448,372</b>	<b>10,804,293</b>	<b>1,644,079</b>	<b>1,644,079</b>	<b>87%</b>
Expenditures:	<b>12,448,372</b>	<b>12,448,372</b>	<b>12,448,372</b>	<b>10,804,293</b>	<b>1,644,079</b>	<b>1,644,079</b>	<b>87%</b>
<b>Fund 305 Water Capital</b>							
Revenues:							
State Grants	6,633,297	500,000	544,478	7,677,775	5,423,256	2,254,519	71%
Federal Grants	768,000	5,000		768,000	768,000	-	100%
Approp. From Fund Balance	644,140			649,140	649,140	649,140	0%
ADEC Drinking Loans	2,381,278			2,381,278	1,143,354	1,237,924	48%
Transfer from Water Fund 550	1,725,000		1,154,000	4,161,500	3,007,500	1,154,000	72%
ADEC Clean Water Loans	341,930		6,000,000	6,341,930	200,394	6,141,536	3%
Transfer from Sewer Fund 570	561,500			2,286,500	2,286,500	-	100%
Transfer from Street Improvement Fund	78,000			78,000	78,000	-	100%
Revenues:	<b>3,450,000</b>	<b>12,690,645</b>	<b>7,698,478</b>	<b>24,344,123</b>	<b>12,907,004</b>	<b>11,437,119</b>	<b>53%</b>
Original remaining funds \$503,548, EMT Funds \$86,255, less 3% \$45,325							
Expenditures:							
7021 Phase II Downtown Comprehensive Water, Sewer, & Storm Drain	850,000			850,000	508,203	341,797	0%
7023 UV Water Treatment Facility Construction	7,720,645	(1,465,534)	544,478	6,799,589	5,703,734	1,095,855	0%
7024 Utility Rate Study	48,000			48,000	3,731	44,269	0%
7026 Aleutian Homes Water & Sewer Replacement Proj Phase V	3,400,000		5,000	7,046,000	2,528,924	4,517,076	0%
7029 Monashka Pump House Feasibility Study	1,070,000		1,965,534	9,035,534	696,993	8,338,541	0%
7030 Replace Chlorine Solution Storage Tank WWTP	120,000			120,000	253	119,747	0%
7031 Monashka Watershed Survey	250,000			250,000	-	250,000	0%
7033 Pillar Creek Dam Spillway Repair Work	100,000			100,000	37,935	62,065	0%
7034 Periodic Dam Safety Inspections	45,000			45,000	42,178	2,822	0%
7036 Annual Electric Maintenance	50,000			50,000	-	50,000	0%
7099 Transfer	-			-	-	-	0%
Expenditures:	<b>3,450,000</b>	<b>12,690,645</b>	<b>505,000</b>	<b>24,344,123</b>	<b>9,521,949</b>	<b>14,822,174</b>	<b>39%</b>
DEC approved remaining funds form UV project to be transferred to Monashka Pump House Project							
Transfer from Water Fund 550							
Clean Water Loan Award							
\$2,500,000. Clean Water Loan							
Pending \$3,500,000							
<b>Fund 306 Sewer Capital Fund</b>							
Revenues:							
Charges for Sewer Sales (10%)	26,000			26,000	26,000	-	100%
Approp. From Fund Balance	1,895,000	(285,000)		1,610,000	-	1,610,000	0%
Alaska Clean Water Loan	-			-	-	-	0%
Transfer from Sewer fund 570	3,000,000			3,000,000	3,000,000	-	100%
Transfer from Water fund 550	1,200,000			1,200,000	1,200,000	-	100%
Transfer from Street Improvement Fund 301	15,000			15,000	15,000	-	100%
Revenues:	<b>6,136,000</b>	<b>(285,000)</b>	<b>-</b>	<b>5,851,000</b>	<b>4,241,000</b>	<b>1,610,000</b>	<b>72%</b>

Expenditures:									
7508 Lift Station Electric (5)	26,000		26,000	1,079	24,921	4%			
7509 Upgrade Lift Station #1	150,000		150,000	22,258	127,742	0%			
7510 Sludge Study & Composting	285,000	(285,000)	-	284,998	(284,998)	0%			
7512 Aeration Basin Air Control System	150,000		150,000	-	150,000	0%			
7513 Inflow & Infiltration Repair materials	25,000		25,000	2,813	22,187	0%			
7514 Rehabilitate Press pump Station	400,000		400,000	-	400,000	0%			
7516 Replace Lift Station #1 & #2	900,000		900,000	29	899,971	0%			
7517 Bio Solid Management Project	4,200,000		4,200,000	805,705	3,394,295	0%			
7599 Transfer	-		-	-	-	0%			
Expenditures:	<b>6,136,000</b>	<b>(285,000)</b>	<b>5,851,000</b>	<b>1,116,882</b>	<b>4,734,118</b>	<b>19%</b>			

### Fund 307 Cargo Development Fund

Revenues:						
State Grants	20,784,000		20,784,000	3,802,457	16,981,543	18%
State Bond Issue	15,000,000		15,000,000	-	15,000,000	0%
Transfer from General Fund	-	100,000	100,000	-	100,000	0%
Approp. From Fund Balance	1,159,700		1,159,700	-	1,159,700	0%
Revenues:	<b>36,943,700</b>	<b>100,000</b>	<b>37,043,700</b>	<b>3,802,457</b>	<b>33,241,243</b>	<b>10%</b>

Expenditures:						
8013 Design & Engineering Pier III	712,000	(712,000)	-	-	-	98%
8016 Pedestrian Access from Pier II	2,300,000	100,000	2,400,000	2,359,100	40,900	75%
8017 Inspection Pier II and Inner Harbor Docks	85,700		85,700	64,347	21,353	23%
8018 Security Improvements	50,000		50,000	11,500	38,500	0%
8019 Oscar's Dock Electric	150,000		150,000	-	150,000	15%
8020 Decking for Dock I	100,000		100,000	-	100,000	0%
8021 Zinc Replacement	50,000		50,000	7,660	42,340	0%
8022 Data Weather Station	12,000		12,000	5,000	7,000	42%
8023 Pedestrian Pathway	384,000		384,000	-	384,000	5%
8024 Pier III Replacement	33,100,000	712,000	33,812,000	1,823,411	31,988,589	12%
Expenditures:	<b>36,943,700</b>	<b>100,000</b>	<b>37,043,700</b>	<b>4,271,018</b>	<b>32,772,682</b>	<b>10%</b>

### Fund 308 Harbor Development

Revenues:						
State Grant	-		-	-	-	0%
Approp. From Fund Balance	1,015,000	(100,000)	915,000	280,000	635,000	36%
Transfer from General Fund	500,000		500,000	-	500,000	0%
Transfer from Boat Harbor	-		-	-	-	0%
Revenues:	<b>1,295,000</b>	<b>(100,000)</b>	<b>1,195,000</b>	<b>280,000</b>	<b>915,000</b>	<b>23%</b>

Expenditures:						
8515 Harbor Security Camera System	10,000		10,000	10,000	-	100%
8516 Float, Boat Launch, SPH	150,000		150,000	14,863	135,137	10%
8517 Restrooms, Fisherman's Hall	200,000		200,000	53	199,947	0%
8519 SPH Ladders	20,000		20,000	9,791	10,209	49%
8520 SHH Repairs	745,000		745,000	419,937	325,063	56%
8521 Channel Transient Float/ Bull Rails	25,000		25,000	9,699	15,301	39%
8523 Oscar's Dock Fender Piling Replacement	45,000		45,000	10,920	34,080	24%
8524 Water Front Harbor Planning	100,000	(100,000)	-	4,886	(4,886)	0%
9598 Transfers	-		-	-	-	0%
Expenditures:	<b>1,295,000</b>	<b>(100,000)</b>	<b>1,195,000</b>	<b>480,149</b>	<b>714,851</b>	<b>40%</b>

### Fund 309 Parks & Rec Capital

Revenue:						
State Grants	5,850,000		5,850,000	5,850,000	-	100%

Local Grants	500,000		500,000	555,376	(55,376)	111%
Approp. From Fund Balance	(50,000)	50,000	270,629	270,629		0%
Transfer from Enhancement Fund			500,000			
Transfer from General Fund	50,000		301,465	301,465		100%
Revenues:	-	<b>7,372,094</b>	<b>7,422,094</b>	<b>7,206,841</b>	<b>215,253</b>	<b>97%</b>

Expenditures:

9001 Baranof Park Improvements (E&D)	7,015,000		7,015,000	6,972,263	42,737	99%
9004 Playground Equipment & Improve	73,000		73,000	71,523	1,477	98%
9007 Storage Building - Baranof Park	115,000		115,000	76,659	38,341	67%
9012 Baranof Baseball Field Improvements	48,094		48,094	48,094		100%
9013 Major Park Maintenance	71,000	50,000	121,000	65,938	55,062	54%
9014 Building Improvement (Weatherization)	50,000		50,000	22,373	27,627	45%
9098 Transfers						0%
Expenditures:	-	<b>7,372,094</b>	<b>7,422,094</b>	<b>7,256,849</b>	<b>165,245</b>	<b>98%</b>

**Fund 500 Cargo Terminal**

Revenue:						
PERS Relief	20,050		20,050	-	20,050	0%
Dockage Pier III	120,000		120,000	89,258	30,742	74%
Cruise Ship Revenues	100,000		100,000	19,460	80,540	19%
Pier III Lease	300,000		300,000	227,833	72,167	76%
Warf	450,000		450,000	283,449	166,551	63%
Interest on Investments	7,000		7,000	8,719	(1,719)	125%
Warehouse Rental	205,000		205,000	165,695	39,305	81%
Van Storage Rental	40,000		40,000	5,325	34,675	13%
Approp. From Retained Earnings	(189,375)	453,000	278,625	-	278,625	0%
Transfer						Additional Expense for horizon Lines Negotiations
Revenues:	<b>1,052,675</b>	<b>453,000</b>	<b>1,520,675</b>	<b>799,740</b>	<b>720,935</b>	<b>53%</b>

Expenditures:

Cargo Terminal Administration	354,271	468,000	822,271	649,358	172,913	79%
Cargo Terminal Interfund Charges	181,734		181,734			100%
Cargo Terminal Warehouse	7,000		7,000	746	6,254	11%
Cargo Terminal Pier II	490,670		490,670	237,655	253,015	48%
Cargo Terminal Pier III	19,000	(453,000)	19,000	27,684	(8,684)	146%
Expenditures:	<b>1,052,675</b>	<b>453,000</b>	<b>1,520,675</b>	<b>1,097,178</b>	<b>423,497</b>	<b>72%</b>

**Fund 510 Boat Harbor Fund**

Revenue:						
PERS Relief	91,836		91,836	-	91,836	0%
Dockage AMHS	80,000		80,000	44,272	35,728	55%
Exclusive Moorage	1,240,000		1,240,000	1,195,415	44,585	96%
Transient Moorage	500,000		500,000	396,647	103,353	79%
Harbormaster Service	10,000		10,000	5,895	4,105	58%
Gridiron Fees	15,000		15,000	8,760	6,240	58%
Pier/Dock Fees	175,000		175,000	135,641	39,359	78%
Used Oil Fees	15,000		15,000	6,366	8,634	42%
Waiting List Fees	3,000		3,000	2,250	750	75%
Trailer Parking Fees	33,000		33,000	20,375	12,625	62%
Bulk Oil Sales/Charges	60,000		60,000	39,172	20,828	65%
Gear Storage	45,000		45,000	42,484	2,516	94%
Parking Meters	10,000		10,000	4,397	5,603	44%
Launch Ramp Fees	15,000		15,000	8,255	6,745	55%
Interest on Investments	14,000		14,000	10,988	3,012	78%
Office Rent AMHS	16,500		16,500	10,406	6,094	63%
Other Revenues	7,300		7,300	639	6,661	9%

Harbor Services to Cargo	167,730			166,449	166,449	-	100%
Approp from Retained Earnings	988,384	(1,281)		989,665	-	989,665	0%
Transfer	-	1,281		-	-	-	-
Revenues:	<b>3,486,750</b>	-	-	<b>3,486,750</b>	<b>2,098,412</b>	<b>1,388,338</b>	<b>60%</b>

Expenditures:							
Boat Harbor Administration	3,360,499			1,992,738	1,367,761	1,367,761	59%
Boat Harbor Interfund	126,251			126,251	-	-	100%
Transfer to Boat Yard Lift	-			-	-	-	-
Expenditures:	<b>3,486,750</b>	-	-	<b>2,118,989</b>	<b>1,367,761</b>	<b>1,367,761</b>	<b>61%</b>

#### Fund 512 Shipyard

Revenues:							
PERS Relief	13,290			13,290	-	13,290	0%
Customer Fees	709,000			709,000	478,158	230,842	67%
Interest on Investments	1,000			1,000	1,880	(880)	188%
Other Revenue	2,000			2,000	3,054	(1,054)	153%
Approp from Retained Earnings	606,408			606,408	-	606,408	0%
Transfer	-			-	-	-	-
Revenues:	<b>1,331,698</b>	-	-	<b>1,331,698</b>	<b>483,092</b>	<b>848,606</b>	<b>36%</b>

#### Expenditures:

Yard Administration	1,149,964			729,325	420,639	420,639	63%
Boat Yard Interfund	181,734			181,734	-	-	100%
Expenditures:	<b>1,331,698</b>	-	-	<b>911,059</b>	<b>420,639</b>	<b>420,639</b>	<b>68%</b>

#### Fund 515 Harbor Electrical

Revenues:							
Non-Meter Charge	25,000			10,894	14,106	14,106	44%
Customer Charge recurring	115,000			79,605	35,395	35,395	69%
Connect/Disconnect fee	7,000			7,000	1,980	1,980	72%
Energy Charge	530,000			421,081	108,919	108,919	79%
Record Fee	1,000			1,000	210	790	21%
HM Service	5,000			5,000	2,910	2,910	42%
Interest on Investments	1,000			1,136	(136)	(136)	114%
Approp from Retained Earnings	13,854			13,854	-	13,854	0%
Transfer	-			-	-	-	-
Revenues:	<b>697,854</b>	-	-	<b>520,036</b>	<b>177,818</b>	<b>177,818</b>	<b>75%</b>

#### Expenditures:

Electric Utility Administration	563,046			370,421	192,625	192,625	66%
Electric Utility Interfund	134,808			134,809	(1)	(1)	100%
Expenditures:	<b>697,854</b>	-	-	<b>505,230</b>	<b>192,624</b>	<b>192,624</b>	<b>72%</b>

#### Fund 550 Water Utility

Revenues:							
PERS Relief	49,450			49,450	-	49,450	0%
Water Sales Metered	1,556,800			1,463,747	93,053	93,053	94%
Water Sales City	1,276,688			1,012,709	263,979	263,979	79%
Water Sales Borough	830,110			686,610	143,500	143,500	83%
Water Service Connections	11,849			17,013	(5,164)	(5,164)	144%
Interest on Investments	10,000			7,930	2,070	2,070	79%
Other Revenues	24,500			24,500	9,542	14,958	39%
Approp From Retained Earnings	661,691			1,830,691	-	1,830,691	0%
Revenues:	<b>4,421,088</b>	15,000	1,154,000	<b>5,590,088</b>	<b>3,197,552</b>	<b>2,392,536</b>	<b>57%</b>

#### Expenditures:

Transfer to Project 7026 Aleutian Homes Water & Sewer Phase V

Water Utility Transfers	1,725,000	15,000	1,154,000	2,894,000	1,737,400	1,156,600	60%
Water Utility	2,349,774			2,349,774	1,464,970	884,804	62%
Water Treatment Plant	346,314			346,314	164,670	181,644	48%
Expenditures:	<b>4,421,088</b>	<b>15,000</b>	<b>1,154,000</b>	<b>5,590,088</b>	<b>3,367,040</b>	<b>2,223,048</b>	<b>60%</b>
<b>Fund 570 Sewer Utility</b>							
Revenues:							
PERS Relief	77,744			77,744	-	77,744	0%
Sewer Service Charges - City	2,229,260			2,229,260	1,729,074	500,186	78%
Sewer Service Charges - Outside	1,157,630			1,157,630	946,782	210,848	82%
Sewer Connections	6,300			6,300	21,806	(15,506)	346%
Septic Truck Discharge	42,800			42,800	49,454	(6,654)	116%
Lab Testing Fee	25,000			25,000	14,780	10,220	59%
Interest on Investments	10,000			10,000	800	9,200	8%
Approp From Retained Earnings	2,220,161			2,220,161	2,397	2,217,764	0%
Revenues:	<b>5,768,895</b>	<b>-</b>	<b>-</b>	<b>5,768,895</b>	<b>2,765,093</b>	<b>3,003,802</b>	<b>48%</b>
Expenditures:							
Sewer Utility Transfers	1,725,000			1,725,000		-	100%
Sewer Utility	664,211			664,211	471,231	192,980	71%
Wastewater Treatment Plant	3,379,684			3,379,684	1,713,502	1,666,182	51%
Expenditures:	<b>5,768,895</b>	<b>-</b>	<b>-</b>	<b>5,768,895</b>	<b>3,909,733</b>	<b>1,859,162</b>	<b>68%</b>
<b>Fund 580 Trident Basin</b>							
Revenues:							
Trident Basin - Charges	11,600			11,600	13,309	(1,709)	115%
Interest on Investments	1,000			1,000	-	1,000	0%
Rentals from Others	33,300			33,300	24,854	8,446	75%
Approp From Retained Earnings	335,220			335,220	-	335,220	0%
Transfer from Trident Basin Capital Fund	-			-	-	-	0%
Revenues:	<b>381,120</b>	<b>-</b>	<b>-</b>	<b>381,120</b>	<b>38,163</b>	<b>342,957</b>	<b>10%</b>
Expenditures:							
	<b>381,120</b>	<b>-</b>	<b>-</b>	<b>381,120</b>	<b>226,755</b>	<b>154,365</b>	<b>59%</b>
<b>Fund 585 E-911 Services</b>							
Revenues:							
PERS Relief	510			510	-	510	0%
Customer Charges	74,060			74,060	74,552	(492)	101%
Interest on Investments	-			-	-	-	-
Approp From Retained Earnings	-			-	-	-	-
Revenues:	<b>74,570</b>	<b>-</b>	<b>-</b>	<b>74,570</b>	<b>74,552</b>	<b>18</b>	<b>100%</b>
Expenditures:							
	<b>74,570</b>	<b>-</b>	<b>-</b>	<b>74,570</b>	<b>4,813</b>	<b>69,757</b>	<b>6%</b>
<b>Fund 780 Self-Insurance</b>							
Revenue:							
Insurance Refund/Reserve	5,000			5,000	(83)	5,083	-2%
Charges to General Fund	12,000			12,000	16,170	(4,170)	135%
Charges to Trident Basin	317,931			317,931	317,931	-	100%
Charges to Cargo Terminal	11,215			11,215	11,215	-	100%
Charges to Boat Harbor	25,606			25,606	25,606	-	100%
Charges to Boat Yard	95,218			95,218	95,218	-	100%
Charges to Boat Electric	20,267			20,267	20,267	-	100%
Charges to Water Utility	136			136	136	-	100%
Charges to Sewer Utility	49,535			49,535	49,535	-	100%
Charges to E-911	53,482			53,482	53,482	-	100%
	111			111	111	-	100%

