

Kathy O'Rear

From: Kathy O'Rear
Sent: Wednesday, August 28, 2013 2:14 PM
To: 'Kim Flores'
Cc: Assembly; Stephen Giesbrecht
Subject: RE: Borough Assembly Workshop Invite

Kim,

Your request was timely. I was just preparing next Tuesday's meeting agenda. I'll add the request to the agenda. We will let you know next Wednesday morning, September 4.

From: Kim Flores [<mailto:clerk@wrangell.com>]
Sent: Wednesday, August 28, 2013 1:41 PM
To: Kathy O'Rear
Subject: Borough Assembly Workshop Invite
Importance: High

Good morning Kathy:

Trey Acteson with SEAPA will be here to give a presentation regarding SEAPA/TBPA issues at a Workshop on September 10th at 6:00 p.m.

Mayor Jack wanted me to find out if the Petersburg Borough Assembly could attend the Workshop. It might be easier if all parties involved in TBPA were present (either in person or telephonically), to ask questions and remain on the same page.

Also, Mayor Jack wants to have an additional Workshop to take place earlier that same day (Tuesday, September 10th), at 2:00 p.m. This would be a Joint Workshop between the Petersburg Borough Assembly and the Wrangell Borough Assembly. I know that it's difficult to jump on the jet or take the ferry, so either in person or telephonically would be fine. I can set up a teleconference if that is the route that the Petersburg Borough Assembly would like to take.

I have attached a memo from the Wrangell Interim Borough Manager, Jeff Jabusch that addresses some of the TBPA issues and options.

Please feel free to give me a call if you have any questions,

Kim

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"Failure is not fatal. It is the courage to continue that counts."

Winston Churchill

MEMORANDUM

**TO: HONORABLE MAYOR AND MEMBERS OF THE ASSEMBLY
CITY AND BOROUGH OF WRANGELL**

**FROM: JEFF JABUSCH
INTERIM BOROUGH MANAGER**

SUBJECT: STATUS OF THOMAS BAY POWER AUTHORITY

DATE: August 12, 2013

cc: Kim Lane, Borough Clerk

Thomas Bay Power Authority (TBPA) was created by the City of Petersburg and the City of Wrangell jointly to operate and maintain the Tyee Hydro and related infrastructure. They currently do the operations and maintenance under an agreement with Southeast Alaska Power Authority (SEAPA), the owner of the facility.

The TBPA budget is divided into 2 parts.

The first part falls under the operations and maintenance of the facility which is a SEAPA eligible expense. These expenses include all of the costs associated with the direct operations and maintenance of the facility and related infrastructure including the four employees at the Tyee Plant as well as the TBPA manager.

The second part of the budget is for those expenses that SEAPA has found ineligible and includes such things as all of the expenses related to the TBPA board and the office position. This portion of the budget is referred to as the non-net billable expenses because those expenses are not billable to SEAPA.

Historically, both cities would budget 50% of the cost to support the non-net billable budget with each community putting up approximately \$50,000 to \$55,000 each year. For the fiscal year starting on July 1, 2013, Wrangell budgeted \$55,000, but Petersburg has taken the position that they are not supporting the non-net billable budget at all.

This means that Wrangell is currently supporting the TBPA board and the office completely. It also means that the \$55,000 will only make it through roughly 6 months before the money comes to an end.

Following are some key points and concerns:

- Currently TBPA is under contract to do the operations and maintenance at the plant.
- Without the funding for the non-net billing - who will process payroll, perform all accounting activities, pay bills, order materials and the other functions that are paid under the non-net billing?

- Who will be the governing body over this organization if there is no funding for the board to perform their duties?
- Currently, TBPA is part of both community's charter and ordinances which includes the duties of the TBPA board. Should all of that be changed? And how will that be accomplished if there is no funding for the board's insurance, travel, and other duties?
- The City and Borough of Wrangell believes that we do not have any financial obligation for our one-half of the non-net billable budget since Petersburg has not funded their half and does not plan on funding their portion. The problem is that there are too many interrelated functions that are performed by the non-net billable portion of the budget that keeps the eligible portion of the budget operating. An example of that is that the City and Borough of Wrangell does the entire payroll functions for TBPA and we are paid through the non-net billable portion of the budget. Who will pay the employees?
- This is a complex issue and needs the involvement of both Wrangell and Petersburg in the direction we want to go if TBPA is no longer going to function.

Possible directions Wrangell and Petersburg could go assuming both communities do not want to fund TBPA:

- Either Wrangell or Petersburg could operate the Tyee project as a department of their electrical department similar to what Ketchikan Public Utilities does with Swan Lake. Unfortunately, which ever community operated TBPA, there would be some administrative costs that would not be eligible with SEAPA and would need to be shared by the other community to be fair.
- Since Petersburg has not funded their portion of the non-net billable budget, Wrangell could elect to fund the entire non-net billable budget each year and keep TBPA running as it is now. Although this is an option, it is not a good one. It would not be fair for Wrangell to completely fund both Wrangell and Petersburg's share.
- The operations and maintenance could be turned back to the SEAPA, the owner of the facility. The employees would be SEAPA employees and no longer eligible to participate in the State of Alaska's Public Employees Retirement System (PERS) and would not be eligible for the other payroll programs they are under with the City and Borough of Wrangell.
- The last option would be to somehow continue to operate the facility under a revised form of TBPA. If neither community wants to fund the non-net billable functions then someone else needs to be paid to do them. They don't disappear. This option is more problematic because without the TBPA board who would be the governing body.

It appears to me that Wrangell and Petersburg are both involved and need to solve this together. I hope I have given you an idea of some of the issues with the non-funding of the non-net billable expenses. There certainly could be other options and are undoubtedly other concerns, but hopefully some of the above can at least begin some discussions in a direction to go.