



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 *C Chapman*

DATE: August 6, 2015

SUBJECT: Ordinance 2015-19-08, An Ordinance Appropriating \$246,731.51 to the Special Assessment Fund for the Diamond View Estates Utility Special Assessment District

This is the third step in a four-step process requiring assembly review and action to form a utility special assessment district (USAD): Step 1) resolution approving the petition application;¹ Step 2) resolution to form the district and proceed with the improvement; Step 3) ordinance of appropriation of funds; and Step 4) ordinance of assessment. Resolution 2015-029 approved the petition application for the proposed Diamond View Estates USAD on June 2, 2015. The resolution to form and proceed will be scheduled for assembly action at the September 1, 2015 assembly meeting. 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 \$246,731.51. This includes direct cost of \$236,602 and indirect administrative cost of \$10,129.51. 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.

¹ The Diamond View Estates USAD process began under the "old" USAD code, which required a resolution to approve the petition application. Under the current version of KPB chapter 5.35, that step will be handled by the administration for all future projects.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No.	<u>100. 27910 FB</u>
Amount	<u>\$246,731.51</u>
By:	<u>PP</u>
Date:	<u>8/5/15</u>