Transfer In	-	-	-	-	-	-	-	-	-	-	
Approp Fund	-	-	-	-	-	-	-	-	-	-	
Revenues:	-	-	-	-	-	-	-	-	-	-	
	<b>590,501</b>	-	-	-	-	-	-	<b>590,501</b>	<b>589,588</b>	<b>913</b>	<b>100%</b>
Expenditures:											
Insurance Expenses	590,501	-	-	-	-	-	-	590,501	475,077	115,424	80%
Expenditures:	<b>590,501</b>	-	-	-	-	-	-	<b>590,501</b>	<b>475,077</b>	<b>115,424</b>	<b>80%</b>
Non Capital Projects Revenue	37,039,403	-	1,604,207	-	1,241,463	1,241,463	39,885,073	23,104,640	16,780,433	58%	
Non Capital projects Expenses	37,039,403	-	1,604,207	-	1,241,463	1,241,463	39,885,073	26,115,922	13,769,151	65%	
	-	-	-	-	-	-	-	(3,011,282)	3,011,282		
Capital Projects Revenue	4,534,805	83,132,897	(47,027)	7,700,478	7,700,478	7,700,478	95,321,153	45,593,801	49,727,353	48%	
Capital Projects Expenses	4,534,805	83,132,897	(47,027)	7,700,478	7,700,478	7,700,478	95,321,153	38,944,339	56,376,815	41%	
	-	-	-	-	-	-	-	6,649,462	(6,649,462)		
Total Revenues	41,574,208	83,132,897	1,557,180	8,941,941	8,941,941	8,941,941	135,206,226	68,698,440	66,507,786	51%	
Total Expenses	41,574,208	83,132,897	1,557,180	8,941,941	8,941,941	8,941,941	135,206,226	65,060,260	70,145,966	48%	
	-	-	-	-	-	-	-	3,638,180	(3,638,180)		
Total Non-Capital Projects for FY	37,039,403	-	1,604,207	1,241,463	1,241,463	1,241,463	39,885,073	23,104,640	16,780,433	58%	
Total Capital Projects for FY	4,534,805	83,132,897	(47,027)	7,700,478	7,700,478	7,700,478	12,188,256	22,623,740	32,947,353	48%	
	\$ 41,574,208	\$ -	\$ 1,557,180	\$ 8,941,941	\$ 8,941,941	\$ 8,941,941	\$ 52,073,329	\$ 35,728,380	\$ 49,734,789		



**FISCAL YEAR 2014  
SUPPLEMENTAL #2**

**Attachment C**

Detail Description		Account Number		Total Debit Adjustment	Total Credit Adjustment
<b>General Fund</b>					
<b>100</b>	Property Tax	100001.310.100			97,000.00
	Other Revenue - EPA Fine Settlement	100.001.375.600			50,000.00
	Use of Fund Balance	100.001.385.100			(74,537.00)
<b>100.110.100</b>	<b>Executive</b>				
	New Vehicle Replacement	100.110.100.470.130		2,000.00	
<b>100.140.100</b>	<b>Police - Administration</b>				
	Professional Services	100.140.100.430.110		5,463.00	
<b>100.140.148</b>	<b>Police - Canine</b>				
	Overtime	100.140.148.410.140		5,000.00	
<b>100.150.100</b>	<b>Fire</b>				
	EPA Fine Settlement	100.150.100.450.310		15,000.00	
	EPA Fine Settlement	100.150.100.470.125		12,200.00	
	EPA Fine Settlement	100.150.100.470.126		22,800.00	
<b>100.190.173</b>	<b>Parks &amp; Rec</b>				
	Temp Salaries	100.170.173.410.101		10,000.00	
<b>300</b>	<b>General Capital Project Fund</b>				
	Federal Grant	4038 300.001.330.320	4038.4		2,000.00
<b>300.300.438</b>	Home Land Security Ak Shield	4038 300.300.438.430.110	4038.51	2,000.00	
<b>305</b>	<b>Water Capital Project Fund</b>				
	State Grant	7029 305.001.330.300	7029.2		544,478.00
	ADEC Clean Water Loan	7029 305.001.390.550	7029.12		6,000,000.00
	Transfer from Water Fund 550	7026 305.001.390.550	7026.12		1,154,000.00
<b>305.340.723</b>	Construction	7023 305.340.723.470.725	7023.55	544,478.00	
<b>305.340.726</b>	Construction	7026 305.340.726.470.726	7026.55	1,154,000.00	
<b>305.340.729</b>	Construction	7029 305.340.729.470.725	7029.55	6,000,000.00	
<b>500</b>	<b>Cargo Fund</b>				
	Use of Fund Balance	500.001.385.100			15,000.00
<b>500.510.100</b>	Professional Services	500.510.100.430.110		15,000.00	
<b>550</b>	<b>Water Fund</b>				
<b>550.001</b>	Use of Fund Balance	7026 550.001.385.100			1,154,000.00
<b>550.560.198</b>	Transfer from Water Fund 550	7026 550.560.198.490.305	7026.12	1,154,000.00	
				8,941,941.00	8,941,941.00

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# **NEW BUSINESS**

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniazowski, City Manager 

**Date:** May 22, 2014

**Agenda Item:** V. a. **First Reading, Ordinance No. 1319, Levying Taxes and Appropriating Funds for the Expenses and Liabilities of the City of Kodiak for the Fiscal Year Commencing on the First Day of July 2014 and Ending on the Thirtieth Day of June 2015**

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**SUMMARY:** Ordinance No. 1319 provides for the adoption of the City of Kodiak's FY2015 budget. The budget document, which supports the ordinance, estimates all sources of revenue the City anticipates receiving between July 1, 2014, and June 30, 2015. The budget document also establishes an operating and capital expenditure plan for FY2015 that is based on staff's assessment of operational and community needs and the Council's FY2015 budget goals. Staff made the FY2015 budget presentation to Council a special budget work session on May 10, 2014. Staff recommends Council adopt Ordinance No. 1319 in the first reading and advance the ordinance to second reading and public hearing at the next regular or special meeting.

**PREVIOUS COUNCIL ACTION:**

- Prior to the start of each fiscal year, the City Council adopts the City's operating and capital budget by ordinance.
- Council reviewed projected FY2015 revenues and the FY2015 budget calendar on February 11, 2014.
- Council adopted Resolution No. 2014-08, establishing budget goals for fiscal year 2015, on February 13, 2014.
- Staff presented the proposed FY2015 budget to the mayor and Council at a special work session on May 10, 2014.

**DISCUSSION:** The FY2015 budget funds the services provided by the City of Kodiak to residents and visitors: law enforcement (including animal control and contract jail services), fire and emergency medical services (including ambulance services), public works (public water system, wastewater system, street and property maintenance), engineering, port and harbor facilities, parks and recreation facilities and programs, public library, and general administrative functions (municipal recordkeeping and financial management).

The proposed FY2015 budget was developed as a maintenance level budget and provides the same level of services as the current year's budget with a reduction in expenses. This is a prudent approach since

revenues are expected to remain static as expenses continue to increase. The City Council adopted FY2015 budget goals by resolution in February of this year (Attachment B), and staff used the goals to develop and evaluate the proposed operating budget. The proposed budget is consistent with the Council's FY2015 budget goals.

#### Combined Revenues and Expenses for All Funds

The FY2015 budget projects combined revenues from all funds excluding capital projects to be \$35,906,466, which is a decrease of 7 percent from FY2014's combined revenues of \$38,643,610. Revenues are forecasted based on the current fiscal year even though some sources may fluctuate slightly. Expenses for all City funds, excluding capital projects, is expected to also be \$35,906,466, an overall decrease of 7 percent from FY2014. The largest increases were in benefit expense with the PERS on behalf rate increasing. Fewer transfers and capital equipment account for the largest decreases in expenses.

#### Operating Budget

The FY2015 operating budget is primarily a maintenance budget as it has been for at least the past six years. As directed, City staff developed a conservative budget. The City, like everyone in the community, continues to face rising costs, but the departments are careful to absorb cost increases whenever and wherever possible. As outlined in the City Council FY2015 goals, a review of all categories of General Fund expenditures was conducted to identify ways to decrease expenses. This resulted in a 2 percent decrease in General Fund expenses from FY2014.

#### General Fund

The General Fund provides funding for those City services that aren't required to be accounted for differently, like the enterprise funds. The General Fund uses revenues from sources such as sales and property taxes to fund the City's administrative functions such as tax collection and audits, billing, emergency preparedness, information technology, and management of all City functions. It also funds services such as, municipal recordkeeping functions, law enforcement, fire and ambulance, library and recreational services and facilities, and public works and engineering services.

General Fund revenues for FY2015 are projected at \$19,726,342 down by approximately 2 percent from FY2014 projections with the largest changes due to reductions in intergovernmental revenues, and miscellaneous revenues (primarily due to the EPA settlement received in FY2014). The reduction in revenues is offset by the expected reduction in expenses, also projected to be \$19,726,342. These budget figures are consistent with Council's FY2015 goal that the General Fund would be budgeted without a deficit, and that General Fund operating expenses (non-personnel) will be consistent with those of FY2014.

### Fund Balance

The City's General Fund balance is comprised of various revenue sources, large and small. Even with conservative budgeting, this fund no longer takes in more in revenues than it must spend for expenses to operate the General Fund departments and to provide the necessary services. The FY2014 budget is projected to have \$6.5 million remaining in the fund balance. The FY 15 budget is projected to have an estimated \$5.4 million remaining in the fund balance after using the \$1.1 million for expenses in the operating budget. The estimated FY2015 fund balance, if projections are correct, will be needed to offset expenses and provide the City with approximately 2.5 months of operating reserves. Of course there are many budget variables so this is only a projection and cannot be guaranteed so early in the budgeting process. The proposed FY2015 budget anticipates a smaller use of fund balance than the FY2014 budget because fewer transfers are being made to fund capital projects, and expenses were reduced as much as possible in all departments.

### Personnel

Salaries, wages and benefits are the single largest expense in the City's annual budget, totaling 41 percent. Salaries and wages for FY2015 are estimated to total \$9.0 million or 26 percent of the City's overall expenses. This is less than 1percent change from FY2014 citywide salaries and wages and reflects scheduled salary increases. Employee benefit costs are projected at \$7.5 million, 15 percent of the City's overall expense budget, which is a 7 percent increase from FY2014 due to an increase in the PERS on behalf payments.

The FY2015 budget reflects no increase in the number of City employees of 125.15 in both FY2014 and FY2015. The City's work force for FY2015 remains at 120 regular full-time employees and 5.15 regular part-time positions working from 20-30 hours per week for a total of 125.15 FTEs.

These changes to the FY2015 budget meet Council's personnel goals. The tracking of part-time personnel is a necessary step in meeting Council's goal to complete an analysis of the need, costs, and hiring process for the City's use of temporary or seasonal employees.

### Enterprise Funds

The City has eight separate enterprise funds; the Harbor Department's Cargo Terminal, Boat Harbor, Harbor Electric Utility, and the Boat Yard/Vessel Lift funds; the Water, Sewer, and Trident Basin funds managed by Public Works; and the E911 Fund. The FY2015 budgets for these funds reflect a balance of revenues to expenses.

The Boat Yard/Vessel Lift enterprise fund reflects a 6 percent reduction in revenues for FY2015. The revenues are based on actual operations and projected vessel lifts scheduled for the coming year. Per Council's FY2015 budget goal, the Boat Yard/Boat Lift Fund will reach a breakeven point by the year-ending FY2016, including adequate revenues to meet debt payments. A marketing campaign for services will be refined to capture maximum revenues.

MAY 22, 2014

Agenda Item V. a. Council Memo Page 3 of 5

The E911 Fund was established in FY2010 in preparation for the transfer of E911 extraterritorial authority from the Borough to the City. This transfer has not yet taken place, but the Borough staff has agreed to work toward the transfer of authority or find another way to fairly share in the expenses and responsibilities of providing the service to Kodiak.

#### Enhancement Fund

The FY2015 budget proposes no use of Enhancement Fund monies. Enhancement Fund monies have not been used since FY2013 so the fund balance can build up, per Council's budget goals. The projected fund balance for the Enhancement Fund in FY2014 is estimated to be \$3 million which is an increase of \$1 million from the FY2013 estimate.

#### Capital Projects

The FY2015 budget recommends \$10.6 million in capital project expenditures. This includes eight new capital projects in FY2015 ranging in size from \$20,000 to \$3,000,000. It also includes additional funding for established or ongoing capital projects such as, annual curb and sidewalk repairs, pavement repairs, snow dump, rate studies, Aleutian homes water and sewer replacement, and the Monashka pumphouse replacement. Costs for the projects will be covered through transfers, use of fund balances, interest earnings, as well as some state and federal grants. Staff presented the capital projects in detail at the budget work session on May 10th.

#### **ALTERNATIVES:**

1. Adopt Ordinance No. 1319 in the first reading and move to second reading and public hearing at the next regular or special Council meeting. This is staff's recommendation.
2. Council may also amend Ordinance No.1319.

**FINANCIAL IMPLICATIONS:** The City Council must make appropriations and adopt an annual budget. As presented, this budget retains ongoing service levels while meeting maintenance level budgetary criteria established by Council. The budget meets operational needs and estimates an adequate retention of fund balance in the General Fund.

**LEGAL:** The Kodiak City Charter and Kodiak City Code grant Council the authority to make appropriations and adopt and amend budgets as required. Article V, Section 2 of the City Charter states the City Manager will prepare and present a proposed budget to the City Council in advance of the fiscal year which begins on July 1<sup>st</sup> and ends on June 30th. Article V, Section 4 of the City Charter gives the City Council the authority to make appropriations for the next fiscal year and may approve or amend the budget. Appropriations must be made and the budget approved by a majority vote of the City Council no later than the third day before the beginning of the new fiscal year, and if the Council fails to approve the budget by that date, the budget as submitted shall go into effect and be considered adopted by the Council.

**STAFF RECOMMENDATION:** Staff recommends Council adopt Ordinance No. 1319 in the first reading with advancement to second reading and public hearing at the next regular or special Council meeting.

**CITY MANAGER'S COMMENTS:** We have managed to provide Council with another lean budget and minimal staffing without affecting service provision, per Council's FY2015 budget goals. The task becomes more challenging as costs continue to rise and other sources of governmental funding become more limited. We do expect to have a modest amount of projected revenues for FY2015 for use on capital project needs, many of which are critical.

There may be at least one amendment proposed to increase funding to the three agencies that provide services to the City before the second reading of the budget because we rolled over the FY2014 budget amounts for the agencies into this budget much as we did for each City department. Council can let me know if a consensus is reached during the May 20, 2014, work session or before adoption of the ordinance in June.

The preparation of this document and the presentations at the May 10, 2014, work session reflect a great deal of work by the City staff, including an assessment of operational and community needs necessary to create this annual financial plan. I want to thank our management team for their serious commitment to meeting Council's goals and for their fiscal responsibility, not just in preparation of this draft budget, but on an ongoing basis.

**ATTACHMENTS:**

Attachment A: Ordinance No. 1319

Attachment B: Resolution No. 2014-08 FY2015 Council Budget Goals

**PROPOSED MOTION:**

Move to pass Ordinance No. 1319 in the first reading and advance to second reading and public hearing at the next regular or special Council meeting.



**CITY OF KODIAK  
ORDINANCE NUMBER 1319**

**AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK LEVYING TAXES AND APPROPRIATING FUNDS FOR THE EXPENSES AND LIABILITIES OF THE CITY OF KODIAK FOR THE FISCAL YEAR COMMENCING ON THE FIRST DAY OF JULY 2014 AND ENDING ON THE THIRTIETH DAY OF JUNE 2015**

BE IT ORDAINED by the Council of the City of Kodiak as follows:

- Section 1:** A tax in the amount of 2.0 mills is hereby levied against all taxable real property within the City of Kodiak for the fiscal year commencing on the first day of July 2014 and ending on the thirtieth day of June 2015.
- Section 2:** The following sums of money are hereby appropriated for corporate purposes and objects of the City of Kodiak for the fiscal year commencing on the first day of July 2014 and ending on the thirtieth day of June 2015 to defray expenses and liabilities of the City during the fiscal year.

**FY2015 BUDGET SUMMARY**

**GENERAL FUND**

	<b>Anticipated Revenues</b>	
Taxes	\$ 12,483,500	
Licenses & Permits	90,100	
Intergovernmental Revenues	3,128,847	
Charges for Services	1,774,115	
Fines & Forfeitures	15,500	
Interest	45,000	
Rents & Royalties	195,000	
Miscellaneous	22,000	
Interfund Charges	858,692	
Appropriation from Fund Balance	1,113,588	
Operating Transfers In	-	
<b>Total Anticipated Revenues</b>	<b>19,726,342</b>	
		<b>Planned Expenditures</b>
Legislative		\$ 320,259
Legal		50,000
Executive-Administration		586,262
Executive-Emergency Preparedness		56,500
City Clerk-Administration		312,244
City Clerk-Records Management		160,921

**GENERAL FUND Planned Expenditures (continued)**

Finance	1,401,481
Police	6,916,782
Fire	2,148,335
Public Works	2,485,224
Engineering	315,090
Parks & Recreation	1,399,360
Library	1,010,833
Non-Departmental	2,563,051
<b>Total Planned Expenditures</b>	<b>19,726,342</b>

**SPECIAL REVENUE FUND**

	<b>Anticipated Revenues</b>
Tourism Fund	\$ 170,500
Kodiak Fisheries Development Association	60,050
City Enhancement Fund	-
<b>Total Anticipated Revenues</b>	<b>230,550</b>

	<b>Planned Expenditures</b>
Tourism Fund	\$ 170,500
Kodiak Fisheries Development Association	60,050
City Enhancement Fund	-
<b>Total Planned Expenditures</b>	<b>230,550</b>

**CAPITAL PROJECTS FUND**

	<b>Anticipated Revenues</b>
General Capital	\$ 251,684
Street Improvements	1,030,000
Building Improvement Fund	40,000
Water Capital Fund	5,964,774
Sewer Capital Fund	-
Cargo Development Fund	-
Harbor Development Fund	3,000,000
Parks & Recreation Fund	110,000
Vehicle Replacement Fund	85,357
<b>Total Anticipated Revenues</b>	<b>10,481,815</b>

	<b>Planned Expenditures</b>
General Capital	\$ 251,684
Street Improvements	1,030,000
Building Improvement Fund	40,000
Water Capital Fund	5,964,774
Sewer Capital Fund	-
Cargo Development Fund	-

**CAPITAL PROJECTS FUND Planned Expenditures (continued)**

Harbor Development Fund	3,000,000
Parks & Recreation Fund	110,000
Vehicle Replacement Fund	85,357
<b>Total Planned Expenditures</b>	<b>10,481,815</b>

**ENTERPRISE FUNDS**

	<b>Anticipated Revenues</b>
Cargo Fund	\$ 1,104,301
Harbor Fund	4,592,832
Boat Yard Lift	1,252,103
Harbor Electric Fund	606,664
Water Utility Fund	2,982,668
Sewer Utility Fund	4,361,972
Trident Basin Fund	334,272
E-911 Services	78,462
<b>Total Anticipated Revenues</b>	<b>15,313,274</b>

	<b>Planned Expenditures</b>
Cargo Fund	\$ 1,104,301
Harbor Fund	4,592,832
Boat Yard Lift	1,252,103
Harbor Electric Fund	606,664
Water Utility Fund	2,982,668
Sewer Utility Fund	4,361,972
Trident Basin Fund	334,272
E-911 Services	78,462
<b>Total Planned Expenditures</b>	<b>15,313,274</b>

**INTERNAL SERVICE FUNDS**

	<b>Anticipated Revenues</b>
Self Insurance Fund	\$ 636,300
<b>Total Anticipated Revenues</b>	<b>636,300</b>

	<b>Planned Expenditures</b>
Self Insurance Fund	\$ 636,300
<b>Total Planned Expenditures</b>	<b>636,300</b>

<b>Grand Total Anticipated Revenues</b>	<b>\$</b>	<b>46,388,281</b>	
<b>Grand Total Planned Expenditures</b>			<b>\$ 46,388,281</b>
		<b>Non- Projects</b>	<b>35,906,466</b>
		<b>Non- Projects</b>	<b>35,906,466</b>
		<b>Projects</b>	<b>10,481,815</b>
		<b>Projects</b>	<b>10,481,815</b>

**Section 3:** All unexpended appropriation balances, with the exception of capital project fund appropriations, shall lapse to the appropriate fund as of June 30, 2015.

**Section 4:** This ordinance shall go into effect July 1, 2014.

CITY OF KODIAK

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MAYOR

ATTEST:

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CITY CLERK

First Reading:  
 Second Reading:  
 Effective Date:

**CITY OF KODIAK  
RESOLUTION NUMBER 2014-08**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK APPROVING  
THE CITY COUNCIL'S BUDGET GOALS FOR FY2015**

WHEREAS, budget guidelines help ensure that the City's budget is prepared in a manner consistent with City Council desires; and

WHEREAS, the City Council discussed and selected the list of budget goals at their February 1, 2014, planning meeting; and

WHEREAS, management will use the listed budget goals as guidelines when developing the FY2015 budget.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the following budget goals will be used in the development of the City of Kodiak's FY2015 budget:

**Revenue**

Revenues will continue to be estimated conservatively using an analytical and objective approach.

One-time revenues will be used only for one-time expenditures. The City will avoid using temporary revenues or grants to fund routine City services or positions.

