

# KODIAK CITY COUNCIL

## PLANNING WORK SESSION AGENDA

Saturday, January 28, 2012

Kodiak Island Fisheries Research Center  
10 a.m.

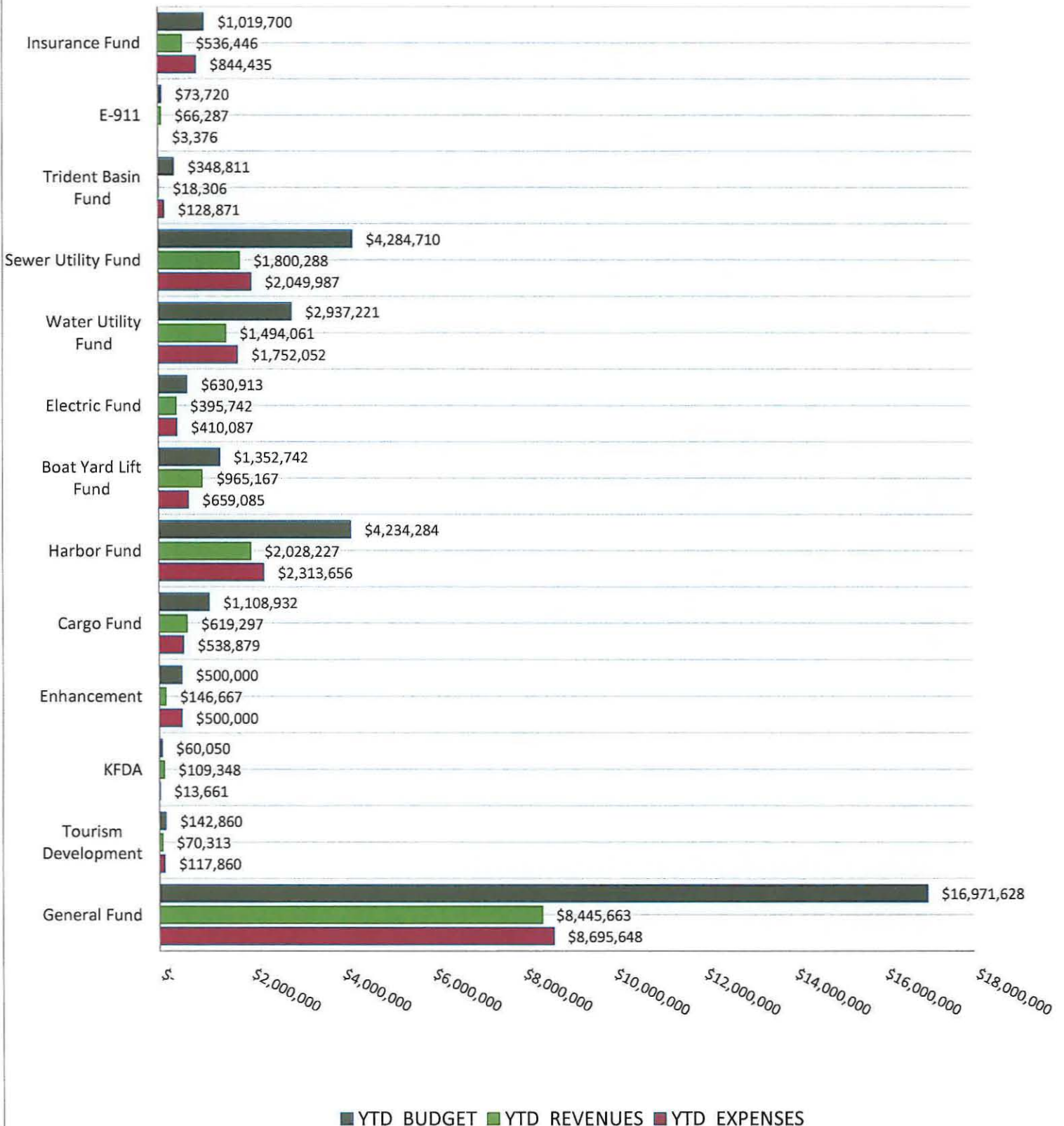
*Planning sessions are extended work sessions of the City Council where Councilmembers discuss policy issues and projects and receive information from staff. Additional items not listed on the planning work session agenda are sometimes discussed when introduced by the Mayor, Council, or staff; no formal action is taken at planning work sessions, and items that require formal Council action are placed on a regular Council meeting agenda. Public comments intended for the "official record" should be made at a regular City Council meeting.*

### Discussion Items

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2. **Organizational/Policy Issues**
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6. **Council Priorities/Tasks for 2012**

**ORGANIZATIONAL/POLICY ISSUES**

# City of Kodiak Year To Date (YTD) Financial Report 1/25/2012



**CITY OF KODIAK - REVENUES & EXPENSES FY 2012**

As of 1/25/2012

Fiscal Calendar 2012  
 GL Account Code And Description All  
 GL Account Code (Multiple Items)

Funds	Amended Budget		Actual Revenues & Expenses		Remaining Balance	
	Revenue	Expenses	Revenue	Expenses	Revenue	Expenses
100 General Fund	16,971,628.00	16,971,628.00	8,445,662.83	8,695,647.95	8,525,965.17	8,275,980.05
001 Revenues	16,971,628.00		8,445,662.83		8,525,965.17	
100 Legislative		315,640.00		75,925.43		239,714.57
110 Executive		372,100.00		177,578.41		194,521.59
120 City Clerk		405,050.00		164,596.94		240,453.06
130 Finance		1,304,050.00		668,694.25		635,355.75
140 Police		6,158,355.00		2,795,530.37		3,362,824.63
150 Fire		1,742,050.00		919,356.20		822,693.80
160 Public Works		2,698,593.00		1,281,657.82		1,416,935.18
165 Engineering		252,620.00		56,119.39		196,500.61
170 Parks & Recreation		1,200,150.00		565,817.91		634,332.09
180 Library		834,320.00		406,190.15		428,129.85
190 Non-Departmental		1,688,700.00		1,584,181.08		104,518.92
251 Tourism Development	142,860.00	142,860.00	70,313.03	117,860.00	72,546.97	25,000.00
001 Revenues	142,860.00		70,313.03		72,546.97	
260 Tourism		142,860.00		117,860.00		25,000.00
254 KFDA	60,050.00	60,050.00	109,348.26	13,660.70	(49,298.26)	46,389.30
001 Revenues	60,050.00		109,348.26		(49,298.26)	
264 KFDA		60,050.00		13,660.70		46,389.30
299 Enhancement Fund	500,000.00	500,000.00	146,667.31	500,000.00	353,332.69	0.00
001 Revenues	500,000.00		146,667.31		353,332.69	
290 Enhancement		500,000.00		500,000.00		0.00
300 General Capital Projects	2,408,730.00	2,408,730.00	16,929.08	106,358.41	2,391,800.92	2,302,371.59
001 Revenues	2,408,730.00		16,929.08		2,391,800.92	
300 General Capital Projects		2,408,730.00		106,358.41		2,302,371.59
301 Street Capital Projects	6,147,232.00	6,147,232.00	1,255,000.00	352,245.75	4,892,232.00	5,794,986.25
001 Revenues	6,147,232.00		1,255,000.00		4,892,232.00	
320 Street Capital Projects		6,147,232.00		352,245.75		5,794,986.25
302 Building Capital Projects	1,516,424.00	1,516,424.00	548,625.82	148,953.47	967,798.18	1,367,470.53
001 Revenues	1,516,424.00		548,625.82		967,798.18	
330 Building Capital Projects		1,516,424.00		148,953.47		1,367,470.53
305 Water Capital Projects	11,095,000.00	11,095,000.00	2,254,862.99	2,388,903.40	8,840,137.01	8,706,096.60
001 Revenues	11,095,000.00		2,254,862.99		8,840,137.01	
340 Water Capital Projects		11,095,000.00		2,388,903.40		8,706,096.60
306 Sewer Capital Projects	1,921,000.00	1,921,000.00	176,948.11	16,414.44	1,744,051.89	1,904,585.56
001 Revenues	1,921,000.00		176,948.11		1,744,051.89	
350 Sewer Capital Projects		1,921,000.00		16,414.44		1,904,585.56
307 Cargo Capital Projects	1,647,700.00	1,647,700.00	281.86	68,493.15	1,647,418.14	1,579,206.85
001 Revenues	1,647,700.00		281.86		1,647,418.14	
360 Cargo Capital Projects		1,647,700.00		68,493.15		1,579,206.85
308 Harbor Capital Projects	1,295,000.00	1,295,000.00	500,452.29	1,512.93	794,547.71	1,293,487.07
001 Revenues	1,295,000.00		500,452.29		794,547.71	
370 Harbor Capital Projects		1,295,000.00		1,512.93		1,293,487.07
309 Parks & Rec Capital Proj	722,094.00	722,094.00	148,586.19	113,586.97	573,507.81	608,507.03
001 Revenues	722,094.00		148,586.19		573,507.81	
380 Parks & Rec Capital Proj		722,094.00		113,586.97		608,507.03
500 Cargo Fund	1,108,932.00	1,108,932.00	619,297.32	538,879.40	489,634.68	570,052.60
001 Revenues	1,108,932.00		619,297.32		489,634.68	

**CITY OF KODIAK - REVENUES & EXPENSES FY 2012**

As of 1/25/2012

Fiscal Calendar 2012  
 GL Account Code And Description All  
 GL Account Code (Multiple Items)

