



MEMORANDUM

DATE: February 24, 2025
TO: Chair Hughes - Skandijs and Public Works and Facilities Committee
FROM: Denise Koch, Engineering and Public Works Director
SUBJECT: Resolution for Phase 1 HESCO Barrier Project Clean Water State Revolving Fund (SRF) Loan

The CBJ Engineering and Public Works Department seeks Assembly authorization for and acceptance of up to \$7,830,000 in financial assistance in the form of a Clean Water Nonpoint Source Loan from the Alaska Department of Environmental Conservation (ADEC) [State Revolving Fund](#) (SRF) to fund the Phase 1 HESCO barrier project and associated costs. The loan would include a 50% subsidy (forgiveness).

The estimated cost of Phase 1 is up to \$7,830,000, with \$4,698,000 (60%) to be borne by the CBJ and \$3,132,000 (40%) to be borne by the properties within the LID boundary and any costs over \$7.83M to be borne by the CBJ, subject to Assembly appropriation. To pay for these costs, CBJ appropriated \$2,000,000 in Restricted Budget Reserve, with the balance of the estimated \$4,698,000 of CBJ's 60% cost responsibility to be appropriated from the general fund.

ADEC is offering a Clean Water Nonpoint Source loan program with 50% in loan forgiveness for designated disadvantaged communities - a designation that includes communities with a federally declared disaster. If awarded, the finance rate for the \$7,830,000¹ loan would be determined by the to-be-decided repayment terms (either 5 years or 10 years) and the bond market rate published on the day the department signs the agreement time in conformance with State regulations (18 AAC 76). For context, the finance rate for a 5-year loan term is estimated to be 1.73% (1.23% interest plus 0.5% admin fee), and the estimated 10-year finance rate is 2.25% (1.78% plus 0.5% admin fee). The interest rate for Central Treasury loans fluctuates but has been in the 4.28% to 4.78% range recently. Interest accrual begins one year from the date of the first disbursement and there is no penalty for early repayment. A subsidy will be applied at 50% for each disbursement.

For CBJ to apply for the Clean Water Nonpoint Source SRF loan, the Assembly must pass a resolution to (1) authorize the SRF loan application process, and (2) authorize a designated representative of the local government to execute the loan agreement. If awarded, an appropriating ordinance will be required to receive loan disbursements. The Assembly will need to decide in the future (i.e. during the finalization of the assessment roll or during the process to appropriate the loan funds) to determine the allocation of the loan forgiveness between CBJ and property owners.

Action Requested

Staff request a resolution be forwarded to the full Assembly for adoption, which authorizes the City Manager to 1.) apply to the Alaska Department of Environmental Conservation (ADEC) for a loan not to exceed \$7,830,000 from the SRF for the Juneau Barrier Phase 1 Project, and 2.) execute the loan agreement.

¹ With 50% of loan funds disbursed forgiven, CBJ's responsibility for the remaining 50% would be \$3,915,000