Within resources available, the City will maintain capital assets and infrastructure at a level that is adequate to protect its investment, to minimize future replacement and maintenance costs, and to maintain existing service levels.

**Operating Expenses**

General Fund operating (non-personnel) expenses for FY2015 will be at a level consistent with FY2014. Required increases will be justified to the City Manager in writing and, if approved, presented by department heads to the City Council for final consideration during budget presentations.

Review existing programs and services to assess how well budgeted performance indicators met goals and objectives.

Required increases to departmental level operating (non-personnel) expenses in the General Fund will be justified to the Manager in writing and, if approved, presented by department heads to the City Council during budget presentations.

Charges for Fees and Services will be reviewed and updated annually to ensure quality service delivery and adequate revenues.

City management will continue to examine ways or hold the line on expenditures without significant impact to level and quality of services provided to residents.

### **Personnel Goals**

There will be no increase in the number of employee full-time equivalents (FTEs) of 125.15, providing that revenues remain consistent with FY 2014, and there are no changes in operational needs.

Sections of the PR&R will be reviewed and amended to implement the classification and compensation plan consistent with budgetary resources and improve practices that reflect recognized Human Resources standards.

### **General Fund**

Council will review ways to increase revenues in the General Fund to help offset increases in operating expenses, meet infrastructure needs, and increase the fund balance.

General Fund revenues will be forecast conservatively and take into consideration state funding policies such as, community revenue sharing, shared fisheries and other shared business taxes, pension costs and liabilities, and the required allocation of sales tax.

A detailed review of all categories of General Fund expenditures will be conducted in FY2015 to identify ways to decrease expenses.

The General Fund will be budgeted without a deficit through appropriations from the fund balance when/if necessary, and with a goal to maintain up to three months operating reserves. Council may appropriate additional funds for capital projects.

### **Enterprise Funds**

The major enterprise funds will development long-term plans to include maintenance and repairs, needed facility replacement or expansion, and a schedule for rate reviews.

Enterprise Funds will complete rate studies every five years and present them to the City Council for implementation. In FY2015, Harbor, Shipyard, and Sewer rate studies will be conducted.

The Shipyard will reach a breakeven point (not including depreciation) by the year ending FY2016, including adequate revenues through charges for services to meet debt payments and operational expenses without transfers from other funds. The business plan and marketing campaign for services will continue to be refined to capture maximum revenues.

Ensure adequate revenues are available to continue to maintain and improve Harbor facilities that support fisheries and support sector services and activities.

**Community Support**

The total amount available to fund non-profit requests will continue to follow the Council established level of funding which is based on 1% of General Fund revenues.

**Capital**

The City Manager and management staff will develop and refine the City’s formal five-year capital improvement plan (CIP) that identifies and ranks projects for capital and major maintenance projects. The City will utilize the planning document and develop policies and procedures identifying criteria and steps for implementation. Once complete, the capital budget will link to, and flow from, the multi-year capital improvement plan.

**Debt Service**

The City will not incur new debt without appropriate analysis to:

- Show impacts on rates or taxpayers, or
- Analyze financial capacity for proposed capital projects, or
- Determine if the debt is required for projects mandated by the state or federal government, needed for economic development, environmental, aesthetic or quality of life, or health and safety improvements.

**Quality of Life**

The City will provide adequate services that meet the community needs, priorities, challenges and opportunities with consideration given to the condition of the economy, the composition of the population, technology, legal or regulatory issues, intergovernmental issues, and physical or environmental issues.

**Economic Development**

The City will review and evaluate available information about trends in community conditions, the external factors affecting it, opportunities that may be available, and problems and issues to be addressed.



CITY OF KODIAK

*Pat Moran*  
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MAYOR

ATTEST:



*Delia Martin*  
 \_\_\_\_\_  
 CITY CLERK

Adopted: February 13, 2014

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**MEMORANDUM TO COUNCIL**

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**To:** Mayor Branson and City Councilmembers  
**From:** Aimée Kniaziowski, City Manager   
**Thru:** Mark Kozak, Public Works Director   
**Date:** May 22, 2014

**Agenda Item: V. b. Resolution No. 2014–22, Amending Section 14, Utilities (Sewer), of the Schedule of Fees, Charges, and Tariffs**

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**SUMMARY:** CH2MHill has prepared several water and sewer rate studies for the City of Kodiak going back to 1982. The last study was completed in 2011 and the Council adopted five years of the rates projected out over a 10 year period for water and a single year increase for sewer. In March 2014, staff requested CH2MHill to complete the sewer rate structure and make recommendations if rates needed to be adjusted. The study showed rates needed to be increased over a five year period to meet operational and capital improvement needs. Staff recommends Council adopt Resolution No. 2014–22, which amends Section 14 of the City’s Schedule of Fees, Charges and Tariffs to reflect the proposed five year, five percent per year rate increase for City sewer services.

**PREVIOUS COUNCIL ACTION:**

- September 2004, Council approved a contract with CH2MHill to do a rate study for both the Water and Sewer Utility funds. This was the first rate evaluation in over 9 years.
- February 2006, Approved Resolution No. 06–3 and Resolution No. 06–4, adopting rate increases for both the water and sewer funds.
- August 2009, Approved a rate study to evaluate the water and sewer rates and adjust if needed to meet operational and capital improvement needs.
- September 2011, Council adopted five years of new water rates and a single year increase for sewer rates.
- May 2014, CH2MHill presented the recommended rate study to the Council at their work session in preparation for the public hearing and regular meeting on May 22.

**DISCUSSION:** The City water and sewer system serve roughly 9,500 people within the City of Kodiak and the nearby service district. The utility system varies in age from the early 1950s to recent times and requires continual maintenance, upgrading and replacement to meet rapidly changing regulations and good operating practices.

The system consists of 52.4 miles of water distribution and transmission lines, three reservoirs consisting of nine dams, two water treatment buildings and two 2.2 million gallon chlorine contact tanks. The wastewater systems consist of the wastewater treatment plant (WWTP), 20 main line lift



stations and a few smaller lift stations and 46.3 miles of sewer collection system. The wastewater collection system has some very old lift stations and collection lines that need repair or replacement. The wastewater treatment plant accepts bio-solids from the USCG wastewater treatment plant for further treatment as well as waste stream from septic systems outside of the City's wastewater collection system.

The City's system needs an active capital improvement program in both the water and sewer due to its size. Regulations are constantly changing which, at times, require substantial capital projects such as the need to renew discharge permits and mixing zone permits. The WWTP plant was upgraded in 1999. Within the next few years staff must begin a facility evaluation and plan to refurbish the WWTP. It took almost seven years the last time the facility review was undertaken; construction didn't begin until planning, design, and funding could be completed or acquired.

The last time the City Council adopted a rate increase for the sewer was in 2011. Only a single year rate increase was adopted for the sewer because staff was unsure of the impact the biosolid disposal solution would have on rates. The solution to this problem has taken far more time and expense than we had anticipated, and work continues on design and permitting of a composting facility to be located at a piece of property adjacent to the current Borough landfill. The initial costs fell beyond the \$3 million available for construction so staff is working on alternatives to reduce this facility's overall capital improvement cost.

This current rate evaluation takes into account a \$3 million capital project for composting as well as future utility replacements and upgrade needs. It also prepares the way to begin evaluation of the WWTP facility and its future needs.

**ALTERNATIVES:**

1. Adopt Resolution No. 2014-22, which identifies a five year plan to increase sewer rates to meet operational and capital improvement needs.
2. Do not adopt the resolution. This is not recommended because the cost of operation and maintenance and utility replacement needs require the additional financial support.

**FINANCIAL IMPLICATIONS:** The rate increases are required for enterprise funds to meet operational and maintenance expenditures as well as continuing to replace an aging infrastructure. Replacing utilities that are well beyond their expected service life is more cost effective than replacing them in an emergency situation.

**LEGAL:** The City must maintain its water and sewer systems to meet federal and state requirements. Periodic rate adjustments address the costs over time and reflect good planning and operating practices.

**STAFF RECOMMENDATION:** Staff recommends Council adopt Resolution No. 2014-22 accepting the proposed five years of rate increases for sewer.

**CITY MANAGER’S COMMENTS:** It is important for the City to review all rates, but especially utility rates on a regular basis to ensure that revenues can support ongoing operations, maintenance, debt service, and infrastructure replacement needs. This reflects and supports one of the City Council’s FY2015 budget goals. The City’s water and sewer infrastructure is extensive and requires constant maintenance and upgrades. Many system components are aging and require advanced planning for replacement or upgrades. The water and sewer utilities are enterprise funds and should pay for operations and capital replacement costs out of revenues. That’s why it’s important to maintain rates that can generate adequate revenues. As alternative sources of funding become harder to find, we must be as self-sufficient as possible, which means we have to rely more on users to help cover these costs. It is also important to note that granting and loaning agencies consider the importance of adequate rate structures when determining loan and grant eligibility.

Although the CH2MHill study identified the need for rate increases over the next ten years, as has been our practice, we recommend implementing rate increases of five percent per year for the first five years, FY2015-FY2019, with a review at the end of that time to ensure rates and projections are adequate for the full ten year planning period. Therefore, I support the recommendations of CH2MHill and staff that Council approve Resolution No. 2014–22 and authorize implementation of a sewer rate increase of five percent per year for a five year period from FY2015-FY2019 effective on July 1, 2014.

**ATTACHMENTS:**

Attachment A: Resolution No. 2014–22

Attachment B: Sewer Rate Tech Memo

**PROPOSED MOTION:**

Move to adopt Resolution No. 2014–22.

**CITY OF KODIAK  
RESOLUTION NUMBER 2014-22**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AMENDING SECTION 14, UTILITIES (SEWER), OF THE SCHEDULE OF FEES, CHARGES, AND TARIFFS**

WHEREAS, in 2014, the City contracted with CH2MHill to complete a review and to recommend an updated rate structure for the sewer system; and

WHEREAS, the purpose of the update was to determine revenue requirements related to sewer system operation and maintenance and capital improvement needs for the next ten years; and

WHEREAS, the study shows existing sewer fees are not sufficient to fund operation and maintenance and capital improvements for the sewer system into the future; and

WHEREAS, at the May 20, 2014, work session the ten-year rate study was presented to the Council; and

WHEREAS, at the May 22, 2014, regular meeting the Council held a public hearing on the proposed sewer rate increases.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Section 14, Utilities (sewer) of the City’s Schedule of Fees, Charges and Tariffs, which is attached hereto and incorporated by reference, is hereby amended.

BE IT FURTHER RESOLVED that the changes to the Schedule of Fees, Charges, and Tariffs herein shall be effected on July 1, 2014, unless subsequently amended by the City Council.

CITY OF KODIAK

\_\_\_\_\_  
MAYOR

ATTEST:

\_\_\_\_\_  
CITY CLERK

Adopted:

City of Kodiak  
 Sewer Rate Study  
 Existing and Projected Sewer Rates, FY2014/15 – FY 2018/19

Customer Class		Basis for Charge	Existing	Projected				
			FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<b>Inside City</b>								
<b>Service Charge - Inside City</b>								
Apartments		one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Auditorium		on unit per 3,500 sf of floor area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bakery		one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bar		one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Beauty Shops/Barber/Animal Grooming		one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
B&B / Boarding House		one-half unit per operator chair/tub	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
		one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
		plus one-half unit per guest room	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Churches		one unit per facility	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Construction		one-half the regular rate for intended use of building	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Day Care Facilities		one unit per business/dwelling unit	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
		plus one-quarter unit for each 5 persons or fraction thereof	\$15.70	\$16.49	\$17.31	\$18.17	\$19.08	\$20.04
Dining Facility/Café/Bakeries		one unit per 200 sf of patron area	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Doctor's office, medical clinic, dentist		one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dry Cleaners		one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Gas Station / Auto Repair Shop		2 units per business	\$125.61	\$131.89	\$138.49	\$145.41	\$152.68	\$160.31
Hospital/Major Care Center		one unit per bed	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Hotel/Motel		one-half unit per guest room w/o cooking	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
		three-quarter unit per guest room w/cooking	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11
Industrial		one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Laundries and bath houses		three-quarter unit per washing machine	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11

Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Museums	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Office/Retail	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Powerhouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Schools	one unit per 20 persons in daily attendance, including staff	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Senior Citizens (primary residence)	one-half unit	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate, per month	one-half the regular rate for intended use of building	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate Noncompliance Fee		\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Warehouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dump Fee		\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal domestic sludge	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29
disposal septic tank/portable toilet water	per gallon						
<b>Outside City</b>							
<b>Customer Class</b>	<b>Basis for Charge</b>	<b>Existing FY 2013-14</b>	<b>Projected FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>	<b>FY 2017-18</b>	<b>FY 2018-19</b>
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bakery	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bar	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
B&B / Boarding House	one-half unit per operator chair/tub	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Churches	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Construction	plus one-half unit per guest room	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Day Care Facilities	one unit per facility	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	one-half the regular rate for intended use of building	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	one unit per business/dwelling unit	\$18.83	\$19.77	\$20.76	\$21.80	\$22.89	\$24.03
	plus one-quarter unit for each 5 persons or fraction thereof						

Dining Facility/Café/Bakeries	one unit per 200 sf of patron area	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Dry Cleaners	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Gas Station / Auto Repair Shop	2 units per business	\$150.58	\$158.11	\$166.01	\$174.32	\$183.03	\$192.18
Hospital/Major Care Center	one unit per bed	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Hotel/Motel	one-half unit per guest room w/o cooking	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
	three-quarter unit per guest room w/cooking	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Industrial	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Laundries and bath houses	three-quarter unit per washing machine	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Museums	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Office/Retail	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Powerhouses	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Residential (no additional charge for home-based office/retail use)							
Rest Home/Long Term Care	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Schools	one unit per 2 beds or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Senior Citizens (primary residence)	one unit per 20 persons in daily attendance, including staff	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Vacant Rate, per month	one-half unit	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Vacant Rate Noncompliance Fee	one-half the regular rate for intended use of building	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Warehouses	one unit per 6 employees or fraction thereof	\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Dump Fee		\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
disposal domestic sludge	per gallon	\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal septic tank/portable toilet water	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29

# City of Kodiak Sewer Rate Study -DRAFT Financial Plan

PREPARED FOR: Mark Kozak/Director of Public Works, City of Kodiak  
PREPARED BY: Kurt Playstead/CH2M HILL  
REVIEWED BY: Dave Green/CH2M HILL  
DATE: May 8, 2014

## Overview

In March, 2014 the City of Kodiak commissioned CH2M HILL to update its sewer rates. The purpose of this study is to determine if projected rate revenue requirements related to operation and maintenance and capital improvements will require additional rate increases in the future. Previous to this study, CH2M HILL completed a rate study in 2005 and the City conducted an in-house rate study in 1993. CH2M HILL also completed a rate study in 1988.

This technical memorandum presents a 10-year financial plan for the sewer system, as the first phase of the rate study. The memorandum begins with an introduction to the financial plan, including the planning assumptions. This is followed by a discussion of projected sewer system revenue requirements and revenues. The memorandum ends with a discussion of rate impacts, based on the current rate structure.

## Introduction

This technical memorandum presents a financial analysis of the City's sewer system. A 10-year financial plan was developed to analyze the impact on sewer rates of implementing the proposed capital improvement plan (CIP) and projected operating expenses associated with completing the plan.

The building blocks of the financial plan are the projections of costs (both operations and maintenance, and capital) that the City will incur during the 10-year planning period, fiscal year 2014/15 through fiscal year 2023/24, and the revenues, under existing rates, which the City expects to generate during the same period. The financial plan is based on a set of overall assumptions related to customer growth, inflation, and other factors, as well as the specific phasing of the City's CIP.

The following general assumptions were used in developing the plan:

- Customer growth will occur at the following annual rates:
  - Residential Growth-Inside city: 0%
  - Residential Growth-Outside city: 0%
  - Commercial Growth-Inside city: 0%

- Commercial Growth-Outside city: 0%
- Industrial Growth: 0% (flat)
- Operation and maintenance costs – specific annual escalation factors used include:
  - Salaries and wages (all line items): 3.0%
  - Retirement contributions: 4.0%
  - Workmen’s compensation: 7.0%
  - Group insurance / insurance and bonding: 10.0%
  - Electricity (public utility service): 3.0%
  - Administrative, financial and public works services: 3.0%.
- Capital costs will increase at an annual rate of 4% to account for inflation.
- Sewer sale fee: 10% of annual sewer sales revenue
- Interest earned on investments: 2.5%

The draft financial plan for the sewer system is presented in Attachments 1 and 2, showing projected sources and uses of funds for the Sewer Utility Fund (#570) and the Sewer Improvement Fund (#306), and projected debt service coverage. Each component of the financial plan is discussed in more detail below.

## Revenue Requirements

The costs in the plan that are to be funded from annual revenues are referred to as ‘revenue requirements’ for rate-making purposes. Total requirements are composed of:

- Operations and maintenance (O&M) costs
- Annual capital improvement projects funded by rates and reserves
- Debt service expenditures
- Transfers to other City funds for indirect and direct services provided to the utility

In addition, annual requirements include operating contingencies equal to 20 percent of annual O&M costs. However, 100 percent of annual contingencies are assumed to be unspent and roll forward to subsequent year beginning balances.

Revenue requirements were projected based on data provided by the City, including adopted budget for FY 2013/14 and a proposed CIP with annual details from FY2013/14 through FY2023/24. The City’s FY2013/14 budget for the Sewer Utility Fund is presented in Table 1.

### Operation and Maintenance Costs

Operation and maintenance costs include all costs associated with operating and maintaining the wastewater system, including personnel and materials and services costs. Table 1 shows historical O&M costs from FY 2010/11 through FY 2012/13 and budgeted O&M costs for the wastewater system for FY2013/14. The costs presented combine the collection system and treatment plant expenses. Total personnel and materials and services costs are approximately \$2.8 million. Approximately 47 percent of this total is personnel related (salaries and wages, benefits, professional services). The City is in the process of modifying its biosolid management program which includes the construction and operation of a compost facility. The facility is being built to



handle the disposal of wastewater treatment plant biosolids, as the Kodiak Island Borough landfill has stopped accepting the product. The budget for FY 2013/14 reflects the changes in biosolid disposal operations.

**TABLE 1**  
City of Kodiak  
Sewer Rate Analysis  
Historical and Budgeted O&M Costs

Item	Actual FY 2010-11	Actual FY 2011-12	Actual FY 2012-13	Budget FY 2013-14
Salaries and Wages	\$564,501	\$574,846	\$558,581	\$684,770
Benefits	\$406,748	\$491,588	\$490,303	\$568,100
Professional Services	\$44,482	\$24,684	\$41,148	\$91,502
Support Good and Services	\$199,220	\$189,853	\$192,461	\$290,780
Public Utility Services	\$485,525	\$570,786	\$387,680	\$615,000
Bond Expense	\$25,756	\$35,028	\$30,528	\$27,025
Construction	\$0	\$0	\$0	\$0
Capital Outlay	\$980	\$8,500	\$39,167	\$77,000
Interfund Charges	\$467,088	\$495,455	\$529,691	\$476,250
Transfers	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$2,194,300</b>	<b>\$2,390,740</b>	<b>\$2,269,558</b>	<b>\$2,830,427</b>

Source: City of Kodiak FY2014 Budget, Sewer Utility Fund

As shown in Attachments 1 and 2, O&M costs (including personnel services and materials and services) are projected to increase to over \$4.2 million in FY2022/23.

### Capital Costs

Budgeted capital outlays for machinery and equipment totaled approximately \$77,000 in FY2013/14 (budgeted), as shown in Table 1. Approved capital projects totaled an additional \$124,000 in that year. Approved capital expenditures included the Aleutian Homes Phase 5 project and the biosolid management project. Discussions with city staff estimated that both of these projects would be designed by the end of FY 2013/14 with most of the construction costs being spent in FY 2014/15.

Table 2 summarizes the capital improvement plan for the sewer system through FY 2023/24 in 2014 dollars. A number of projects listed will have a water, sewer, and street improvement components. Only the sewer utility's share of the costs is presented.

The sewer CIP identifies approximately \$32.0 million (in 2014 dollars) in capital improvements from FY 2014/15 through FY2023/24. The projects are necessary to maintain the current level of service provided by existing facilities, comply with state and federal regulations, and provide capacity to meet the needs of projected growth. The two largest projects in the CIP include the construction of the compost facility (\$3 million construction) and the upgrade to the wastewater treatment plant (\$16.5 million design and construction). Based on the anticipated project schedules and an estimated annual capital cost escalation rate of 4 percent, the total, inflation adjusted capital improvement plan for the wastewater system is \$38.4 million through FY2023/24.

