

CITY OF UNALASKA
UNALASKA, ALASKA

ORDINANCE 2020-13

CREATING BUDGET AMENDMENT #1 TO THE FISCAL YEAR 2021 BUDGET, RECOGNIZING CARES ACT REVENUE OF \$7,976,175 AND INCREASING COVID-19 RELATED BUDGETED EXPENDITURES BY \$7,976,175 IN THE CARES ACT SPECIAL REVENUE FUND AND INCREASING THE WATER FUND OPERATING BUDGET FOR TRANSFERS TO CAPITAL PROJECTS AND THE PROJECT BUDGET FOR THE PYRAMID WATER TREATMENT PLANT INLINE MICROTURBINES BY \$159,735.

BE IT ENACTED BY THE UNALASKA CITY COUNCIL

Section 1. Classification: This is a non-code ordinance.
Section 2. Effective Date: This ordinance becomes effective upon adoption.
Section 3. Content: The City of Unalaska FY21 Budget is amended as follows:

A. That the following sums of money are hereby accepted and the following sums of money are hereby authorized for expenditure.

B. The following are the changes by account line item:

Amendment No. 1 to Ordinance #2020-10

	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
I. OPERATING BUDGETS			
A. Governmental Funds			
Sources:			
CARES Act Special Revenue Fund - Grant revenue	\$ 5,477,777	\$ 7,976,175	\$ 13,453,952
Uses:			
CARES Act Special Revenue Fund - COVID-19 expenditures	\$ 5,477,777	\$ 7,976,175	\$ 13,453,952
B. Proprietary Funds			
Sources:			
Water Fund - Budgeted Use of Unrestricted Net Position	\$ 993,058	\$ 159,735	\$ 1,152,793
Uses:			
Water Fund - Transfers to Water Capital Projects	\$ 100,000	\$ 159,735	\$ 259,735
II. CAPITAL BUDGETS			
A. Public Utilities - Project Budgets			
Sources			
Transfer in from Water Operating	\$ 2,052,284	\$ 159,735	\$ 2,212,019
Uses			
Pyramid Water Treatment Microturbines Project	2,052,284	159,735	\$ 2,212,019

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on July 28, 2020.


Dennis M. Robinson
Vice Mayor

ATTEST:


Marjie Veeder, CMC
City Clerk



City of Unalaska
Summary of Budget Amendment and Schedule of Proposed Accounts
Budget Amendment 1 to the FY21 Budget

- 1) CARES Act Special Revenue Fund - Operating Budget
 Add \$7,976,175 to Federal Grants-Unrestricted revenue to recognize CARES Act grant revenue
 Add \$7,976,175 to operating expenditures in the CARES Act fund to recognize COVID-19 related expenditures of CARES Act funds.
- 2) Water Fund - Operating Budget
 Add \$159,735 to Budgeted Use of Unrestricted Net Position and to Transfers to Capital Projects for Pyramid Water Treatment Microturbines project
- 3) Water Fund Capital Projects Budgets
 Add \$159,735 to Pyramid Water Treatment Microturbines project and to Transfer in From Water Operating

