

CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE 2024-06

CREATING BUDGET AMENDMENT #6 TO THE FISCAL YEAR 2024 BUDGET, APPROPRIATING \$4,700,000 FROM THE 1% SALES TAX FUND FOR AN INCREASE TO THE CAPTAINS BAY ROAD WATERLINE EXTENSION PROJECT (WA22D); AND DECREASING THE BUDGET FOR THE MAKUSHIN GEOTHERMAL PROJECT (EL22B) BY \$1,850,000.

BE IT ENACTED BY THE UNALASKA CITY COUNCIL

Section 1. Classification: This is a non-code ordinance.
 Section 2. Effective Date: This ordinance becomes effective upon adoption.
 Section 3. Content: The City of Unalaska FY24 Budget is amended as follows:

- A. That the following sums of money are hereby accepted and the following sums of money are hereby authorized for expenditure.
- B. The following are the changes by account line item:

Amendment No. 6 to Ordinance 2023-03

	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
I. OPERATING BUDGETS			
A. 1% Sales Tax Fund			
Sources:			
Appropriated Fund Balance	\$ -	\$ 4,700,000	\$ 4,700,000
Uses:			
Transfer to Proprietary Capital Projects	\$ -	\$ 4,700,000	\$ 4,700,000
II. CAPITAL BUDGETS			
A. Public Utilities - Project Budgets			
Makushin Geothermal			
Sources:			
Contributions & Donations - Private Sources	\$ 2,000,000	\$ (1,850,000)	\$ 150,000
Uses:			
Makushin Geothermal Project	\$ 7,720,000	\$ (1,850,000)	\$ 5,870,000
Captains Bay Rd Waterline Extension			
Sources:			
Transfers from 1% Sales Tax Fund	\$ -	\$ 4,700,000	\$ 4,700,000
Uses:			
Captains Bay Rd Waterline Ext Project	\$ 1,198,646	\$ 4,700,000	\$ 5,898,646

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on April 23, 2024.

 Vincent M. Tutiakoff, Sr.
 Mayor

Attest:

 Estkarlen P. Magdaong
 City Clerk

City of Unalaska
Summary of Budget Amendment and Schedule of Proposed Accounts
FY24 Budget Amendment 6

- 1) 1% Sales Tax Fund
 - Add \$4,700,000 to Appropriated Fund Balance
 - Add \$4,700,000 to Transfers to Proprietary Capital Projects for CBR Waterline Extension Project

- 2) Electric Fund Capital Projects Budget
 - Reduce Contributions from Private Sources and budgeted project costs each by \$1,850,000 to reflect OCCP expired PPA

- 3) Water Fund Capital Projects Budget
 - Add \$4,700,000 to Transfers from 1% Sales Tax Fund
 - Add \$4,700,000 to CBR Waterline Extension budget

	<u>Org</u>	<u>Object</u>	<u>Project</u>	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
1) <u>1% Sales Tax Fund - Operating Budget</u>						
Sources:						
Appropriated Fund Balance	11029954	49900		\$ -	\$ 4,700,000	\$ 4,700,000
Uses:						
Transfer to Proprietary Capital Projects	11029954	59940		\$ -	\$ 4,700,000	\$ 4,700,000
2) <u>Electric Fund - Capital Project Budgets</u>						
Makushin Geothermal						
Sources:						
Contributions & Donations - Private Sources	50115047	47400	EL22B	\$ 2,000,000	\$ (1,850,000)	\$ 150,000
Uses:						
Engineering & Architecture	50125053	53240	EL22B	\$ 3,333,200	\$ (1,850,000)	\$ 1,483,200
3) <u>Water Fund - Capital Project Budgets</u>						
CBR Waterline Extension						
Sources:						
Transfers from Special Rev Fund	51119848	49110	WA22D	\$ -	\$ 4,700,000	\$ 4,700,000
Uses:						
Other Professional Svcs	51125553	53300	WA22D	\$ -	\$ 600,000	\$ 600,000
Construction Svcs	51125553	54500	WA22D	\$ -	\$ 3,500,000	\$ 3,500,000
Contingency	51125553	55912	WA22D	\$ -	\$ 600,000	\$ 600,000

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Erik Hernandez, Acting Utilities Director
Through: William Homka, City Manager
Date: April 9, 2024
Re: Ordinance 2024-06: Creating Budget Amendment #6 to the Fiscal Year 2024 Budget, appropriating \$4,700,000 from the 1% Sales Tax Fund for an increase to the Captains Bay Road Waterline Extension Project (WA22D); and decreasing the budget for the Makushin Geothermal Project (EL22B) by \$1,850,000

SUMMARY: This budget amendment will increase the Water Capital Projects Budget by \$4,700,000 from the 1% Special Revenue fund to construct Phase 1 of the Captain's Bay Road Waterline Extension Project and decrease the Makushin Geothermal Project by \$1,850,000.

