

Submitted by: Chair of the Assembly at the
Request of the Mayor
Prepared by: Anchorage Water and
Wastewater Utility
For reading: November 22, 2011

CLERK'S OFFICE

APPROVED

ANCHORAGE, ALASKA

Date:

12-4-11

AO No. 2011-115

1 **AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE, ALASKA,**
2 **AUTHORIZING THE BORROWING AND ACCEPTING, FROM THE STATE**
3 **OF ALASKA DRINKING WATER FUND, AN AGGREGATE AMOUNT NOT**
4 **TO EXCEED \$18,400,000 FOR THE PURPOSE OF FINANCING A PORTION**
5 **OF THE COSTS OF VARIOUS AWWU 2012 CAPITAL IMPROVEMENT**
6 **BUDGET (CIB) WATER IMPROVEMENTS PROJECTS AND PROVIDING**
7 **FOR RELATED MATTERS**

8
9 **WHEREAS**, the State of Alaska (State), pursuant to Alaska Statutes 46.03.036
10 and 18 AAC 76.200 et. seq., established the Alaska Drinking Water Fund
11 (Fund), a fund using U.S. Government grants as authorized by the Safe
12 Drinking Water Act, Amendments of 1996, P. L. 104-182; and

13
14 **WHEREAS**, the Municipality of Anchorage (Municipality) is eligible to borrow
15 from the Fund to assist in the planning, designing, constructing, equipping,
16 modifying, improving and expanding of public water treatment, transmission and
17 distribution facilities; and

18
19 **WHEREAS**, the interest rate to be paid by the Municipality on money borrowed
20 from the Fund is a favorable rate considering other sources of funds available to
21 the Municipality; and

22
23 **WHEREAS**, Home Rule Charter Section 15.03 requires the Assembly by
24 ordinance shall provide for the form and manner of sale of bonds and notes;
25 and

26
27 **WHEREAS**, the Municipality and Anchorage Water & Wastewater Utility
28 (AWWU) determined it is necessary to proceed to plan, design, develop,
29 construct, equip, acquire property for, or otherwise obtain items of capital
30 improvements in connection with the following AWWU water improvement
31 projects (Projects), listed in the Alaska Drinking Water approved SFY12
32 Intended Use Plan:
33

1	<u>State Funding Priority Planning Projects</u>	
2	Bayshore Subdivision Water Upgrade	\$ 6,000,000
3	41 st -Cope-Northstar Water Upgrade	\$ 4,700,000
4	Ship Creek Water Treatment Facility Heat Exchanger	\$ 3,200,000
5	North Sitka Water Upgrade	\$ 1,300,000
6	Wonder Park Water Upgrade Phase II	\$ 1,200,000
7	Seward Hwy-Northern Lights Blvd-33 rd Water	\$ 1,100,000
8	Sand Lake Area Water Phase II	\$ 900,000;
9		

10 and,

11
12 **WHEREAS**, at its November 2, 2011 meeting, the AWWU Board of Directors
13 supported this ordinance to authorize the borrowing and accepting of funds
14 from the State of Alaska Drinking Water Fund; and

15
16 **WHEREAS**, it is necessary, advisable, and in the best interests of the
17 Municipality and its inhabitants for an application to be submitted and other
18 actions taken as may be necessary to borrow, and accept when approved, an
19 amount not to exceed \$18,400,000 from the Fund for the purposes of financing
20 a portion of the costs associated with said Projects; now, therefore,

21
22 **THE ANCHORAGE ASSEMBLY ORDAINS:**

23
24 **Section 1. Purpose.** The purpose of this Ordinance is to authorize the
25 borrowing of, and accepting when approved, an amount not to exceed
26 \$18,400,000 from the Fund in the form of a loan(s) to provide funds to finance a
27 portion of the capital costs of the Projects; and

28
29 **Section 2. Authority for Ordinance.** It is hereby ascertained and determined
30 that each and every matter and thing as to which provision is made in this
31 Ordinance is necessary in order to carry out and effectuate the purposes of the
32 Municipality in accordance with the Alaska Constitution, Alaska State Statutes,
33 and the Municipality's Charter and Code, and to incur the indebtedness
34 authorized by this Ordinance.

35
36 **Section 3. Obligation of Loan.** The obligation to repay the loan authorized by
37 this Ordinance shall not be a direct and general obligation of the Municipality
38 and neither the faith and credit nor the taxing power of the Municipality is
39 pledged to the payment of the principal of and interest on the loan. The Gross
40 Revenues less the Operating Expenses of the System are hereby pledged to
41 repayment of the loan(s) authorized by this Ordinance. Such pledge shall be
42 subordinate to the lien on net revenues of lien revenue bonds of the
43 Municipality heretofore and hereafter issued.

44
45 As used in this Ordinance, unless a different meaning clearly appears from the
46 context, the following words are defined as follows:

1
2 **"Gross Revenues"** means all rates and charges and other income, in each
3 case derived by or for the account of the Municipality, from the ownership,
4 leasing or operation of the System except proceeds from the sale of bonds
5 or notes, any grants received for the Anchorage Water Utility, and interest
6 received and profits derived from the investment of moneys obtained from
7 such sources or from moneys held in any fund to pay or secure the payment
8 of any bonds or notes issued in connection with the System. For the
9 purposes of this Ordinance, **Gross Revenues** shall not include allowance
10 for funds used during construction.

11
12 **"Lien Revenue Bonds"** means all publicly marketed revenue bonds or other
13 obligations issued by the Municipality having a lien on net revenue (Gross
14 Revenues less Operating Expenses).

