

**KENAI PENINSULA BOROUGH
PROPOSITION NO. 2**

**GEORGE A. NAVARRE KENAI PENINSULA BOROUGH ADMINISTRATION BUILDING'S HEATING,
VENTILATION AND AIR CONDITIONING MECHANICAL SYSTEM REPLACEMENT AND OTHER
NECESSARY CODE-REQUIRED COMPONENTS GENERAL OBLIGATION DEBT**

(To be voted on by all voters)

Ordinance 2017-16 entitled, "An Ordinance Providing for Submission to the Qualified Voters of the Kenai Peninsula Borough, Alaska, the Question of Authorizing the Issuance of General Obligation Debt not to Exceed Five Million Dollars (\$5,000,000) of the Kenai Peninsula Borough to Pay Costs of Planning, Designing, Constructing And Equipping the George A. Navarre Kenai Peninsula Borough Administration Building's Heating, Ventilation and Air Conditioning Mechanical System Replacement and Other Necessary Code-Required Components, at an Election in and for the Kenai Peninsula Borough on October 3, 2017," was enacted on August 1, 2017.

BACKGROUND

According to Ordinance 2017-16 there is a substantial and immediate need to replace the mechanical system for heating, ventilation and air conditioning in the borough/school district administration building. It is almost 50 years old and has significant safety, energy-efficient and mechanical system reliability concerns.

Capital funds are needed for planning, design, construction and equipping the borough administration building's heating, ventilation and air conditioning ("HVAC") system replacement and other code required mechanical components. Total capital costs are estimated at \$5,000,000, with construction phased in over three years.

If borough voters approve this proposition, it is currently anticipated that the bond issuance or other debt mechanism would be provided through three separate transactions. The first could occur as soon as late 2017; the second would occur approximately one year later, in late 2018; and, the third transaction would occur approximately one year after that, in late 2019. In total, the three-phase debt transaction would coincide with plans for the three-phased design, planning, constructing and equipping the HVAC mechanical system to serve all three floors of the borough building.

FISCAL NOTE

As an example, the cost to the borough general fund of repaying \$5,000,000 of general obligation bonds or other debt for the project would equal approximately \$7.28 a year per \$100,000 of assessed taxable property value, based on the borough's total FY2018 assessed property valuation and financing the \$5,000,000 at a 3.5 percent average rate of interest with a 15-year payback period.

BALLOT LANGUAGE

Shall the Kenai Peninsula Borough borrow up to \$5,000,000 through the issuance of general obligation debt for the purpose of paying costs of planning, designing, constructing, and equipping the George A. Navarre Kenai Peninsula Borough Administration Building's heating,

ventilation and air conditioning ("HVAC") mechanical system replacement and other necessary code-required components, and costs of issuance of the debt?

The debt shall be paid from real and personal property taxes (general ad valorem) levied and collected within the Kenai Peninsula Borough. The full faith and credit of the Borough is also pledged for payment of the debt.

Voter approval of this proposition authorizes annual repayment to retire the debt at an estimated rate of approximately \$7.28 per \$100,000 of assessed taxable property value (based on the estimated total FY2018 assessed valuation).

YES [A "Yes" vote approves the issuance of bonds or other debt mechanism.]

NO [A "No" vote opposes the issuance of bonds or other debt mechanism.]