

**CITY OF UNALASKA
UNALASKA, ALASKA**

RESOLUTION 2017-11

A RESOLUTION APPROVING THE RETURN OF THE APPROXIMATELY \$6.5 MILLION OF FEDERAL HIGHWAY FUNDS EARMARKED FOR THE UNALASKA MARINE CENTER

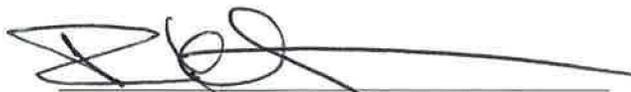
WHEREAS, the City Council has discussed at length the delays and resulting costs of State administrative oversight for the Unalaska Marine Center (UMC) Project; and

WHEREAS, such oversight by the State Department of Transportation will result in significantly reduced construction funding for the UMC Project; and

WHEREAS, management will seek full funding for the UMC Project through the Alaska Bond Bank;

NOW THEREFORE, BE IT RESOLVED, that the Unalaska City Council agrees to return the Federal Highway Funds.

PASSED AND ADOPTED BY A DULY CONSTITUTED QUORUM OF THE CITY COUNCIL OF THE CITY UNALASKA THIS 14TH DAY OF FEBRUARY 2017.


HON FRANK KELTY
Mayor

ATTEST:


ROXANNA WINTERS
Acting City Clerk



MEMORANDUM TO COUNCIL

TO: MAYOR AND CITY COUNCIL MEMBERS
FROM: DAVID MARTINSON, CITY MANAGER
DATE: FEBRUARY 14, 2017
RE: RETURN FEDERAL HIGHWAY FUNDS

SUMMARY: This memo provides information previously discussed during several council meetings regarding the use for the nearly \$6.5M in federal highway funds for construction of the UMC project.

PREVIOUS COUNCIL ACTION: The City Council approved the redirecting the \$6.5M in Federal Highway Funds to the UMC in summer 2016.

BACKGROUND: The Federal Highway Funds are earmark funds from Senator Stevens several years ago. The original earmark funding was for a dock project. There have been several changes to the use of the funds until summer 2016. Council was given the option of redirecting the funding to the UMC project or for paving. The Council chose to redirect the funds to offset the cost of the UMC project. Subsequent to the decision the State DOT, in November 2017, indicated they must provide administrative oversight of the project due to the use of the federal funds. This process has been adopted by the State to ensure projects using Federal funding follow all Federal guidelines. If any Federal guidelines are missed the State is liable for paying back the funds. The State indicated the cost of their administration of the project is roughly 10% of the total project cost, \$4.5M. The use of Federal funding also, according to the State, requires a supplemental environmental analysis be performed. The supplemental EA can delay the project by 5-18 Months. While the State believes the delay will be closer to 5-7 months there is concern whether their estimate is accurate. History indicates the EA will take longer to accomplish. The Federal Highway Funds must be executing fully by the end of Fiscal Year 2019 and if not they will be lost.

DISCUSSION: Given the risk of time and the significantly reduced construction value of the funding, staff believes we are better off returning the funding to the Federal Government. The cost savings in time and the ability to go to bid without the buy American act requirements may in fact save more funding than we would get for construction.

ALTERNATIVES: Council can choose to continue with the use of the Federal Highway Funds. If Council chooses to do so, it is at the risk of increased costs and time delays. Time delays could impact the timing of funds execution which may result if the loss of the Federal funds thereby costing the City additional money.

FINANCIAL IMPLICATIONS: Financial implications are a potential for a slight increase in cost to the City. That slight increase in cost is less impactful than the State having administrative oversight of our project here in Unalaska.

LEGAL: None.

STAFF RECOMMENDATION: Approve the attached resolution.