

CITY & BOROUGH OF WRANGELL

Office of the Borough Manager

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February 22nd, 2024

To the United States Department of Transportation RAISE Program Staff:

I am writing this letter to convey the City and Borough of Wrangell's financial position as it relates to our application for the 2024 RAISE grant program. As you are aware, the Borough is applying for the Wrangell Harbor Basin Replacement project that has a total project cost estimate of \$28,417,116. In a recent resolution (RES No. 02-24-1841) passed by the Borough Assembly on February 13th, 2024, the Borough Assembly has committed to addressing the nonfederal project cost commitment for the Wrangell Harbor Basin project through an Alaska Municipal Bond Bank Authority (AMBAA) revenue bond issuance. While the Borough does not demonstrate the capacity to fund the total project cost of \$28,417,116 alone, it is my intention to assure the RAISE grant program staff that the Borough is financially capable of addressing any cost overruns with Port and Harbor reserves and/or revenue bond proceeds.

With respect to Port and Harbor reserves, the Borough had \$3.996M as of January 31st, 2024, in unrestricted fund balance available to cover unforeseen project cost overruns. While there are other competing needs, this project remains of high priority to the Borough and our reserve levels demonstrate a keen ability to address committed and unanticipated costs to complete the Wrangell Harbor Basin replacement project.

In the event that reserves are insufficient to address additional project costs incurred, the Borough demonstrates the financial capacity to achieve a revenue bond to accommodate excess project expenditures. In the latest fiscal period ended June 30, 2023, the Borough's Port and Harbor fund earned net income from operations in the amount of \$782,514. A bond in the amount of \$3.417M (representative of the nonfederal commitment required to achieve the total funds commensurate to the project cost estimate) would result in a projected debt service of \$189,324 over 30 years. Under these circumstances the Borough would demonstrate a debt service coverage ratio (DSCR) of 4.13. As such, the Borough would have a DSCR greater than AMBAA's benchmark of 1.25. Said differently, the Borough demonstrates a strong financial capacity to address the total nonfederal project commitment of \$3.417M for the Wrangell Harbor Basin project through means of obtaining a revenue bond.

Additionally, completion of the proposed project would welcome higher revenue levels as the Borough intends to redesign the harbor to better suit the needs of the region. More stalls with a higher occupancy level in our Harbors would further increase net income to address a future debt service corresponding to a revenue bond.

The Borough and the Wrangell Community at large, are in dire need of the Department of Transportation's assistance in developing the Wrangell Harbor Basin Replacement project, and it is my hope that the RAISE grant program staff clearly sees that our financial position remains strong in order to complete a funded project. If there are any financial questions that arise throughout the application evaluation process, please do not hesitate to contact me via email at mfvillarma@wrangell.com or contact me directly at (907) 874-2381.

Sincerely,

Mason F. Villarma

Mason F. Villarma
Interim Borough Manager & Finance Director
City and Borough of Wrangell, AK

CITY AND BOROUGH OF WRANGELL, ALASKA

RESOLUTION No. 02-24-1841

A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA AUTHORIZING PARTICIPATION IN THE U.S. DEPARTMENT OF TRANSPORTATION REBUILDING AMERICAN INFRASTRUCTURE WITH SUSTAINABILITY AND EQUITY (RAISE) GRANT PROGRAM AND COMMITTING FUNDS FOR PROJECT COSTS THAT EXCEED \$25,000,000 AND PROJECT COST OVERRUNS FOR THE WRANGELL HARBOR BASIN REVITALIZATION & TRANSPORTATION RESILIENCY PROJECT

WHEREAS, the City and Borough of Wrangell has the legal authority to apply for, receive, and administer federal, state and other monies through Home Rule power under the Constitution of the State of Alaska regarding expenditure of federal aid to public agencies; and

WHEREAS, after appropriate public input and due consideration, the Wrangell Borough Assembly recommends that an application be submitted to the U.S. Department of Transportation for the Wrangell Harbor Basin Revitalization & Transportation Resiliency project; and

