

ORDINANCE NO. 6256, AS AMENDED

AN ORDINANCE TO PRESENT TO THE QUALIFIED VOTERS OF THE CITY OF FAIRBANKS THE QUESTION OF WHETHER TO RATIFY A PASS-THROUGH LOAN FROM THE ALASKA CLEAN WATER FUND TO GOLDEN HEART UTILITIES FOR UP TO \$8.2 MILLION FOR BIOSOLIDS INCINERATION REMEDIAION PILOT TESTING, GRIT REMOVAL, AND ULTRAVIOLET DISINFECTION AT THE CITY-OWNED WASTEWATER TREATMENT FACILITY

WHEREAS, in 1997 the City sold its utility system to a consortium of buyers in exchange for \$87.5 million in cash, payoff of \$47.6 million in utility debt, and other consideration; of the total proceeds, the City received \$2 million cash from the water/wastewater purchasers; and

WHEREAS, since the sale, the Peger Road Wastewater Treatment Plant has been operated by Golden Heart Utilities ("GHU") under the terms of a lease-purchase agreement paying \$33,075 per month to the City Permanent Fund; to date, the City has received over \$10 million in lease payments; and

WHEREAS, GHU has not exercised its option to purchase the treatment plant, opting to continue leasing the facility from the City; and

WHEREAS, as owner of the Wastewater Treatment Plant, the City is eligible to borrow money at a low interest rate (1.5%) from the Alaska Clean Water Fund ("ACWF"), a fund administered by the State of Alaska Department of Environmental Conservation, to assist eligible recipients in wastewater treatment; and

WHEREAS, the biosolids ~~incineration~~remediation pilot testing project will provide a fit-for-purpose technology designed to thermally treat wastewater biosolids (\$1.5 million), the grit removal project will support ultraviolet treatment (\$1.7 million), and the ultraviolet disinfection project will ensure compliance with permitted levels of residual chlorine (\$5.0 million) at the wastewater treatment plant; and

WHEREAS, the total cost of these projects is \$8.2 million, and the City is eligible to borrow from the ACWF, with a repayment period of 20 years and an interest rate of 1.5%; and

WHEREAS, loan proceeds would be passed through to GHU, and GHU would be responsible for repayment of the loan; and

WHEREAS, all costs incurred by GHU during the construction of the project will be submitted to the City for approval and payment; and

WHEREAS, the City and GHU will enter into an agreement whereby GHU will provide assurances and remedies to protect the City from having to repay the loan; as

part of the agreement, GHU would pay a loan origination fee of 0.5% of the actual loan amount to the City at loan inception, pay the full cost of City employee wages and overhead for time spent administering loans and grants, provide an annual financial audit as required by the City, and obtain a loan repayment guarantee from GHU's parent company, Fairbanks Sewer and Water, Inc.; and

WHEREAS, using funds from a low interest loan from the ACWF will reduce the total cost of the project and will ultimately be a benefit to GHU's rate payers; and

WHEREAS, ratification of this ordinance by qualified city voters is required by Article IX, Section 9 of the Alaska Constitution.

NOW, THEREFORE, BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF FAIRBANKS, ALASKA, as follows:

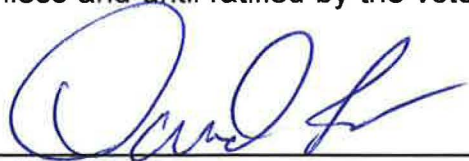
SECTION 1. The Mayor is hereby authorized to:

(a) execute any documents necessary to apply for and accept loans through the Alaska Clean Water Fund for up to \$8.2 million for the Wastewater Treatment Plant Biosolids ~~Incineration~~**Remediation** Pilot **Testing** Project, Grit Removal Project, and Ultraviolet Disinfection Project; and

(b) enter into an agreement with Golden Heart Utilities regarding the terms and conditions for repayment of the loan.

SECTION 2. The City Clerk is directed to place the attached Proposition A on the ballot for ratification by the voters of the City of Fairbanks at the 2023 regular election.

SECTION 3. This Ordinance, enacted by the Fairbanks City Council on the 14th day of August 2023, does not become effective unless and until ratified by the voters of the City of Fairbanks.




David Pruhs, Mayor

AYES: Tidwell, Cleworth, Marney, Ringstad, Sprinkle, Rogers
NAYS: None
ABSENT: None
ADOPTED: August 14, 2023

ATTEST:

APPROVED AS TO FORM:


D. Danyielle Snider, MMC, City Clerk
Thomas A. Chard II, City Attorney

Proposition A:

INFORMATION: In 1997, the City sold its utility system to a consortium of buyers in exchange for \$87.5 million in cash, payoff of \$47.6 million in utility debt, and other consideration. Of the total proceeds, the City received \$2 million from the water/wastewater purchasers. As part of the overall utility sale, the Peger Road Wastewater Treatment Plant has been operated by Golden Heart Utilities (“GHU”) subject to a lease-purchase agreement paying \$33,075 per month to the City Permanent Fund. GHU has not exercised its option to purchase the treatment plant, opting to continue leasing the facility from the City. Over \$10 million has been received in lease payments to date.

The City is eligible to borrow funds from the Alaska Clean Water Fund at 1.5% interest and proposes to borrow up to \$8.2 million for a biosolids ~~incineration~~remediation pilot testing project to provide a fit-for-purpose technology designed to thermally treat wastewater biosolids (\$1.5 million), for a grit removal project to support ultraviolet treatment (\$1.7 million), and for an ultraviolet disinfection project to ensure compliance with permitted levels of residual chlorine (\$5.0 million) at the wastewater treatment plant. GHU has agreed to repay this loan and interest in full, plus pay the City a 0.5% loan origination fee and other costs. GHU estimates that ratepayers will see an increase of approximately 2.63% to pay for this project. If GHU were to use conventional financing sources instead of using funds secured by the City, the increase would be approximately 5.92%.

QUESTION: Should City of Fairbanks Ordinance No. 6256 be ratified?

A “YES” vote ratifies Ordinance No. 6256, which authorizes the Mayor to enter into agreements with the State of Alaska and Golden Heart Utilities (GHU) to borrow up to \$8.2 million at 1.5% interest from the Alaska Clean Water Fund for Projects at the Peger Road Wastewater Treatment Plant, with GHU to pay in full all principal, interest, and fees.

A “NO” vote rejects Ordinance No. 6256.

YES _____

NO _____