	Org	Object	Project	Current	Requested	Revised
1) CARES Act Fund - Operating Budget						
Sources:						
Federal Grants - Unrestricted	13010041	42310		\$ 5,477,777.00	\$ 7,976,175.01	\$ 13,453,952.01
Uses:						
Community Grants	13020052	58400		\$ -	\$ 4,036,185.60	\$ 4,036,185.60
EM002 - COVID-19 Emergency Protective Measures						
Salaries and Wages	13020051	51100	EM002	\$ 186,401.46	327,013.00	\$ 513,414.46
Temporary Employees	13020051	51200	EM002	\$ 2,899.34	2,685.00	\$ 5,584.34
Overtime	13020051	51300	EM002	\$ 4,699.78	5,562.00	\$ 10,261.78
Health Insurance Benefit	13020051	52100	EM002	\$ 37,851.44	75,703.00	\$ 113,554.44
FICA/Medicare Employer Match	13020051	52200	EM002	\$ 14,673.68	25,647.00	\$ 40,320.68
PERS Employer Benefit	13020051	52300	EM002	\$ 37,817.24	66,488.00	\$ 104,305.24
Unemployment Ins Benefit	13020051	52400	EM002	\$ 837.72	1,582.00	\$ 2,419.72
Workers Compensation Ins	13020051	52500	EM002	\$ 3,027.11	6,056.00	\$ 9,083.11
Other Employee Benefits	13020051	52900	EM002	\$ 70.90	104.00	\$ 174.90
Legal	13020052	53230	EM002	\$ 63,352.00	100,000.00	\$ 163,352.00
Other Professional	13020052	53300	EM002	\$ 364,003.00	100,000.00	\$ 464,003.00
Water / Sewerage	13020052	54110	EM002	\$ 500.00	3,000.00	\$ 3,500.00
Solid Waste	13020052	54210	EM002	\$ 500.00	3,000.00	\$ 3,500.00
Custodial Services/Supplies	13020052	54230	EM002	\$ 275.00	0.00	\$ 275.00
General Insurance	13020052	55200	EM002	\$ 20,000.00	0.00	\$ 20,000.00
Telephone / Fax / TV	13020052	55310	EM002	\$ 800.00	0.00	\$ 800.00
Network / Internet	13020052	55320	EM002	\$ 20,434.00	115,000.00	\$ 135,434.00
General Supplies	13020052	56100	EM002	\$ 397,000.00	500,000.00	\$ 897,000.00
Computer Hardware / Software	13020052	56150	EM002	\$ 2,000.00	318,100.00	\$ 320,100.00
Electricity	13020052	56220	EM002	\$ 2,000.00	12,000.00	\$ 14,000.00
Heating Oil	13020052	56240	EM002	\$ 800.00	4,800.00	\$ 5,600.00
Food/Bev/Related Emp Apprctn	13020052	56330	EM002	\$ 3,500.00	0.00	\$ 3,500.00
Other	13020052	55999	EM002	\$ 2,605,786.55	1,783,805.40	\$ 4,389,591.95
Community Grants	13020052	58400	EM002	\$ 500,000.00	0.00	\$ 500,000.00
EM004- Stay at Home Personnel						
Salaries and Wages	13020051	51100	EM004	\$ 743,414.73	\$ 170,844.00	\$ 914,258.73
Health Insurance Benefit	13020051	52100	EM004	\$ 228,281.73	\$ 11,277.00	\$ 239,558.73
FICA/Medicare Employer Match	13020051	52200	EM004	\$ 56,871.39	\$ 13,071.00	\$ 69,942.39
PERS Employer Benefit	13020051	52300	EM004	\$ 157,790.01	\$ 35,886.00	\$ 193,676.01
Unemployment Ins Benefit	13020051	52400	EM004	\$ 6,158.57	\$ 1,026.00	\$ 7,184.57
Workers Compensation Ins	13020051	52500	EM004	\$ 13,755.73	\$ 12,000.00	\$ 25,755.73
Other Employee Benefits	13020051	52900	EM004	\$ 2,275.63	\$ 618.00	\$ 2,893.63

FFCRA Accrual Tables

	<u>Org</u>	<u>Object</u>	<u>Project</u>	<u>Current</u>	<u>Requested</u>	<u>Revised</u>
Salaries and Wages	13020051	51100		\$ -	\$ 170,844.00	\$ 170,844.00
Health Insurance Benefit	13020051	52100		\$ -	\$ 11,277.00	\$ 11,277.00
FICA/Medicare Employer Match	13020051	52200		\$ -	\$ 13,071.00	\$ 13,071.00
PERS Employer Benefit	13020051	52300		\$ -	\$ 35,886.00	\$ 35,886.00
Unemployment Ins Benefit	13020051	52400		\$ -	\$ 1,026.00	\$ 1,026.00
Workers Compensation Ins	13020051	52500		\$ -	\$ 12,000.00	\$ 12,000.00
Other Employee Benefits	13020051	52900		\$ -	\$ 618.00	\$ 618.00