15
16 **"Operating Expenses"** means the current expenses incurred for operation,
17 maintenance or repair of the System of a non-capital nature, and shall
18 include, without limiting the generality of the foregoing, water purchase
19 agreements, source of supply expenses, water treatment, transmission and
20 distribution expenses, fuel and electricity expenses, chemical expenses,
21 customer accounts expenses, administrative and general expenses,
22 insurance premiums, lease rentals, legal, regulatory, and engineering
23 expenses, payments to pension, retirement, group life insurance, health and
24 hospitalization funds or other employee benefit funds which are properly
25 chargeable to current operations, interest on customers' deposits, payroll tax
26 expenses, Municipal Utility Service Assessments or any assessment levied
27 in lieu of municipal taxes and any other expenses required to be paid under
28 the provisions of this Ordinance or by law or permitted by standard practices
29 for public utility systems similar to the properties and business of the System
30 (adjusted to reflect public ownership) and applicable in the circumstances.
31 **Operating Expenses** shall not include any allowances for depreciation or
32 amortization or any principal, redemption price or purchase price of, or
33 interest on, any obligations of the Municipality incurred in connection with
34 and payable from Gross Revenues.

35
36 **"System"** means the existing water utility system of the Municipality as the
37 same will be added to, improved and extended as authorized and provided
38 in this Ordinance, and as the same may be added to, improved and
39 extended for as long as the loan authorized by this Ordinance is
40 outstanding, but shall not include such water supply, treatment, transmission
41 and distribution facilities that may be hereafter purchased, constructed or
42 otherwise acquired by the Municipality as a separate water utility system,
43 the revenues of which may be pledged to the payment of bonds or notes
44 issued to purchase, construct or otherwise acquire and improve such
45 separate system. **System** shall also include the wastewater system of the
46 Municipality, if hereafter combined with the water utility.

1
2 **Section 4. Loan Terms.** The following primary terms shall be incorporated into
3 the Loan Agreements:
4

5 Principal Amount: Not to exceed \$18,400,000 (subject to
6 individual draws)
7 Interest Rate: 1.5% per annum
8 Interest Accrual: Accrual begins one year after the date of first
9 disbursement to the Municipality
10 Term: Twenty years from the date of initiation of
11 operation of the Projects
12 Date of First Payment: One year following substantial completion
13 and initiation of operation of the Projects
14 Payment Interval: Annual
15 Amortization Schedule: Level, fully amortizing
16 Security: A subordinate lien pledge of Gross Revenues
17 less Operating Expenses of the System, as
18 those terms are defined herein, provided that
19 if such monies are not sufficient, repayment of
20 the loans shall be from any legally available
21 funds accruing to or in the possession of the
22 Municipality; and provided further that
23 repayment of the loans is not a direct
24 obligation of the Municipality and neither the
25 faith and credit nor the taxing power of the
26 Municipality are pledged therefore.
27

28 **Section 5. Authorization of Loan; Purpose of Issuance.** For the purpose of
29 providing a portion of the funds required to pay the cost of the Projects
30 described herein, and to pay all costs incidental thereto, the borrowing of
31 money from the Fund in the form of a loan in an aggregate principal amount not
32 to exceed \$18,400,000 is hereby authorized.
33

34 **Section 6. Loan Applications and Loan Agreements.** The AWWU General
35 Manager is hereby authorized and directed to complete and submit to the State
36 applications to borrow money from the Fund for the purpose of financing a
37 portion of the costs of the Projects authorized by this Ordinance. Further, the
38 AWWU General Manager and AWWU Chief Financial Officer are hereby
39 authorized, empowered and directed to execute and deliver Loan Agreements,
40 for and on behalf of the Municipality, including necessary counterparts, as
41 authorized by this Ordinance.
42

43 **Section 7. Acceptance of Loan Funds.** The AWWU General Manager is
44 hereby authorized to accept, when approved and available, loan funds from the
45 State, pursuant to loan applications approved in this ordinance, for the purpose
46 of reimbursement of the costs of the Projects. Upon notification from the State


1 and acceptance of the funds, AWWU shall file with the Assembly, on a quarterly
2 basis, an Assembly Informational Memorandum, listing the amount of funds
3 approved and accepted by AWWU, the authorizing ordinance for the funds, and
4 identifying the specific projects approved under the Loan program.

5
6 **Section 8. Authority of Officers.** The Mayor (or the Acting Mayor), the
7 Municipal Manager, the Chief Fiscal Officer, the AWWU General Manager, the
8 Municipal Clerk (or the Acting Municipal Clerk), are, and each of them hereby
9 is, authorized and directed to do and perform all things and determine all
10 matters not determined by this Ordinance, or to be determined by a subsequent
11 ordinance or resolution of the Municipality, to this end that the Municipality may
12 carry out its obligations under the loan and this Ordinance.

13
14 **Section 9. Severability.** If any one or more of the covenants and agreements
15 provided in this Ordinance to be performed on the part of the Municipality shall
16 be declared by any court of competent jurisdiction to be contrary to law, then
17 such covenant or agreement shall be null and void and shall be deemed
18 severable from the remaining covenants and agreements in this Ordinance and
19 shall in no way affect the facility of the other provisions of this Ordinance or of
20 the loan entered into pursuant to this Ordinance.

21
22 **Section 10. Effective Date.** This Ordinance shall take effect immediately upon
23 passage and approval by the Assembly.

