





CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Amy Ainslie, Interim Public Works Director
Michael Harmon, Municipal Engineer 

Date: November 19, 2024

Subject: **Supplemental Appropriation**
Marine Haul Out and Shipyard Project #90931

Background

The Gary Paxton Industrial Park (GPIP) Board and CBS staff have been working toward the construction of a vessel haul-out and shipyard. Since acquiring the GPIP properties in 2000, various development concepts have been studied. CBS secured most of the funding for the haul-out facility through a public vote on October 4, 2022, amounting to approximately \$8.18 million, as well as a Denali Commission grant of \$1 million in July 2023 for the purchase of a boat hoist. Recently, the Assembly voted on the first reading to add \$336,475 received from the Pacific States Marine Fisheries Commission (PSMFC) to the project.

The GPIP Board has held several public meetings since the public vote to discuss and develop a Project Charter outlining the project's goals and scope of work for Phase 1 of the haul-out development. The Project Charter cover sheet (attached) summarizes the current scope and budget for the project.

The current design includes a 150-ton vessel lift and other components necessary for the haul-out operation. Additionally, the design has the ability to expand the facility to accommodate a 300-ton vessel lift in the future, which was chosen over the addition of a permanent concrete washdown pad.

The project is ready to commence construction as soon as the environmental permits are approved, which is anticipated by November 22 or sooner. Unfortunately, this is significantly later than the expected start date of October 15, despite CBS's efforts to submit the environmental permit applications as early as January to avoid delays in construction.

More information about the GPIP Vessel Haul Out Development Project can be found at the following link:

<https://www.cityofsitka.com/departments/PublicWorks/GPIPHaulOut>

Analysis

The project has encountered unforeseen cost escalations, primarily due to the discovery of unexpectedly deep bedrock in comparison to the shallower conditions at the nearby multipurpose dock site. Additionally, the bids received for subcontractor work were higher than anticipated, despite efforts to solicit competitive quotes from multiple contractors. In response to these challenges, the CBS staff have implemented value engineering adjustments aimed at maintaining the original project scope within the tight budget. However, the financial landscape remains precarious, as there is currently zero contingency allocated for the construction phase.

It is generally considered best practice for all projects to carry a 10% contingency fund going into construction to address unforeseen expenses. In this case, the project operates under a fixed-price contract, which does help mitigate the risk of cost overruns during construction to some extent. Nevertheless, it does not completely eliminate that risk. By utilizing the Construction Manager at Risk (CMAR) delivery method, we may have a bit more confidence in reducing the contingency level to 5%, which translates to approximately \$350,000. There are several potential issues that could arise during construction, such as encountering underground logs while driving piles or facing unexpected environmental permitting requirements.

While it is feasible to transfer some of this risk to the contractor and include such uncertainties in the fixed contract price, doing so would increase the negotiated contractor price by about 5%. Retaining these contingency funds allows CBS to manage their allocation throughout the project, with any unspent amounts potentially earmarked for other critical needs, such as constructing a concrete washdown pad. If these funds were instead used to secure a fixed-price agreement, the contractor would retain any surplus regardless of actual need. However, an inherent risk remains—there is the possibility that costs could exceed the estimated \$350,000 in unforeseen expenses.

In addition to establishing a prudent contingency fund, the GPIP Board has made a formal request for additional funds to incorporate a concrete washdown pad into the project's scope. This feature was originally eliminated to prioritize the construction of a pier capable of supporting a substantial 300-ton lift, as per the approved Charter. Yet, there is a strong argument for adding this element back into the project now, as it would likely be more costly to implement later and significantly enhances operational efficiency. The concrete washdown pad proposed by the GPIP Board is designed to accommodate vessels weighing up to 150 tons and includes provisions for heating the pad in the future.

Adding heating infrastructure for the washdown pad would add approximately \$100,000 to the overall expenditure, but it's deemed a crucial improvement by operators. Given that Sitka experiences an average of 68 days each year with temperatures dropping below freezing—and considering GPIP's colder climate—there's a higher likelihood that the pad

won't thaw during the day. This could restrict the ability to haul and wash boats on those days if the wash water cannot drain properly into the treatment system.

If we need to further reduce the project scope to cover either the essential contingency costs or the addition of the concrete washdown pad, it could result in a non-operational haul-out that fails to comply with federal operational requirements. Currently, the only areas left for potential cuts are in rock removal and drainage treatment. However, further reduction in rock excavation could jeopardize access to the park area, making it impassable for the boat hoist, or could lower the work site below the floodplain.

Fiscal Note

The GPIIP Board approved a request to appropriate additional funds for contingency and a heated concrete washdown pad during their October 7th meeting (see attached meeting minutes). The total additional funding needed is \$850,000. Staff identified the following funding sources:

-Fisheries Disaster Funds (PSMFC)	\$336,475 (first reading of supplemental appropriation for this funding was 11/12/2024)
-GPIIP Working Capital	\$350,000 (if needed for contingency)
-General Fund Working Capital	\$163,525
Total	\$850,000
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Total new appropriation	\$513,525

Available working capital balances as of 6/30/2024:

- GPIIP Fund Working Capital \$572,910
- General Fund unassigned fund balance \$7,856,510

See attached 6/30/2024 interim financial statements for GPIIP fund.