Funds	Amended Budget		Actual Revenues & Expenses		Remaining Balance	
	Revenue	Expenses	Revenue	Expenses	Revenue	Expenses
<b>510 Cargo Terminal</b>		<b>1,108,932.00</b>		<b>538,879.40</b>		<b>570,052.60</b>
100 Administration		380,230.00		199,303.80		180,926.20
195 Interfund Charge		189,212.00		189,212.00		0.00
301 Warehouse		11,000.00		7,548.28		3,451.72
302 Pier II		509,490.00		141,387.13		368,102.87
303 Pier III		19,000.00		1,428.19		17,571.81
<b>510 Boat Harbor Fund</b>	<b>4,234,284.00</b>	<b>4,234,284.00</b>	<b>2,028,227.03</b>	<b>2,313,656.42</b>	<b>2,206,056.97</b>	<b>1,920,627.58</b>
001 Revenues	4,234,284.00		2,028,227.03		2,206,056.97	
<b>520 Boat Harbor</b>		<b>4,234,284.00</b>		<b>2,313,656.42</b>		<b>1,920,627.58</b>
100 Administration		3,262,540.00		1,341,912.42		1,920,627.58
195 Interfund Charge		171,744.00		171,744.00		0.00
198 Transfers		800,000.00		800,000.00		0.00
<b>512 Boat Yard/Lift</b>	<b>1,352,742.00</b>	<b>1,352,742.00</b>	<b>965,166.98</b>	<b>659,084.61</b>	<b>387,575.02</b>	<b>693,657.39</b>
001 Revenues	1,352,742.00		965,166.98		387,575.02	
<b>530 Boat Yard/Lift</b>		<b>1,352,742.00</b>		<b>659,084.61</b>		<b>693,657.39</b>
100 Administration		1,176,160.00		482,502.61		693,657.39
195 Interfund Charge		176,582.00		176,582.00		0.00
<b>515 Electric Utility Fund</b>	<b>630,913.00</b>	<b>630,913.00</b>	<b>395,742.05</b>	<b>410,087.40</b>	<b>235,170.95</b>	<b>220,825.60</b>
001 Revenues	630,913.00		395,742.05		235,170.95	
<b>540 Electric Utility</b>		<b>630,913.00</b>		<b>410,087.40</b>		<b>220,825.60</b>
100 Administration		535,500.00		314,674.40		220,825.60
195 Interfund Charge		95,413.00		95,413.00		0.00
<b>550 Water Utility Fund</b>	<b>2,937,221.00</b>	<b>2,937,221.00</b>	<b>1,494,060.88</b>	<b>1,752,052.06</b>	<b>1,443,160.12</b>	<b>1,185,168.94</b>
001 Revenues	2,937,221.00		1,494,060.88		1,443,160.12	
<b>560 Water Utility</b>		<b>2,937,221.00</b>		<b>1,752,052.06</b>		<b>1,185,168.94</b>
198 Transfers		290,000.00		671,907.00		(381,907.00)
360 Water/Distribution		2,318,321.00		941,695.76		1,376,625.24
365 Water Treatment		328,900.00		138,449.30		190,450.70
<b>570 Sewer Utility Fund</b>	<b>4,284,710.00</b>	<b>4,284,710.00</b>	<b>1,800,287.68</b>	<b>2,049,987.39</b>	<b>2,484,422.32</b>	<b>2,234,722.61</b>
001 Revenues	4,284,710.00		1,800,287.68		2,484,422.32	
<b>580 Sewer Utility</b>		<b>4,284,710.00</b>		<b>2,049,987.39</b>		<b>2,234,722.61</b>
198 Transfers		515,000.00		515,000.00		0.00
380 Sewer/Collection		675,202.00		328,137.09		347,064.91
385 Wastewater Treatment		3,094,508.00		1,206,850.30		1,887,657.70
<b>580 Trident Basin Airport</b>	<b>348,811.00</b>	<b>348,811.00</b>	<b>18,305.97</b>	<b>128,870.96</b>	<b>330,505.03</b>	<b>219,940.04</b>
001 Revenues	348,811.00		18,305.97		330,505.03	
<b>590 Trident Basin Airport</b>		<b>348,811.00</b>		<b>128,870.96</b>		<b>219,940.04</b>
100 Administration		348,811.00		128,870.96		219,940.04
<b>585 E-911 Services</b>	<b>73,720.00</b>	<b>73,720.00</b>	<b>66,287.00</b>	<b>3,376.46</b>	<b>7,433.00</b>	<b>70,343.54</b>
001 Revenues	73,720.00		66,287.00		7,433.00	
<b>595 E-911 Services</b>		<b>73,720.00</b>		<b>3,376.46</b>		<b>70,343.54</b>
100 Administration		73,720.00		3,376.46		70,343.54
<b>780 Insurance Fund</b>	<b>1,019,700.00</b>	<b>1,019,700.00</b>	<b>536,446.22</b>	<b>844,435.10</b>	<b>483,253.78</b>	<b>175,264.90</b>
001 Revenues	1,019,700.00		536,446.22		483,253.78	
<b>790 Insurance Fund</b>		<b>1,019,700.00</b>		<b>844,435.10</b>		<b>175,264.90</b>
100 Administration		1,019,700.00		844,435.10		175,264.90

## Suggested Council Budget Goals for FY13

### Personnel Goals

There will be no increase in the number of employee full-time equivalents (FTEs) of 125.15, providing that revenues remain consistent with FY12 and there are no changes in operational needs.

An analysis of the need, use, costs, and hiring process of the City's use of temporary employees should be completed.

Administration will continue to centralize human resource functions to ensure uniform application of policies and to limit potential liability.

Selected sections of the PR&R will be reviewed and presented to Council for amendments, especially those necessary to implement the recommendations in the Classification and Compensation study.

### General Fund

Council will increase revenues in the General Fund to help offset increases in operating expenses, meet infrastructure needs, and increase the fund balance.

A detailed review of all categories of General Fund expenditures will be conducted in FY13 to identify ways to decrease expenses.

The General Fund will be budgeted without a deficit through appropriations from the fund balance when/if necessary. Council may appropriate additional funds for capital projects.

### Enterprise Funds

The Boat Yard/Boat Lift Fund will reach a breakeven point (not including depreciation) by the third full year of operation in FY2015, including adequate revenues to meet debt payments. The business plan and marketing campaign for services will continue to be refined to capture maximum revenues.

The major enterprise funds will develop long-term plans to include maintenance and repairs, needed facility replacement or expansion, and a schedule for rate reviews.

Ensure adequate revenues are available to continue to maintain and improve Harbor facilities that support fisheries and support sector services and activities.

Enterprise Funds will complete rate studies every 5 years and present them to the City Council for implementation. In FY13, Harbor, Cargo, and Sewer rate studies will be conducted.

### **Operating Expenses**

General Fund operating (non-personnel) expenses for FY13 will be at a level consistent with FY12. Required increases will be justified to the City Manager in writing and presented by department heads to the City Council for final consideration during budget presentations.

A detailed review of all categories of operating (non-personnel) expenses for all departments and funds categories will be conducted for FY13 to identify and implement budget reductions.

Required increases to departmental level operating (non-Personnel) expenses in the General Fund will be justified to the Manager in writing and presented by department heads to the City Council during budget presentations.

Charges for Fees and Services will be reviewed and updated annually to ensure quality service delivery and adequate revenues.

City management will continue to examine ways to reduce or hold the line on expenditures without significant impact to level and quality of services provided to residents.

### **Community Support**

The total amount available to fund non-profit requests will continue to follow the Council established level of funding which is based on 1% of General Fund revenues.

### **Capital**

The City Manager and management staff will finalize a formal 5 year capital improvement plan (CIP) that will identify, prioritize, and plan funding for capital and major maintenance projects, and the City Council will adopt and utilize the planning document. Once complete, the capital budget will link to, and flow from, the multi-year capital improvement plan.

### **Debt Service**

The City will not incur new debt without appropriate analysis to:

- show impacts on rates or taxpayers, or
- ensure proposed capital assets are eligible for debt reimbursement programs, or
- determine if the debt is the result of projects mandated by the state or federal government, or critical life-safety issues.

**Quality of Life**

Provide adequate recreational facilities and programs to community residents through Parks and Recreation and

**Economic Development**

Utilize available local and State resources to maintain a healthy and sustainable economic environment for the City of Kodiak.

DRAFT



**CITY OF KODIAK  
RESOLUTION NUMBER 2011-04**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK APPROVING  
THE CITY COUNCIL'S BUDGET GOALS FOR FY2012**

WHEREAS, budget guidelines help ensure that the City's budget is prepared in a manner consistent with City Council desires; and

WHEREAS, the City Council discussed and selected the list of budget goals at their February 26, 2011, planning work session; and

WHEREAS, management will use the listed budget goals as guidelines when developing the FY2012 budget.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the following budget goals will be used in the development of the City of Kodiak's FY2012 budget:

**Personnel Goals**

There will be no increase in the number of employee full-time equivalents (FTEs) of 125.65, providing that revenues remain consistent with FY2011, and there are no changes in operational needs.

An analysis of the need, use, costs, and hiring process of the City's use of temporary employees should be completed in FY2012.

Administrative steps will continue to be taken to centralize human resource functions to ensure uniform application of policies and to limit liability.

Selected sections of the PR&R will be reviewed and presented to Council for amendments or updates.

**General Fund**

The General Fund will be budgeted without a deficit through appropriations from the fund balance when/if necessary. Council may appropriate additional funds for capital projects.

**Enterprise Funds**

The Boat Yard/Boat Lift Fund will reach a breakeven point (not including depreciation) by the fourth full year of operation in FY2015, including adequate revenues to meet debt payments. The business plan and marketing campaign for services will continue to be developed and refined to capture maximum revenues.

The major enterprise funds will develop long-term plans to include maintenance and repairs, needed facility replacement or expansion, and a schedule for rate reviews.

Maintenance and improvement of Harbor facilities will be continued to support and enhance fisheries and support sector services and activities.

Enterprise Fund rate studies will be completed every five years and presented to the City Council.

### **Operating Expenses**

General Fund operating (non-personnel) expenses for FY2012 will be at a level consistent with FY2011. Required increases will be justified to the City Manager in writing and presented by department heads to the City Council during budget presentations.

Charges for Fees and Services will be reviewed and updated annually to ensure quality service delivery and adequate revenues.

City management will continue to examine ways to reduce or hold the line on expenditures without significant impact to level and quality of services provided to residents.

### **Community Support**

The total amount available to fund non-profit requests will continue to follow the Council established level of funding, which is based on one percent of General Fund revenues.

### **Capital**

The City Manager will work with Council to develop a formal multi-year capital improvement plan (CIP) that will identify, prioritize, and plan funding for capital and major maintenance projects. The capital budget will then link to, and flow from, the multi-year capital improvement plan.

### **Debt Service**

The City will not incur new debt without appropriate analyses that will:

- Show impacts on rates or to taxpayers, or
- Ensure proposed capital assets are eligible for debt reimbursement programs, or
- Determine if the debt is the result of projects mandated by the state or federal government, or reflects critical life-safety issues.

### **Quality of Life**

Provide adequate recreational facilities and programs to community residents through Parks and Recreation and the Library.

### **Economic Development**

Utilize available local and State resources to maintain a healthy and sustainable economic environment for the City of Kodiak.



CITY OF KODIAK

A handwritten signature in cursive script, appearing to read "Jane Lane", is written over a horizontal line.

DEPUTY MAYOR

ATTEST:

A handwritten signature in cursive script, appearing to read "Debra Mander", is written over a horizontal line.