3) Water Proprietary Fund

Sources:

Budgeted Use of Unrestricted Net Position	51015549	49910		\$ 993,058.00	\$ 159,735.00	\$ 1,152,793.00
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Uses:

Transfers to Enterprise Capital Projects	51029854	59940		\$ 100,000.00	\$ 159,735.00	\$ 259,735.00
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4) Water Fund - Capital Project Budgets

Sources:

Pyramid Water Treatment Microturbines Transfers From Proprietary Operating	51119848	49130	WA17C	\$ 2,052,284.00	\$ 159,735.00	\$ 2,212,019.00
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Uses:

Pyramid Water Treatment Microturbines						
Engineering and Architectural	51125553	53240	WA17C	\$ 330,700.00	\$ 74,735.00	\$ 405,435.00
Other Professional Services	51125553	53300	WA17C	\$ -	\$ 85,000.00	\$ 85,000.00
Construction Services	51125553	54500	WA17C	\$ 1,400,213.00	\$ (5,716.00)	\$ 1,394,497.00
Telephone/Fax/TV	51125553	55310	WA17C	\$ 1,500.00	\$ -	\$ 1,500.00
Advertising	51125553	55901	WA17C	\$ 1,439.00	\$ -	\$ 1,439.00
Contingency	51125553	55912	WA17C	\$ 44,747.00	\$ 5,716.00	\$ 50,463.00
Machinery & Equipment	51125553	57400	WA17C	\$ 273,685.00	\$ -	\$ 273,685.00

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Erin Reinders, City Manager
Date: July 14, 2020
Re: Ordinance 2020-13: Creating budget amendment #1 to the fiscal year 2021 budget, recognizing CARES Act revenue of \$7,976,175 and increasing COVID-19 related budgeted expenditures by \$7,976,175 in the CARES Act special revenue fund and providing \$159,735 in additional monies to fully fund the Construction Phase of the Pyramid Water Treatment Plant Inline Micro Turbine Project.

SUMMARY: This ordinance addresses both the CARES Act funding and the Micro Turbine Project.

CARES Act - This ordinance will increase the budget for the multi-year CARES Act special revenue fund by the amount of grant revenue we anticipate receiving during fiscal year 2021 and the associated planned expenditures.

Micro Turbine Project - This budget amendment request seeks Council's approval to transfer \$159,735.00 in Water Proprietary Fund Revenue into MUNIS Project WA17C, the Pyramid Water Treatment Plant Inline Micro Turbines Project, in order to fund engineering, professional services and construction that will allow the successful project completion.

PREVIOUS COUNCIL ACTION:

CARES Act - On May 26, 2020 council adopted Resolution 2020-37, authorizing the city manager to sign a grant agreement with the State of Alaska Department of Commerce, Community, and Economic Development and accepting coronavirus relief funds in the amount of \$13,453,952 for costs that are for necessary expenditures incurred due to the public health emergency with respect to the coronavirus disease 2019 (COVID-19).

Concurrent with this ordinance council is considering Ordinance 2020-12, creating amendment #10 to the fiscal year 2020 budget, recognizing CARES Act revenue of \$5,477,777 and increasing COVID-19 related budgeted expenditures by \$5,477,777 in the CARES Act special revenue fund.

Micro Turbine Project - Council funded the Pyramid Water Treatment Plant design and construction in 2010-2014, which included additional space in the process bay for eventual accommodation of the Pyramid Water Treatment Plant Inline Micro Turbine Project. Council provided \$50,000 from Water Proprietary Revenue to create the current project in FY2017 CMMP Ordinance 2016-12, adopted on May 24, 2016. On March 12, 2019 by Resolution 2019-12, Council approved the award of the Phase II (scoping, 15% design, and equipment manufacturer selection) to Rentricity, Inc. Council further approved \$2,052,284 in funding for phase III (complete bid package preparation, permitting, and construction) and phase IV (hydro turbine generator installation & commissioning) via Ordinance 2019-09 on September 10, 2019.

