



KENAI PENINSULA BOROUGH

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MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

TO: Dale Bagley, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Craig Chapman, Director of Finance *CAJ SACCC*

DATE: June 4, 2015

SUBJECT: Ordinance 2014-19- 61, An Ordinance Appropriating \$130,863.78 to the Special Assessment Fund for the Birch Park Utility Special Assessment District

Forming a utility special assessment district (USAD) in the borough is a four step legislative process. The first step is approval of the petition application, which took place on April 7, 2015 through resolution 2015-017, approving the petition application for the Birch Park USAD. Step two is passage of the resolution to form the district and proceed with the improvement, and is scheduled for assembly action at the July 7, 2015 assembly meeting. The third step in the legislative process, addressed in this memo and proposed ordinance, is assembly action on the appropriation of funds. The attached ordinance appropriates the estimated project costs and authorizes an interfund loan from the general fund to finance the USAD.

The total cost of the gas line project is estimated at \$130,863.78. This includes direct cost of \$123,604.00 and indirect administrative cost of \$7,259.78. Funding for the project will be provided through an interfund loan from the borough's general fund. The loan will be repaid through 10 annual assessments levied on property located within the USAD. 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 3.25 percent. If it remains unchanged through project completion, residents of the USAD will be charged an interest rate of 5.25 percent (3.25 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>\$130,863.78</u>
By:	<u><i>CAJ</i></u> Date: <u>6/4/15</u>