CITY CLERK

Adopted: March 3, 2011

## **ATTENDING**

Mayor Pat Branson; Council members: Charlie Davidson, Terry Haines, John Whiddon; City staff: Aimee Kniazowski, Mary Munk, Debra Marlar; and Consultant/Facilitator: Sarah Barton

## **MATERIALS**

“Setting the Course for the Future”, Council workbook for 1.14.12

## **PURPOSE**

This worksession was organized to respond to the Council's request to develop a Capital Improvement/Assets Management Program for the City of Kodiak. The focus was to review the financial preconditions and the initial list of capital investments required to take care of what the City already has, and to prepare for new facilities to support a thriving future. The agenda included generation and evaluation of different future scenarios, resulting in the setting of policy directions.

## **DISCUSSION**

### ***The City's role and responsibility for the future***

The Council began with a discussion of what it would take for the City of Kodiak to thrive in the future. Key to this was clarification of the City's role to provide public safety and infrastructure for residents and businesses. Resident and Council expectations are not always aligned with the City's role and responsibilities, partly due to the situation of dual City and Borough governments. The Council views its role as leadership to balance the quality of life and economic growth for the future. This requires action and policy addressing both quantitative and qualitative issues, balancing budgets to support the quality of life, and the real assets of the community: the people, the place, the economy and the future.

### ***The City is holding the same discussion as the rest of the country and the globe.***

The budget dilemma of rising costs exceeding revenues is true at all scales, from local governments to the US deficit-spending budget, the collapse of the Euro and depreciation of the US dollar. Government at all levels is called to respond to this gap. No action is one of the riskiest responses. Kodiak is in the same challenging position of balancing budgets, changing demographics, the need for succession planning and diversification of the economy. Global understanding plays a role, as seen in the role of China as fish market for Kodiak. With the growth of the Chinese middle class, the location of low labor costs will be shifting.

### ***The Budget for the City of Kodiak***

The Council reviewed a high level picture of the current organization of the budget, noting the categories of fund sources and fund uses. Operating costs are rising due to city salaries and health insurance, as well as fuel and utility costs, rising interest and the aging fleet of vehicles, equipment and infrastructure. Operating costs are about running the city and taking care of what we have. Capital costs are also rising with the requests to upgrade infrastructure and support community projects like the new library and Baranof Park improvements. The City staff has generated a draft list of required capital investment over the next 5 years. Capital funds are the source of funding for new projects. They come primarily from outside sources like grants, loans and state appropriations, but they have a cost to the City in terms of matching funds, loan repayment and increased operating costs.

**The precondition to a working Capital Improvement Program is a sufficient General Fund Balance.** That is how this worksession came about. The Council recognized the need for a plan to be able to be responsive to the community regarding a rational assets management plan: the need for new facilities, the need to replace aging infrastructure, and the need to take care of what we have.

The General Fund plays a particular role in the City's budget. It is the basic operating fund for the City. There is some flexibility in how these funds can be used as they are not entirely dedicated to specific uses. The General Fund mitigates risks and provides backup for revenue shortfalls, like the Trident Basin and 911. It also holds the operating reserves of 2-6 months operating funds to ensure stable cash flow and continuity of services. It also supports the City in case of natural disaster. The General Fund represents 43.68% of the overall budget. 54% comes from sales taxes. It is the funding that runs the City.

### ***The Dilemma***

General Fund expenses are expected to exceed revenues this year. Typically, the gap has been covered by the General Fund Balance. This is not sustainable as evidenced by the significant drawdown in the capacity of the General Fund. The issue is not just this year, as review of the data from 2007 to 2016 reveals that the trend is not sustainable.

The Water and Sewer Funds do not exhibit the same story, as rates were addressed in the recent rate study, and adjusted to be sustainable. This enterprise supports itself as intended. The Harbor Fund continues to spend more than is generated and will be the subject of an upcoming Council worksession. No funds are being generated to support future infrastructure investment; no rate study has been done; moorage rates have not been increased for about 8 years.

In recognition of the dilemma of rapidly diminishing General Funds, and forecasted increases in operating and capital costs, the Council generated scenarios to evaluate possible future directions.

***Future Scenario 1: No Action, Continue As Is***

This scenario would result in insufficient working capital (2 month minimum reserves) by 2014. As the General Fund would not be replenished, the City would not be able to operate. The staff continues to refine efficiencies, but this is insufficient to counter the trend in revenues. Things would deteriorate if this scenario were followed: physically, financially, socially. People would leave the city and those who stayed would be frustrated at the diminished quality of life. Long-term consequences would be severe. This is comparable to not paying the rent or mortgage that results in eviction. The bottom line for the City: by 2015, people could no longer count on flushing their toilets.

The Council determined that this is not the direction to go, "No Action is not viable". The provision of basic services and infrastructure is essential for the economy and the quality of life. It is not possible to run a household or a City without a predictable fund balance for operations and contingencies. Letting the status quo continue is like saying: "Don't tax me, tax my children."

***Future Scenario 2: The Tart, A Smaller Pie***

Council looked at how to reduce City services and expenditures in a way to balance the budget. This direction would maintain a focus on taking care of what the City has already and not building anything new. It could mean selling the enterprises (travel lift, water utility, etc.) or increasing rates to make them sustainable so that the General Fund is not providing a subsidy. If we look at the Household metaphor, it would mean eating oatmeal and pilot bread so that more money could go to the rent/mortgage. This would have a big impact in quality of life, without being of the right scale to provide financial relief. It is the same with the City: cuts cannot be sufficient to balance the budget, without radically affecting the quality of life. The City needs public safety, water and sewer and port infrastructure to thrive. These are not optional services.

The Council determined that this direction would not solve the problem, though continued attention to efficient delivery of services will continue to be needed.

***Future Scenario 3: Increase Revenues, A Bigger Pie***

Review of the first two scenarios, and the budget forecasts and trends resulted in the Council conclusion that an additional \$3-4M in annual revenues is required to balance the budget, and continue to provide basic services with some investment in capital improvements.

There are four primary tools for increasing revenues at this scale. Council reviewed the pros and cons for each of these tools: increasing sales tax (year round/seasonal); reduction or elimination of the sales tax exemptions; removal or raising of the sales tax cap; and increasing the mill rate.

## COUNCIL DIRECTION

After extensive discussion, Council directed staff to develop a plan to both decrease costs and increase revenues. The plan will address increasing revenues by about \$4M annually with a hybrid approach of sales tax increase, adjustment to the sales tax cap, and reduction in sales tax exemptions.

This direction recognizes that:

- the Council role is leadership for the future of the City;
- revenues must be increased in order to balance the budget;
- sales tax has not increased in over 20 years;
- the mill rate is the primary Borough revenue source used to fund the Borough school district;
- some cities have no tax exemptions except health care (Unalaska, for example); that this issue affects everyone and should be a shared burden;
- all possibilities need to be on the table at this time;
- unification or annexation are not the solution to this problem;
- a formal rate study is needed for the Harbor so that it does not require significant ongoing subsidy through the City's General Fund;
- Council will pursue the potential for boat lift sale along with other options;
- Council and staff will develop a rational and prioritized process for ongoing capital investments;
- Council will work toward 6-month reserves target;
- course-correction is needed now to continue to give the message that "The City of Kodiak is open for business;"
- this is the direction to "get the house in order" and secure a thriving future for the community;
- that without these measures, no one will be able to flush their toilets in 2015.

## NEXT STEPS

1. Council members will brief their colleagues on the worksession and its outcomes.
2. Sarah will prepare a summary of the worksession for use in future communications and planning.
3. Mary Munk and Aimee Kniazowski will prepare a hybrid approach to increasing revenues and decreasing costs. This will provide the basis of future Council discussions and action, and will be presented at the 28 January Annual Planning Session.
4. The Council's Annual Planning Session effort will include development of a timeline for communications to advise and educate the public of this direction to respond responsibly to the need for a balanced budget in light of the impending deficits with the reality of no flushing toilets by 2015.
5. Aimee Kniazowski will research the necessary changes in ordinance and code required to implement changes as determined by the Council. These changes will become part of the FY2013 budget process.
6. The Harbor worksession on 2 February will build on this worksession and the outcomes of the Annual Planning Session of 28 January.
7. Aimee and Mary will continue to develop the procedures and content for the Capital Improvement Program, linking it to the annual budget.
8. Council will take the leadership role in presentations to Rotary, Chamber and other community groups. Terry Haines has the opportunity for radio coverage.
9. Public communications will include a balanced message about cutting costs **and** adding revenues, as well as a clear picture of what the City provides now in terms of services and infrastructure, and a clarification of the City/Borough differences. This might be sent out with the utility bills, or sent home with the kids at school.
10. Public communications will support a core issue: Buy Local, as a means of demonstrating pride in the community and intentionally personally investing in the future.
11. Public messages and community introduction to the proposed changes will acknowledge the personal efforts of the Council meeting in weekend worksessions to do the hard work required for informed policy; that the changes affect everyone in the community; that we do not want to tax our children due to our lack of foresight; that this is a proactive measure led by the Council; that this is what it takes to be a well-planned City open for business; that this is doing the right thing; that the City will have flush toilets in 2015.



# SALES TAX OPTIONS

## CITY OF KODIAK

This graph shows the maximum amount that would be charged per transaction if the Sales Tax Cap was set at \$750, \$1,500, \$3,000, \$6,000 or No Sales Tax Cap. The chart below lists the maximum payment per tax cap amount.