WHEREAS, the City and Borough of Wrangell is requesting design and construction grant funds from the Rebuilding American Infrastructure with Sustainability and Equity (RAISE) grant funding for the Wrangell Harbor Basin Revitalization & Transportation Resiliency project under the FY2024 Appropriations Act; and

WHEREAS, engineering services for conceptual project deliverables and environmental permitting requirements will be used to strengthen our upcoming RAISE grant application for design and construction of these facilities; and

WHEREAS, the total project cost is estimated at \$30,000,000, and the federal funding request to support the capital expenditures of the project is expected to have a value of approximately \$25,000,000; and

WHEREAS, the Wrangell Municipal Code, Article VI. Borrowing, Section 6-3 Revenue Bonds, etc. provides that construction, reconstruction, and improvement activities can be financed through the issuance of revenue bonds from an enterprise fund—like the Port and Harbors fund—for which the principal and interest is paid and secured by the revenues of the respective fund. The same section provides that an election is not required, but rather, approval by the Borough Assembly is needed to authorize the issuance and sale of revenue bonds; and

WHEREAS, the Assembly of the City and Borough of Wrangell therefore desires to issue Revenue Bonds from the Port and Harbor fund, with a maximum principal amount of \$5,000,000, to pay or reimburse the non-federal cost share of the Wrangell Harbor Basin Revitalization & Transportation Resiliency project for project costs expected to exceed the \$25,000,000 federal funding request; and

WHEREAS, the City and Borough of Wrangell's Port and Harbor fund currently demonstrates the capacity to accommodate a debt service related to a \$5,000,000 Revenue Bond in the existing

interest rate environment, and if this ability is affected in future fiscal years, the Borough Assembly is committed to increasing rates commensurate to the need of maintaining a debt-service coverage ratio of 1.25 or greater.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA, that:

Section 1: The Assembly of the City and Borough of Wrangell does hereby authorize the Borough Manager of the City and Borough of Wrangell, or their Designee, to submit an application to the U.S. Department of Transportation for the Wrangell Harbor Basin Revitalization & Transportation Resiliency project under the RAISE grant program, on behalf of the citizens of the City and Borough of Wrangell.

Section2: The City and Borough of Wrangell shall be authorized to issue Port and Harbor Revenue Bonds, with a maximum principal amount of \$5,000,000, to pay or reimburse the non-federal cost share of the Wrangell Harbor Basin Revitalization & Transportation Resiliency project for project costs expected to exceed the \$25,000,000 federal funding request.

Section 3: The City and Borough of Wrangell assures the U.S. Department of Transportation that sufficient funding for the operation and maintenance of the Wrangell Harbor Basin Revitalization & Transportation Resiliency project will be available for the life of the project.

Section 4: The City and Borough of Wrangell hereby assures the U.S. Department of Transportation that the Borough has the financial capacity and is committed to covering any cost overruns, should they occur.

Section 5: The Borough Manager of the City and Borough of Wrangell, or their Designee, is authorized to sign the application to the U.S. Department of Transportation RAISE Grants program application on behalf of the citizens of the City and Borough of Wrangell. The Borough Manager, or their Designee, is also authorized to submit additional information as may be required and act as the official representative of the City and Borough of Wrangell in this and subsequent related activities.

Section 6: The City and Borough of Wrangell hereby assures the U.S. Department of Transportation that the City and Borough of Wrangell is willing and able, if the Wrangell Harbor Basin Revitalization & Transportation Resiliency project is selected for funding; to administer the designing, solicitation letting and construction of the Wrangell Harbor Basin Revitalization & Transportation Resiliency project.

PASSED AND APPROVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF WRANGELL, ALASKA this 13th day of February 2024.

CITY & BOROUGH OF WRANGELL, ALASKA

Patricia Gilbert

Patricia Gilbert, Borough Mayor

ATTEST:

Kim Lane
Kim Lane, Borough Clerk