PREVIOUS COUNCIL ACTION:

On May 10, 2022 City Council approved Ordinance 2022-06 creating budget amendment #4 increasing the Water Capital Project Budget by \$800,000.

On May 10, 2022 City Council approved Ordinance 2022-06 creating budget amendment #4 decreasing the Makushin Geothermal Project by \$1,850,000

BACKGROUND: Discussions about improvements to CBR began more than a decade ago, but the project came into focus in the FY19 Capital & Major Maintenance Plan (CMMP). Various iterations of the plan were developed for evaluation and consideration in subsequent CMMPs. The City contracted HDR to conduct a Cost Benefit Analysis to review the project, which ranked just under a '1'. Shortly thereafter, Trident Seafoods purchased the former quarry property at the end of Captains Bay Road.

The waterline extension will provide water to all of the properties along the roadway and replace those still utilizing wells. North Pacific Fuel uses a private lateral line that runs up to Pyramid Road where it connects to the public line. The water meter is located where the private and public line intersect on Pyramid Road. The lateral crosses over private property and has been leaking a significant amount of treated water because part of the line is still a wooden stave constructed in the 1940's. This private line will be abandoned after the new waterline project is complete.

The money set aside for the Makushin Geothermal Project (MGP) can be put back into the general fund. The City did not renew the Power Purchase Agreement with Ounalashka Corporation/Chena Power (OCCP) last February. This ordinance seeks to decrease the budget for the MGP by \$1,850,000 because that is money the City will not be receiving from OCCP. In 2023 the City received \$150,000 of what was to be a \$2 M commitment toward the project as part of the Power Purchase Agreement (PPA).

CBR Waterline Extension: The City of Unalaska has two storage tanks; a .5 MGD storage tank located in Unalaska Valley/Lear Road and another 2.6 MGD contact treatment (CT) storage tank located in the Pyramid Valley. The City provides water service to a customer on Captains Bay

Road that can only be supplied by the 2.6 MGD CT tank. Furthermore, it can only do so when it is filled more than 70% of its capacity, roughly 26 out of 38 feet. When the tank level drops below 26 feet, which happens infrequently, North Pacific Fuel and between 50-60 residents living in the company's bunkhouse lose water service. The City is also unable to provide service to this customer from the .5 MGD storage tank and wells from the Unalaska Valley/Lear Road due to the current configuration of the system's hydraulics. This can be problematic during peak demand seasons, specially, if an extended shutdown period is expected due to water quality issues or fluctuating demand.

Shutdowns occur when turbidity in the reservoir exceed the Pyramid Water Treatment plant's (PWTP) operating parameters. Since the PWTP operates as a Filtration Avoidance system, the PWTP is not required to filter its process water, storms can cause turbidity to rise beyond the permitted limits, shutting down treatment.

Additionally, to mitigate prolonged outages, maintenance has been limited to basic measures, primarily due to the ongoing challenge of fully decommissioning the existing CT tank. Basic inspections have been periodically carried out throughout the tank's operational lifespan, with minor repairs undertaken in 2013. Attached are memos regarding both matters, for your reference. Furthermore, the Icy Creek Reservoir has absorbed a substantial volume of runoff and sediment, further diminishing the City's raw water supply.

Extending the Captain's Bay waterline would allow the City to:

- Fully decommission it's surface water source for maintenance; and
- Increase clear water storage by 1.5 – 2.0 million gallons.

The water division's ability to access all of its clear water reserves during these situations is vital to operations.

Makushin Geothermal Project: OCCP committed to a payment schedule as part of the PPA for the MGP. However the City only received \$150,000 and the next \$350,000 was due in December, 2023. However, no additional funds are expected from OCCP because the city did not renew or extend the PPA. This ordinance seeks to decrease the budget for the MGP by the \$1,850,000 amount no longer expected from the PPA.