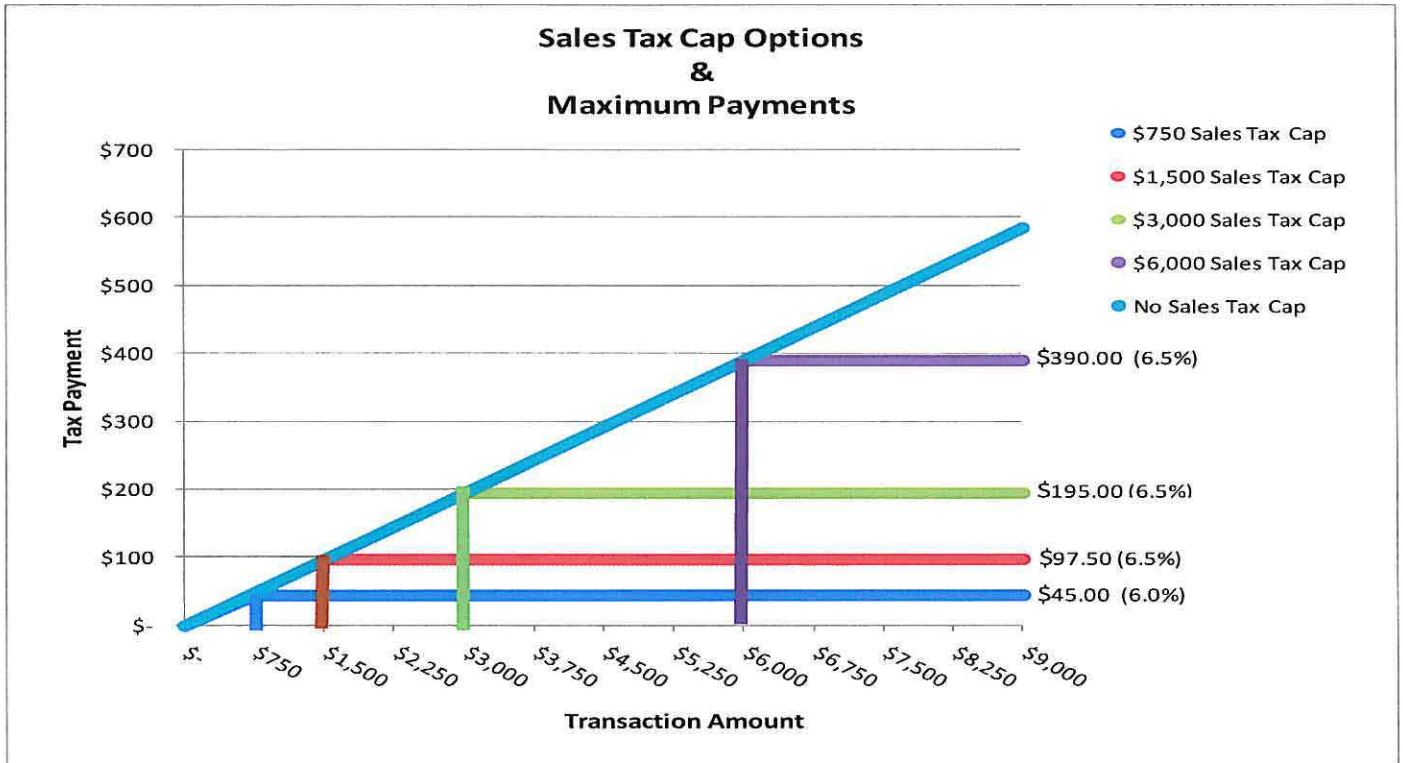


Figure 1

Tax Cap	Tax Rate	Maximun Tax Payment
\$ 750	6.0%	\$ 45.00
\$ 1,500	6.5%	\$ 97.50
\$ 2,000	6.5%	\$ 130.00
\$ 2,500	6.5%	\$ 162.50
\$ 3,000	6.5%	\$ 195.00
\$ 3,500	6.5%	\$ 227.50
\$ 4,000	6.5%	\$ 260.00
\$ 4,500	6.5%	\$ 292.50
\$ 5,000	6.5%	\$ 325.00
\$ 5,500	6.5%	\$ 357.50
\$ 6,000	6.5%	\$ 390.00
\$ 6,500	6.5%	\$ 422.50
\$ 7,000	6.5%	\$ 455.00
\$ 7,500	6.5%	\$ 487.50
\$ 8,000	6.5%	\$ 520.00
\$ 8,500	6.5%	\$ 552.50
\$ 9,000	6.5%	\$ 585.00
\$ 9,500	6.5%	\$ 617.50
\$ 10,000	6.5%	\$ 650.00

**City of Kodiak – Sales Tax History from 2003 – 2010**

CAP	\$ 500.00	\$ 500.00	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00	\$ 750.00
Year	2003	2004	2005	2006	2007	2008	2009	2010
Retail Sales	\$ 242,583,912	\$ 247,915,658	\$ 264,980,012	\$ 275,494,694	\$ 284,705,285	\$ 316,764,651	\$ 286,814,696	\$ 293,591,984
Services	\$ 40,791,927	\$ 44,730,979	\$ 50,600,214	\$ 65,753,525	\$ 90,309,087	\$ 74,682,923	\$ 97,840,890	\$ 85,267,748
Rentals	\$ 11,141,732	\$ 11,122,747	\$ 11,884,553	\$ 11,715,601	\$ 13,628,997	\$ 13,211,599	\$ 13,254,685	\$ 13,481,834
Other	\$ 3,751,045	\$ 3,561,515	\$ 4,145,329	\$ 4,568,591	\$ 4,624,311	\$ 6,741,253	\$ 9,208,886	\$ 9,069,873
<b>Total Receipts</b>	<b>\$ 298,268,616</b>	<b>\$ 307,330,899</b>	<b>\$ 331,610,108</b>	<b>\$ 357,532,411</b>	<b>\$ 393,267,679</b>	<b>\$ 411,400,426</b>	<b>\$ 407,119,156</b>	<b>\$ 401,411,439</b>
Senior Citizens	\$ 6,700,785	\$ 5,684,123	\$ 7,852,774	\$ 5,935,462	\$ 7,835,733	\$ 6,709,286	\$ 8,251,604	\$ 7,955,338
Government	\$ 51,271,303	\$ 48,083,595	\$ 56,925,706	\$ 57,272,535	\$ 86,644,511	\$ 70,584,472	\$ 79,046,877	\$ 65,495,796
Whole Sale/Retail	\$ 22,076,997	\$ 18,683,219	\$ 20,660,708	\$ 25,578,945	\$ 24,575,292	\$ 28,142,962	\$ 26,371,144	\$ 27,810,776
Contractors	\$ 2,471,192	\$ 3,111,760	\$ 4,506,063	\$ 4,784,937	\$ 5,446,991	\$ 9,429,344	\$ 11,256,899	\$ 8,949,074
Sales Tax Included	\$ 608,679	\$ 849,206	\$ 3,120,589	\$ 795,930	\$ 3,033,792	\$ 752,864	\$ 692,768	\$ 757,026
<b>Amount Over Cap</b>	<b>\$ 48,122,965</b>	<b>\$ 58,062,270</b>	<b>\$ 54,967,381</b>	<b>\$ 66,637,991</b>	<b>\$ 57,981,731</b>	<b>\$ 74,399,419</b>	<b>\$ 74,968,804</b>	<b>\$ 72,010,547</b>
Other Deductions	\$ 45,930,316	\$ 47,178,965	\$ 49,543,459	\$ 56,918,316	\$ 62,781,345	\$ 64,348,441	\$ 51,855,638	\$ 57,657,617
<b>Total Deduction</b>	<b>\$ 177,182,236</b>	<b>\$ 181,653,139</b>	<b>\$ 197,576,681</b>	<b>\$ 217,924,115</b>	<b>\$ 248,299,395</b>	<b>\$ 254,366,787</b>	<b>\$ 252,443,734</b>	<b>\$ 240,636,173</b>
Taxable Receipts	\$ 121,086,380	\$ 125,677,760	\$ 134,033,427	\$ 139,608,296	\$ 144,968,284	\$ 157,033,638	\$ 154,675,422	\$ 160,775,266
<b>Sales Tax Generated</b>	<b>\$ 7,265,183</b>	<b>\$ 7,540,666</b>	<b>\$ 8,042,006</b>	<b>\$ 8,376,498</b>	<b>\$ 8,698,097</b>	<b>\$ 9,422,018</b>	<b>\$ 9,280,525</b>	<b>\$ 9,646,516</b>

% of Total Receipts								
Taxable Receipts	40.60%	40.89%	40.42%	39.05%	36.86%	38.17%	37.99%	40.05%
Senior Citizens	2.25%	1.85%	2.37%	1.66%	1.99%	1.63%	2.03%	1.98%
Government	17.19%	15.65%	17.17%	16.02%	22.03%	17.16%	19.42%	16.32%
Whole Sale/Retail	7.40%	6.08%	6.23%	7.15%	6.25%	6.84%	6.48%	6.93%
Contractors	0.83%	1.01%	1.36%	1.34%	1.39%	2.29%	2.77%	2.23%
Sales Tax Included	0.20%	0.28%	0.94%	0.22%	0.77%	0.18%	0.17%	0.19%
<b>Amount Over Cap</b>	<b>16.13%</b>	<b>18.89%</b>	<b>16.58%</b>	<b>18.64%</b>	<b>14.74%</b>	<b>18.08%</b>	<b>18.41%</b>	<b>17.94%</b>
Other Deductions	15.40%	15.35%	14.94%	15.92%	15.96%	15.64%	12.74%	14.36%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

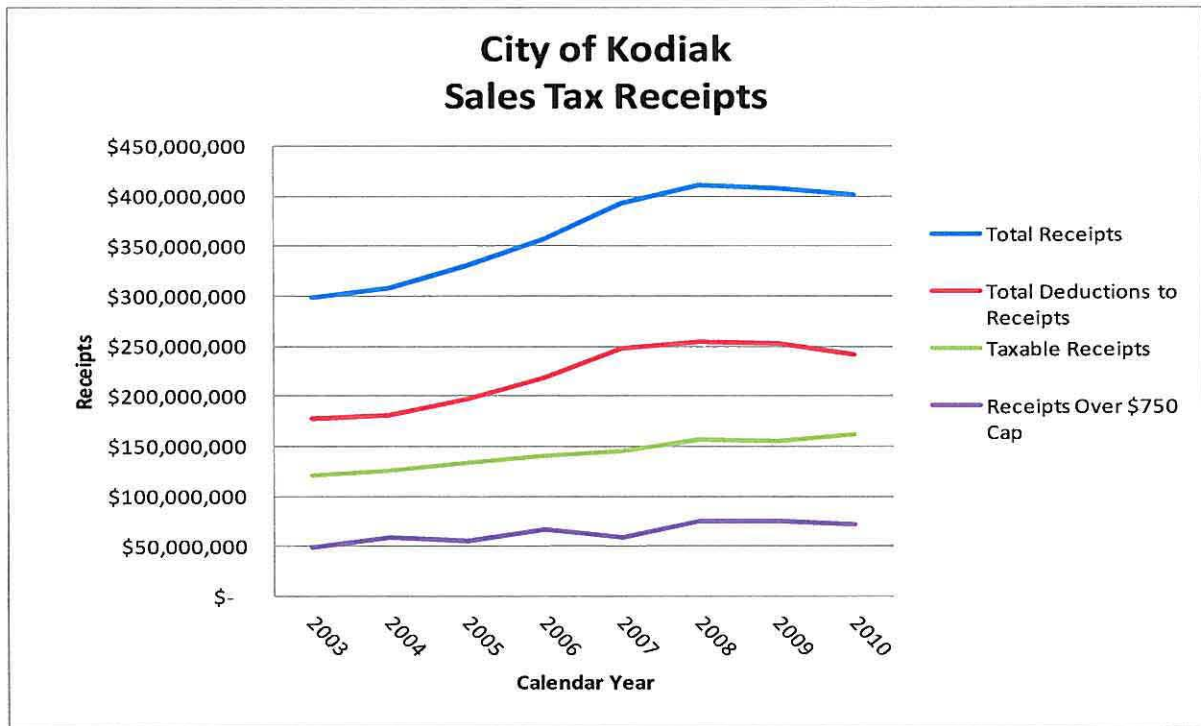


Figure 2

Figure 3 is the Per Capita Comparison with other Cities. Figure 3 and Figure 4 includes Sales Tax, Property Tax, and Bed Tax.



