



## **Memorandum**

January 2, 2014

**To: Steve Giesbrecht, Borough Manager**

**From: Chris Cotta, Assistant Public Works Director**

**Re: DEC Loan Opportunities**

The Alaska Department of Environmental Conservation (ADEC) has made loan funding available for two Petersburg Wastewater projects, as follows:

Pumpstation 1 Force Main Upgrade - \$2,093,315

Scow Bay 1 Pump Station Upgrade - \$400,000

These projects are currently on ADEC's FY2014 Point Source Funding Priority List, which is attached for reference. Both of these projects are high priority for the Wastewater Department, and were incorporated into the capital project plan (attached) that was used to develop the current Wastewater rate schedule.

The Pumpstation 1 Force Main Upgrade will replace an aging sewage force main that runs along the beach through the South Harbor. The existing ductile iron main is heavily corroded, and exposed in at least two locations from beach erosion. Replacing this main with a new one following the same alignment is not practical due to the beach location and the fact that the main also runs directly underneath some facilities like the community cold storage and the South Harbor boat launch and haul out grid. The new HDPE force main will be located underneath South Nordic Drive. The intent is to have this work done in conjunction with DOT's upcoming resurfacing project for South Nordic, currently scheduled to take place in 2014.

This project is currently in the 95% design stage, with design being funded by a \$270,000 loan previously approved by the Assembly. The Governor's FY15 budget includes a \$1.765M grant for construction. If the grant makes it through the legislative process, we would need to match it at 30% using Borough funding, and ADEC loan funding qualifies as matching funds for the proposed grant. If the grant for some reason does not make it into the final State budget, we will need to be prepared to finance the project entirely with loan proceeds in order to construct it concurrent with DOT's South Nordic resurfacing project.

The Scow Bay 1 Pump Station Upgrade is also a high priority item on the Borough's Wastewater capital project list. During heavy rain events, this station is periodically unable to keep up with sewage flows, resulting in the need to bypass the station into the Wrangell Narrows. Although not a common occurrence, this is something that needs to be remedied to minimize the pollution risk from this facility. Although grant funding may eventually be secured, we would like to begin design of the project using the loan funding that has been made available.

The Water and Wastewater Depts currently have a \$15M cap on the collective loan amounts for these departments, which is the limit approved by Petersburg voters in 1996. Taking into account all existing loans, at present we have \$6.2M left before the \$15M cap is reached. If the grant for the Pump Station 1 Force Main Upgrade is approved as anticipated, total combined new loan burden for both projects described above would be approximately \$1.2M, leaving about \$5M to work with for future projects. This should be adequate to allow the Water and Wastewater Departments to continue forward with the capital improvements plan previously developed.

For the reasons outlined above, Public Works is requesting approval to apply for ADEC loans in the full amounts listed above: \$2,093,315 for the Pump Station 1 Force Main Upgrade; and \$400,000 for the Scow Bay 1 Pumpstation Upgrade. If you agree with this request, please forward it to the Borough Assembly for consideration at their regular meeting on January 6, 2014. Thank you.

Attachments: Alaska Clean Water Fund – Point Source Funding Priority List for FY2014  
Capital Project List for Water, Wastewater and Sanitation Depts. (from 2012 rate study)