

## **MEMORANDUM**

**TO:** Grace Merkes, Assembly President  
Members of the Kenai Peninsula Borough Assembly

**THRU:** John J. Williams, Mayor

**FROM:** Craig Chapman, Finance Director

**DATE:** August 7, 2008

**SUBJECT:** Assembly Ordinance 2008-19-15 Moose Range Meadows South Subdivision  
Utility Special Assessment Fund

With passage of the Resolution of Necessity through Resolution 2008-066, the next step in the USAD process is assembly consideration of the appropriating ordinance. The attached ordinance appropriates the estimated project costs and authorizes an interfund loan from the General Fund to finance the USAD.

The total cost of the gas line project is estimated at \$367,694.73. This includes direct cost of \$353,505.00 and indirect administrative cost of \$14,189.73. Funding for the project will be provided through an interfund loan from the Borough General Fund. The loan will be repaid through 10 annual assessments levied on property located within the USAD. Billings will include an interest charge equal to the published prime rate in effect at the time of the loan plus 2%. The prime rate is currently 5.00%. If it remains unchanged through project completion, residents of the USAD will be charged an interest rate of 7.00% (5.00% + 2%). This is the same formula used to determine the rate of interest on the interfund loans used to finance the other USAD projects. Early payments can be made without penalty.

The next step will be a Resolution to Proceed, which will be introduced for assembly action at the October 14, 2008 meeting. Construction of the natural gas line is scheduled to begin this fall, 2008.

If for any reason the USAD is not formed, the loan will not be made and the General Fund will absorb any administrative costs that exceed the \$1,000 filing fee received with the petition.