



KENAI PENINSULA BOROUGH

Major Projects Division

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**JOHN J. WILLIAMS
BOROUGH MAYOR**

MEMORANDUM

TO: Grace Merkes, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: John J. Williams, Borough Mayor
Craig Chapman, Finance Director

FROM: Kevin Lyon, Major Projects Director
Gary Davis, Roads Director

DATE: May 8, 2008

SUBJECT: Ordinance 2007-19-50, Appropriating \$1,000,000 in FY2009 Grant Funds Received from the State of Alaska, Department of Commerce, Community and Economic Development for the Keystone Drive Road Improvement Project

Over the past several years the assembly has appropriated \$6,391,964 in Federal grants, \$325,080 in State grants, and \$111,679 of Road Service Area match funds for the Keystone Drive road improvement project. This totals \$6,828,723 in project funds.

This project, which has been scheduled to go to bid this spring, was being managed by the major projects department.

The State of Alaska, Department of Transportation (DOT) has notified the Borough that DOT will take over the construction phase of this project. The Borough administration has tried to maintain management of this project with limited success. Further negotiations with DOT would increase delays and prohibit the ability to achieve construction this season and therefore jeopardize the project.

One of the impacts of turning this project over to DOT is that with DOT requirements regarding contingencies and its 15 percent administrative costs, the funding required to construct this project has increased to approximately \$7,800,000. Furthermore, DOT is requiring that prior to bidding the project, the Borough must provide an additional \$1,000,000 to make up the difference in what was previously appropriated and what DOT is now estimating the project to cost.

As part of the FY2009 State of Alaska Capital Budget, \$8,400,000 is designated for appropriation to the Borough for road capital projects. The borough administration is requesting that \$1,000,000 of that appropriation be set aside for the Keystone Drive road capital improvement project and made available to DOT.