As shown in Attachment 1, the projected capital improvements will be paid by a combination of current revenues, grants, and debt proceeds. For this analysis, it is assumed that the City will receive grants to support approximately 50 percent of the sewer capital improvements in future years. Many projects on the CIP could be deferred in order to give the City more time to receive favorable financing. For this analysis, it was assumed that the City would issue revenue bonds in FY 2015/16, FY 2016/17, FY 2018/19, FY 2020/21, and FY 2021/22. Annual debt service increases from approximately \$300,000 in FY 2013/14 to over \$1.6 million in FY 2022/23, based on this borrowing schedule. Debt service payments are based on a 20-year term, 4.5 percent interest, 2.0 percent issuance costs, and a 10 percent reserve requirement.

The City may be eligible for a combination of lower-interest loans and grants from state and federal agencies. However, because funds are limited, and to provide the City with an upper end estimate of rate impacts, we have assumed that the City would have to issue debt through the conventional bond market.

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TABLE 2  
City of Kodiak  
Sewer Rate Study  
Capital Improvement Program (2014\$)

Project	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2021-22	2022-23	2023-24
Water & Sewer Rate Study	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aleutian Homes PH 5 Thorsheim, Oak to Maple Segment B & C	\$1,620,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bio-Solid Management Project	\$3,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Aleutian Homes PH 6 Birch St	\$178,040	\$1,602,360	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Downtown PH 3, Center Street	\$0	\$194,400	\$1,749,600	\$0	\$0	\$0	\$0	\$0	\$0
Downtown PH 4, Mecca to Center St. On Marine Way	\$0	\$184,000	\$1,656,000	\$0	\$0	\$0	\$0	\$0	\$0
Aleutian Homes PH 7 Hemlock	\$0	\$0	\$0	\$227,520	\$2,047,680	\$0	\$0	\$0	\$0
Aleutian Homes PH 8, Carolyn & Wilson	\$0	\$0	\$0	\$0	\$0	\$0	\$204,000	\$1,836,000	\$0
Aleutian Homes PH 9 High Avenue, Hillcrest and Lightfoot Ave.	\$0	\$0	\$953,600	\$0	\$0	\$0	\$0	\$0	\$0
Mill Bay Road Rebuild	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Evaluation and Design for the WWTP upgrade.	\$0	\$0	\$600,000	\$600,000	\$300,000	\$0	\$0	\$0	\$0
WWTP Upgrade Construction	\$0	\$0	\$0	\$0	\$0	\$15,000,000	\$0	\$0	\$0
Permit Renewal Testing	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>	<b>\$4,828,040</b>	<b>\$2,030,760</b>	<b>\$4,959,200</b>	<b>\$827,520</b>	<b>\$2,347,680</b>	<b>\$15,000,000</b>	<b>\$204,000</b>	<b>\$1,836,000</b>	<b>\$0</b>

## Revenues

For this analysis, it was assumed the City would rely on a combination of sewer rates, grant funding, and debt financing to fund the projected system costs over the next 10 years. As shown in Attachment 2, sewer sales revenues – including rates inside the City and in the borough, and septic truck discharge fees – based on existing rates are projected to generate about \$3.4 million in FY2013/14. This projection is based on the City’s existing rate schedule presented in Table 3. The City’s rate structure is a flat fee per month based on customer type.

TABLE 3  
City of Kodiak  
Sewer Rate Study  
Existing Rate Structure

Customer Type	Basis for Charge	Inside City (\$/mo)	Outside City (\$/mo)
Apartments, per unit	one unit per dwelling	\$62.81	\$75.29
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$62.81	\$75.29
Bakery	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$75.29
Bar	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$75.29
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$62.81	\$75.29
	one-half unit per operator chair/tub	\$31.41	\$37.64
B&B / Boarding House	one unit per facility/residence	\$62.81	\$75.29
	plus one-half unit per guest room	\$31.41	\$37.64
Churches	one unit per facility	\$62.81	\$75.29
Construction	one-half the regular rate for intended use of building		
Day Care Facilities	one unit per business/dwelling unit	\$62.81	\$75.29
	plus one-quarter unit for each 5 persons or fraction thereof	\$15.70	\$18.83
Dining Facility/Café/Bakeries	one unit per 200 sf of patron area	\$62.81	\$75.29
Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Dry Cleaners	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Gas Station / Auto Repair Shop	2 units per business	\$125.61	\$150.58
Hospital/Major Care Center	one unit per bed	\$62.81	\$75.29
Hotel/Motel	one-half unit per guest room w/o cooking	\$31.41	\$37.64
	three-quarter unit per guest room w/cooking	\$47.10	\$56.47
Industrial	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Laundries and bath houses	three-quarter unit per per washing machine	\$47.10	\$56.47
Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Museums	one unit per dwelling	\$62.81	\$75.29
Office/Retail	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Powerhouses	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$62.81	\$75.29
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$62.81	\$75.29

Schools	one unit per 20 persons in daily attendance, including staff	\$62.81	\$75.29
Senior Citizens (primary residence)	one-half unit	\$31.41	\$37.64
Vacant Rate, per month	one-half the regular rate for intended use of building	\$31.41	\$37.64
Vacant Rate Noncompliance Fee		\$195.05	\$195.05
Warehouses	one unit per 6 employees or fraction thereof	\$62.81	\$75.29
Dump Fee			
disposal domestic sludge	per gallon	\$0.32	\$0.32
disposal septic tank/portable toilet water	per gallon	\$0.23	\$0.23

Non-rate revenues, including revenue from interest income, miscellaneous charges, and intergovernmental sources, are projected at approximately \$162,000 for the sewer system in FY2013/14. For this analysis, it was assumed the intergovernmental sources such as PERS relief funds will not be available. Non-rate revenues are projected to be about \$120,000 by the end of the study period.

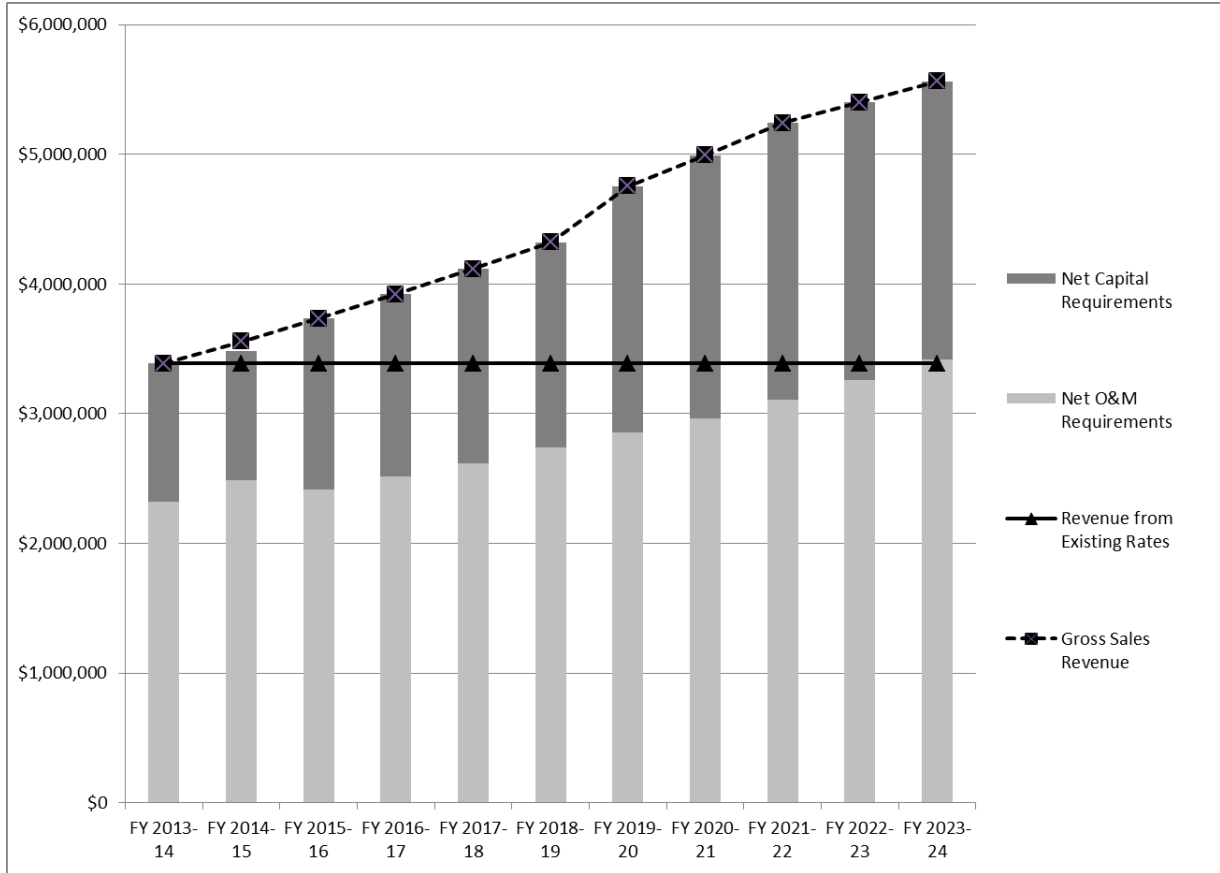
## Rate Impacts

As of March 2014, the City's has a combined \$5.6 million in reserves between the utility fund and the capital improvement fund (see Attachment 1). The City anticipates current appropriations will significantly reduce available cash reserves by the end of the next fiscal year. The construction of the compost facility will require a large portion of existing reserves.

As discussed previously, this analysis assumes that the City will use a combination of rate revenue, grants, and revenue bonds to pay for the projects listed in the CIP. The FY 2015/16 debt issue is estimated to total approximately \$1.3 million, including project costs, reserve requirements, and issuance costs. The FY 2016/17, FY 2018/19, and the FY 2019/20 debt issuance are assumed to total approximately \$2.8 million, \$1.4 million, and \$10.2 million, respectively. The large debt issuance in FY 2019/20 is to pay for the treatment plant upgrades. To repay the debt, and to pay for the additional capital and operating expenses forecast over the study period, sewer rate increases will be required.

Exhibit 1 presents the revenue requirements for the sewer utility over the analysis period. Revenue requirements consist of operations and maintenance expenses (including transfers), debt service payments, and pay-as-you-go capital expenses. As the exhibit illustrates, existing rate levels will not be sufficient to cover the revenue requirements associated with the planned capital expenditures presented in Table 2.

EXHIBIT 1  
 City of Kodiak  
 Sewer Rate Study  
 Revenue Requirements



For this analysis, rate increases are introduced every year beginning in FY2014/15. The current rates generate sufficient revenue to fund current O&M and debt service costs, as well as an annual transfer to capital projects of about \$160,000. However, as the proposed CIP averages about \$3.8 million (inflation-adjusted) per year over the study period, significant additional rate increases are required to fund the projects. The rate increases have been structured with increases above inflationary adjustment initially in FY2014/15 and FY 2015/16 that taper down to inflationary increases for three years. A larger rate increase is required in FY 2019/20 to account for the projected wastewater treatment plant upgrade. Table 4 presents the projected annual rate increases need to meet the City’s revenue requirements. The estimated inside City monthly residential rate is also included.

**TABLE 4**  
City of Kodiak  
Sewer Rate Study  
Projected Annual Increases and Inside City Residential Rate

<b>Fiscal Year</b>	<b>% Increase</b>	<b>Residential Rate (\$/mo.)</b>
FY 2014-15	5.00%	\$65.95
FY 2015-16	5.00%	\$69.25
FY 2016-17	5.00%	\$72.71
FY 2017-18	5.00%	\$76.35
FY 2018-19	5.00%	\$80.16
FY 2019-20	10.00%	\$88.18
FY 2020-21	5.00%	\$92.59
FY 2021-22	5.00%	\$97.22
FY 2022-23	3.00%	\$100.13
FY 2023-24	3.00%	\$103.14

Attachment 2 shows the estimated total annual rate revenue, based on the proposed rate increases and forecast revenue under existing rates. These rate increases have been structured to allow the City to generate adequate revenue to meet the proposed CIP and projected annual O&M costs, as well as maintain minimum fund balances and debt service coverage. Debt service coverage is the amount of revenue that a utility must generate annually in excess of its operation, maintenance, and debt service requirements. This additional revenue is required by bond buyers as a condition of issuing revenue bonds; it provides the bond buyers a measure of security regarding debt repayment by the utility. Failure to generate the required revenues could put the utility in technical default on the bonds, which adversely affects current and future bond ratings and interest costs.

Debt service coverage requirements generally require net revenues (system income and revenue less operation and maintenance expenses) to be at least 1.25 times the average annual principal and interest requirements of all outstanding bonds. Attachment 2 shows the projected debt service coverage based on the projected operating revenues and O&M expenses over the study period. In each year, debt service coverage meets the assumed minimum coverage typically required by bond covenants. This is largely because rates have been set to generate sufficient revenues to cover a significant amount of capital costs. The additional revenue generated for capital projects counts towards meeting the coverage requirements.

Table 5 presents the forecast wastewater rates for each customer class, based on the City's existing rate structure and the forecast rate increases presented in Attachment 2 for FY 2014/15 through FY 2018/19. The existing monthly rate per unit is \$62.81 for inside City residential customers. Based on the forecast rate increases, the inside-city rate per residential unit increases to \$80.16 in FY2018/19. For outside-city residential customers, the monthly rate increases to \$96.09 in FY 2018/19.

It should be noted that changes to timing of particular projects listed in the CIP and/or the ability of the City to obtain alternative sources of funding could impact the rate increases projected in this analysis. Alternative rate increase strategies could be explored to smooth increases over the entire planning period or achieve other objectives.

## Conclusion

Based on the sewer system rate update findings summarized in the previous sections and the data and assumptions developed for the study, the following recommendations are presented for the City's consideration:

- Implement first 5 years of rate increases presented in Table 5 (FY 2014/15 through FY 2018/19)
- Review and update capital improvement plan on a regular basis and adjust schedule and cost estimates to reflect current project timing and cost conditions. Depending on the final cost and funding strategy for the WWTP upgrade, it may be necessary to update sewer rates when the project is better defined and costs have been estimated based on a preliminary design.
- Review financial plan regularly to ensure actual revenue and expenditures are tracking with the projections developed in this rate update. The City should review the financial plan annually and make appropriate adjustments for changes in operations, capital spending, and customer account composition. Rates should be adjusted accordingly.



TABLE 5  
City of Kodiak  
Sewer Rate Study  
Existing and Projected Sewer Rates, Inside City FY2014/15 – FY 2018/19

Customer Class	Basis for Charge	Existing	Projected				
		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
<b>Service Charge - Inside City</b>							
Apartments	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bakery	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Bar	one unit per 200 sf of patron area or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	one-half unit per operator chair/tub	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
B&B / Boarding House	one unit per facility/residence	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	plus one-half unit per guest room	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Churches	one unit per facility	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Construction	one-half the regular rate for intended use of building	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Day Care Facilities	one unit per business/dwelling unit	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
	plus one-quarter unit for each 5 persons or fraction thereof	\$15.70	\$16.49	\$17.31	\$18.17	\$19.08	\$20.04
Dining Facility/Café/Bakeries	one unit per 200 sf of patron area	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dry Cleaners	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Gas Station / Auto Repair Shop	2 units per business	\$125.61	\$131.89	\$138.49	\$145.41	\$152.68	\$160.31
Hospital/Major Care Center	one unit per bed	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Hotel/Motel	one-half unit per guest room w/o cooking	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
	three-quarter unit per guest room w/cooking	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11
Industrial	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Laundries and bath houses	three-quarter unit per washing machine	\$47.10	\$49.46	\$51.93	\$54.52	\$57.25	\$60.11
Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Museums	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16

Office/Retail	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Powerhouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Schools	one unit per 20 persons in daily attendance, including staff	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Senior Citizens (primary residence)	one-half unit	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate, per month	one-half the regular rate for intended use of building	\$31.41	\$32.98	\$34.63	\$36.36	\$38.18	\$40.09
Vacant Rate Noncompliance Fee		\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Warehouses	one unit per 6 employees or fraction thereof	\$62.81	\$65.95	\$69.25	\$72.71	\$76.35	\$80.16
Dump Fee		\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal domestic sludge	per gallon	\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal septic tank/portable toilet water	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29
<b>Service Charge - Outside City</b>							
Apartments	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Auditorium	on unit per 3,500 sf of floor area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bakery	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Bar	one unit per 200 sf of patron area or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Beauty Shops/Barber/Animal Grooming	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
B&B / Boarding House	one-half unit per operator chair/tub	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Churches	one unit per facility/residence	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Construction	plus one-half unit per guest room	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Day Care Facilities	one unit per facility	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	one-half the regular rate for intended use of building	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	one unit per business/dwelling unit	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
	plus one-quarter unit for each 5 persons or fraction thereof	\$18.83	\$19.77	\$20.76	\$21.80	\$22.89	\$24.03
Dining Facility/Cafe/Bakeries	one unit per 200 sf of patron area	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09

Doctor's office, medical clinic, dentist	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Dry Cleaners	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Gas Station / Auto Repair Shop	2 units per business	\$150.58	\$158.11	\$166.01	\$174.32	\$183.03	\$192.18
Hospital/Major Care Center	one unit per bed	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Hotel/Motel	one-half unit per guest room w/o cooking	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
	three-quarter unit per guest room w/cooking	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Industrial	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Laundries and bath houses	three-quarter unit per washing machine	\$56.47	\$59.29	\$62.26	\$65.37	\$68.64	\$72.07
Meats or Produce Retail Stores	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Museums	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Office/Retail	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Powerhouses	one unit per 6 employees or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Residential (no additional charge for home-based office/retail use)	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Rest Home/Long Term Care	one unit per 2 beds or fraction thereof	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Schools	one unit per 20 persons in daily attendance, including staff	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Senior Citizens (primary residence)	one unit per dwelling	\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
Vacant Rate, per month	one-half the regular rate for intended use of building	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Vacant Rate Noncompliance Fee	one-half the regular rate for intended use of building	\$37.64	\$39.52	\$41.50	\$43.57	\$45.75	\$48.04
Warehouses	one unit per 6 employees or fraction thereof	\$195.05	\$204.80	\$215.04	\$225.79	\$237.08	\$248.94
Dump Fee		\$75.29	\$79.05	\$83.01	\$87.16	\$91.52	\$96.09
disposal domestic sludge	per gallon	\$0.32	\$0.34	\$0.35	\$0.37	\$0.39	\$0.41
disposal septic tank/portable toilet water	per gallon	\$0.23	\$0.24	\$0.25	\$0.27	\$0.28	\$0.29

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ATTACHMENTS

ATTACHMENT 1  
City of Kodiak  
Sewer Rate Study  
Sources and Uses of Funds

Item	Budget FY 2013-14	Projected										
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
<b>Sewer Utility Fund</b>												
<b>Sources of Funds</b>												
Beginning Balance	(\$561,969)	(144,980)	225,949	346,701	638,221	646,023	796,119	1,827,025	1,835,756	1,844,830	1,854,264	
<b>Intergovernmental</b>												
PERS Relief	77,744	-	-	-	-	-	-	-	-	-	-	
State Revenue Sharing	-	-	-	-	-	-	-	-	-	-	-	
<b>Service Charge</b>												
Sewer Svc Chg - City	2,229,260	2,385,308	2,457,759	2,580,647	2,709,679	2,845,163	3,129,680	3,286,164	3,450,472	3,553,986	3,660,606	
Sewer Svc Chg - Borough	1,157,630	1,238,664	1,276,287	1,340,101	1,407,107	1,477,462	1,625,208	1,706,468	1,791,792	1,845,546	1,900,912	
Sewer Svc - Hookups	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	6,300	
Septic Tank Discharge	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	42,800	
Lab Testing Fee	25,000	25,750	26,523	27,318	28,138	28,982	29,851	30,747	31,669	32,619	33,598	
<b>Subtotal - Service Charge</b>	<b>3,460,990</b>	<b>3,698,822</b>	<b>3,809,669</b>	<b>3,997,167</b>	<b>4,194,024</b>	<b>4,400,707</b>	<b>4,833,839</b>	<b>5,072,479</b>	<b>5,323,033</b>	<b>5,481,251</b>	<b>5,644,216</b>	
<b>Interest</b>												
Interest On Investments	10,000	-	5,649	8,668	15,956	16,151	19,903	45,676	45,894	46,121	46,357	
Unrealized Gain/Loss-Inv	-	-	-	-	-	-	-	-	-	-	-	
<b>Subtotal - Interest</b>	<b>10,000</b>	<b>-</b>	<b>5,649</b>	<b>8,668</b>	<b>15,956</b>	<b>16,151</b>	<b>19,903</b>	<b>45,676</b>	<b>45,894</b>	<b>46,121</b>	<b>46,357</b>	
<b>Other Revenues</b>												
<b>Subtotal - Other Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Appropriation Fund Balance</b>												
<b>Subtotal - Appropriation Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

