



# KENAI PENINSULA BOROUGH

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## MEMORANDUM

JOHN J. WILLIAMS  
MAYOR

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

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

Agenda Item N.4

**FROM:** Craig Chapman, Finance Director *C Chapman*  
Colette Thompson, Borough Attorney *CT*  
Scott Walden, Emergency Management Coordinator  
Kevin Lyon, Capital Projects Director

Committee Finance

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**DATE:** September 15, 2008

**SUBJECT:** Explanation and proposed amendments to Ordinance 2008-19-18, accepting and appropriating a grant of \$1,369,125 and appropriating a local match of \$456,375 for conducting a voluntary buyout program in the Old Mill Subdivision in the Seward area

During the assembly committee meetings and regular meeting of September 2, 2008, several questions were raised regarding the use of borough funds and allowed in-kind services as the local match for the \$1,369,125 grant appropriated in this ordinance.

1. QUESTION: Is there a letter from the government notifying us of this award?  
ANSWER: Attached is an email from Rodney Everett, the district conservationist for the Natural Resources Conservation Service ("NRCS"), United States Department of Agriculture. In it, he explains that the federal government does not issue a formal letter notifying sponsors of the award, and it will not release internal emails. However, he clarifies that the NRCS has been authorized to enter into an agreement with the Kenai Peninsula Borough for the Old Mill project and that it will provide the KPB with funding of \$1,369,125 subject to the KPB 25 percent match of \$456,375.

2. QUESTION: What rules govern the borough's match? ANSWER: The federal regulations governing the local match for this program are found at 7 CFR Chapter 624. Within that chapter Section 624.6(a)(2) provides:

(2) Sponsors must:

(i) Contribute their share of the project costs, as determined by NRCS, by providing funds or certain services necessary to undertake the activity.

Contributions that may be applied towards the sponsor's applicable cost-share of construction costs include:

(A) Cash;

(B) In-kind services such as labor, equipment, design, surveys, contract administration and construction inspection, and other services as determined by the State Conservationist; or

(C) A combination of cash and in-kind services;

(ii) Obtain any necessary real property rights, water rights, and regulatory permits; and

(iii) Agree to provide for any required operation and maintenance of the completed emergency measures.

3. QUESTION: What in-kind matches are allowed? ANSWER: Mr. Everett has indicated that specific allowed in-kind matches will be negotiated and spelled out in the next agreement, called the project agreement. This is the agreement identified in Section 2 of Ordinance 2008-19-18 and must be entered before further steps may be taken in this project. Responding to some specific questions as to allowed in-kind matches:

- a. Most past administrative services are probably not allowable for the in-kind match. That said, some past services will be allowed to the extent that they are directly related to the project and resulted in work that will continue to be used for the project. For example, work done by the DOT hydrologist in 2007 may be included if it was used as a basis for requesting the project or prioritizing the property to be bought.
- b. DEC costs of retiring septic tanks may be covered to the extent that this is a State legal requirement.
- c. Travel to and from the area for people working on the project would be covered.
- d. The cost of special equipment used to handle the project would be covered.
- e. Administrative costs incurred to negotiate contracts with the individual property owners would be covered.
- f. Appraisals and the cost of selecting appraisers would be covered.

Federal funds can only be spent concurrently with the local match in this program. To the extent that the borough does not come up with the local match, the agreement will be terminated.

Please note also that the parties expect the project agreement to supersede the cooperative agreement that is in the packet. It will provide for a greater period to complete the project.

A question also was raised regarding the appraised value of the property to be purchased. According to the federal government, the property is appraised taking into account its location. If there has been a recent flood, the appraisal might not take into account all damage from that flood provided the owner is in the process of repairing that damage. This provision also is subject to negotiation and agreement with the borough.