Figure 3

Figure 4 shows the impact to City of Kodiak's Per Capita City Tax Revenue with increases in Sales Tax Revenues by \$1,000,000 Increments

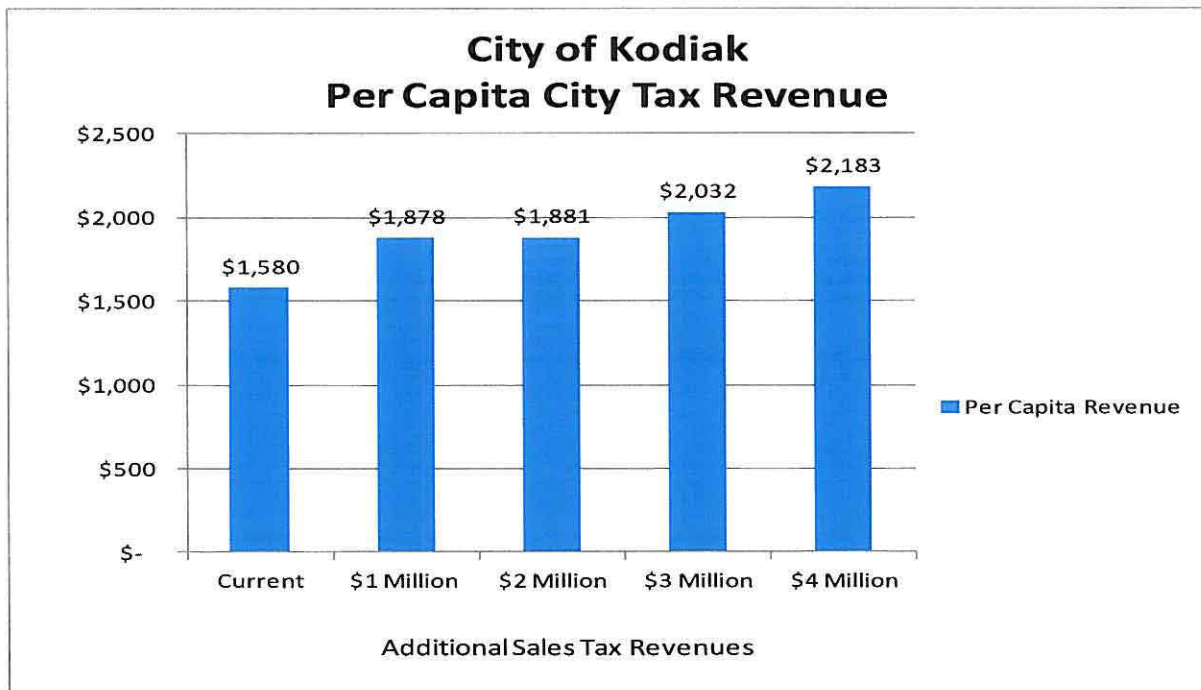


Figure 4

**City of Kodiak – Current 2010 Sales Tax Revenues, Scenario #1 with No Sales Tax Cap, Increase Sales Tax to 6.5% with \$750 Sales Tax Cap**

Business Types	Current - 2010			Scenario #1			Scenario #2		
	Tax @ 6.0% Tax Cap \$750			Tax @ 6.0% No Sales Tax Cap			Tax @ 6.5% Tax Cap \$750.00		
	Total Receipts	Rate	Sales Tax Revenue	Total Receipts	Rate	Sales Tax Revenue	Total Receipts	Rate	Sales Tax Revenue
Retail Sales	\$ 293,591,984	6.0%	\$ 17,615,519	\$ 293,591,984	6.0%	\$ 17,615,519	\$ 293,591,984	6.5%	\$ 19,083,479
Services	\$ 85,267,748	6.0%	\$ 5,116,065	\$ 85,267,748	6.0%	\$ 5,116,065	\$ 85,267,748	6.5%	\$ 5,542,404
Real Estate Rentals	\$ 9,287,109	6.0%	\$ 557,227	\$ 9,287,109	6.0%	\$ 557,227	\$ 9,287,109	6.5%	\$ 603,662
Rentals	\$ 4,194,725	6.0%	\$ 251,684	\$ 4,194,725	6.0%	\$ 251,684	\$ 4,194,725	6.5%	\$ 272,657
Other	\$ 9,069,873	6.0%	\$ 544,192	\$ 9,069,873	6.0%	\$ 544,192	\$ 9,069,873	6.5%	\$ 589,542
<b>Total Receipts</b>	<b>\$ 401,411,439</b>		<b>\$ 24,084,686</b>	<b>\$ 401,411,439</b>		<b>\$ 24,084,686</b>	<b>\$ 401,411,439</b>		<b>\$ 26,091,744</b>
<b>Deductions</b>									
Senior Citizens	\$ 7,955,338			\$ 7,955,338			\$ 7,955,338		
Government	\$ 65,495,796			\$ 65,495,796			\$ 65,495,796		
Whole Sale/Retail	\$ 27,810,776			\$ 27,810,776			\$ 27,810,776		
Contractors	\$ 8,949,074			\$ 8,949,074			\$ 8,949,074		
Sales Tax Included	\$ 757,026			\$ 757,026			\$ 757,026		
<b>Amount Over Cap</b>	<b>\$ 72,010,547</b>	<b>\$ 750</b>		<b>\$ -</b>	<b>\$ -</b>		<b>\$ 72,010,547</b>	<b>\$ 750</b>	
Other Deductions	\$ 57,657,617			\$ 57,657,617			\$ 57,657,617		
<b>Total Reduction of Receipts</b>	<b>\$ 240,636,173</b>	<b>6.0%</b>	<b>\$ 14,438,170</b>	<b>\$ 168,625,625</b>	<b>6.0%</b>	<b>\$ 10,117,538</b>	<b>\$ 240,636,173</b>	<b>6.5%</b>	<b>\$ 15,641,351</b>
<b>Taxable Receipts</b>	<b>\$ 160,775,266</b>	<b>6.0%</b>		<b>\$ 232,785,814</b>	<b>6.0%</b>		<b>\$ 160,775,266</b>	<b>6.5%</b>	
<b>Sales Tax Generated</b>			<b>\$ 9,646,516</b>			<b>\$ 13,967,149</b>			<b>\$ 10,450,392</b>
<b>Additional Revenue Generated</b>			<b>\$ -</b>			<b>\$ 4,320,632.83</b>			<b>\$ 803,876.33</b>
<b>Maximum Tax Paid</b>	<b>\$ 750</b>	<b>6.0%</b>	<b>\$ 45.00</b>	<b>\$ -</b>	<b>6.0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6.5%</b>	<b>\$ -</b>
<b>Sales Tax Per Capita</b>			<b>\$ 1,456</b>			<b>\$ 2,108</b>			<b>\$ 1,577</b>

Figure 5

**City of Kodiak – Scenarios #2 - #4 with Sales Tax Rate at 6.5% and Increased Sales Tax Caps**

Note: The City does not have the data to determine the reduction in the deduction for amounts over a given Sales Tax Cap. Businesses with larger transactions like construction, fuel, electric, vehicle related, and rentals make up 60% of the total sales tax receipts and 90% of the deduction for amounts over the cap. **Red indicates undocumented estimate**

Business Types	Scenario #3			Scenario #4			Scenario #5		
	Tax @ 6.5% Tax Cap \$1,500			Tax @ 6.5% Tax Cap \$3,000			Tax @ 6.5% Tax Cap \$6,000		
	Total Receipts	Rate	Sales Tax Revenue	Total Receipts	Rate	Sales Tax Revenue	Total Receipts	Rate	Sales Tax Revenue
Retail Sales	\$ 293,591,984	6.5%	\$ 19,083,479	\$ 293,591,984	6.5%	\$ 19,083,479	\$ 293,591,984	6.5%	\$ 19,083,479
Services	\$ 85,267,748	6.5%	\$ 5,542,404	\$ 85,267,748	6.5%	\$ 5,542,404	\$ 85,267,748	6.5%	\$ 5,542,404
Real Estate Rentals	\$ 9,287,109	6.5%	\$ 603,662	\$ 9,287,109	6.5%	\$ 603,662	\$ 9,287,109	6.5%	\$ 603,662
Rentals	\$ 4,194,725	6.5%	\$ 272,657	\$ 4,194,725	6.5%	\$ 272,657	\$ 4,194,725	6.5%	\$ 272,657
Other	\$ 9,069,873	6.5%	\$ 589,542	\$ 9,069,873	6.5%	\$ 589,542	\$ 9,069,873	6.5%	\$ 589,542
<b>Total Receipts</b>	<b>\$ 401,411,439</b>		<b>\$ 26,091,744</b>	<b>\$ 401,411,439</b>		<b>\$ 26,091,744</b>	<b>\$ 401,411,439</b>		<b>\$ 26,091,744</b>
<b>Deductions</b>									
Senior Citizens	\$ 7,955,338			\$ 7,955,338			\$ 7,955,338		
Government	\$ 65,495,796			\$ 65,495,796			\$ 65,495,796		
Whole Sale/Retail	\$ 27,810,776			\$ 27,810,776			\$ 27,810,776		
Contractors	\$ 8,949,074			\$ 8,949,074			\$ 8,949,074		
Sales Tax Included	\$ 757,026			\$ 757,026			\$ 757,026		
<b>Amount Over Cap</b>	<b>\$ 65,000,000</b>	<b>\$ 1,500</b>		<b>\$ 50,000,000</b>	<b>\$ 3,000</b>		<b>\$ 30,000,000</b>	<b>\$ 6,000</b>	
Other Deductions	\$ 57,657,617			\$ 57,657,617			\$ 57,657,617		
<b>Total Reduction of Receipts</b>	<b>\$ 233,625,625</b>	6.5%	<b>\$ 15,185,666</b>	<b>\$ 218,625,625</b>	6.5%	<b>\$ 14,210,666</b>	<b>\$ 198,625,626</b>	6.5%	<b>\$ 12,910,666</b>
<b>Taxable Receipts</b>	<b>\$ 167,785,814</b>	6.5%		<b>\$ 182,785,814</b>	6.5%		<b>\$ 202,785,813</b>	6.5%	
<b>Sales Tax Generated</b>			<b>\$ 10,906,078</b>			<b>\$ 11,881,078</b>			<b>\$ 13,181,078</b>
<b>Additional Revenue Generated</b>			<b>\$ 1,259,561.90</b>			<b>\$ 2,234,561.90</b>			<b>\$ 3,534,561.88</b>
<b>Maximum Tax Paid</b>	<b>\$ 1,500</b>	6.5%	<b>\$ 97.50</b>	<b>\$ 3,000</b>	6.5%	<b>\$ 195.00</b>	<b>\$ 6,000</b>	6.5%	<b>\$ 390.00</b>
<b>Sales Tax Per Capita</b>			<b>\$ 1,646</b>			<b>\$ 1,793</b>			<b>\$ 1,989</b>
<b>Red indicates undocumented estimate</b>									

Figure 6

## City of Kodiak Sales Tax and Data for Other Cities

### Current

City of Kodiak sales tax is 6%

Transient tax (bed tax) is 5%

\$45 sales tax cap per transaction (\$750.00 sale)

Sales tax constitutes over 50% of the City's general fund revenue

In FY2010 \$9.6 million was generated from sales tax revenue (this is approximately \$1.6 million for each 1% of sales tax).