<b>Bond Proceeds (Funded Reserve)</b>	-	113,500	284,000	-	142,000	1,022,500	-	-	-		
<b>Transfers In</b>	-	-	-	-	-	-	-	-	-		
<b>Transfer from Sewer Imp. Fund</b>	-	-	-	-	-	-	-	-	-		
<b>Total Sources of Funds</b>	2,986,765	3,553,842	4,154,767	4,636,535	4,848,201	5,204,880	6,672,361	6,945,179	7,204,683	7,372,201	7,544,836
<b>Uses of Funds</b>											
Salaries And Wages	\$684,770	\$651,000	\$670,530	\$690,646	\$711,365	\$732,706	\$754,687	\$777,328	\$800,648	\$824,667	\$849,407
Benefits	568,100	545,000	561,340	578,196	595,585	613,524	632,030	651,122	670,818	691,138	712,101
Professional Services	91,502	90,000	92,700	95,481	98,345	101,296	104,335	107,465	110,689	114,009	117,430
Support Goods & Services	290,780	306,700	319,751	333,579	348,244	363,816	380,367	397,979	416,739	436,743	458,099
Public Utility Service	615,000	610,000	652,800	699,334	749,959	805,067	865,090	930,500	1,001,818	1,079,616	1,164,523
Bond Expense unused	27,025	29,000	-	-	-	-	-	-	-	-	-
Capital Outlay	77,000	40,000	45,450	46,814	48,218	49,664	51,154	52,689	54,270	55,898	57,575
Interfund Charges Transfers	476,250	489,000	516,575	539,540	563,568	588,708	636,628	665,236	695,179	716,034	737,515
To Sewer Capital Improvement	-	265,875	603,975	516,988	479,992	492,497	311,951	24,981	107,570	97,708	81,985
To Insurance Fund	-	-	-	-	-	-	-	-	-	-	-
Debt Service	301,318	301,318	344,945	497,737	606,901	661,483	1,109,094	1,502,123	1,502,123	1,502,123	1,502,123
Ending Fund Balance	(144,980)	-	0	-	(0)	-	-	-	-	-	-
Contingency	-	225,949	233,201	240,721	248,523	256,619	265,025	273,756	282,830	292,264	302,077
Reserves	-	-	113,500	397,500	397,500	539,500	1,562,000	1,562,000	1,562,000	1,562,000	1,562,000
<b>Total Uses of Funds</b>	\$2,986,765	\$3,553,842	\$4,154,767	\$4,636,535	\$4,848,201	\$5,204,880	\$6,672,361	\$6,945,179	\$7,204,683	\$7,372,201	\$7,544,836

Item	Budget FY 2013-14	Projected										
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
<b>Sewer Improvement Fund</b>												
<b>Sources of Funds</b>												
Beginning Balance	\$6,155,305	\$5,813,994	\$1,419,268	\$2,330,218	\$2,973,183	\$2,933,937	\$3,680,659	\$4,554,821	\$4,867,551	\$3,047,499	\$3,723,254	
State Grants	\$0	\$1,000,000	\$2,500,000	\$0	\$1,250,000	\$9,000,000	\$0	\$0	\$0	\$0	\$0	
Sewer Utility Sales (10% of sales)	338,689	373,405	392,075	411,679	432,263	475,489	499,263	524,226	539,953	556,152		
Investments	-	17,741	29,128	37,165	36,674	46,008	56,935	60,844	38,094	46,541		
Proceeds from Loan (Projects & Issuance) Transfers From	-	1,135,000	2,840,000	-	1,420,000	10,225,000	-	-	-	-		
Sewer Utility Fund	-	265,875	603,975	516,988	479,992	492,497	311,951	24,981	107,570	97,708	81,985	
<b>Total Sources of Funds</b>	<b>\$6,493,994</b>	<b>\$6,514,941</b>	<b>\$4,549,388</b>	<b>\$8,608,409</b>	<b>\$3,902,019</b>	<b>\$6,565,371</b>	<b>\$23,739,107</b>	<b>\$5,136,001</b>	<b>\$5,560,192</b>	<b>\$3,723,254</b>	<b>\$4,407,932</b>	
<b>Uses of Funds</b>												
Capital Improvements	\$680,000	\$5,021,162	\$2,196,470	\$5,578,426	\$968,081	\$2,856,312	\$18,979,785	\$268,450	\$2,512,693	\$0	\$0	
Debt Issuance	-	-	22,700	56,800	-	28,400	204,500	-	-	-	-	
Ending Fund Balance	\$5,813,994	\$1,493,779	\$2,330,218	\$2,973,183	\$2,933,937	\$3,680,659	\$4,554,821	\$4,867,551	\$3,047,499	\$3,723,254	\$4,407,932	
<b>Total Uses of Funds</b>	<b>\$6,493,994</b>	<b>\$6,514,941</b>	<b>\$4,549,388</b>	<b>\$8,608,409</b>	<b>\$3,902,019</b>	<b>\$6,565,371</b>	<b>\$23,739,107</b>	<b>\$5,136,001</b>	<b>\$5,560,192</b>	<b>\$3,723,254</b>	<b>\$4,407,932</b>	

ATTACHMENT 2  
 City of Kodiak  
 Sewer Rate Study  
 Sewer System Financial Plan

	Budget		Projected									
	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	
<b>Beginning Balance (Combined)</b>	\$5,593,336	\$5,669,014	\$1,645,217	\$2,676,919	\$3,611,404	\$3,579,960	\$4,476,778	\$6,381,846	\$6,703,307	\$4,892,329	\$5,577,518	
<b>Gross Sales Revenue (existing rates)</b>	3,386,890	3,386,890	3,386,890	3,386,890	3,386,890	3,386,890	3,386,890	3,386,890	3,386,890	3,386,890	3,386,890	
<b>Additional Revenue from Rate Increase</b>												
<b>Year</b>	<b>Percent</b>	<b>% of Initial FY Effective</b>										
FY 2014-15	5.00%	100%	169,345	169,345	169,345	169,345	169,345	169,345	169,345	169,345	169,345	
FY 2015-16	5.00%	100%	177,812	177,812	177,812	177,812	177,812	177,812	177,812	177,812	177,812	
FY 2016-17	5.00%	100%	186,702	186,702	186,702	186,702	186,702	186,702	186,702	186,702	186,702	
FY 2017-18	5.00%	100%	196,037	196,037	196,037	196,037	196,037	196,037	196,037	196,037	196,037	
FY 2018-19	5.00%	100%	205,839	205,839	205,839	205,839	205,839	205,839	205,839	205,839	205,839	
FY 2019-20	10.00%	100%	432,263	432,263	432,263	432,263	432,263	432,263	432,263	432,263	432,263	
FY 2020-21	5.00%	100%	237,744	237,744	237,744	237,744	237,744	237,744	237,744	237,744	237,744	
FY 2021-22	5.00%	100%	249,632	249,632	249,632	249,632	249,632	249,632	249,632	249,632	249,632	
FY 2022-23	3.00%	100%								157,268	157,268	
FY 2023-24	3.00%	100%								161,986	161,986	
Revenue from Rate Increase	\$0	\$169,345	\$347,156	\$533,859	\$729,896	\$935,735	\$1,367,998	\$1,605,742	\$1,855,374	\$2,012,642	\$2,174,628	

<b>Gross Sales Revenue</b>	\$3,386,890	\$3,556,235	\$3,734,046	\$3,920,749	\$4,116,786	\$4,322,625	\$4,754,888	\$4,992,632	\$5,242,264	\$5,399,532	\$5,561,518
10% Sewer Sales (to Sewer Improvement Fund)	\$338,689	\$355,623	\$373,405	\$392,075	\$411,679	\$432,263	\$475,489	\$499,263	\$524,226	\$539,953	\$556,152
<b>Net Sales Revenue (Utility Fund)</b>	\$3,048,201	\$3,200,611	\$3,360,642	\$3,528,674	\$3,705,107	\$3,890,363	\$4,279,399	\$4,493,369	\$4,718,037	\$4,859,579	\$5,005,366
	-5.6%	5.0%	5.0%	5.0%	5.0%	5.0%	10.0%	5.0%	5.0%	3.0%	3.0%



Other Fees and Charges	74,100	74,850	75,623	76,418	77,238	78,082	78,951	79,847	80,769	81,719	82,698
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-
Interest	10,000	72,675	23,390	37,795	53,120	52,825	65,911	102,611	106,738	84,214	92,897
<b>Total Resources</b>	\$3,470,990	\$3,703,759	\$3,833,058	\$4,034,962	\$4,247,144	\$4,453,532	\$4,899,750	\$5,175,090	\$5,429,771	\$5,565,466	\$5,737,113
<b>O&amp;M Requirements</b>	\$2,480,427	\$2,410,700	\$2,485,741	\$2,591,514	\$2,703,606	\$2,822,519	\$2,948,803	\$3,083,055	\$3,225,933	\$3,378,153	\$3,540,498
<b>Debt Service</b>											
Existing	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318	\$301,318
New	\$0	\$0	\$43,627	\$196,419	\$305,583	\$360,165	\$807,776	\$1,200,805	\$1,200,805	\$1,200,805	\$1,200,805
Total Debt Service	\$301,318	\$301,318	\$344,945	\$497,737	\$606,901	\$661,483	\$1,109,094	\$1,502,123	\$1,502,123	\$1,502,123	\$1,502,123
<b>Debt Service Coverage</b>	3.29	4.29	3.91	2.90	2.54	2.47	1.76	1.39	1.47	1.46	1.46
<b>Other Sources of Funds</b>											
Transfers From Other Funds											
Debt Proceeds	-	-	1,248,500	3,124,000	-	1,562,000	11,247,500	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Grants	\$0	\$0	\$1,000,000	\$2,500,000	\$0	\$1,250,000	\$9,000,000	\$0	\$0	\$0	\$0
Subtotal Other Funds	\$0	\$0	\$2,248,500	\$5,624,000	\$0	\$2,812,000	\$20,247,500	\$0	\$0	\$0	\$0
<b>Other Uses of Funds</b>											
Capital Projects	680,000	5,021,162	2,196,470	5,578,426	968,081	2,856,312	18,979,785	268,450	2,512,693	-	-
Debt Issuance	-	-	22,700	56,800	-	28,400	204,500	-	-	-	-
Transfer to Other Funds	-	-	-	-	-	-	-	-	-	-	-
Subtotal Other Expenditures	\$680,000	\$5,021,162	\$2,219,170	\$5,635,226	\$968,081	\$2,884,712	\$19,184,285	\$268,450	\$2,512,693	\$0	\$0
<b>Ending Operating Balance</b>	\$5,602,581	\$1,639,593	\$2,676,919	\$3,611,404	\$3,579,960	\$4,476,778	\$6,381,846	\$6,703,307	\$4,892,329	\$5,577,518	\$6,272,009
Unreserved	\$5,602,581	\$1,413,644	\$2,330,218	\$2,973,183	\$2,933,937	\$3,680,659	\$4,554,821	\$4,867,551	\$3,047,499	\$3,723,254	\$4,407,932
Reserved (Contingency)	-	225,949	346,701	638,221	646,023	796,119	1,827,025	1,835,756	1,844,830	1,854,264	1,864,077

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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniaziowski, City Manager

**Thru:** Mark Kozak, Public Works Director and Glenn Melvin PE, City Engineer

**Date:** May 22, 2014

**Agenda Item:** V. c. **Authorization of Bid Award of Bid Package B for the Construction of the New Monashka Pumphouse, Project No. 11-05/7029**

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**SUMMARY:** The Monashka Reservoir and pumphouse are the primary sources of water for the City of Kodiak's public water system. The City started evaluation of the pumphouse in 2010 and, due to the age of the equipment and building and the structural and seismic issues, the pumphouse was slated for replacement. The project was advertised for bid in March 2014, and two bids were received on April 11, 2014. Because of the timing of Alaska Municipal Matching Grant program (AMMG) and loan availability, the City bid the project in two packages, package A and package B. Council authorized the award of bid package A plus the pumps and motors totaling \$1,190,671 at the April 24, 2014 meeting. Total project funding is now secure, and staff recommends Council authorize the remaining construction bid award, package B to ASRC SKW Eskimos in the amount of \$4,465,329.

### **PREVIOUS COUNCIL ACTION:**

- October 2010, Council approved contract with CH2MHill to complete the New Monashka Pumphouse Upgrade Feasibility study.
- December 2012, Council accepted an Alaska Municipal Matching Grant (AMMG) for \$420,000 that was transferred from the UV project to the Monashka design and construction project.
- January 2013, Council named New Monashka Pumphouse project as the No. 1 City priority on City's FY2014 state CIP list.
- FY2013, Council approved additional capital project funding for project in the amount of \$425,000 from local funds.
- February 2013, Council approved a contract amendment with CH2MHill for additional pre-design and design work on pumphouse project.
- September 2013, Council adopted Resolution No. 2013-27, to accept the FY2014 legislative grant for \$500,000 for the Monashka pumphouse.
- October 2013, Council approved design contract with CH2MHill for new Monashka pumphouse.
- February 2014, Council adopted Resolution No. 2014-10 authorizing the borrowing of an aggregate amount of \$2.5 million from the ADWF loan program for the construction of the Monashka pumphouse.
- March 2014, Council accepted Amendment No. 1 to AMMG 50339 with Resolution No. 2014-11 in the amount of \$1,465,534.

MAY 22, 2014

Agenda Item V. c. Memo Page 1 of 4

- April 2014, Council adopted Resolution No. 2014–21(SUB) authorizing an additional not to exceed \$3.5 million from the ADWF loan program.
- April 2014, Council authorized award of Bid Package A, plus the pumps and motors in the amount of \$1,190,671 to ASRC SKW Eskimos.
- April 2014, Council approved Amendment No. 4 to the CH2MHill design contract for construction management services in the amount of \$194,000. This was only a partial award of the full amount of this contract as well.
- May 2014, Council approved FY2014 Supplemental Budget Amendment No. 2, which approved additional loan funds needed to complete funding for the project.

**DISCUSSION:** The Monashka reservoir and pumphouse are the primary water sources for the City of Kodiak. Annually almost all of the community’s water comes from Monashka, roughly 1.89 billion gallons of water a year. The Pillar Creek system is rarely used and serves primarily as a backup system to Monashka. However Pillar Creek is critical to the City in order to continue to operate under filtration avoidance criteria set by federal regulation.

The City completed a feasibility study on the upgrade or replacement of the Monashka pumphouse facility in December of 2012. It showed that because of structural issues with the facility it would be more cost effective to build a new pumphouse than to rebuild the existing facility. These deficiencies required the City to evaluate potential locations for a new pumphouse building. The final feasibility work was completed in October 2013. This work determined the location and pumping system for the new pumphouse facility. Council approved the Design contract with CH2MHill in October 2013 and the project was advertised to bid in March 2014.

The project bids were opened on April 11, 2014, and two bids were received from ASRC SKW Eskimos and MKB. Both bids were substantially higher than the engineers estimate.

Staff and CH2MHill discussed options such as negotiating with the bidders or rebidding the project. After reviewing the options it was decided not to try to rebid the project because there is no assurance that a rebid would result in lower costs.

Once Council approves the FY2014 Supplemental Budget Amendment No. 2, there will be adequate project funds to cover construction, construction management and engineering support as well as an appropriate contingency. Council approved Resolution No. 2014–10 approving the borrowing of an aggregate amount of \$2.5 million and Resolution No. 2014–21 (SUB) approved the borrowing of an aggregate amount from the ADWF loan of an addition \$3.5 million. The FY2015 AMMG will not be available until early July 2014 and cannot be budgeted as part of the project until that time.

Bid package A was awarded at the April 24 Council meeting which kept the project on the critical path to complete the first water shut down during the limited window of time allowed by the bidding

documents plus purchase long lead pumps and motors. Staff now recommends Council authorize the award of construction bid package B minus pumps, motors and diesel motor for the emergency pump that were included in award of bid package A.

On May 2, 2014 the Loan Amendment for \$3.5 million was received by the City. These additional loan funds are included in FY2014 Supplemental Amendment No. 2. This increase in the budget allows the City to award bid package B minus the additional items that were included with the award of the first construction bid award. When the City receives official notice of award for the AMMG in early July, the grant funds, which are retroactive 120 days from the beginning of July, will be used.

**ALTERNATIVES:**

1. Staff recommends Council approve the award of bid package B minus the equipment that was included in award of bid package A to ASRC SKW to keep the project moving forward.
2. Do not authorize bid package B at this time which is definitely not recommended since any delay significantly affects the schedule of construction later in the construction season.

**FINANCIAL IMPLICATIONS:** With the critical nature of this facility we cannot risk delaying or not replacing the pump house at this time. The City cannot support water systems demands without Monashka fully operational at all times.

FY 2011	City Funds	\$225,000	
FY 2012	No Funds Added		
FY 2013	City Funds	\$425,000	
FY 2013	AMMG	\$420,000	Accepted Dec 2012
FY 2014	State Legislative grant	\$500,000	Accepted September 2013 by City Council
FY 2014	Alaska Drinking Water Loan	\$2,500,000	Resolution 2014-10 authorized the loan in Feb. 2014
FY 2014	AMMG	1,465,534	Accepted by Council in March 2014.
FY 2014	Alaska Drinking Water Loan	\$3,500,000	Resolution 2014-21 (SUB) authorized additional loan in April 2014.
FY 2015	AMMG	\$2,495,452	Expect award in July 2014.

**LEGAL:** N/A

**STAFF RECOMMENDATION:** Staff recommends Council authorize the bid award of bid package B to ASRC SKW Eskimos for the construction of the new Monashka pumphouse project in the amount of \$4,465,329 with funds coming from Water Capital Improvement Fund, Project No. 11-05/7029.

**CITY MANAGER'S COMMENTS:** The bids we received were higher than anticipated and we had to align the bids and bid awards with the availability of the AMMG and loan to adequately fund construction. Staff was able to identify ways to acquire the funds and keep this critical project moving forward. I support staff's recommendation and request Council to authorize the bid award of the second construction bid package to ASRC SKW Eskimos as described in the memo.

**ATTACHMENTS:**

Attachment A: Bid Tab for New Monashka Pumphouse

Attachment B: State of Alaska Loan Amendment No. 1, ADWF#503161, dated May 2, 2014

Attachment C: State of Alaska AMMG FY2015 Funding Notice (SB119), dated May 2, 2014

**PROPOSED MOTION:**

Move to authorize the bid award of Bid Package B for the construction of the Monashka pumphouse to ASRC SKW Eskimos in the amount of \$4,465,329 with funds coming from Water Capital Improvement Fund, Project No. 11-05/7029 and authorize the City Manager to execute the documents on behalf of the City.