24
25 PASSED AND APPROVED by the Anchorage Assembly this 6th day of
26 December, 2011.

27
28
29
30 
31 Chair

32
33 ATTEST:

34
35 
36 _____
37 Municipal Clerk

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects - Utilities

AO Number: 2011-115 Title: **AN ORDINANCE AUTHORIZING FOR THE BORROWING AND ACCEPTING, FROM THE STATE OF ALASKA DRINKING WATER FUND, AN AGGREGATE AMOUNT NOT TO EXCEED \$18,400,000 FOR THE PURPOSE OF PAYING A PORTION OF THE COST OF VARIOUS WATER CAPITAL IMPROVEMENTS**

Sponsor: Mayor
 Preparing Agency: **Anchorage Water and Wastewater Utility** Others Affected: **None**

CHANGES IN EXPENDITURES AND REVENUES (Thousands of dollars)

Operating Revenues:	FY12	FY13	FY14	FY15	FY16
TOTAL OPERATING REVENUES:					
Operating Expenses:					
TOTAL OPERATING EXPENSES:					
Non-Operating Revenues:					
TOTAL NON-OPERATING REVENUES:					
Non-Operating Expenses:	0	0	0	0	0
Interest Expense	0	276,000	264,000	252,000	240,000
TOTAL NON-OPERATING EXPENSES:	0	276,000	264,000	252,000	240,000
NET INCOME (REGULATED)	0	0	0	0	0
POSITIONS: FT/PT/TEMP					

Impact on General Government (Yes or No) **No** (If yes, attach SEE for General Government agency impacted.)

Public Sector Economic Effects:

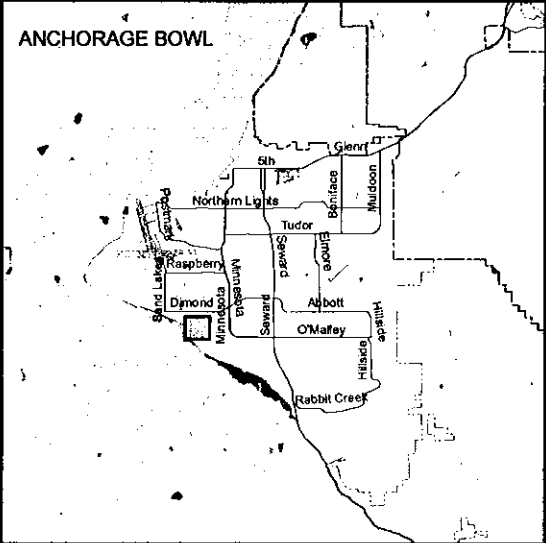
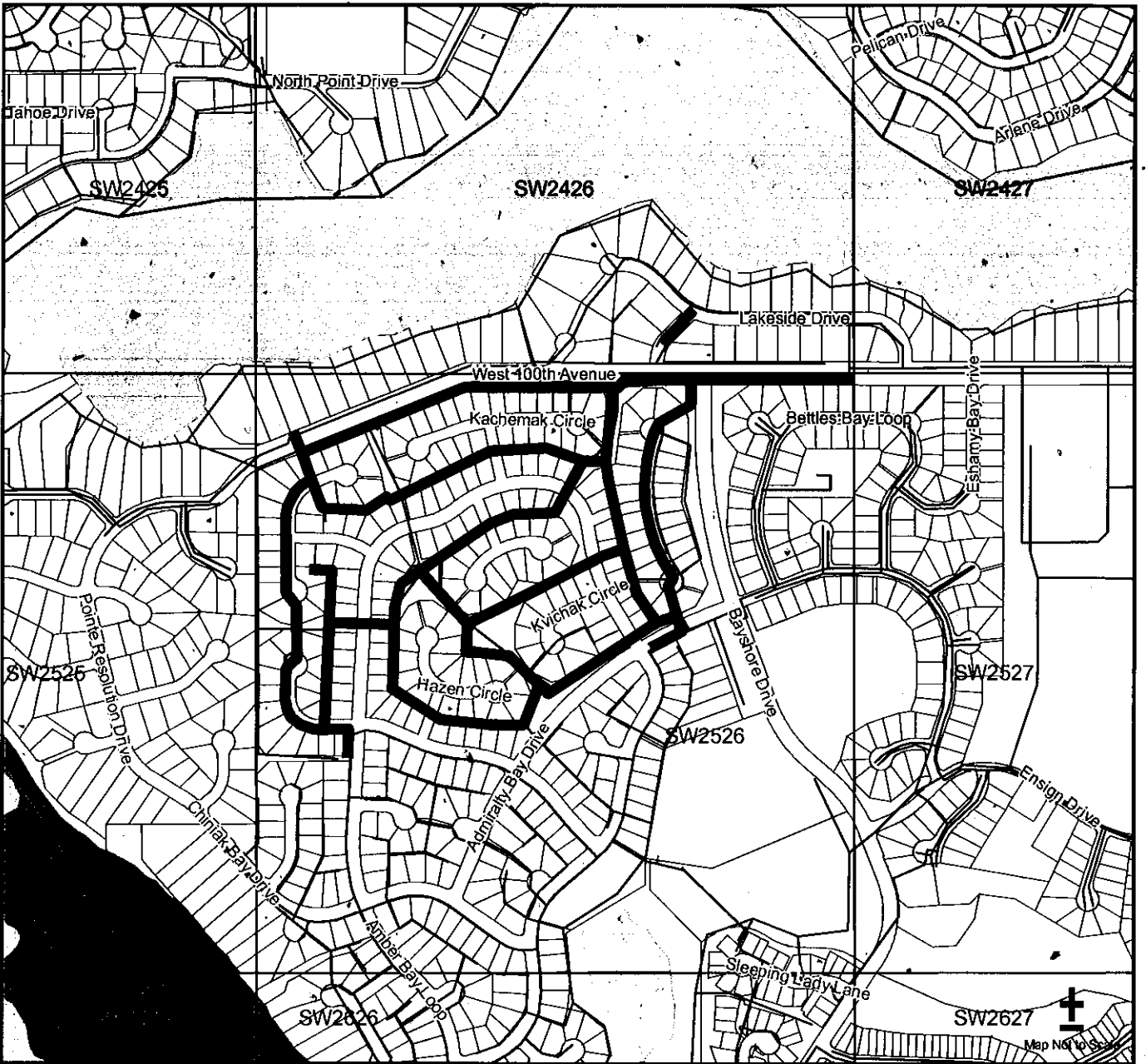
- **Interest expense is 18.75 percent of the current bond rate as defined by the Municipal Bond Index or 1.5%, whichever is greater (1.5%) Interest rate used = 1.5%**
- **Terms of Loans - fully amortizing, equal payments, 20 years, end of period, annual payments**
- **Total Principal and Interest per year = \$1.1 million**
- **Payments to begin one year after construction completion**
- **Program offers a lower cost alternative when compared to the issuance of revenue bonds**

