



KENAI PENINSULA BOROUGH

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Blaine Gilman, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Craig Chapman, Director of Finance *BA se ce*

DATE: May 26, 2016

SUBJECT: Ordinance 2015-19-32, appropriating \$1,041,200.22 to the special assessment fund for the Funny River East Utility Special Assessment District

A petition has been received requesting the formation of a utility special assessment district ("USAD") for installing a natural gas mainline in the Funny River East area. This petition process is the first step of the process. A resolution is scheduled to be heard at the June 21, 2016 assembly meeting to authorize the formation of the Funny River East USAD.

The second step in the process is this ordinance that will appropriate the necessary funds should the assembly approve the project with adoption of the Resolution to Form the District and Proceed With the Improvement. The third and final step in the legislative process will be the Ordinance of Assessment following the completion of the project.

KPB 5.35:107(C)(a) and (b) require the owners of at least 60 percent of the parcels and owners of at least 60 percent in value of the property to be benefited within the proposed district sign the petition. Owners of 60.19 percent of the parcels and 70.91 percent in value of the property to be benefited within the proposed district have signed the petition.

The total cost of the Funny River East USAD is estimated to be \$1,041,200.22. This ordinance appropriates \$1,041,200.22 to the special assessment fund as an interfund loan from the borough General Fund. The loan will be repaid through assessments levied on property located within the USAD which may be paid through 10 annual installments. Billings will include an interest charge equal to the published prime rate in effect at the time of the loan plus 2 percent. The prime rate is currently 3.50 percent. If it remains unchanged through project completion, residents of the USAD will be charged an interest rate of 5.50 percent (3.50 percent + 2 percent). This is the same formula used to determine the rate of interest on the interfund loans used to finance other USAD projects. Penalties are not imposed for accelerated payments.

If for any reason the USAD is not formed, the loan will not be made and the General Fund will absorb any administrative costs that exceed the \$1,000 filing fee received with the petition.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No.	<u>100.27910 FB</u>
Amount	<u>\$1,041,200.22</u>
By:	<u>pp</u> Date: <u>5/26/16</u>