



KENAI PENINSULA BOROUGH

144 North Binkley Street • Soldotna, Alaska 99669-7520

Toll-free within the Borough: 1-800-478-4441

PHONE: (907) 262-4441 • FAX: (907) 262-1892

www.borough.kenai.ak.us

DAVE CAREY
BOROUGH MAYOR

MEMORANDUM

TO: Milli Martin, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: David R. Carey, Mayor *DR Carey*

FROM: Craig Chapman, Finance Director *C Chapman*

DATE: August 6, 2009

SUBJECT: Ordinance 2009-19- 02, appropriating \$300,000 for design and development of cell #2 at the Central Peninsula Landfill

Background

At the October 1, 2002, regular borough election, borough voters passed Proposition #2, approving the issuance of up to \$12,000,000 in general obligation bonds for the purpose of paying the costs of planning, designing, site preparation, constructing and equipping a regional solid waste facility located near Soldotna within the Kenai Peninsula Borough. As mentioned in the memo to the assembly dated June 24, 2002, that accompanied Ordinance 2002-26, there would be two separate bond sales. The first sale would occur in 2003 and would provide funding for construction of cell #1 and other related improvements. The second bond sale was expected to occur in 2008 and would provide funding for construction of cell #2 and other related improvements. As noted in the memo, each landfill cell would have a useful capacity of approximately five years, so a new lined cell will need to be planned and constructed approximately every five years for the next 30 to 50 years, which is the estimated site life. The bonds as proposed authorize sufficient bond authority to fund two landfill cells, or ten years worth of improvements.

Bonds in the amount of \$7,040,000 were issued in 2003. The scope of work for phase I included: Cell #1 excavation & construction, landfill gas collection piping, a mechanical building, an emergency generator, and a leachate holding tank, lagoon, loading station, and recirculation system. Construction of Cell #1 was completed and put into service in 2005.

Current Status

Cell #1 is expected to reach its design capacity in 2011 and a new cell, cell #2, must be developed.

FINANCE DEPARTMENT FUNDS VERIFIED \$300,000	
ACT #	<u>100.27900 FB</u>
BY:	<u>CBW</u> DATE: <u>8/6/09</u>

The authorized but unissued bond amount of \$4,960,000 is expected to be used as follows for developing cell #2 and other related improvements:

Cell #2 Design and Development	\$ 300,000
Cell #2 Construction	\$4,150,000
Other related improvements	<u>\$ 510,000</u>
Total	<u>\$4,960,000</u>

There are currently a number of options available to the borough in terms of bond financing. Traditionally, the borough has issued tax-exempt bonds through the Alaska Bond Bank. As part of its stimulus package, the federal government authorized the Taxable Build America Bond program. This is a new program started in February 2009 that allows municipalities to issue taxable bonds with the federal government paying 35 to 45 percent of the interest, which then makes the net cost comparable to tax-exempt bonds. The borough is currently working with the bond bank to determine which option best fits the borough; we are expecting this to be resolved no later than the end of September.

Because of this unknown, it is possible the bond proceeds might not be available until late 2009. In order to have the construction of cell #2 start in the spring of 2010, the solid waste department needs to start the design process earlier than the bond proceeds will be available. The attached ordinance would appropriate funds from the general fund for transfer to the Solid Waste Capital Project Fund to start the design and development of cell #2. The General Fund could then be reimbursed from bond proceeds when they become available.