Private Sector Economic Effects:

- **None**

If further explanation is necessary, a separate page may be attached.

Prepared by: Wendy Drew, Project Support/Grants Supervisor Telephone: 564-2710
 Approved by: Glenda Gibson, CPA, CFO, AWWU
 Approved by: Craig R. Woolard, Ph.D., P.E., General Manager, AWWU



**Municipality of Anchorage
Anchorage Water and Wastewater Utility**



People Soft Information:

Name: Bayshore_Subd_Wtr_Upgr
Number: 0000004901-541

Plan Set Information:

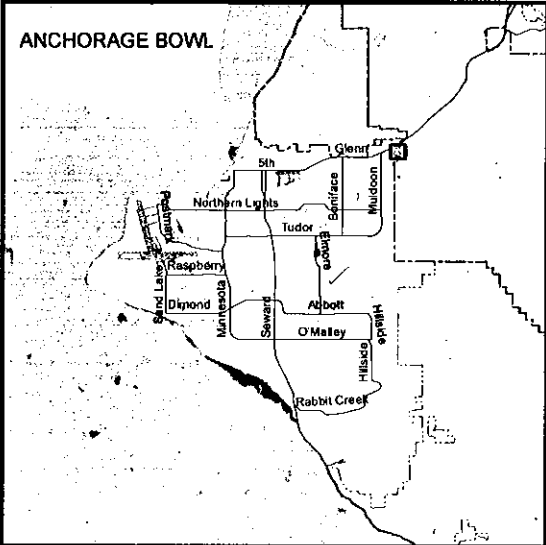
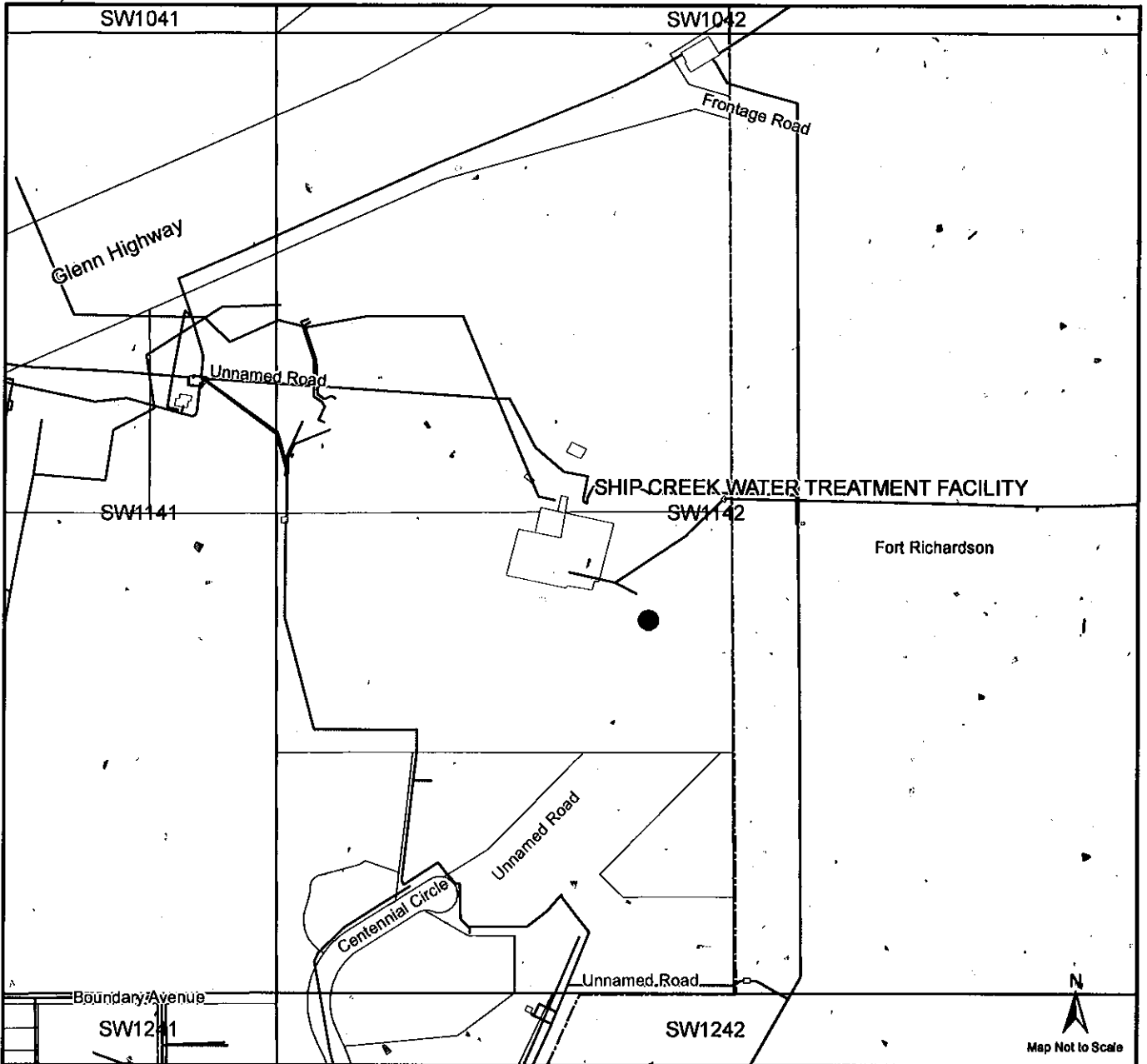
Name: Bayshore Subdivision Water Upgrade
Number: 9440

