

Kenai Peninsula Borough

Finance Department

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Charlie Pierce, Borough Mayor *CP*

FROM: Brandi Harbaugh, Finance Director *BH*

DATE: January 20, 2022

SUBJECT: Ordinance 2021-19- 36, Appropriating \$78,978.78 to the Special Assessment Fund for the Lookout Drive Utility Special Assessment District (Mayor)

A petition has been received requesting the formation of a special assessment district for installing a natural gas mainline in the Diamond Ridge area. This petition process is the first step of the process. A resolution is scheduled to be heard at the February 15, 2022, assembly meeting to authorize the formation of the Lookout Drive Utility Special Assessment District (Lookout Drive 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 Lookout Drive USAD and proceed with the improvement. The third and final step in the legislative process will be an ordinance of assessment following the completion of the project.


In order for the assembly to consider the formation, KPB 5.35.107(C)(a) and (b) requires petition signatures of at least 60% of the owners of record of the parcels subject to assessment in the proposed USAD; and, the signatures of owners of at least 60% in value of the property to be benefited. Owners of record of 77.18% percent of the parcels within the proposed USAD and owners of 80.18% in value of the property to be benefited have signed the petition.

The total cost of the Lookout Drive USAD is estimated to be \$78,978.78. This ordinance appropriates \$78,978.78 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 Lookout Drive USAD, which may be paid in ten annual installments. Billings will include an interest charge equal to the

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published prime rate in effect at the time of the loan plus 2%. The prime rate is currently 3.25%. If it remains unchanged through project completion, residents of the USAD will be charged an interest rate of 5.25% (3.25 + 2%). This is the same formula used to determine the rate of interest on the interfund loans used to finance other USAD and RIAD 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 administrative costs that exceed the \$1,000 filing fee received with the petition.

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|------------------------------------------------------------------------------------------|------------------------|
| FINANCE DEPARTMENT FUNDS VERIFIED | |
| Acct. No. | <u>100.27910</u> |
| Amount | <u>\$78,978.78</u> |
| By:  | Date: <u>1/18/2022</u> |