DISCUSSION: This amendment will allocate an additional \$4,700,000 to the Water Capital Projects Budget in order to complete Phase 1 of the Captain's Bay Waterline Extension Project.

The attached documents from Regan Engineering contain all estimates including labor and materials. The cost is estimated at \$3,831,721 with a 15% contingency including construction management and support totaling \$4,700,000.

Phase 1 of the project extends the City waterline that currently ends at Westward Seafoods to the entrance of Offshore Systems Inc. (OSI). The existing line is 16" ductile iron water main; the new line will be a 16" PVC. Undertaking this project will help alleviate and improve the following:

- Improve needed maintenance to existing CT tank and reservoir;
- Allow access to additional water reserves needed in the event of a major fire or other emergency;
- Allow the City to service all areas in the Unalaska and Amaknak islands with wells; and

- Reduce the likelihood and risk of water shortages during processing seasons. Water shortages and low system pressure are associated with a higher risk of contamination from backflow and/or back-siphonage.

ALTERNATIVES: Council has designated the Captains Bay Road Paving and Utility Improvements project as the number one funding priority. The Captains Bay Road Waterline Extension project will improve the City's operations and maintenance, and prepare the utility for future development.

City Council can choose to approve or deny this additional request for funding.

LEGAL: None

STAFF RECOMMENDATION: Staff recommends approval.

PROPOSED MOTION: First reading: I move to introduce Ordinance 2024-06 and schedule it for public hearing and second reading on April 23, 2024.

Second reading: I move to adopt Ordinance 2024-06.

CITY MANAGER COMMENTS: I support staff's recommendation.

ATTACHMENTS: Captains Bay Road Corridor Improvement Plan Brochure

Captains Bay Road Improvement Corridor

UNALASKA, ALASKA

CAPTAINS BAY ROAD

Captains Bay Road (CBR) is a 3.6-mile long corridor and a key intermodal connection to the International Port of Dutch Harbor, the nation’s busiest commercial fishing port. More than 1 billion pounds of processed seafood leave the port for domestic and international markets, of which 500 million pounds are transported annually on CBR. Captains Bay Road is a gravel road built by the military during WWII, and not designed for today’s truck traffic estimated at 1,000 vehicle trips per day. CBR runs between the waters of Captains Bay and steep rock bluffs. The road has sharp, blind turns and periodic rock falls add significant safety and maintenance issues. In March 2023 several large boulders, weighing 36 tons, fell into the roadway. CBR is frequently in poor condition from heavy truck traffic and the significant precipitation events common in the Aleutian Islands.

NEW INVESTMENT

Trident Seafoods is building a 250,000 sq. ft. seafood processing plant at the end of CBR. It requires extension of water, sewer and electric utilities, most of which terminate 2.6 miles to the northeast from the proposed processing plant.

THE PROJECT

The CBR Project has three phases: (1) Water line extension, (2) Sewer and Electric line extensions, and (3) Safety Improvements and Paving. Designs for Phase 1 are complete and will be bid out in summer, 2024. Designs are nearly complete for Phase 2. Phase 3 will straighten parts of the roadway, scale back dangerous rock faces, and pave the 3.6 mile road.



Figure 1: Three boulders totaling 36 tons fell on CBR in March 2023

COSTS

The project is estimated to cost \$68.5 M and has received grant commitments for \$12.5 M; \$360,000 from the Denali Commission for Phase 1 water line design, \$2.5 M from Senator Murkowski (Congressionally Directed Funding), and \$10 M from the State of Alaska’s STIP (CTP) for a portion of the Phase 3 paving. Unalaska will utilize revenue from our 1% Sales Tax Special Revenue Fund to complete Phase 1 in 2024. The City may designate CBR a Local Improvement District to fairly recover a portion of the project’s local costs from landowners along CBR. Table 1 illustrates the project costs by phase, infrastructure type and year.

Table 1: Project Costs by Phase, Infrastructure Type and Fiscal Year

Phase	Water	Sewer	Electric	Safety Improvements	Paving	TOTAL	Year
<i>(millions of dollars)</i>							
1	\$4.7					\$4.7	2024
2	\$2.6	\$11.2	\$8.5			\$22.3	2025
3				\$4.5	\$37.0	\$41.5	2027
TOTAL	\$7.3	\$11.2	\$8.5	\$4.5	\$37.0	\$68.5	



CAPTAINS BAY ROAD DEVELOPMENT PLAN