Proposed Project

- Water
- Wastewater
- Water Pipe
- Wastewater Pipe

Existing Infrastructure

- AWWU Water Main
- AWWU Sewer Main



Municipality of Anchorage
Anchorage Water and Wastewater Utility



People Soft Information:

Name: SCWTF_Heat_Exchanger
 Number: 0000004882-541

Man Set Information:

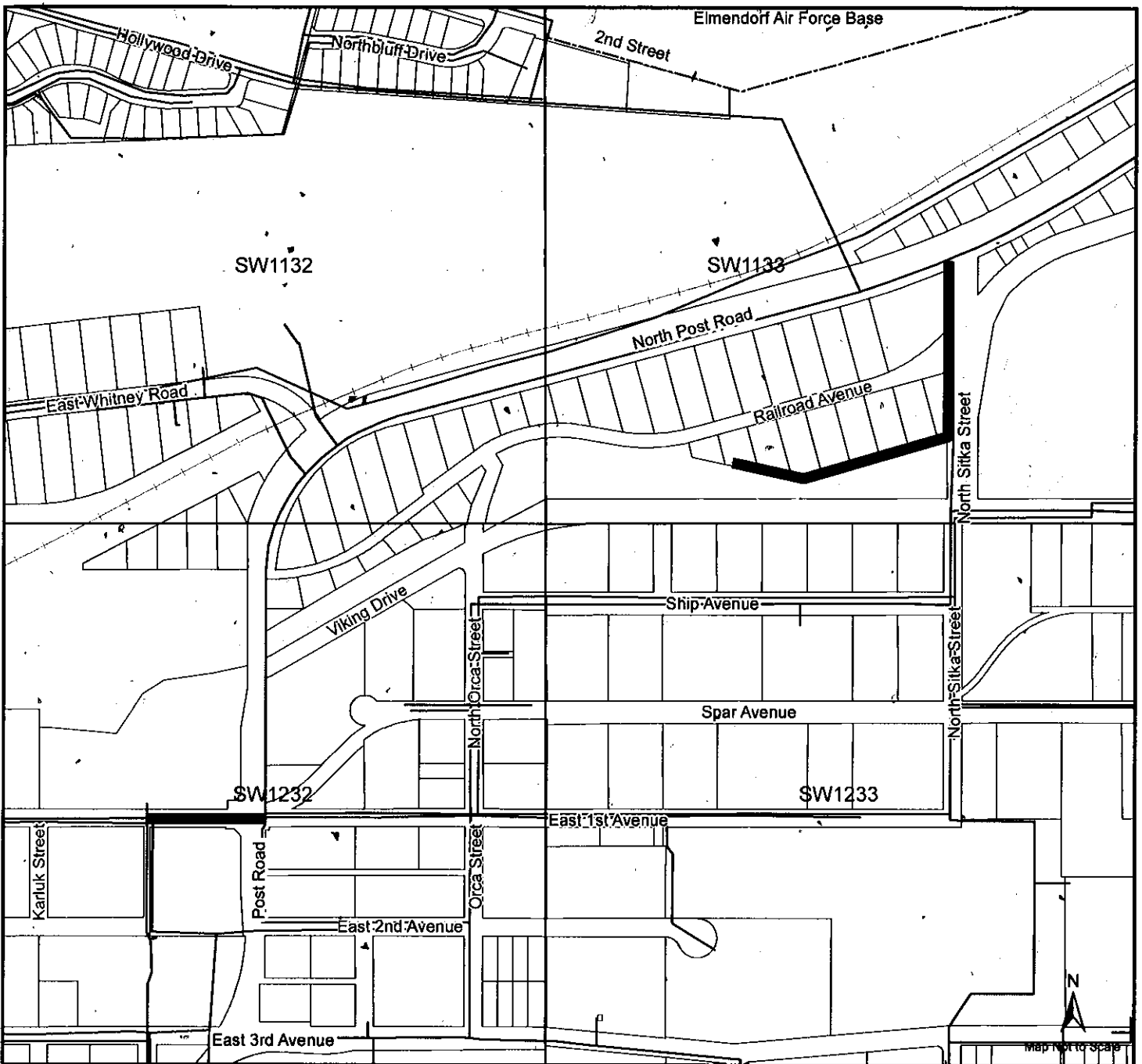
Name: Ship Creek Heat Exchanger
 Number: 9279