### Village Sales Tax

Akhiok – no sales tax, no bed tax

Larsen Bay – 3% sales tax, no cap, \$5.00 per day bed tax

Old Harbor – 3%, with a \$300 cap, 5% bed tax

Ouzinkie – 3%, no cap, no bed tax

Port Lions – no sales tax, 5% bed tax

### Boroughs & Cities within Boroughs Sales Tax (from AML 2010 Alaska Municipal Officials Directory)

Unified City/Boroughs are not included (Sitka, Juneau, etc.)

Kenai Peninsula Borough, 3% sales tax

Homer, 4.5%

Kachemak, 0%

Kenai, 3%

Seldovia, 2%-4.5%

Seward, 4%

Soldotna, 3%

Ketchikan Gateway Borough, 2.5%

Ketchikan, 3.5%

Saxman, 3.5%

Northwest Arctic Borough, 6%

Ambler, 0%

Buckland, 6%

Deering, 3%

Kiana, 0%

Kivalina, 2%

Kobuk, 0%

Kotzebue, 6%

Noorvik, 0%

Selawik, 5%

Shungnak, 2%

According to a 2010 report from the State Department of Community and Economic Development, of the 87 municipalities reporting, sales tax levies ranged from 1% to 7%, with the City and Borough of Wrangell assessing the highest single municipal sales tax at 7%. The combined highest City/Borough sales tax is 12% (Northwest Arctic Borough 6% & two cities within the Borough at 6%).

## Alaska Tax Facts

- Alaska is the largest state in the United States, however, for all its vastness, only a small portion of the land mass is subject to a property tax.
- There are approximately 395 communities in Alaska, many of which still remain unincorporated. There are 162 incorporated municipalities (Local Governments). Of those 162, 18 are incorporated into Boroughs (Boroughs are a rough equivalent to counties) and the remainder are incorporated as cities.
- Of the 18 Boroughs, only 14 levy a property tax.
- Only 11 Cities located outside of Boroughs levy a property tax. Therefore, only 25 municipalities in Alaska (either cities or boroughs) levy a property tax.
- 62 municipalities (reporting) levy a general sales tax. Sales tax rates range from a low of 1% to a high of 7%.
- The "typical" sales tax rates are from 1%-7%.
- Other types of local taxes levied are raw fish taxes, hotel/motel "bed" taxes, severance taxes, liquor and tobacco taxes, gaming (pull tabs) taxes and fuel transfer taxes.
- In 2010, local governments generated approximately \$1.44 billion in revenues from property, sales and severance taxes. Of that amount \$1.165 billion was from property taxes.
- Prudhoe Bay and the Trans-Alaska Pipeline (TAPs) contribute a little over \$333.9 million in property taxes to local government.
- Alaska exempts from property taxes, the first \$150,000 of assessed value for all senior citizens (65 years of age and over) and disabled veterans (50% or more service connected disability).
- The average assessed value exempted from taxes for senior citizens and disabled veterans is \$135,420 which equated to a tax exemption of \$1,839 for 2010.
- In 2010, the total full value for all municipalities (over 750 in population) was \$98.1 billion (including TAPS). With a statewide population of 692,314 the per capita full value was \$141,644.
- The average per capita property tax paid in all municipalities, excluding oil and gas properties, was \$1,338.
- There is no statewide sales tax levied.
- There is no personal state income tax.

## City of Kodiak Sales Tax Code Exemptions

### 3.08.055 Senior citizens exemption.

(a) A person sixty-five years of age or older who has resided in the Kodiak Island borough for a continuous period of 30 days or more may obtain a senior citizens sales tax exemption certificate by submitting a completed application to the finance director on a form provided by the city. The application must be signed by the applicant under oath and shall contain information relating to the applicant's residence, marital status, rental or ownership of occupied dwelling, persons occupying the dwelling, and other information reasonably necessary to determine the applicant's eligibility and monitor the use of the exemption certificate. The applicant shall also submit for inspection and copying a birth certificate, or other evidence determined by the finance director to be adequate, to establish the applicant's age. The exemption certificate shall be issued without charge in the name of the applicant and shall be valid for a period of 3 years.

(b) An exemption certificate issued to a person who is prevented or impaired from personally making purchases or payments by a physical or mental infirmity may designate not more than two other persons who shall be authorized to utilize the certificate when making purchases and payments on behalf of and for the sole use and benefit of the certificate holder or the certificate holder's spouse.

(c) (1) No person may utilize a senior citizen tax exemption certificate to purchase or acquire property or rentals that are to be consumed or utilized by a person or persons other than the certificate holder, the certificate holder's spouse, a dependent of the certificate holder, or another person or persons who would be qualified to have a senior citizens exemption certificate issued to them under this section. As used in this section, "dependent" means a child of the certificate holder or the certificate holder's spouse who resides with the certificate holder when not attending school and who receives more than one-half of his or her support from the certificate holder.

(2) Notwithstanding any other provisions of this chapter no person may utilize a senior citizen tax exemption certificate to purchase or rent an item or service which will be used or consumed in a commercial business or enterprise or for the production of income.

(d) Persons making sales or rentals to or for the benefit of a senior citizen which are exempt from tax under the provisions of this section shall confirm the identity of the person or persons presenting an exemption certificate, if not personally known to them, by requesting identification and shall maintain records of each such exempt sale with an appropriate reference to the senior citizen exemption certificate number. If the person making the sale or rental has reason to believe that it is not for use or consumption by a senior citizen or other qualified user, because of the volume, type of purchase, or other facts, that person shall promptly report the possible fraudulent use of the exemption certificate to the city finance director. The finance director shall investigate the sale or sales, and if the finance director determines that the exemption certificate is being abused, the matter shall be referred to the city manager who shall conduct such further investigation as is determined necessary and present the facts to the council for authorization to initiate prosecution or revocation action, or both.

(e) Senior citizens' exemption certificates shall be subject to revocation as provided in section 3.08.070 of this chapter. (Ord. 983 §2, 1994; Ord. 703, 1983; Ord. 568 §1, 1979)



### 3.08.040 General exemptions.

The following classes of sales, rentals, and services are exempt from the tax imposed by this chapter:

(a) Casual and isolated sales and rentals of personal property, and services not rendered in the regular course of business of the seller;

(b) Medical services performed by licensed medical doctors, dentists, osteopaths, optometrists, psychiatrists, psychologists, and chiropractors; sales of medicinal preparations and drugs prescribed by medical doctors; and hospital services;

(c) Sales, rentals, and services to religious and charitable organizations as defined in subsections 501(c)(1), (3), and (4) of the Internal Revenue Code, for the conduct of regular religious or charitable functions and activities, and not for the support or maintenance of the general membership or for communal living;

(d) Sales of food in school cafeterias and lunchrooms that are operated primarily for students;

(e) Sales and services by non-profit schools and student organizations within schools for support of the school, organization, or extracurricular activities or events;

(f) Sales rentals, and services to the United States, the state of Alaska, and any agencies or political subdivisions thereof;

(g) Dues or fees to clubs, labor unions, and fraternal organizations;

(h) Subscriptions to newspapers and periodicals;

(i) Repealed;

(j) Sales of insurance and bonds of guaranty and fidelity;

(k) Funeral charges;

(l) Transportation charges of commercial airlines, air charters, and passenger ship companies; provided however, that this exemption shall not extend to boat charter operations not affecting interstate commerce;

(m) Services rendered by banking or savings and loan institutions or credit unions;

(n) Services rendered by an employee to an employer in the normal course of employment;

(o) Sales, rentals, and services which the city is prohibited from taxing by the constitution or laws of the United States or the state of Alaska;

(p) Retail sales in dining rooms or cafeterias of food furnished by nonprofit organizations under programs wholly or partially supported by government funds;

(q) Nursery and baby-sitting services;

(r) Long distance transmission of telephone and telegraph messages;

(s) Sales of heating fuel exclusively for residential uses (not to include fuel used in or on water craft);

(t) Sales of electrical service to exclusively residential units;

(u) Sales of propane gas exclusively for residential uses (e.g., cooking, water heating, heating, clothes drying);

(v) Sale of fuel used in stationary power plants that generate electrical energy exclusively for private residential consumption;

(w) Sales, rentals, and services to nonprofit associations or organizations operated primarily for the purpose of planning, promoting, and conducting organized group activities for participants who are 18 years of age or less;

(x) Charges for garbage/refuse collection for garbage/refuse generated exclusively by residential use;

(y) Sales of water and sewer utility services for residential use; and

(z) Sales by religious or charitable organizations, as defined in subsections 501(c)(1), (3), and (4) of the Internal Revenue Code, of pull tabs, raffle and lottery tickets, bingo cards, and other tokens of participation in games of chance and contests of skill. (Ord 1047 §2, 1997; Ord. 983 §1, 1994; Ord. 977, 1993; Ord. 971 §1, 1993; Ord. 830 §1 and 2, 1988; Ord. 768 §1, 1985; Ord. 767 §2, 1985; Ord. 766 §1, 1985; Ord. 497 §1 (part), 1977)

### **3.08.050 Exemption of sales for resale.**

The following sales of property are exempt from the sales tax:

(a) Sales of property to wholesale dealers located in the city, which deal in property of the type sold, for the purpose of a subsequent sale by such dealer in the city;

(b) Sales to retail dealers located in the city, who deal in property of the type sold, for the purpose of a subsequent retail sale by such dealer in the city, which sale will be subject to the tax imposed by this chapter;

(c) Sales of tangible personal property to a person engaged in manufacturing within the city of products sold primarily within the city, which property is converted into or becomes an ingredient or component part of the manufactured product or a container therefore, or otherwise enters directly into the manufacturing process;

(d) Sales to a building or construction contractor or subcontractor, for use on a project within the city of building materials, supplies, and other tangible personal property to be incorporated or used as component parts of a completed structure, driveway, landscaping, and other portions of the project and services utilized directly in the construction, erection, landscaping, and similar work on the project. This exemption shall not apply to tools, equipment, fuel, clothing, food, and similar items of property utilized but not incorporated into a project. (Ord. 1084 §2, 1999; Ord. 497 §1 (part), 1977)



operator. A four-man team is necessary to lift a boat so harbor maintenance personnel and temps are called in to assist with lines, straps, buckles, and cribbing blocks.