BACKGROUND:

CARES Act - On June 4, 2020, the City received \$5,477,777 from the Alaska DCCED, which was the first of 3 anticipated distributions of federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) money passed through the state of Alaska to Unalaska. The city must expend at least 80% of each distribution before the following distribution will be sent.

An amendment to the FY 2020 budget currently being considered by council will create a \$5,477,777 budget in the CARES Act special revenue fund for the grant money received during FY 2020 and the expenditures associated with those funds.

The \$7,976,175 in CARES Act grant revenue expected during FY21 and associated expenditures are the subject of this amendment to the FY 2021 budget. Creating two separate budget amendments is strongly recommended because of the way that Munis treats the amounts budgeted in multi-year funds during the transition period between fiscal years.

Communities receiving these payments are required to certify compliance with federal guidance regarding expenditures of CARES Act funds. Communities will be required to reimburse the state for any misspent funds.

The budget included with the proposed amendment differs from the allocations included in Resolution 2020-47 presented to Council at tonight's Council meeting as it includes the full allotment of grant funds for local businesses and not-for-profits, which will be disbursed during FY 2021.

Micro Turbine Project - Upon completion of this project, two hydro turbine generators (micro turbines) will be installed in the Pyramid Water Treatment Plant which utilize available excess water pressure to produce electricity. Currently, pressure reducing valves are used to dissipate this excess energy. The electricity generated through this project is planned to be utilized to offset electricity demand within the Pyramid Water Treatment Plant as well as to provide excess electricity to the City of Unalaska electrical grid. This project has an estimated payback period of 10.5 years and four-fold investment return over the expected life of the hydro turbine generators.

Staff let a Request for Qualifications to perform the Phase II work of Scoping, 15% Design, and Equipment Manufacturer Selection. Rentricity, Inc. was selected to perform these services. Rentricity, Inc. was also selected to prepare the project bid package and assist in equipment procurement and assist with permitting in Phase III. The essential equipment for this project (hydro turbine generators and electrical control panels) has been ordered and is currently being manufactured. Bids for construction were solicited and on May 28, 2020 five bids were opened. Industrial Resources Inc. (IRI) had the low bid in the amount of \$1,394,497.

DISCUSSION:

CARES Act - The city has been informed that they are eligible to receive up to \$13,453,952 in CARES Act funds during the grant period. The funds may only be used for expenses that are incurred between March 1 and December 30, 2020. Since the grant period spans the City's fiscal year a special revenue fund with a multi-year budget was created. This will allow the City to appropriately track and report grant revenues and expenditures.

This amendment to the FY 2021 budget captures the anticipated grant revenue expected during the first half of FY 2021 and the associated expenditures. Creating two separate budget

amendments is strongly recommended because of the way that Munis treats the amounts budgeted in multi-year funds during the transition period between fiscal years.

While staff has established a spending plan associated with CARES Act monies and prepared the budget in a manner that will minimize the need to approach Council in the future with multiple budget amendments, due to budgetary controls within the City's accounting system, staff anticipates presenting at least one additional budget amendment for administrative purposes. That budget amendment will redistribute budget amounts to align with spending.

Micro Turbine Project - The low bid is \$151,413 more than the construction cost estimate. This amount represents slightly less than 11% of the low bid amount. Given all the change that has occurred in the past year since the construction estimate was prepared, it is not surprising that the construction is more expensive than estimated. However, since the difference between the lowest bid and the third lowest bid is less than 3%, it is evident that the low bid represents a fair price for the construction of this project in the current construction environment.