Proposed Project

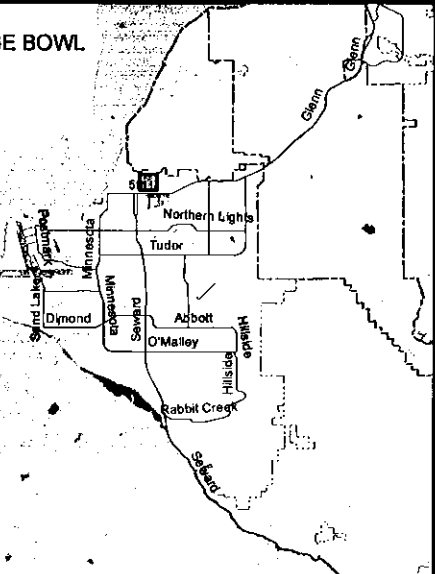
- Water
- Wastewater
- Water Pipe
- Wastewater Pipe

Existing Infrastructure

- AWWU Water Main
- AWWU Sewer Main



ANCHORAGE BOWL



**Municipality of Anchorage
Anchorage Water and Wastewater Utility**



People Soft Information:

Name: N_Sitka-1st_Ave_Wtr_Upgr
Number: 000005989-541

Plan Set Information:

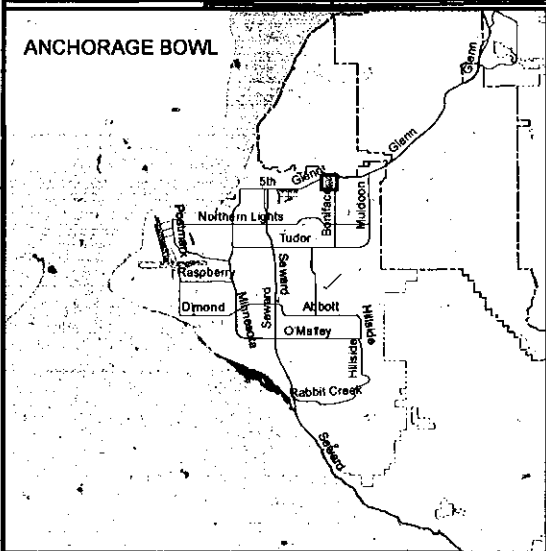
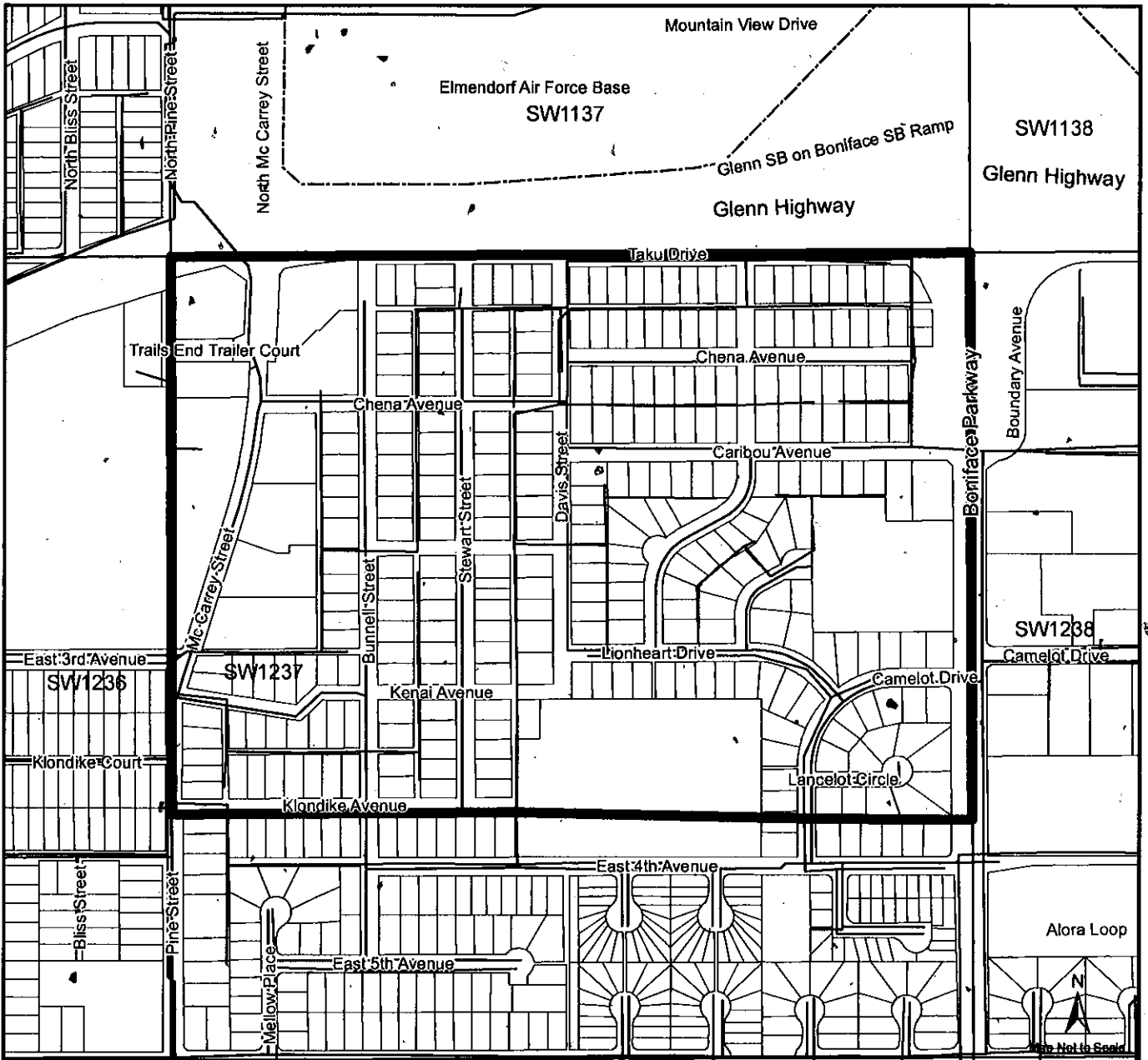
Name: North Sitka-1st Ave Water Upgrade
Number: 9442