4. The following topics are discussed in detail below:

- Analysis of FY2011 financial outcome
- Market Share
- Lay days
- Facilities
- Private vs. public operation of the yard
- Impact to the local economy
- Topics for City Council discussion
- Comments by Mike Terminel, Fleet Manager, Edison Chouest Offshore, Dec 2011

## 5. Analysis of FY2011 financial outcome

A. The income statement on page 27 presents actual data from the first full fiscal year that ended June 30, 2011. The unrevised proforma budgets in the 2010 version of this plan were based upon estimates and were remarkably close to reality. For comparison purposes, they have been included with revision.

B. The original proforma budget was based upon lifting 50 vessels the first year full year; the actual number of lifts was 44.

C. The proforma budget for FY2011 predicted an operating loss of \$266,000. The actual cash outflow was \$230,000. The deficit and depreciation (\$530,000) was absorbed by the Boat Harbor Enterprise Fund.

D. FY2011 statistics:	Longest / shortest vessels	171 / 58	feet
	Average length of vessel	93	feet
	Heaviest / lightest vessels	480/110	tons
	Average weight	270	tons
	Longest / shortest lay days	66 / 3	days
	Average number of lay days	15	days
	Highest / lowest revenue per vessel	\$24,881 / \$4,121	
	Average revenue per vessel	\$9,819	

E. The City Council's FY2011 budget guidance set a goal for the boatyard fund to break even (excluding depreciation) after five years. To break even in FY2011, an additional \$230,000 was necessary.

F. A reduction in expenses should also be explored. Unfortunately most of the boatyard expenses are in fixed overhead. While marketing and advertising might appear to be an obvious place to cut expenses, to do so is counterintuitive when the need is to generate more revenue by lifting more boats and selling more lay days.



## Boatyard Business Plan Aug 2010 (Updated Jan 2012)

G. Interfund charges could be redistributed because \$156,000 is a lot of expense for the boatyard fund to absorb. It is currently treated as a fixed expense.

H. Financial projections in the original plan assumed growth of about seventy-five vessels per year to reach a breakeven point in FY2015. The growth assumption may have been optimistic because the second operating year showed no increase in the number of lifts.

I. Lift and lay day rates were increased by 10 percent on July 1, 2011 (See Section III, page13), so everything else being equal, revenue is estimated to increase about \$45,000 in FY12. Another, much larger rate increase, perhaps as much as 50 percent, is necessary to eliminate the deficit in four years assuming no growth in vessel use. However, a large rate increase may induce market share loss.

J. Professional economic analysis makes sense at this point now that there is actual financial data to analyze. The previous feasibility studies by Northern Economics Inc. were purely estimates since no hard data was available. A refreshed look at the actual financial data might suggest that the City take a different approach. Should the Council be interested in contracting with a private operator, the study could suggest a fair annual lease value.

## 6. Market Share

A. Kodiak primarily attracts local vessels from the commercial fishing sector. Seventy-five percent of the vessels are local, the remaining twenty-five percent are Alaskan, but not home-ported in Kodiak. Two vessels were from other than the commercial fishing sector: one from the oil and gas sector, the 135' M/V Arctic Wolf; and a coastal freighter, the 151' M/V Helenka-B. Their home ports are in Valdez and Homer respectively.

B. The M/V Arctic Wolf, is owned by Edison Chouest Offshore. Edison's Alaska fleet manager, Mike Terminel recently had a conversation with the Harbormaster. He was very complimentary of Kodiak's boatyard but offered a long list of suggestions to improve it. His comments and suggestions are included in paragraph 12 below. Edison Chouest Offshore owns and operates nine commercial boat yards so Terminel's comments have considerable credibility. Terminel believes that there are significant numbers of non-commercial fishing vessels working Alaska waters and that the owners are not aware of "Kodiak great boatyard." He had several excellent suggestions to for to capture a larger market share. His biggest problem with using the yard was its lack of cover.

C. Mike Terminel (See complete list of suggestions in paragraph 7 below.) recently suggested that the Kodiak consider joining the Alaska Resource Development Council (ARDC). ARDC is a statewide business association comprised of individuals, companies, and communities from Alaska's oil and gas, mining, forest products, tourism and fisheries industries. ARDC's membership includes Native Corporations, local communities, organized labor, and industry support firms. It provides forums for policy debate and analysis to help guide Alaska in these



areas, as well as in land use, transportation, power development, international trade and economic development.

D. Terminel also suggested that Kodiak hold a “town-meeting” to facilitate the discussion of how Kodiak can it easier for out-of-town boat owner’s to use of the boatyard. ComFish might be an excellent venue for such a event. The City could make a presentation explaining what’s going on at the boatyard sharing information like number lifts, service rates, revenue/expense statistics, and so on. Then solicit ideas from the private sector. Invite all business interested in supporting the yard, boat owners, hotels, restaurants, B&B, retailers, marine supply, tradesmen, etc. What can the community offer to make outside vessel owners feel welcome? How can City government facilitate economic activity in the boatyard?

## **7. Lay days**

A. Vessels are charged for the dry moorage space they occupy. Every day in the yard is billed as a lay day. The charge is currently set at \$2.20/ft. So a 100-foot vessel pays \$220 per lay day. In FY2011 lay days generated \$126,000 which is 30 percent of the boatyard’s total revenue. The average stay in the boatyard is 16 days. The maximum stay during FY2011 was 58 days.

B. Lay day revenue is an excellent foundation for financial stability because it generates revenue with no additional expense to the City.

C. The boatyard has an annual potential of 2,190 lay-days (365 days x 6 dry moorage sites). In FY2011, 689 lay days generated \$126,000. Only one-third of the boatyard’s full lay-day potential is actually producing income.

D. The initial lay day fee had progressively increasing cost per day. The longer a vessel stayed in the yard the higher the rate. Boat owners did not like it. This structure was created to encourage vessels to keep the number of days in the yard to a minimum because we (wrongfully) assumed that with only six dry moorage sites, the boatyard would be full most of the time.

E. At the recommendation of the Port and Harbor Advisory Board last spring, the layday rate was changed. It is now a fixed at \$2.20 per foot per day, regardless of the length of stay.

F. To encourage more lay day use, thus hopefully increase revenue, the Council might consider a discounted rate that encourages long-term projects. Boat owners might be willing to stay longer if the lay day cost declined with longer stays. For example the rate might be adjusted to decline by some percentage after 20 days and even more after 40 days. The rate needs to be high enough to discourage vessels from being “stored” in the boatyard.



## 8. Facilities

A. The lack of options for covering vessels, or at least blocking the wind, is the only serious complaint that owners always bring up. We hear it often and it is a serious drawback to boat repair and maintenance in Kodiak.

B. Sheltering vessels for painting and welding is difficult to accomplish. Boat owners and crews spend many lay days figuring out how to protect their vessel from the elements, especially during the fall, winter and spring when most of the work is done and the weather is the worst. Boatyard staff have observed many failed attempts to block the wind.

C. The harbor department has discussed options like portable walls or a series of 40-foot vans that could be positioned around a vessel, but these would have to meet engineering standards for liability purposes. A large building would be ideal, but may not be immediately affordable.

D. The PHAB is an advocate of procuring shelters, wind breaks, and/or buildings for the boatyard. There was a major discussion about it at their Dec 2011 meeting. The PHAB chairman created a sub-committee, to look into the feasibility of having a covered structure. They have asked for an informal feasibility proposal from a manufacturer of large metal buildings. More information is expected in early January 2012.

## 9. Private or public operation of the boatyard

A. The City should explore the original operating concept: Lease the boatyard to a private operator . . . much the same as it does with the cargo operation at Pier 3. A professional analysis to determine the value of a lease would be advisable.

B. A private operator would very likely want the exclusive rights to offer services -- like Horizon Lines at Pier 3. That would end the attractive "open yard" option that allows boat owners to work on their own boats and hire vendors of their own choosing.

C. Because the boatyard's depreciation expense is large at \$530,000 annually, it is unlikely that this amount could be recovered by leasing the facility. However it is likely that a private firm could operate the yard more economically than the City.

## 10. Impact to the local economy.

A. The impact to Kodiak's overall economy is significant, but not easy to quantify without getting a professional economist involved. Boat owners, vendors, and service providers do not disclose the amount spent servicing vessels.

B. Every dollar spent locally in the Kodiak boatyard would have been spent in another community if the boatyard had not been built. Each dollar typically turns about seven times locally. Considerable detail is contained in Section V of the business plan.



## 11. Topics for City Council discussion and consideration

- A. What strategy should Kodiak adopt to attract more vessels to the boatyard?
- B. Can membership in an organization like the Alaska Resource Development Council (ARDC) be explored?
- C. From what maritime sub-sectors can new business be solicited? Examples: oil & gas, tow boats, coast freighters, and so on.
- D. Should expenditures on marketing advertising be increased in an effort to reach maritime sub-sectors beyond commercial fishing?
- E. Should the City invest in a building at the boatyard ?
- F. Should the City invest in equipment to block the wind and create a situation to help boat owners cover their vessels?
- G. How pricing strategy should be developed to increase revenue from lays days?
- H. Should the City lease the boatyard to a private operator?
- I. Should the City sponsor a boatyard forum at ComFish this year?
- J. Should a professional economist be hired to:
  - a. Study the continued feasibility of the City running the boatyard?
  - b. If the boatyard is leased, what should the lease fee be?
  - c. Determine the boatyard's overall economic impact to the community.
  - d. Should the City accept operating the boatyard at a loss?
  - e. Determine how much addition sales tax revenue boatyard activity generates.
  - f. Should the sales tax cap be lifted in the boatyard?