# CITY OF KODIAK BID TABULATION

Project Name: **Monashka Pump House Facility**

Project Number: **11-05/7029**

Date: April 11, 2014  
 Time: 2:00 p.m.  
 Date of Invitation: March 11, 2014  
 Opened By: Aimée Kniazowski

Addendum No.	Date Issued
1	3/12/14
2	3/19/14
3	3/31/14
4	4/4/14

<b>BIDDER</b>	<b>BASE BID</b>	<b>ADDITIVE ALTERNATES</b>
<b>ENGINEERS ESTIMATE</b>	\$ <b>4,330,000.00</b>	1. \$
		2. \$
		3. \$
		4. \$
<b>MKB Constructors</b>	\$ <b>5,995,000.00</b>	1. \$
<input checked="" type="checkbox"/> Addendums Acknowledged	<b>Pkg A - \$1,000,000.00</b>	2. \$
<input checked="" type="checkbox"/> Bid Bond & Business License	<b>Pkg B - \$4,915,000.00</b>	3. \$
<input type="checkbox"/> Contractors Certificate		4. \$
<b>ASRC SKW Eskimos, Inc.</b>	\$ <b>5,656,000.00</b>	1. \$
<input checked="" type="checkbox"/> Addendums Acknowledged	<b>Pkg A - \$ 500,000.00</b>	2. \$
<input checked="" type="checkbox"/> Bid Bond & Business License	<b>Pkg B - \$5,076,000.00</b>	3. \$
<input type="checkbox"/> Contractors Certificate		4. \$
\$		1. \$
<input type="checkbox"/> Addendums Acknowledged		2. \$
<input type="checkbox"/> Bid Bond & Business License		3. \$
<input type="checkbox"/> Contractors Certificate		4. \$
\$		1. \$
<input type="checkbox"/> Addendums Acknowledged		2. \$
<input type="checkbox"/> Bid Bond & Business License		3. \$
<input type="checkbox"/> Contractors Certificate		4. \$
\$		1. \$
<input type="checkbox"/> Addendums Acknowledged		2. \$
<input type="checkbox"/> Bid Bond & Business License		3. \$
<input type="checkbox"/> Contractors Certificate		4. \$



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Environmental  
Conservation**

DIVISION OF WATER  
Municipal Grants and Loans

410 Willoughby Avenue, Suite 303  
P.O. Box 111800  
Juneau, Alaska 99811-1800  
Main: 907-465-5180  
Fax: 907-465-5177

May 2, 2014

Ms. Aimee Kniaziowski  
City Manager  
City of Kodiak  
P.O. Box 1397  
Kodiak, AK 99615

Dear Ms. Kniaziowski:

Loan Amendment: Monashka Pump House Upgrade (ADWF#503161) Amendment #1

Enclosed for signature is the loan amendment for the Monashka Pump House Upgrade drinking water project (Alaska Drinking Water Fund Loan Number 503161). This amendment provides a loan increase in the amount of \$3,500,000 for the City's Monashka Pump House Upgrade for a total loan amount of \$6,000,000.

After all signatures have been obtained, please return the original document to the Alaska Drinking Water Fund, ATTN: Municipal Accounting Team (MAT), Division of Water, Department of Environmental Conservation, P.O. Box 111800, Juneau, AK 99811-1800.

Sincerely,

A handwritten signature in black ink, appearing to read "Michelle Hale".

*MH* Michelle Hale  
Director

Enclosure: ADWF#503161 Monashka Pump House Upgrade Amendment #1

# ALASKA DRINKING WATER FUND AGREEMENT

## ADWF LOAN #503161 Monashka Pump House Upgrade Amendment#1



THIS AGREEMENT is amended as of May 2, 2014 by the Alaska Department of Environmental Conservation (the Department) and the City of Kodiak (the Borrower), acting pursuant to Resolution No. 2014-21 (SUB) approved by the City of Kodiak for a loan increase of \$3,500,000 with a loan term of 20 years. This amendment is made to the City of Kodiak from the Drinking Water Fund for an increase of \$3,500,000 for a total loan amount of \$6,000,000.

This loan agreement is amended by replacing Sections 1.1(e) and 4.1 with new language.

Section 1.1(e) as written in the April 4, 2014 agreement reads as follows:

### **Section 1.1**

(e) "Eligible Project Costs" include the following costs disbursed from the Alaska Drinking Water Fund, estimated to not exceed \$2,500,000; demolition, construction, and engineering for the Project Facility; machinery, furnishings, and equipment; surveys, plans, estimates, and specifications; necessary insurance; financial and environmental investigations; laboratory testing, resident engineering and inspection fees; force account; legal expenses; and any other necessary miscellaneous expenditures, minus the amount of any grant applicable to foregoing costs.

Section 1.1(e) is amended to read as follows:

### **Section 1.1**

**(e) "Eligible Project Costs" include the following costs disbursed from the Alaska Drinking Water Fund, estimated to not exceed \$6,000,000; demolition, construction, and engineering for the Project Facility; machinery, furnishings, and equipment; surveys, plans, estimates, and specifications; necessary insurance; financial and environmental investigations; laboratory testing, resident engineering and inspection fees; force account; legal expenses; and any other necessary.**



Section 4.1 as written in the April 4, 2014 agreement reads as follows:

**Section 4.1.** This loan is made to the Borrower from the Alaska Drinking Water Fund for the maximum amount of \$2,500,000.

Section 4.1 is amended to read as follows:

**Section 4.1.** **This loan increase is made to the Borrower from the Alaska Drinking Water Fund in the amount of \$3,500,000 for a maximum amount of \$6,000,000.**

These new Sections shall become part of the original loan agreement (ADEC Loan Number 503161) and are hereby agreed to by:

**ALASKA DEPARTMENT OF ENVIRONMENTAL CONSERVATION**

By: *Michelle Hale*  
Michelle Hale, Director  
Division of Water

**ACKNOWLEDGEMENT  
STATE OF ALASKA  
Third Judicial District**

The foregoing instrument was acknowledged before me this 2<sup>nd</sup> day of

May, 2014



T. Ecklund  
Notary Public  
State of Alaska  
Commission #1507200  
Expires "with office"

*T. Ecklund*

Notary Public, State of Alaska

My commission expires: "with office"

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**CITY OF KODIAK**

By: \_\_\_\_\_

**ACKNOWLEDGEMENT  
STATE OF ALASKA  
Third Judicial District**

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 2014.

\_\_\_\_\_  
Notary Public, State of Alaska

My commission expires: \_\_\_\_\_

**Ecklund, Tamara J (DEC)**

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**From:** Hale, Michelle M (DEC)  
**Sent:** Thursday, May 01, 2014 4:46 PM  
**To:** DEC Water Delegation  
**Cc:** Fishwick, Claire (DEC); Kent, Lynn J T (DEC); Hartig, Lawrence L (DEC); Cherian, Thomas V (DEC); Busse Floyd, Elaine A (DEC); Ryan, Kristin J (DEC); Edwards, Alice L S (DEC)  
**Subject:** Delegation May 2 - 16

While I am out of the office on leave May 2 – 16, I delegate to Andrew Sayers-Fay.

- Michelle

*Michelle Hale  
Director, Division of Water  
Department of Environmental Conservation  
(907) 465-5135*



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Attachment C

Department of Environmental  
Conservation

DIVISION OF WATER

Post Office Box 111800  
Juneau, Alaska 99811-1800  
Main: 907.465.5300  
Fax: 907.465.5177

May 2, 2014

Ms. Aimee Kniaziowski  
City Manager  
City of Kodiak  
P.O. Box 1397  
Kodiak, AK 99615

RE: FY15 Funding Notice (SB119)

Dear Ms. Kniaziowski:

The Alaska Department of Environmental Conservation, Division of Water, Municipal Matching Grant Program is pleased to inform you that Capital Bill SB119 was recently passed by the legislature and is expected to be signed by the Governor soon. Under this Bill, your community is eligible to receive \$2,495,452 in Municipal Matching Grant funding for the Kodiak Pump House Replacement Project. The local contribution (match) requirement is 30%. Please note that this funding is an increase to an existing project and the existing project name is "Kodiak – Monashka Pumphouse Upgrade Design". The grant number assigned to this project is 50339.

Your next step will be to complete an online Grant application which can be accessed at the Division of Water, Municipal Grants and Loans Program Website located here: <http://dec.alaska.gov/water/MuniGrantsLoans/index.htm>. Additional information on the program, requirements and forms can be found on this page.

Because of the increasing need to ensure that state funds are obligated and expended in a timely manner, **we are requesting that the grant applications be submitted by May 30, 2014 to help us finalize grant offers by the beginning of State Fiscal Year 2015.**

If you are not able to complete the grant application online please mail (and e-mail) the completed signed grant application to the following address:

[DEC.Water.MGL.MAT@alaska.gov](mailto:DEC.Water.MGL.MAT@alaska.gov)  
Alaska Department of Environmental Conservation  
Division of Water, Municipal Matching Grants & Loans Program  
Attn: MAT (Municipal Accounting Team)  
P.O. Box 111800  
410 Willoughby Avenue, Suite 303  
Juneau, AK 99811-1800

If you have any questions regarding this process you may contact me directly or any of the parties below:

Mike Lewis, Program Manager 907-269-7619 [mike.lewis@alaska.gov](mailto:mike.lewis@alaska.gov)

Zorrie Cassell-Caparroso, Grants Accountant 907-465-5172 [soraida.cassell-caparroso@alaska.gov](mailto:soraida.cassell-caparroso@alaska.gov)

Beth Verrelli, Project Engineer 907-269-7603 [beth.verrelli@alaska.gov](mailto:beth.verrelli@alaska.gov)

The department looks forward to working with the City of Kodiak on this jointly funded project to provide improved services to the residents of your community.

Sincerely,



Judith Cummins, CPA

Municipal Grants and Loans Program Accountant

907-465-5144



[judith.cummins@alaska.gov](mailto:judith.cummins@alaska.gov)

cc: The Honorable Gary Stevens, Alaska State Senate  
The Honorable Alan Austerman, Alaska State House of Representatives  
Mike Lewis, Program Manager, ADEC  
Beth Verrelli, Project Engineer, ADEC

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**MEMORANDUM TO COUNCIL**

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**To:** Mayor Branson and City Councilmembers  
**From:** Aimée Kniazowski, City Manager   
**Thru:** Mark Kozak, Public Works Director and Glenn Melvin, City Engineer   
**Date:** May 22, 2014

**Agenda Item: V. d. Authorization of Change Order No. 1 for Aleutian Homes Phase 5, Segment B, Project No. 10-03/7026**

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**SUMMARY:** Aleutian Homes Water and Sewer Replacement Phase V, Segment B is a continuation of the upgrade of utilities, pavement and sidewalks in the Aleutian Homes area. Council approved the award of part of the bid at the April 24, 2014 meeting in the amount of \$2,994,895.50. Additional funds are included in the FY2014 Supplemental Appropriation No. 2 budget amendment, which will allow the \$789,400.00 remaining work in the original total bid of \$3,789,295.50 to be awarded. This remaining work will be administered by Change Order No. 1. Staff recommends Council authorize Change Order No. 1 for Aleutian Homes Phase V, Segment B, to Brechan in the amount of \$789,400, with funds coming from Aleutian Homes Water and Sewer Replacement Phase V Project No. 10-03/7026.

**PREVIOUS COUNCIL ACTION:** The Council approved the FY2014 budget which included \$5,898,000 for the construction of Phase V this included the funds used on Phase V segment A. Additional project funds were added in Supplemental Appropriation No. 2 to provide project contingency and construction funds.

April 24, 2014, Council authorized Part 1 of the construction bid award for Aleutian Homes Phase V, Segment B in the amount of \$2,994,895.50.

May 2014, Council adopted FY2014 Supplemental No. 2 by Ordinance No. 1318 to budget additional funds for the Aleutian Homes Phase V Segment B to allow City to award remaining construction tasks.

**DISCUSSION:** Aleutian Homes Phases I through V, Segment A, were constructed from 2007 to 2013. Phase V, Segment B is scheduled for 2014/2015 and is the portion of Thorsheim Street from approximately 100' north of the Fir Street intersection to about 50' south of the Maple Street intersection. Phase V, Segment B is roughly 1330 feet long including a short portion of work on Birch Street and Gerasim Ave. This project includes removal and replacement of asphalt pavement, concrete curb and gutter, asphalt sidewalks, 8" sewer main including manholes, 12" and 20" water main lines, valves and connections, and disconnect and re-connect of approximately 40 residential water and sewer services. The project will also include drainage improvements, including removal and replacement of

underground drainage, catch basins, remove and reset fencing. Retaining walls will be removed and replaced as needed to accommodate wider sidewalks and utility connections outside the right-of-way.

The City received two bids on March 24, 2014. Brechan Enterprise and Central Environmental were the bidders. Brechan was the low bidder at \$3,784,295.50.

Because the AMMG will not be available until July 2014 and before the FY2014 Supplemental No. 2 was passed, there was a shortfall of funds remaining in the Phase V project budget. In order to get the project started staff approached Brechan about awarding the project in two parts. Staff proposed to award most of the project except for curb, gutter, sidewalks, paving, topsoil and seeding as well as the block retaining walls. All of these items come much later in the project work, and by breaking the award into two separate awards, the project will remain on schedule for construction beginning early May. This arrangement was agreeable with Brechan and was brought to Council at the April 24, 2014 meeting.

Council approved awarding a portion of the project bid to Brechan in the amount of \$2,994,895.50 at the April 24, 2014, regular meeting. The remaining bid amount of \$789,400 and an additional contingency amounting to roughly 10 percent of construction for a total of \$1,154,000 are included in the FY2014 Supplemental Appropriation No. 2 to allow awarding the remaining work via a change order to their original contract.

**ALTERNATIVES:**

1. Authorize Change Order No. 1 to Brechan for \$789,400. This approval will award the full project bid amount of \$3,784,295.50. Staff believes this alternative best utilizes project funding and maximize the amount of construction that can be accomplished this season. This is the recommended option.
2. Do not authorize Change Order No. 1 at this time. This delay would prevent the completion of a large amount of the project this construction season. This alternative is not recommended because of the need to utilize as much of this construction season as possible.

**FINANCIAL IMPLICATIONS:** The completion of the Aleutian Homes Water & Sewer project, Phase V, Segment B including Construction Engineering Services and a 10 percent contingency totals \$4,517,000. The current project budget including the funds requested in FY2014 Supplemental Appropriation No. 2 will be \$7,046,000. This project budget includes funds expended on Phase V, Segment A. Staff is recommending Council approve Change Order No. 1 of the Aleutian Homes Phase V, Segment B in the amount of \$789,400. FY2014 Supplemental Appropriations No. 2 reflects a requested amendment for an additional \$1,154,000 from the Water Fund fund balance to complete the construction award of \$789,400 and provide a 10 percent contingency. Once the AMMG is available this July the FY2014 amended appropriations of \$1,154,000 will be replaced by grant funds.

Upon completion, the project will reduce utility and road maintenance costs, reduce the risk to public health by correcting noncompliant sewer and water separation distances, and better the water service through the increase in the size of the water main.

**LEGAL:** N/A

**STAFF RECOMMENDATION:** Staff recommends Council authorize Change Order No. 1 for Aleutian Homes Water and Sewer Replacement Phase V Segment B to Brechan Enterprises Inc. in the amount of \$789,400, with funds coming from the Water Capital Improvement Fund, Project No. 10-03/7026.

**CITY MANAGER'S COMMENTS:** This project is important to move forward. Once Council appropriates the full amount appropriated by passing Supplemental No. 2, I support staff's recommendation to authorize the change order that will allow Brechan full funding to complete the project. I recommend Council authorize the change order as outlined in the memo.

**ATTACHMENTS:**

Attachment A: Bid Tab

Attachment B: Change Order No. 1

**PROPOSED MOTION:**

Move to authorize Change Order No. 1 for the Aleutian Homes Water and Sewer Replacement Phase V Segment B, to Brechan Enterprises Inc. in the amount of \$789,400, with funds coming from the Water Capital Improvement Fund, Project No.10-03/7026, and authorize the City Manager to execute the documents on behalf of the City.



**Bid Tab Aleutian Homes Water and Sewer Ph. V Segment B PN 10-03/7**

Bid Date: Monday, March 24, 2014



<b>Bid Item</b>	<b>Description</b>	<b>Quantity</b>	<b>Units</b>	<b>Engineers Estimate</b>	<b>Brechan Enterprises, Inc.</b>	<b>Central Environmental Inc.</b>
1	Clearing and Grubbing	1	Lump Sum	\$12,000.00	\$6,800.00	\$4,208.50
2	Unclassified Excavation	1	Lump Sum	\$140,000.00	\$100,000.00	\$67,250.94
3	Rock Excavation	456	linear foot	\$68,400.00	\$77,520.00	\$119.09
4	Classified Material (Type A)	1	Lump Sum	\$290,000.00	\$250,000.00	\$259,628.48
5	Leveling Course	2055	ton	\$60.00	\$67,815.00	\$36.63
6	Trench Excavation and Backfill - Storm Drain (Various Depths)	1520	linear foot	\$125.00	\$170.00	\$94.29
7	Trench Excavation and Backfill - Water & Sewer (Various Depths)	2970	linear foot	\$125.00	\$150.00	\$154.56
8	Removal of Structures and Obstructions	1	Lump Sum	\$30,000.00	\$25,000.00	\$36,303.35
9	Remove Pavement	53090	square foot	\$1.50	\$79,635.00	\$0.45
10	Remove Sidewalk or Concrete Pad	11440	square foot	\$2.25	\$25,740.00	\$0.75
11	Remove Manhole	24	each	\$700.00	\$16,800.00	\$500.00
12	Remove Catch Basin	6	each	\$600.00	\$3,600.00	\$500.00
13	Remove Curb and Gutter	2885	linear foot	\$3.50	\$10,097.50	\$4.00
14	Relocate Mailbox Cluster	2	each	\$2,000.00	\$4,000.00	\$500.00
15	Remove Storm Drain Pipe	1760	linear foot	\$12.00	\$21,120.00	\$5.00
16	Remove Existing Sign	5	Each	\$120.00	\$600.00	\$100.00
17	Remove Retaining Wall	206	linear foot	\$6.00	\$1,236.00	\$5.00
					\$23,890.50	\$0.76
					\$8,580.00	\$2.02
					\$12,000.00	\$691.51
					\$3,000.00	\$580.55
					\$11,540.00	\$5.14
					\$1,000.00	\$349.80
					\$8,800.00	\$37.42
					\$500.00	\$128.74
					\$1,030.00	\$14.24
						\$23,108.80
						\$16,596.24
						\$3,483.30
						\$14,828.90
						\$699.60
						\$65,859.20
						\$643.70
						\$2,933.44

**Bid Item Description Quantity Units Engineers Estimate Brechan Enterprises, Inc. Central Environmental Inc.**

18	Curb and Gutter (Various Types)	2920	linear foot	\$40.00	\$116,800.00	\$50.00	\$146,000.00	\$53.58	\$156,453.60
19	Concrete Stairs	1	linear foot	\$15,000.00	\$15,000.00	\$15,000.00	\$15,000.00	\$17,744.22	\$17,744.22
20	PCC Curb Ramp	40	square yard	\$300.00	\$12,000.00	\$350.00	\$14,000.00	\$323.33	\$12,933.20
21	Detectable Warnings	40	square foot	\$60.00	\$2,400.00	\$95.00	\$3,800.00	\$90.90	\$3,636.00
22	Asphalt Concrete Pavement, Type IIIB	1140	ton	\$330.00	\$376,200.00	\$300.00	\$342,000.00	\$389.73	\$444,292.20
23	Asphalt Concrete Sidewalk, Type IIIB	2900	linear foot	\$65.00	\$188,500.00	\$60.00	\$174,000.00	\$140.44	\$407,276.00
24	Furnish and Install 8" Sewer Main	1438	linear foot	\$120.00	\$172,560.00	\$125.00	\$179,750.00	\$34.32	\$49,352.16
25	Construct Sanitary Sewer Manhole (Type A)	6	each	\$6,000.00	\$36,000.00	\$4,000.00	\$24,000.00	\$7,739.35	\$46,436.10
26	Waterproofing Manhole	2	each	\$1,200.00	\$2,400.00	\$3,000.00	\$6,000.00	\$1,648.49	\$3,296.98
27	Connection to Existing Manhole	2	each	\$500.00	\$1,000.00	\$1,000.00	\$2,000.00	\$3,914.35	\$7,828.70
28	Sanitary Sewer Cleanout	5	each	\$250.00	\$1,250.00	\$600.00	\$3,000.00	\$606.94	\$3,034.70
29	Connection to Sewer Service (4")	40	each	\$4,500.00	\$180,000.00	\$5,000.00	\$200,000.00	\$3,972.64	\$158,905.60
30	Furnish and Install 12" Water Main	84	linear foot	\$180.00	\$15,120.00	\$300.00	\$25,200.00	\$85.35	\$7,169.40
31	Furnish and Install 20" Water Main	1432	linear foot	\$215.00	\$307,880.00	\$170.00	\$243,440.00	\$154.04	\$220,585.28
32	Furnish and Install 12" Gate Valve, Valve Box and Marker	1	each	\$3,000.00	\$3,000.00	\$2,300.00	\$2,300.00	\$4,568.88	\$4,568.88
33	Furnish and Install 20" Butterfly Valve, Valve Box and Marker	7	each	\$5,500.00	\$38,500.00	\$4,500.00	\$31,500.00	\$7,135.85	\$49,950.95
34	Furnish and Install Fire Hydrant Assembly (Single Pumper)	4	each	\$11,000.00	\$44,000.00	\$9,000.00	\$36,000.00	\$12,696.36	\$50,785.44