Proposed Project

- Water
- Wastewater
- Water
- Wastewater

Existing Infrastructure

- AWWU Water Main
- AWWU Sewer Main



**Municipality of Anchorage
Anchorage Water and Wastewater Utility**



People Soft Information:

Name: Wonder_Park_Wr_Upgr_PhII
Number: 000006098-541

Plan Set Information:

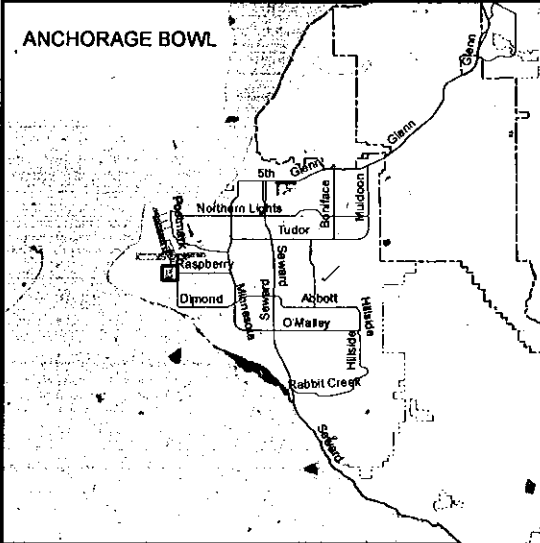
Name: Wonder Park Water and Sewer Upgrade Phase II
Number: 9469

Proposed Project

- Water
- Wastewater
- Water
- Wastewater

Existing Infrastructure

- AWWU Water Main
- AWWU Sewer Main



Municipality of Anchorage
Anchorage Water and Wastewater Utility



People Soft Information:

Name: Sand_Lake_Area_WTR_Phil
 Number: 0000006025-541

Plan Set Information:

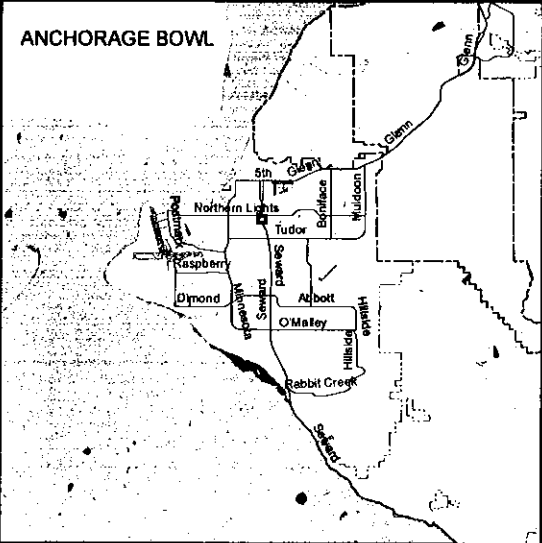
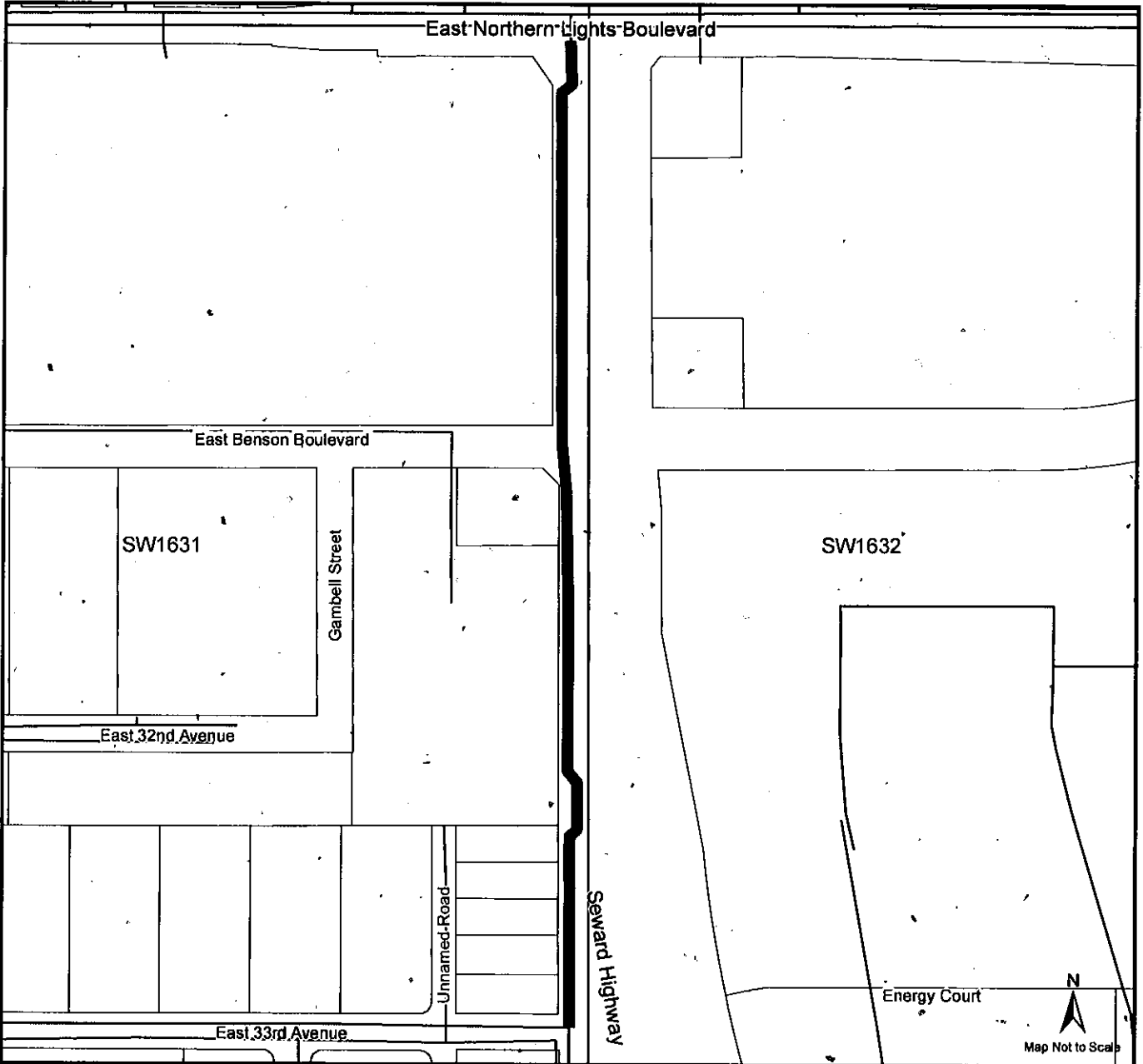
Name: Sand Lake Area Water Phase 2 - West Raspberry Exte
 Number: 9474

