April 15, 2008

The Honorable Mark Begich
Mayor
Municipality of Anchorage
P.O. Box 196650
Anchorage, AK 99503-3898

Dear Mayor Begich:

Grant Offer: South Fork Chester Creek Channel Restoration (#13072)

In accordance with AS 46.03.030, the Department of Environmental Conservation (Department) is pleased to offer the Municipality of Anchorage (Grantee) a grant of funds not to exceed $1,000,000. This grant will prevent further water quality impacts by replacing and relocating the creek crossing at Muldoon and Debarr Road, and restoring approximately 1,500 feet of the South Fork of Chester Creek.

This grant will be administered by the Department using funds which were included in the State fiscal year 2008 capital budget bill (SB 53) allocation for this project.

This offer is expressly conditioned upon the Grantee accepting the offer and agreeing to comply with the terms and limitations contained herein, in 2 AAC 45.010 (enclosed), in 18 AAC 73 (enclosed), and is based upon estimated eligible project costs as itemized below:

<table>
<thead>
<tr>
<th></th>
<th>Total Estimated Eligible Project Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Engineering Design</td>
<td>270,000</td>
</tr>
<tr>
<td>2. Construction</td>
<td>1,730,000</td>
</tr>
<tr>
<td>3. Total Estimated Eligible Costs</td>
<td>2,000,000</td>
</tr>
<tr>
<td>4. State Grant</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

Adjustment of expenditures within the budgeted cost items is allowed, however, if actual project costs exceed the total estimated eligible costs, a revised grant application must be submitted before additional funding can be committed. If actual project costs are less than the estimated costs, the grant will be reduced to the extent necessary to comply with the percentage limitation set forth in this offer.
Grant payments will be made when expenses have been incurred and documentation has been provided to the Department along with the payment request form, unless a payment schedule is established as a special condition of this grant. Payments will normally be made monthly, but no more frequently than twice per month. All requests for payment must be submitted on the enclosed Request for Payment form.

GENERAL GRANT CONDITIONS

1. **Plan Approval:** The Grantee agrees to obtain plan and specification approval from the Department in accordance with 18 AAC 73.020 prior to issuing a Notice to Proceed with Construction to a contractor.

2. **Contract Award and Contractor Bonding Requirements:**
   
   a. The Grantee agrees to bid construction contracts exceeding $50,000. Adequate time (not less than 30 days) shall be allowed between the date of formal advertisement and the date the bids must be submitted.

   b. The Grantee agrees to submit procedures for award of construction contracts of less than $50,000 to the Department for prior approval when means other than the competitive bidding process are proposed.

   c. The Grantee must require the contractor to furnish performance and payment bonds in accordance with AS 36.25.010.

   d. If local or federal ordinances or regulations also apply to the contract award or contractor bonding requirements for this project, the most stringent requirements shall apply.

   e. The Grantee agrees to provide the Department with a summary of itemized bid tabulations, a copy of the Notice to Proceed, and a copy of the construction contract.

3. **Change Orders:** The Grantee agrees that all project change orders will be submitted to the Department for approval in accordance with 18 AAC 73.020(e).

4. **Project Completion:** The Grantee agrees to provide sufficient local funding to match State and federal grant assistance and to ensure the completion of a properly functioning project in accordance with 18 AAC 73.020(j).

5. **Operation and Maintenance:** The Grantee agrees to operate and maintain the completed project.

6. **Titles and Easements:** the Grantee agrees to obtain all titles and easements necessary to provide clear title or authority to construct and maintain the proposed project.
7. **Eligibility:** The Grantee acknowledges that disbursement of progress payments by the State does not constitute acceptance of any item as an eligible project cost until all project costs are audited and determined to be eligible. Ineligible project costs must be included in the final audit report.

8. **Inspection:** The Grantee agrees to allow, at any reasonable time, Department inspection of all project work and audit of related records and data for which this grant is offered.

9. **Records:** The Grantee agrees to maintain project accounts and records which verify the grant eligibility of project expenditures. These accounts and records shall be kept apart from non-grant eligible local records and from those records maintained for the purpose of other State or federal grant programs involved in the project.

10. **Progress Reports:** The Grantee agrees to submit periodic progress reports on the proposed project with each payment request.

11. **Americans with Disabilities Act:** The Grantee must certify that projects and services provided under this grant are made available to the general public in compliance with the Americans with Disabilities Act of 1990.

12. **Discrimination:** The Grantee agrees to administer this grant in a non-discriminatory manner. No person shall be discriminated against based on race, religion, color, national origin, gender or disability.

13. **Damages:** The Grantee shall hold and save the Department, its officers, agents, and employees harmless from liability of any kind, including costs and expenses, for or on account of any and all suits or damages of any nature, sustained by any person or persons or property, by virtue of performance of the grantee, or any person or entity acting in place of or for the Grantee for this project.

14. **Grant Cancellation:** The Grantee acknowledges the right of the Department to rescind this grant and seek recovery of payments already made if the Grantee has provided incorrect or misleading information to the Department or if a grant condition contained herein or in 18 AAC 73 is violated. This grant offer may be terminated at any time it is in the best interest of the State to do so.

**SPECIAL GRANT CONDITIONS**

None.

Please carefully review this grant offer, the related grant conditions, and the enclosed regulations. If satisfactory, sign and return the original, along with a formal resolution accepting the grant enacted by the Anchorage Municipal Assembly.
In the resolution the Grantee must agree to accept responsibility to operate and maintain the proposed water utility improvements and agree to the terms and conditions of this grant offer.

Acceptance of the grant is required within six months to prevent revocation of the offer. No progress payments can be made until this grant offer is signed by the Grantee and returned to the Department. Nothing in this offer, whether or not accepted, may be deemed to constitute a contractual obligation on the part of the Department until a resolution of acceptance has been received.

The Department is pleased to offer this assistance to the people of Anchorage.

Sincerely,

[Signature]

Lynn J. Tomich Kent
Director

Enclosures: 2 AAC 45.010
18 AAC 73.010 Construction Grant Project Eligibility Request for Payment

cc: Senator Bill Wielechowski
Representative Bob Roses

Accepted on behalf of the Municipality of Anchorage by:

[Signature]

Michael D. Abbatt
Municipal Manager

Date

7-14-08