**Bid Item Description Quantity Units Engineers Estimate Brechan Enterprises, Inc. Central Environmental Inc.**

35	Furnish and Install Water Service Line, 1"	41	each	\$4,500.00	\$184,500.00	\$3,000.00	\$123,000.00	\$3,447.53	\$141,348.73
36	Remove Existing Fire Hydrant Assembly	5	each	\$500.00	\$2,500.00	\$250.00	\$1,250.00	\$1,011.31	\$5,056.55
37	Connect to Existing Water Main (12" and 20" DIP)	4	each	\$2,500.00	\$10,000.00	\$1,000.00	\$4,000.00	\$8,035.31	\$32,141.24
38	Furnish and Install 6" CPEP, Type S	100	linear foot	\$50.00	\$5,000.00	\$10.00	\$1,000.00	\$4.47	\$447.00
39	Furnish and Install 12" CPEP, Type S	200	linear foot	\$55.00	\$11,000.00	\$15.00	\$3,000.00	\$8.14	\$1,628.00
40	Furnish and Install 18" CPEP, Type S	720	linear foot	\$70.00	\$50,400.00	\$45.00	\$32,400.00	\$17.38	\$12,513.60
41	Furnish and Install 24" CPEP, Type S	520	linear foot	\$120.00	\$62,400.00	\$50.00	\$26,000.00	\$29.15	\$15,158.00
42	Construct Storm Drain Manhole (Type 1)	12	each	\$4,800.00	\$57,600.00	\$3,500.00	\$42,000.00	\$7,268.89	\$87,226.68
43	Construct Storm Drain Manhole (Type 2)	1	each	\$11,000.00	\$11,000.00	\$8,000.00	\$8,000.00	\$11,300.41	\$11,300.41
44	Construct Storm Drain Catch Basin (Type 1)	5	each	\$3,500.00	\$17,500.00	\$3,000.00	\$15,000.00	\$3,820.86	\$19,104.30
45	Construct Yard Drain	5	each	\$1,500.00	\$7,500.00	\$3,000.00	\$15,000.00	\$2,122.12	\$10,610.60
46	Construct Box Type Catch Basin	1	each	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$4,386.86	\$4,386.86
47	Connect to Existing Storm Drain	4	each	\$500.00	\$2,000.00	\$500.00	\$2,000.00	\$3,802.84	\$15,211.36
48	Footing Drain Service	3	each	\$2,200.00	\$6,600.00	\$2,300.00	\$6,900.00	\$2,032.21	\$6,096.63
49	Mobilization and Demobilization	1	Lump Sum	\$400,000.00	\$400,000.00	\$264,000.00	\$264,000.00	\$492,876.68	\$492,876.68
50	Traffic Maintenance	1	Lump Sum	\$40,000.00	\$40,000.00	\$45,000.00	\$45,000.00	\$25,568.29	\$25,568.29
51	Traffic Control	1	Contingent Sum	\$160,000.00	\$160,000.00	\$160,000.00	\$160,000.00	\$160,000.00	\$160,000.00
52	Erosion and Pollution Control Administration	1	Lump Sum	\$20,000.00	\$20,000.00	\$25,000.00	\$25,000.00	\$15,343.14	\$15,343.14

**Bid Item Description Quantity Units Engineers Estimate Brechan Enterprises, Inc. Central Environmental Inc.**

53	Erosion and Pollution Control	1	Contingent Sum	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00	\$20,000.00
54	Construction Survey Measurement	1	Lump Sum	\$70,000.00	\$70,000.00	\$35,000.00	\$35,000.00	\$27,045.78	\$27,045.78
55	Standard Sign	50	square foot	\$130.00	\$6,500.00	\$125.00	\$6,250.00	\$140.78	\$7,039.00
56	Remove and Relocate Existing Signs	2	each	\$300.00	\$600.00	\$300.00	\$600.00	\$606.61	\$1,213.22
57	Insulation Board	800	square foot	\$4.50	\$3,600.00	\$8.50	\$6,800.00	\$7.67	\$6,136.00
58	Seeding	10	1,000 square foot	\$600.00	\$6,000.00	\$300.00	\$3,000.00	\$666.60	\$6,666.00
59	Topsoil	10	1,000 square foot	\$2,400.00	\$24,000.00	\$2,000.00	\$20,000.00	\$2,424.00	\$24,240.00
60	Reset Fence	940	linear foot	\$65.00	\$61,100.00	\$60.00	\$56,400.00	\$27.89	\$26,216.60
61	Matting	5	1,000 square foot	\$700.00	\$3,500.00	\$200.00	\$1,000.00	\$2,424.00	\$12,120.00
62	Reconstruct Driveway - Gravel	750	square yard	\$35.00	\$26,250.00	\$40.00	\$30,000.00	\$33.94	\$25,455.00
63	Reconstruct Driveway - Asphalt	10	square yard	\$500.00	\$5,000.00	\$75.00	\$750.00	\$152.71	\$1,527.10
64	Reconstruct Driveway - Portland Cement Concrete	10	square yard	\$500.00	\$5,000.00	\$125.00	\$1,250.00	\$290.88	\$2,908.80
65	Modular Block Retaining Wall	1160	square foot	\$75.00	\$87,000.00	\$65.00	\$75,400.00	\$72.72	\$84,355.20
66	Remove Guardrail	40	linear foot	\$100.00	\$4,000.00	\$7.00	\$280.00	\$25.04	\$1,001.60
67	Steel Guardrail	33	linear foot	\$250.00	\$8,250.00	\$50.00	\$1,650.00	\$146.90	\$4,847.70

**Grand Total \$4,282,188.50 \$3,784,295.50 \$4,218,876.02**

\$789,400 in deductions



**CITY OF KODIAK  
CHANGE ORDER**

CHANGE ORDER NO.:   1  

DATE:   May 22, 2014  

NAME OF PROJECT: Aleutian Homes Water and Sewer Phase V-Segment B

PROJECT NO.: 10-03/7026

CONTRACTOR: Brechan Enterprises Inc.

The following changes are hereby made to the CONTRACT DOCUMENTS:

1. Add remaining work in original bid as follows:

Item No.	Description of Items	Unit	Qty	Unit Bid Price	Bid Amount
302(1)	Curb and Gutter (Various Types)	LF	2,920	\$ 50.00	\$ 146,000.00
304(2)	Concrete Stairs	LS	1	\$ 15,000.00	\$ 15,000.00
305(1)	PCC Curb Ramp	SY	40	\$ 350.00	\$ 14,000.00
402(1)	Asphalt Concrete Pavement, Type IIB	TN	1,140	\$ 300.00	\$ 342,000.00
402(4)	Asphalt Concrete Sidewalk, Type IIIB	LF	2,900	\$ 60.00	\$ 174,000.00
810(1)	Seeding	1,000 SF	10	\$ 300.00	\$ 3,000.00
811(1)	Topsoil	1,000 SF	10	\$ 2,000.00	\$ 20,000.00
819(1)	Modular Block Retaining Wall	SF	1,160	\$ 65.00	\$ 75,400.00



**CITY OF KODIAK  
CHANGE ORDER**

Justification: Fulfill the project bid amount of \$3,784,295.50. This best utilizes project funding and maximize the amount of construction that can be accomplished this season.

Original CONTRACT PRICE: \_\_\_\_\_ \$2,994,895.50

The CONTRACT PRICE from prior CHANGE ORDERS: \_\_\_\_\_ \$0.00

The CONTRACT PRICE due to this CHANGE ORDER will increase: \_\_\_\_\_ \$789,400.00

The new CONTRACT PRICE including this CHANGE ORDER: \_\_\_\_\_ \$3,784,295.50

Requested by City Engineer \_\_\_\_\_

Approved by Department  
Head \_\_\_\_\_

Ordered by City Manager \_\_\_\_\_

Accepted by Contractor \_\_\_\_\_


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## MEMORANDUM TO COUNCIL

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**To:** Mayor Branson and City Councilmembers

**From:** Aimée Kniaziowski, City Manager 

**Thru:** Mark Kozak, Public Works Director and Glenn Melvin, City Engineer

**Date:** May 22, 2014

**Agenda Item:** V. e. **Authorization of Amendment No. 5 to the Professional Services Contract for Construction Management Services for the New Monashka Pumphouse, Project No. 11-05/7029**

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**SUMMARY:** The bids for construction of the City's new Monashka pumphouse were opened on April 11, 2014, with ASRC/SKW Contractors as the apparent low bidder. Due to timing of project funding, City staff recommended that Council award the construction management services in two phases. Amendment No. 4 which covers the project for construction management of bid package A was awarded to CH2MHill at the April 24, 2014 meeting. Staff is now recommending Council authorize amendment No. 5 to the professional services contract with CH2MHill to perform construction management services for bid package B in the amount of \$834,000.

**PREVIOUS COUNCIL ACTION:** The Council approved the FY2014 budget which included \$5,115,534 for the construction of the new Monashka pumphouse.

- October 2010, Council approved contract with CH2MHill to complete the Monashka Pump House Upgrade Feasibility study.
- December 2012, Council accepted an Alaska Municipal Matching Grant (AMMG) for \$420,000 that was transferred from the UV project to the Monashka design and construction project.
- January 2013, Council named Monashka Pumphouse project as the No. 1 City priority on City's FY2014 state CIP list.
- FY 2013, Council approved additional capital project funding for project in the amount of \$425,000 from local funds.
- February 2013, Council approved a contract amendment with CH2MHill for additional pre-design and design work on pumphouse project
- September 2013, Council adopted Resolution No. 2013-27, which formally accepted the FY 2014 legislative grant in the amount of \$500,000 for Monashka Pumphouse Upgrades.
- October 8, 2013, staff made a report and recommendations of pumphouse location and design components to Council, and Council expressed agreement with staff's recommendations.
- October 24, 2013, Council authorized a professional services contract for full design of the new Monashka pumphouse.
- April 24, 2014, Council authorized Amendment No. 4 to the Professional Services Contract with CH2M Hill for Construction Management Services for Bid Package A for construction of the New Monashka Pumphouse in the amount of \$194,000

MAY 22, 2014

Agenda Item V. e. Memo Page 1 of 5



**DISCUSSION:** Because this project is dealing with the heart of the community's entire drinking water system, several steps in the process are critical to avoid water shortages or outages that would affect the City's ability to provide water. Now that the project is being awarded for construction one of the more difficult phases of this project is beginning. Construction of this facility requires the contractor to keep the existing pumphouse operational for most of the project duration. The new pumphouse will be constructed very close to the existing building that will remain in operation. This will present a challenge to the contractor and will require full support by the on-site construction manager.

ADEC regulations require that all water or sewer construction projects be monitored by a licensed engineer. The engineer is responsible for certifying that the project was constructed per the ADEC approved plans. Any deviations from the plans must be approved by a licensed engineer certifying that it meets water regulation construction standards. The project will also require extensive ongoing coordination with Alaska Dept. of Environment Conservation (ADEC) in order to be issued a Certificate to Operate at the completion of the job.

Without the assistance of a highly skilled engineering team, the likelihood of this project meeting all the regulatory requirements, being issued a Certificate to Operate at completion, and meeting all of the requirements of both the U.S. Environmental Protection Agency (EPA) and ADEC funding, is highly unlikely. Because of the technical nature of this project from the very beginning, staff recognized this project must have an experienced management and engineering team to be completed successfully.

### **Complexity of the Project**

The existing plan set for this project is made up of one set of approved-to-construct stamped drawings containing 68 pages and two volumes of contract documents containing specifications and requirements. The majority of this work is complex and coordination and timing is critical throughout the entire project.

The project requires several connections be made to the existing underground piping that delivers untreated water to the City system. The timing of these connections is extremely critical in that the first one will require the City to shut off the water supply from Monashka for 4 to 6 days. During this time the community will rely on the Pillar Reservoir. The construction contract restricts the contractor to a critical 6-day (total) window to make the connections. In order for this kind of work to occur, detailed plans and construction schedules are necessary and good management of the project is critical to the project.

### **Technical Needs of the City**

The following items are a brief outline of the technical steps that this project needs while at the same time, continuing to operate the existing water pump house and maintain full compliance of water system regulations.

- 1) Assistance in preparation of all contract documents
- 2) Pre-Construction Meeting
- 3) Respond to contractors Request For Information (RFI)
- 4) Engineer review of all submittals
- 5) Prepare change orders and make recommendations on change orders
- 6) Technical assistance on specialty items such as Variable Frequency Drives (VFD's) equipment and SCADA control/operation system
- 7) Review pay request and recommend acceptance or modifications
- 8) Assistance with grant and loan funding requirements
- 9) Assistance with ADEC and EPA response for information on grant and loan reimbursement request
- 10) Programming of Control System and SCADA development
- 11) Software submittal and review of Electronic Operating System for pumps and water monitoring equipment, system testing, system start up, and Operator Control Manual
- 12) Facility start-up, on-site experts for start-up of pump system, \*system training for operators
- 13) Conduct special inspections, periodic on-site project oversight, and final inspection
- 14) Prepare and support City's application for Certificate to Operate from ADEC with assistance for full water treatment credit
- 15) Prepare and sign record drawings, submit to ADEC and provide City originals for project records
- 16) Prepare Operators Manuals for the entire Treatment Facility
- 17) Provide engineering and technical assistance during the warranty period
- 18) Project management; will coordinate and oversee the entire construction project
- 19) Provide assistance when needed, as well as provide Council project updates, if requested
- 20) Assist with project close out; this will bring all documentation together for filing and completion of paper work.

**ALTERNATIVES:**

1. Authorize Amendment No. 5 to the existing professional services contract with CH2MHill for Construction Management of Bid Package B in the amount of \$834,000. Staff believes this alternative will best protect the City's investment in this project and is recommended.
2. Do not authorize the contract amendment to award Construction Management to CH2MHill for this project. This alternative is not recommended because of the risk that materials and workmanship would not meet the City's requirements for quality construction and low long term maintenance costs. Furthermore, without professional oversight, ADEC will not grant a certificate to operate the new pumphouse.

**FINANCIAL IMPLICATIONS:** Staff has been actively working on funding for the replacement of the Monashka pumphouse since the feasibility study was undertaken in 2010. The following table is a breakdown of funds expended, in place, approved, or pending.

FY 2011	City Funds	\$225,000	
---------	------------	-----------	--

FY 2012	No Funds Added		
FY 2013	City Funds	\$425,000	
FY 2013	AMMG	\$420,000	Accepted Dec 2012
FY 2014	State Legislative grant	\$500,000	Accepted September 2013 by City Council
FY 2014	AMMG	1,465,534	Accepted by Council in March 2014. This was the last remaining transfer from the UV project.
FY 2014	Alaska Drinking Water Loan	\$2,500,000	Resolution No. 2014-10 authorized the loan in Feb. 2014. Based on project estimates and other funding initially applied for \$2.5 million
FY 2014	Alaska Drinking Water Loan	\$3,500,000	Resolution No. 2014-21 (SUB) authorized additional loan amount of \$3.5 m for total not to exceed \$6m in April 2014 due to high cost of project.
FY 2015	AMMG Questionnaire	\$2,495,452 *	Expect award in July 2014.

\* This project is going to receive an FY 2015 AMMG in the amount of \$2,495,452 in July of this year.

**LEGAL:** N/A

**STAFF RECOMMENDATION:** Staff recommends Council authorize Amendment No. 5 to the professional service contract with CH2MHill for construction management services during construction of package B of the Monashka Pumphouse Project in the amount of \$834,000 with funds coming from Water Capital Improvement Fund, Project No.11-05/7029.

**CITY MANAGER'S COMMENTS:** This project demands a great deal of attention to complete the work while providing an adequate water supply to the community during construction. CH2MHill will provide the City with important construction management services through this construction phase. Their services will help mitigate risk and meet regulatory requirements. Therefore I support staff's recommendation that Council authorize Amendment No. 5 to the CH2MHill contract to provide construction management services for this phase of construction as outlined above.

**ATTACHMENTS:**

Attachment A: CH2MHill cover letter, dated April 14, 2014

Attachment B: CH2MHill Proposed Phased Scope of Work for the Monashka Pumphouse Project

**PROPOSED MOTION:**

Move to authorize Amendment No. 5 to the professional services contract with CH2MHill for construction management services for the new Monashka pumphouse in the amount of \$834,000, with funds coming from Water Capital Improvement Fund, Project No. 11-05/7029, and authorize the City Manager to execute the documents on behalf of the City.



CH2M HILL  
949 East 36<sup>th</sup> Ave  
Suite 500  
Anchorage, AK 99508  
Tel 907.762.1500  
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April 14, 2014

Glenn Melvin, P.E., City Engineer  
City of Kodiak  
2410 Mill Bay Road  
Kodiak, AK 99615

Subject: Monashka Pump House Construction Phase Engineering Services

Dear Mr. Melvin:

CH2M HILL appreciates this opportunity to submit our proposal for the City of Kodiak's Monashka Pump House Construction Phase Engineering Services project. We have provided a proposal that allows phase award of CH2M HILL services to match the phased award to the Construction Contractor.

Please see Attachment A, the Scope of Work and the Agreement for Professional Services. These two documents provide the basis for our new contract.

Please note that Tasks 1 - 10 are proposed to be compensated on a lump sum basis. Those tasks will be invoiced monthly on a percent complete basis. Tasks 11 - 21 are to be compensated on the time and expense basis. Those tasks will be invoiced based on actual labor and expenses, with a 10% markup on expenses.

Please let me know if you have any questions or would like to discuss our proposal.

We are ready to begin work on this next project phase and look forward to this opportunity to continue to provide engineering services to the City of Kodiak.

Sincerely,

A handwritten signature in blue ink, appearing to read "Floyd J. Damron".

Floyd J. Damron, P.E.  
VP and Senior Project Manager  
CH2M HILL Engineers, Inc.

C: Mark Kozak /Public Works Director  
Bud Alto / CH2M HILL

Attach: Attachment A - Scope of Work  
Agreement for Professional Services

## ATTACHMENT A

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**Scope of Work  
For  
City of Kodiak Monashka Pump House Construction Phase Engineering  
Services by CH2M HILL**

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## Introduction

CH2M HILL, the project designer, will provide construction phase services for the City of Kodiak's (City's) new Monashka pump house construction project. CH2M HILL will provide the part-time Resident Project Representative, as defined in the Bidding Requirements and Contract Document, issued March, 2014, and the project's non-resident construction phase services and as requested by the City.

The task descriptions and budgets shown in this scope of work identify the expected focus and level of effort. However, for Tasks to be reimbursed on a time and expenses basis, both CH2M HILL and City acknowledge that the task budgets cannot be accurately predicted at this time. They are dependent on the construction progress activities, total project duration, Construction Contractor experience with this type of facility, the Construction Contractor's subcontractors and his various requests for information and clarifications, change orders, number of submittal and resubmittals, construction difficulties, and amount of rejected and defective Work.

Proposed task budgets are estimates based on predicted levels of effort. Tasks 1 to 10 with specific scopes of work will be reimbursed on a Lump Sum (LS) basis. LS tasks total \$61,000 for the initial scope of services. An additional \$178,000 for lump sum tasks will be added to CH2M HILL's contract on or before the Construction Agreement Change Order for Bid Package B is awarded to the Construction Contractor. Task budgets are provided on pages 9 and 10 of this Scope of Work.

Tasks 11 to 21 with less definitive scopes of work will be reimbursed on a Time and Expense (T&E) basis. T&E task budgets may be exceeded for some tasks while other tasks may be under spent, provided the total budget is not exceeded. T&E tasks total \$133,000 for the initial scope of services. An additional \$656,000 in T&E tasks will be added to CH2M HILL's contract on or before the Construction Agreement Change Order for Bid Package B is awarded to the Construction Contractor. Task budgets are provided on pages 9 and 10 of this Scope of Work.

The total budget for the proposed Scope of Work is \$194,000 for the initial professional engineer services contract. It is anticipated a contract amendment will be provided to CH2M HILL in the amount of \$834,000 on or before the Construction Agreement Change Order for Bid Phase B services is awarded to the Construction Contractor. With the amendment, CH2M HILL's contract amount will total \$1,028,000.