Proposed Project

- Water
- Wastewater
- Water
- Wastewater

Existing Infrastructure

- AWWU Water Main
- AWWU Sewer Main



Municipality of Anchorage
Anchorage Water and Wastewater Utility



People Soft Information:

Name: SH_NLB-33rd_Wtr
 Number: 0000005985-541

Plan Set Information:

Name: SH_NLB-33rd_Wtr
 Number: 9468

- | Proposed Project | Existing Infrastructure |
|-------------------|-------------------------|
| ● Water | — AWWU Water Main |
| ● Wastewater | — AWWU Sewer Main |
| ■ Water Pipe | |
| ■ Wastewater Pipe | |

MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 656-2011

Meeting Date: November 22, 2011

1 **From: MAYOR**

2
3 **Subject: AN ORDINANCE OF THE MUNICIPALITY OF ANCHORAGE,**
4 **ALASKA, AUTHORIZING THE BORROWING AND**
5 **ACCEPTING, FROM THE STATE OF ALASKA DRINKING**
6 **WATER FUND, AN AGGREGATE AMOUNT NOT TO EXCEED**
7 **\$18,400,000 FOR THE PURPOSE OF FINANCING A PORTION**
8 **OF THE COSTS OF VARIOUS AWWU 2012 CAPITAL**
9 **IMPROVEMENT BUDGET (CIB) WATER IMPROVEMENTS**
10 **PROJECTS AND PROVIDING FOR RELATED MATTERS**

11
12 The State of Alaska Department of Environmental Conservation offers low-
13 interest loans through the Alaska Drinking Water Fund program to
14 communities for the planning, design, and construction of publicly-owned
15 water capital improvements projects.

16
17 The attached Ordinance authorizes the borrowing and accepting of an
18 amount not to exceed \$18,400,000 to be used specifically for financing a
19 portion of the costs of various AWWU 2012 CIB projects included in the
20 Alaska Drinking Water Fund SFY12 Intended Use Plan.

21
22 At its November 2, 2011 meeting, the AWWU Board of Directors supported
23 this ordinance.

24
25 **THE ADMINISTRATION CONCURS WITH THE AWWU BOARD**
26 **RECOMMENDATION AND REQUESTS APPROVAL OF THIS**
27 **ORDINANCE AUTHORIZING THE BORROWING AND ACCEPTING,**
28 **FROM THE STATE OF ALASKA DRINKING WATER FUND, AN**
29 **AGGREGATE AMOUNT NOT TO EXCEED \$18,400,000 FOR THE**
30 **PURPOSE OF FINANCING A PORTION OF THE COSTS OF VARIOUS**
31 **AWWU 2012 CAPITAL IMPROVEMENT BUDGET (CIB) WATER**
32 **IMPROVEMENTS PROJECTS.**

33
34 Prepared by: Anchorage Water and Wastewater Utility
35 Recommended by: Craig R. Woolard, Ph.D., P.E., General Manager,
36 AWWU
37 Concur: Dennis A. Wheeler, Municipal Attorney
38 Concur: George J. Vakalis, Municipal Manager
39 Respectfully submitted: Daniel A. Sullivan, Mayor