The proposed budget amendment includes \$50,463 (less than 4% of the construction budget) for contingency. It is very important to retain adequate contingency in order to avoid project delays. Should additional funding be needed, valuable time would be lost seeking Council approval and the two reading time-frame of a Budget Amendment. The construction for this project is extremely time sensitive. The whole construction time period is limited to 45 days between April 15, 2021 and June 1, 2021. This construction window was chosen because water demand during this period is low enough such that when the Pyramid Water Treatment Plant is shut down during construction water demand can be met by the drinking water wells in the valley. The Pyramid Water Treatment Plant will be shut down up to three times for a period of no greater than 5 days during the construction window. If unforeseeable issues arise during construction that require Council approved additional funds it would be very difficult to avoid extending completion until the next possible construction window in October-December of 2021. This delay would not only delay project completion but also increase costs that the City would be responsible for.

This budget amendment would also provide \$8,322 in funding for engineering and professional services required for project completion. The resources required to finalize the bid package were more than expected, however, in-house engineering staff will take on more responsibility for inspection and on-site technical assistance which has reduced the outside engineering resources required. The requested amount reflects the difference between the additional design effort and the engineering savings during construction.

If the requested budget amendment is approved, staff will prepare the construction contract with the low bidder to be approved by the Council.

ALTERNATIVES:

CARES Act

1. Council can approve the budget amendment as proposed
2. Council can alter the amounts included in the amendment and approve
3. Council can choose to delay adoption of the amendment to a future date

Micro Turbine Project

Council could decide not to approve the requested budget amendment in its entirety which would essentially stop progress on the project. It would be possible to re-bid the project out at a later time (1-2 years) when the bidding environment might be better. The risk would be that the bidding

environment might not be more advantageous than it is currently and the future cost only increases meanwhile the City is not reaping the benefit of the generated electricity.

Council could decide to remove the \$50,463 of contingency funds that are part of this requested budget amendment. Any change orders during construction that require additional funds would then be requested on an emergency basis in an emergency Council meeting in an effort to avoid construction delays that would delay project completion and increase project cost.

FINANCIAL IMPLICATIONS:

CARES Act - The proposed amendment will appropriate funds to be used for grants to local businesses and not-for-profits as well as for the City’s continued response and prevention measures.

Micro Turbine Project - The project budget was \$2,052,284. Staff requests an additional \$159,735 for construction and additional engineering and other professional services to be able to successfully complete this project. The proposed revised budget and request for the project is set forth below:

MUNIS PROJECT WA17C - PYRAMID WTP MICRO TURBINES PROJECT							
DESC	BUDGET	EXPENSED	ENCUMBERED	PENDING ENCUMBRANCES	AVAILABLE BUDGET	THIS REQUEST	PROPOSED REVISED BUDGET
Engineering & Architectural	\$ 330,700	\$ 254,300	\$ 56,235	\$ -	\$ 20,165	\$ 74,735	\$ 405,435
Other Professional	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,000	\$ 85,000
Construction Services	\$ 1,400,213	\$ -	\$ -	\$ 1,394,497	\$ 5,716	\$ (5,716)	\$ 1,394,497
Telephone / Fax / TV	\$ 1,500	\$ 316	\$ -	\$ -	\$ 1,184	\$ -	\$ 1,500
Advertising	\$ 1,439	\$ 712	\$ 727	\$ -	\$ -	\$ -	\$ 1,439
Contingency	\$ 44,747	\$ -	\$ -	\$ -	\$ 44,747	\$ 5,716	\$ 50,463
Machinery and Equipment	\$ 273,685	\$ -	\$ 273,685	\$ -	\$ -	\$ -	\$ 273,685
	\$ 2,052,284	\$ 255,328	\$ 330,647	\$ 1,394,497	\$ 71,812	\$ 159,735	\$ 2,212,019

LEGAL: Not Applicable

STAFF RECOMMENDATION: Staff recommends Council adopt Ordinance 2020-13 to allow for future CARES Act spending and to fund construction and additional engineering and other professional services to be able to successfully complete this project that adds to the City’s renewable energy portfolio and provides a return on investment.

PROPOSED MOTION: I move to schedule Ordinance 2020-13 for second reading and public hearing on July 28, 2020.

CITY MANAGER COMMENTS: I support staff’s recommendation.

ATTACHMENTS: None