If additional services are required by City, or if construction duration is extended beyond the expected eleven (11) month Construction Contract duration, CH2M HILL's construction phase budget may be modified by contract amendment before CH2M HILL will be expected to perform additional or extended services.

## Assumptions

This scope of work is based on a set of assumptions used to define the work and is the basis for CH2M HILL's construction phase service budget. Major assumptions are listed below; additional assumptions are noted in individual activity descriptions. City will provide manpower for some activities necessary to achieve the Project's construction phase objectives. These activities and services are identified in section titled City Furnished Services below.

1. CH2M HILL's role will be to serve as a technical resource to provide assistance as scoped and budgeted herein and requested by City.
2. The budget for this Work is based, in part, on an eleven (11) month construction duration from the pre-construction conference and issuance of Construction Contractor Notice-To-Proceed to final Contractor payment and our completion of Record Drawings.
3. The presence or duties of CH2M HILL's personnel at a construction site, whether as onsite representatives or otherwise, do not make CH2M HILL or CH2M HILL's personnel in any way responsible for those duties that belong to the City and/or the construction contractors or other entities, and do not relieve the construction contractors or any other entity of their obligations, duties, and responsibilities, including, but not limited to, all construction methods, means, techniques, sequences, and procedures necessary for coordinating and completing all portions of the construction work in accordance with the construction Contract Documents and any health or safety precautions required by such construction work. CH2M HILL and CH2M HILL's personnel have no authority to exercise any control over any construction contractor or other entity or their employees in connection with their work or any health or safety precautions and have no duty for inspecting, noting, observing, correcting, or reporting on health or safety deficiencies of the construction contractor(s) or other entity or any other persons at the site except CH2M HILL's own personnel. The presence of CH2M HILL's personnel at a construction site is for the purpose of providing to the City a greater degree of confidence that the completed construction work will conform generally to the construction documents and that the integrity of the design concept as reflected in the construction documents has been implemented and preserved by the construction contractor(s). CH2M HILL neither guarantees the performance of the construction contractor(s) nor assumes responsibility for construction contractor's failure to perform work in accordance with the construction documents.

## City Furnished Services

The following services and activities will be provided or performed by City.

1. City will manage all aspects of Contract award, grant and loan applications, processing, and administration, and coordination with all governing bodies for the construction project. City shall manage, coordinate, and undertake all aspects of Owner defined activities as presented in Division 1 and elsewhere in the Bidding Requirements and Contract Documents for the construction project, except as indicated otherwise elsewhere in this scope of work, within the limitations of the budget. City will be responsible for final approval of all change orders, claims, dispute resolution, pay requests and similar items based on input from CH2M HILL. (CH2M HILL has no scope of work under Bidding Requirements and Contract Documents Article 15 and 16 items related to Construction Contractor Suspension of Work and Termination and Dispute Resolution.)

2. City will pay any and all permit, printing, inspection, testing, and other construction related fees, fines, or assessments.

### **Task 1. Project Startup – LS Task**

CH2M HILL will prepare a Work Plan for use by CH2M HILL's construction services team that will address: Project definition, project resources, project procedures, project controls, project progress measures, schedules, billing, records management, closeout procedures, activity budgets, quality management, and City information and involvement. The Work Plan, which will be distributed internally, will also provide procedures for dealing with changes that may arise during the course of executing this Work. Additionally, a meeting will be held with key internal project staff to describe the project, establish objectives, and initiate project activities.

### **Task 2. Prepare Conformed Contract Documents – LS Task**

CH2M HILL will modify the bid phase documents based on addenda issued during the project's bidding phase. The result will be a conformed set of contract documents for use by the Owner, Construction Contractor, and Engineer during the project.

### **Task 3. Facilitate Preconstruction Meeting – LS Task**

CH2M HILL will attend the Preconstruction Meeting at City's office. City shall schedule the meeting. CH2M HILL will facilitate the meeting and distribute meeting minutes after the meeting. CH2M HILL's Project Manager, Design Manager, and Resident Project Representative, will attend the meeting. The purpose of the meeting is to establish and discuss administrative procedures related to the construction contract, the Contractor's project schedule, and related procedures.

### **Task 4. Control System Programming and SCADA Development – LS Task**

#### **2.1 Perform Control System Programming**

CH2M HILL will program the PLC systems associated with this work. CH2M HILL will also configure the operator interface and the SCADA computer system to be located at the pump house. The control system will be programmed to provide the control system functionality illustrated on the design drawings and described in the Specifications.

During the software development process, CH2M HILL will provide City with review submittals of PLC program and operator interface graphic displays at the 50 and 90 percent completion stages.

#### **2.2 System Testing**

A control system software test will be conducted at the office of CH2M HILL to certify proper operation of the control system programming prior to field installation and startup. The PLC, operator interface and SCADA computer will be staged in the CH2M HILL programming lab during the testing. City staff is encouraged to attend and witness this testing.

#### **2.3 System Startup**

CH2M HILL will provide field testing, startup and training services for the PLC and operator interface units after installation. All process control functions will be tested and demonstrated to City for certification of proper operation. The testing will be documented on testing forms that will be signed by CH2M HILL and City staff.



## 2.4 Documentation

An Operator control manual will be prepared to document the programs and functions of the new pumping facility. The manual will include the following information:

- All programs in hardcopy and electronic format (All programs will be fully annotated with descriptive comments as allowed by the programming software)
- Written narratives of control system functionality
- Operator interface screen printouts with description of control functions available per screen
- Completed and signed off control system testing forms

### Task 5. Assist City of Kodiak with Facility Startup Services – LS Task

CH2M HILL will assist City during startup of the pumping facility. The budget for this assistance is based on the involvement of three (3) CH2M HILL staff for two (2) pre-startup meetings and two (2) continuous, 12-hour days of performance testing (exclusive of travel time). These staff will include CH2M HILL's Instrumentation and Control Engineer, and process engineer, and project representative.

### Task 6. Prepare Alaska Department of Environmental Conservation (ADEC) Submittals for Approval – LS Task

This task is to provide support to City in submitting and receiving the Temporary Certificate to Operate and the Final Certificate to Operate from ADEC. Support from CH2M HILL may include preparation of the applications and additional supporting material and response to questions and comments from ADEC.

### Task 7. Prepare Record Drawings – LS Task

CH2M HILL will modify construction drawings based on the marked-up drawing set by the Construction Contractor to prepare the project Record Drawings. Construction drawings are to be regularly updated by the Construction Contractor and reviewed monthly by CH2M HILL's Project Representative, however, since Record Drawings are prepared, in part, on the basis of information provided by others, they may not always represent the exact location, type of various components, or exact manner in which the project is finally constructed. CH2M HILL is not responsible for any errors or omissions in the information from others that is incorporated into the Record Drawings.

CH2M HILL will furnish two (2) draft hardcopy sets of the Record Drawings to City for review. CH2M HILL will further modify the Record Drawings, if necessary, based on City's review.

CH2M HILL will furnish electronic files of final Record Drawings, a single, full-size (22" x 34") paper hardcopy to city, and two (2) half-size (11" x 17") paper hardcopies. Electronic files furnished by CH2M HILL are for City's convenience only. Drawing files are in Microstation. Drawings can be converted to AutoCAD, but cannot be guaranteed to have correct level assignments, etc.

CH2M HILL will submit Record Drawings to ADEC for review and approval.

## Task 8. Prepare Operators' Manual – LS Task

CH2M HILL will prepare an Operators' Manual for the complete facility. The equipment O&M Manuals will be compiled by the Construction Contractor. The plant Operators' Manual will address the SCADA system controls, computer screens, facility operating philosophies, and coordination between the various facility systems. The manual will be available electronically and in hard copy. The electronic format can be used in the future in an on-line Manual if desired.

## Task 9. Project Management – LS Task

CH2M HILL will coordinate the activities of the project team and oversee activities and methodologies to maintain consistency and execute the project in accordance with the internal Work Plan.

CH2M HILL will include updates on deliverables, budget, and schedule as part of the monthly status reports that accompany each monthly invoice.

CH2M HILL will attend up to four (4) supplemental meetings held in City's office. The Project Manager and PR will attend meetings to discuss project status, project issues, facilitate decisions, obtain information, or address other project-related needs.

## Task 10. Project Closeout – LS Task

This budget will be retained for project closeout and final archiving and documentation of the project. Project records will be hard-backed and stored for future retrieval if needed.

## Task 11. Provide Part-Time Resident Project Representative – T&E Task

CH2M HILL will provide the part-time Resident Project Representative (RPR). The RPR will assist Engineer and City to provide a more extensive observation of the Work. The RPR will have the following responsibilities:

- ✓ Review and monitor Progress Schedule, Schedule of Submittals, and Schedule of Values by Contractor;
- ✓ Conduct or attend construction meetings;
- ✓ Serve as Engineer's liaison with Contractor;
- ✓ Receive any field submittals;
- ✓ Review the Work, reject defective Work, inspect and arrange testing to determine if Work is in accordance with Contract Documents;
- ✓ Interpret Contract Documents when clarification and interpretations are needed;
- ✓ Consider and evaluate Contractor suggestions for modifications to Drawings or Specifications and provide recommendations to Engineer;
- ✓ Maintain project records;
- ✓ Furnish necessary reports to Engineer on progress of the Work and of the Contractor's compliance with the Progress Schedule and other relevant documents;
- ✓ Review Contractor's partial payment requests and forward payment recommendation to Engineer;

- ✓ Confirm that Contractor provides the required certificates, O&M manuals, Record Drawings, and site records;
- ✓ Conduct inspections necessary to establish list of items required prior to Substantial Completion;
- ✓ Conduct final inspections to determine any incomplete or defective Work and make recommendation to Engineer.

The RPR will travel from Anchorage to Kodiak an average of once per week for an average two day visit to facilitate executing the duties listed above. Forty (40) trips are budgeted. Trips to Kodiak will occur only during times of significant construction activity at the project site.

### **Task 12. Review Contractor Submittals – T&E Task**

CH2M HILL will have the primary review responsibility for Construction Contractor submitted administrative and technical shop drawings. CH2M HILL will review technical shop drawings on behalf of City, and provide recommendation on other shop drawings to City for response.

The Construction Contractor shall furnish CH2M HILL with five copies of action submittals and two copies of informational submittals. When review is complete, CH2M HILL will keep one (1) copy and return two (2) to City and two (2) to the Construction Contractor with comments. Alternatively, the Contractor may choose to electronically submit some or all of shop drawings directly to CH2M HILL. Drawings submitted electronically to CH2M HILL will be printed for review. A memo summarizing comments will be transmitted electronically back to City and the Construction Contractor. Both City and the Construction Contractor will be responsible for printing the appropriate number of copies for their records.

This task includes budget for a document sharing program to be used for electronically transmitting and tracking shop drawings.

The budget for this task is an allowance based on administration and review (and re-review as necessary) of the expected shop drawings.

### **Task 13. Negotiate and Prepare Change Orders – T&E Task**

CH2M HILL will negotiate and prepare, if necessary and if requested by City, the technical content of any necessary change orders. CH2M HILL's preparation of change orders will include time necessary to evaluate and develop whatever alternative solutions or alternatives that may be appropriate for consideration by City. The technical content will be transmitted electronically to City for City staff to format the content as desired. In the case of change orders that require drawings, pdf (electronic) copies of drawings will be transmitted to City. The budget for preparation of change orders is an allowance to be expended as necessary and as directed. If additional assistance, beyond the limited permitted by the allowance, is required by City, the scope and budget of this contract will be amended.

### **Task 14. Attend Progress Meetings – T&E Task**

CH2M HILL will facilitate on-site construction progress meetings and distribute meeting notes. The total number of progress meetings assumed is twenty (24) for the project representative and up to six (4) for the Design Manager. Whenever special progress or other construction meetings are needed, CH2M HILL's RPR will set up and conduct those meetings and the Project Manager will attend as needed.

### **Task 15. Technical Site Visits – T&E Task**

CH2M HILL will visit the construction site and attend meetings, as requested and directed by City, to provide miscellaneous technical support and assistance when deemed necessary by the Resident Project Representative or the City. The budget for this task is based on sixteen (16) trips from Anchorage to Kodiak and ten (10) trips from Seattle to Kodiak. If additional trips are required, or extended time is needed on site for each trip, additional funds may be required before the project can be completed.

### **Task 16. Respond to Contractor Requests for Information – T&E Task**

CH2M HILL will respond to requests for information by the Construction Contractor and clarify contract requirements, as necessary and as directed by City. These requests for information (RFIs) and contract clarifications (CIs) will be assigned a number and recorded by CH2M HILL. CH2M HILL will transmit the RFIs and CIs to City and the Construction Contractor for dissemination to applicable parties. The budget for this task is an allowance of CH2M HILL staff time.

### **Task 17. Review Contractor Payment Requests – T&E Task**

CH2M HILL will review each partial payment request and provide recommendations directly to city regarding Construction Contractor progress payments. Resident Project Representative will meet monthly with Construction Contractor at the site to review. Work completed and materials stored on-site and incorporated into the work will be reviewed prior to each month's partial payment request being submitted to CH2M HILL. If CH2M HILL has any exceptions to the requested amount on any partial payment request, CH2M HILL will process the request at a reduced recommended payment amount and an exceptions report will be issued to City.

### **Task 18. Conduct Milestone and Final Inspections – T&E Task**

The CH2M HILL Project Manager, RPR, and project engineer(s) will attend inspections for Substantial Completion of the pump house and for the Final Inspection. CH2M HILL will prepare the punchlist based on the facility walk-through and assist with Construction Contractor coordination to complete the outstanding tasks. CH2M HILL's Project Representative will provide follow up inspections to confirm that the punchlist items have been completed.

### **Task 19. Provide Warranty Period Assistance – T&E Task**

This task allows CH2M HILL to provide support during the warranty period. This task may be used to answer questions, prepare additional operating guidelines, look at optimization alternatives, visit the site to assist in trouble shooting, coordinate activities of the equipment vendors and Contractors, or as otherwise requested by City.

### **Task 20. Independent Soil, Concrete, and other Testing – T&E Task**

This task allows CH2M HILL to retain the services of a local testing firm for needed independent project testing. The Contractor will be paying for most independent testing as part of his lump sum bid amount, but this task will allow for any needed supplemental testing.

### **Task 21. Allowance for Undeveloped Scope – T&E Task**

This task will allow CH2M HILL to provide additional or extended City requested services.

## Proposed Project Budget – To Be Awarded in Two Phases

Due to Construction funding limitations, the City intends to award the Construction Contract in two phases, with an initial award by Agreement between the City and Construction Contractor and at a later date the remainder of the Work by Change Order as follows:

- 1) Initial Construction Contract Award: Bid Package A plus certain long-lead equipment items, namely the 4 large capacity pumps, and the 3 electrical and one diesel drive sets. The estimated amount of this Agreement will be \$1,500,000, or about 27% of the total bid amount.
- 2) By Change Order to the Construction Agreement: Bid Package B, minus the long-lead equipment items included with Bid Package A, in the amount of approximately \$4,100,000.

Therefore, the proposed engineering services project budget is divided into two parts to align with the planned phased approach for the Agreement and Change Order to the Contractor.

It is anticipated that CH2M HILL will be awarded the initial portion of engineering services tasks at approximately the same time the Construction Agreement is executed with the Contractor. It is also anticipated that the remaining portion of engineering services will be awarded to CH2M HILL, as a contract amendment, on or before the time the Construction Agreement with the Contractor is modified by Change Order for the Bid Package B.

The task budgets for the described scopes of work are presented in the table below. For T&E tasks CH2M HILL labor will be billed at CH2M HILL standard labor rates in effect for the year the work is performed and all expenses will be billed at 1.10 actual cost. CH2M HILL's billing rates change January 1 each year.

Budgets for T&E tasks can be adjusted between tasks without specific City approval, provided the total T&E budget is not exceeded.

## INITIAL ENGINEERING SERVICES CONTRACT: TASKS TO BE PROVIDED BY CH2M HILL FOR BID PACKAGE A AND CERTAIN LONG-LEAD EQUIPMENT ITEMS

<b>Task</b>	<b>Description (LS = Lump Sum T&amp;E = Time and Expense)</b>	<b>Budget</b>
1	Project Startup – LS Amount	\$17,000
2	Prepare Conformed Contract Documents – LS Task	\$ 5,000
3	Facilitate Preconstruction Meeting – LS Task	\$19,000
4	Control System Programming and SCADA Development – LS Task	\$0
5	Assist with Facility Startup Services – LS Task	\$0
6	Prepare ADEC Submittals for Approval – LS Task	\$0
7	Prepare Record Drawings – LS Task	\$0
8	Prepare Operators' Manual – LS Task	\$0
9	Project Management/Accounting/Contracts – LS Task	\$20,000
10	Project Closeout – LS Task	\$0
<b>LUMP SUM SUBTOTAL TASKS 1 - 10</b>		<b>\$61,000</b>
11	Part Time Resident Project Representative – T&E Task	\$60,000
12	Review Contractor Submittals – T&E Task	\$20,000
13	Negotiate and Prepare Change Orders – T&E Task	\$5,000
14	Attend Progress Meetings – T&E Task	\$3,000
15	Technical Site Visits – T&E Task	\$9,000
16	Respond to RFI's – T&E Task	\$8,000
17	Review Pay Requests – T&E Task	\$4,000
18	Milestone and Final Inspections – T&E Task	\$0
19	Warranty and Post Construction Services – T&E Task	\$0
20	Independent Testing – T&E Task	\$4,000
21	Allowance for Undeveloped Scope	\$20,000
<b>TIME AND EXPENSE SUBTOTAL TASKS 11 – 21</b>		<b>\$133,000</b>
<b>TOTAL CONTRACT AMOUNT</b>		<b>\$194,000</b>

## FUTURE CONTRACT AMENDMENT FOR ENGINEERING SERVICES: TASKS TO BE PROVIDED BY CH2M HILL FOR BID PACKAGE B

<b>Task</b>	<b>Description (LS = Lump Sum T&amp;E = Time and Expense)</b>	<b>Budget</b>
1	Project Startup – LS Amount	\$0
2	Prepare Conformed Contract Documents – LS Task	\$0
3	Facilitate Preconstruction Meeting – LS Task	\$0
4	Control System Programming and SCADA Development – LS Task	\$30,000
5	Assist with Facility Startup Services – LS Task	\$36,000
6	Prepare ADEC Submittals for Approval – LS Task	\$6,000
7	Prepare Record Drawings – LS Task	\$17,000
8	Prepare Operators' Manual – LS Task	\$24,000
9	Project Management/Accounting/Contracts – LS Task	\$57,000
10	Project Closeout – LS Task	\$8,000
<b>LUMP SUM SUBTOTAL TASKS 1 - 10</b>		<b>\$178,000</b>
11	Part Time Resident Project Representative – T&E Task	\$254,000
12	Review Contractor Submittals – T&E Task	\$74,000
13	Negotiate and Prepare Change Orders – T&E Task	\$20,000
14	Attend Progress Meetings – T&E Task	\$10,000
15	Technical Site Visits – T&E Task	\$82,000
16	Respond to RFI's – T&E Task	\$80,000
17	Review Pay Requests – T&E Task	\$20,000
18	Milestone and Final Inspections – T&E Task	\$45,000
19	Warranty and Post Construction Services – T&E Task	\$25,000
20	Independent Testing – T&E Task	\$16,000
21	Allowance for Undeveloped Scope	\$30,000
<b>TIME AND EXPENSE SUBTOTAL TASKS 11 – 21</b>		<b>\$656,000</b>
<b>TOTAL CONTRACT AMENDMENT AMOUNT</b>		<b>\$834,000</b>
<b>TOTAL INITIAL CONTRACT AMOUNT PLUS CONTRACT AMENDMENT AMOUNT</b>		<b>\$1,028,000</b>

## Proposed Project Team

CH2M HILL's team is proposed to consist of the following key staff:

Floyd Damron – Project Manager

Bud Alto – Design Manager

Bud Alto/Darin Marin - Part-Time Resident Project Representative

Darin Edwards – Process Mechanical Engineer

Steve Bakken – Control Programming/SCADA/Operator's Manual

Design Discipline Leads for construction phase support for submittals, RFIs, and technical site visits

Susan Kennedy – Project Assistant

Lora Brown – Project Accountant