Recommendation

Approve the appropriation request in accordance with the GPIIP Board recommendation.

Encl:

- GPIIP Board October 7th Draft Meeting Minutes
- Marine Vessel Haul Out Project Charter Coversheet
- 6/30/2024 interim financial statements for GPIIP fund

Gary Paxton Industrial Park – Board of Directors Meeting

November 7, 2024 3:00 pm

Room 3, Centennial Hall



A. CALL TO ORDER: The Chair, Scott Wagner, called the meeting to order at 3:00 pm

B. ROLL CALL

Members Present: Scott Wagner, Mike Johnson, Chad Goeden, Casey Campbell, Lauren Mitchell

Members Absent: None

Staff Present: Garry White

City Representatives: John Leach, Michael Harmon

Others Present: Members of the public

C. Review of Minutes – July 18, 2024

Motion: M/S Mitchell/Mitchell to approve the minutes of July 18, 2024

Action: Motion Passed 5/0 on a voice vote

D. Correspondence & Other Information- None

E. Changes/Additions/ Deletions to Agenda- None

F. Reports – None

G. Persons to Be Heard- None

H. Unfinished Business –

DRAFT

1. GPIIP Haul Out Project Update

Mr. White discussed the project is currently delayed because of environmental permits. He explained, this is out of CBS control, they submitted permits back in January as soon as the plan was approved. By federal code NOAA has 135 days to move permits forward and it is not operating within that timeframe. He explained, this is frustrating because there are multiple levels of review and each level can be paused as they request additional information so it is taking longer then 135 days. At this time we are expecting more information on the status of the permit at the end of November. CBS is working daily to keep this process moving forward.

The city will likely be getting \$336, 475 in fishery disaster funds which we may be able to apply to this project. We could apply this to the hydronic heating washdown pads which are budgeted at \$500,000 and are not currently in the approved project budget but could be added. The remaining \$163, 575 would need to be requested from the general fund. Mr. White suggested the board consider requesting these from the assembly.

Motion: M/S Mitchell/Goeden Motion to utilize the undesignated working capital GPIIP fund for the contingency fund, as well as the fishery disaster funds from CBS to be used for the haul out washdown pad and an additional \$163,525 from the general fund to complete the rest of the funding needed for the concrete pad.

Action: Passed (5/0) on a roll call vote.

Motion: M/S Campbell/ Mitchell Motion to open up a public discussion specifically regarding the benefits or not of adding hydronic heat to the wash down pad.

This was opened up to the public to comment, specifically the cost benefit of added hydronic heat. The general comments were that operating the travel lift under a certain temperature is tough on the hydraulics anyways, so would we really need it. Mr. White explained the reason to add it in the general scope early on was because the folks from the Wrangell haul out said they wished they had that and it was a limiting feature on their haul out. Mrs. Mitchell wondered if adding a boiler would be helpful for anything else or would it just be for the haul out. Mr. Harmon also suggested it is helpful for safety concerns, slip and fall issues while operating are equally worth discussing, he noted. The board decided they did not need to take action at this time and can continue discussing in the future as the project moves forward.

Mr. White let everyone know that unfortunately GPIIP was not granted the Denali Commission funds requested for electricity on the project but will continue to look for funding opportunities.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2024-29
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA MAKING SUPPLEMENTAL
APPROPRIATIONS FOR FISCAL YEAR 2025
(Marine Vessel Haul Out and Shipyard Project)

BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to make a supplemental Capital appropriation for FY2025.

4. **ENACTMENT.** In accordance with Section 11.10 (a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriation for the budget period beginning July 1, 2024 and ending June 30, 2025.

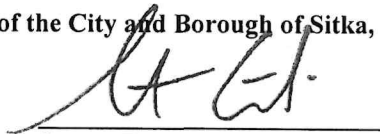
<u>FISCAL YEAR 2025 EXPENDITURE BUDGETS</u>
GPIP CAPITAL PROJECT FUND
Fund 780– Marine Vessel Haul Out and Shipyard Project #90931: Increase the appropriation by \$350,000 funded from the GPIP Working Capital and \$163,525 funded form the General Fund Working Capital.

EXPLANATION

The Marine Vessel Haul Out and Shipyard Project needs additional funding for both contingency and to complete a heated washdown pad. This funding, along with a recent supplemental appropriation of \$336,475 will cover those costs.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 17th day of December 2024.


Steven Eisenbeisz, Mayor

ATTEST:


Sara Peterson, MMC
Municipal Clerk

1st reading: 11/26/24
2nd and final reading: 12/17/24

Sponsor: Administrator