



KENAI PENINSULA BOROUGH

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441

PHONE: (907) 262-4441 • FAX: (907) 262-1892

www.kpb.us

MIKE NAVARRE
BOROUGH MAYOR

MEMORANDUM

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

THRU: Mike Navarre, Mayor *MN*

FROM: Craig Chapman, Finance Director *C Chapman*
Marcus Mueller, Land Management Officer *Mueller*

DATE: December 23, 2014

SUBJECT: Ordinance 2014-19- 41, An Ordinance Appropriating \$668,000 from the Land Trust Fund for Construction of an Access Road to the Suneva Material Site in Nikiski

The borough owns a 140-acre parcel of land at mile 32 of the Kenai Spur Highway in Nikiski. This parcel was identified as a sand and gravel resource in 2001. In 2014 the Planning Commission granted a material site permit which allows the borough to develop the site, referred to as the Suneva material site. An engineer's estimate and design to develop an access road, within the borough right-of-way, from the Kenai Spur Highway to the site have also been prepared. (Although there is some access to the site today, the existing road does not fall completely within the borough right-of-way.) The primary purpose of opening the material site has been to provide a source of sand and gravel in close proximity to the anticipated North Road extension site. The administration's intention has been to wait to move forward with development until a viable project for the North Road extension was ready to proceed.

A private corporation, Apache Alaska Corporation ("Apache") has been pursuing the necessary permits to construct approximately 8 miles of the North Road extension, in order to access property on which it intends to build exploratory infrastructure for oil and gas. Apache has expressed interest in purchasing approximately 130,000 cubic yards of material for this project from the Suneva material site, which is the most proximate material site to the proposed project. The royalty rate for sand and gravel is currently \$3.25 per cubic yard. Apache is hoping to access the material by February 15, 2015 and to complete the 8-mile extension by May 2015.

Given the primary purpose of the Suneva material site, this is an appropriate time and reason to develop the legal access road to the site. The borough intends to make the bid for the road construction contingent on Apache securing funds for the extension project. If Apache determines it will not go forward with the extension in 2015, the borough will wait until a more opportune time to proceed with developing access to the material site. Because the timeframe for opening access to the site is relatively short, the borough intends to initiate the bid process

concurrent with the appropriation process. However, no bid will be awarded before this ordinance is approved by the assembly.

The proposed appropriation is based on the engineer's estimate. It is anticipated that a more accurate figure will be provided to the assembly before the public hearing, once bids are received for the project. Funding for construction of the access road will come from the Land Trust fund.

A shortened hearing is requested, given the proposed plan to access the material site by February 15, 2015 if possible.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No.	<u>250.27900 (FB)</u>
Amount	<u>\$668,000</u>
By: <u>pp</u>	Date: <u>12/23/14</u>