## 12. Comments by Mike Terminel, Fleet Manager, Edison Chouest Offshore, Dec 2011

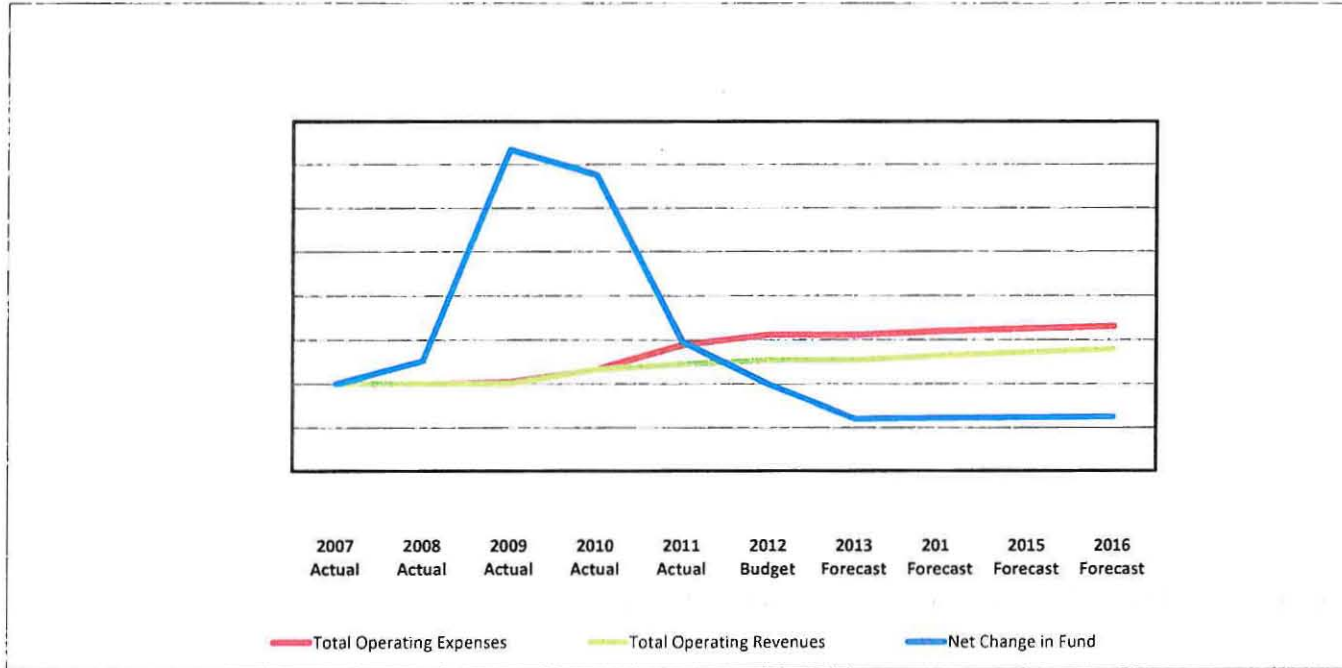
- "Kodiak's boatyard has a great thing going. It's a gem! The boatyard staff was very helpful. I've heard and experienced nothing negative about it. Here are my observations and suggestions:"
- One of our vessels, the Arctic Wolf, is a 140' landing craft and supports the oil and gas industry. It was the 10<sup>th</sup> and largest vessel lifted in Kodiak. She needed paint, zinc and hull welding.

**Forecast Analysis - Income Statement with forecast values along a linear trend using existing values 2007-2012**

<b>Boat Yard Lift</b>	<b>Actual 2007</b>	<b>Actual 2008</b>	<b>Actual 2009</b>	<b>Actual 2010</b>	<b>Actual 2011</b>	<b>Budget 2012</b>	<b>Forecast 2013</b>	<b>Forecast 2014</b>	<b>Forecast 2015</b>	<b>Forecast 2016</b>
<b>Fund Revenues</b>										
Haul/Launch/Block	-	-	-	145,353	210,048	250,000	250,000	250,000	250,000	250,000
Yard Services				42,927	52,000	70,000	70,000	70,000	70,000	70,000
Lay Days				90,749	125,690	150,000	150,000	150,000	150,000	150,000
Electricity				20,664	33,303	30,000	30,000	30,000	30,000	30,000
Pressure Wash				3,425	9,800	12,500	12,500	12,500	12,500	12,500
Other	-	-	-	17,455	16,767	20,000	20,000	20,000	20,000	20,000
<b>Total Operating Revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>320,574</b>	<b>447,607</b>	<b>532,500</b>	<b>532,500</b>	<b>532,500</b>	<b>532,500</b>	<b>532,500</b>
<b>Fund Operating Expenses</b>										
Salaries & Benefits	-	-	-	79,994	159,037	200,410	205,420	210,431	215,441	220,451
Professional Services	-	-	16,184	27,477	76,838	55,000	56,375	57,750	59,125	60,500
Support Goods & Services	-	-	1,518	120,080	97,895	96,500	98,913	101,325	103,738	106,150
Utility Services	-	-	-	-	-	44,250	45,000	45,750	46,500	47,250
Capital Outlays	-	-	17,302	74,397	16,504	10,000	3,496	3,000	3,000	3,000
Interfund Charges	-	-	-	-	-	176,582	180,000	180,000	180,000	180,000
Repairs & Maintenance	-	-	-	14,329	-	-	-	-	-	-
Depreciation	-	-	-	2,499	529,981	530,000	530,000	530,000	530,000	530,000
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>35,004</b>	<b>318,776</b>	<b>880,255</b>	<b>1,112,742</b>	<b>1,119,204</b>	<b>1,128,256</b>	<b>1,137,803</b>	<b>1,147,351</b>
<b>Earnings (loss) from Operations</b>	<b>-</b>	<b>-</b>	<b>(35,004)</b>	<b>1,798</b>	<b>(432,648)</b>	<b>(580,242)</b>	<b>(586,704)</b>	<b>(595,756)</b>	<b>(605,303)</b>	<b>(614,851)</b>
<b>Nonoperating Revenue (Expenses)</b>										
Investment Income	-	-	7,671	21,211	(17,509)	5,000	5,000	5,000	5,000	5,000
Interest Expense	-	-	-	(210,201)	(240,267)	(240,000)	(240,000)	(240,000)	(240,000)	(240,000)
State PERS Relief	-	-	-	2,531	6,990	7,430	7,000	7,000	7,000	7,000
Other	-	-	-	-	-	-	-	-	-	-
<b>Net Nonoperating Revenue (Expenses)</b>	<b>-</b>	<b>-</b>	<b>7,671</b>	<b>(186,459)</b>	<b>(250,786)</b>	<b>(227,570)</b>	<b>(228,000)</b>	<b>(228,000)</b>	<b>(228,000)</b>	<b>(228,000)</b>
<b>Earning (loss) Before Transfers</b>	<b>-</b>	<b>-</b>	<b>(27,333)</b>	<b>(184,661)</b>	<b>(683,434)</b>	<b>(807,812)</b>	<b>(814,704)</b>	<b>(823,756)</b>	<b>(833,303)</b>	<b>(842,851)</b>
<b>Other Financing Sources (Uses)</b>										
Capital Contributions	-	474,822	5,370,718	-	-	-	-	-	-	-
Transfers In	-	50,000	-	4,945,260	1,629,670	800,000	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
<b>Net Change in Fund</b>	<b>-</b>	<b>524,822</b>	<b>5,343,385</b>	<b>4,760,599</b>	<b>946,236</b>	<b>(7,812)</b>	<b>(814,704)</b>	<b>(823,756)</b>	<b>(833,303)</b>	<b>(842,851)</b>
<b>Net Assets at Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>524,822</b>	<b>5,868,207</b>	<b>10,628,806</b>	<b>11,575,041</b>	<b>11,567,229</b>	<b>10,752,526</b>	<b>9,928,770</b>	<b>9,095,467</b>
<b>Net Assets at End of Year</b>	<b>-</b>	<b>524,822</b>	<b>5,868,207</b>	<b>10,628,806</b>	<b>11,575,041</b>	<b>11,567,229</b>	<b>10,752,526</b>	<b>9,928,770</b>	<b>9,095,467</b>	<b>8,252,616</b>
Add in Depreciation	-	-	-	2,499	529,981	530,000	530,000	530,000	530,000	530,000
Less Invested in Capital	-	-	7,918,027	12,246,602	11,833,121	11,593,121	11,353,121	11,113,121	10,873,121	10,633,121
Restricted for Debt	-	375,469	375,469	375,469	375,469	375,469	375,469	375,469	375,469	375,469
<b>Available Balance</b>	<b>-</b>	<b>149,353</b>	<b>(2,425,289)</b>	<b>(1,990,766)</b>	<b>(103,568)</b>	<b>128,639</b>	<b>(446,064)</b>	<b>(1,029,820)</b>	<b>(1,623,123)</b>	<b>(2,225,974)</b>



Boat Yard Lift	Actual	Actual	Actual	Actual	Actual	Budget	Forecast	Forecast	Forecast	Forecast
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Operating Expenses	-	-	35,004	318,776	880,255	1,112,742	1,119,204	1,128,256	1,137,803	1,147,351
Total Operating Revenues	-	-	-	320,574	447,607	532,500	532,500	532,500	532,500	532,500
Net Change in Fund	-	524,822	5,343,385	4,760,599	946,236	(7,812)	(814,704)	(823,756)	(833,303)	(842,851)



<b>Budget</b>	<b>8514 Boat Yard \$18,700,000</b>	9%	\$ 1,700,000	Transfer from General Fund - 100
		21%	\$ 4,000,000	State EVOS Grant
		12%	\$ 2,300,000	Federal Grant
		2%	\$ 400,000	Transfer from Water Capital - 305
		2%	\$ 400,000	Transfer from Sewer Capital - 306
		5%	\$ 930,000	Alaska Clean Water Loan - 570
		27%	\$ 5,000,000	Transfer Bond Funds - 512
		6%	\$ 1,200,000	Transfer from Harbor Fund - 510
		15%	\$ 2,770,000	Use of Fund Balance
<b>Total Cost</b>	<b>\$17,615,905</b>			

## Boat Yard Lift –Lease or Sale Impacts

If the City of Kodiak were to lease or sell the Boat Yard/Lift the tax exempt revenue bonds would be impacted in the following manner:

No later than the date that the City leases or sells the boat yard, it should defease the bonds that were issued to finance the boat lift. In the case of a sale, the City presumably would use the sale proceeds for this purpose. In the case of a lease, the City could issue new revenue bonds to finance the defeasance. If the leased facility continued to be owned by the City, was used exclusively for boat repair (as contrasted with boat building), and was available to serve the general public, it is likely that the new bonds could be tax-exempt; otherwise they would be taxable.

When referring to municipal bonds, a defeasance relates to methods by which an outstanding bond issue can be made void, both legally and financially. Although a defeasance is generally the outcome of a refunding transaction, a defeasance can also be accomplished with cash rather than the issuance of any bonds. This article focuses on the concept of a defeasance and the use of cash for this purpose.

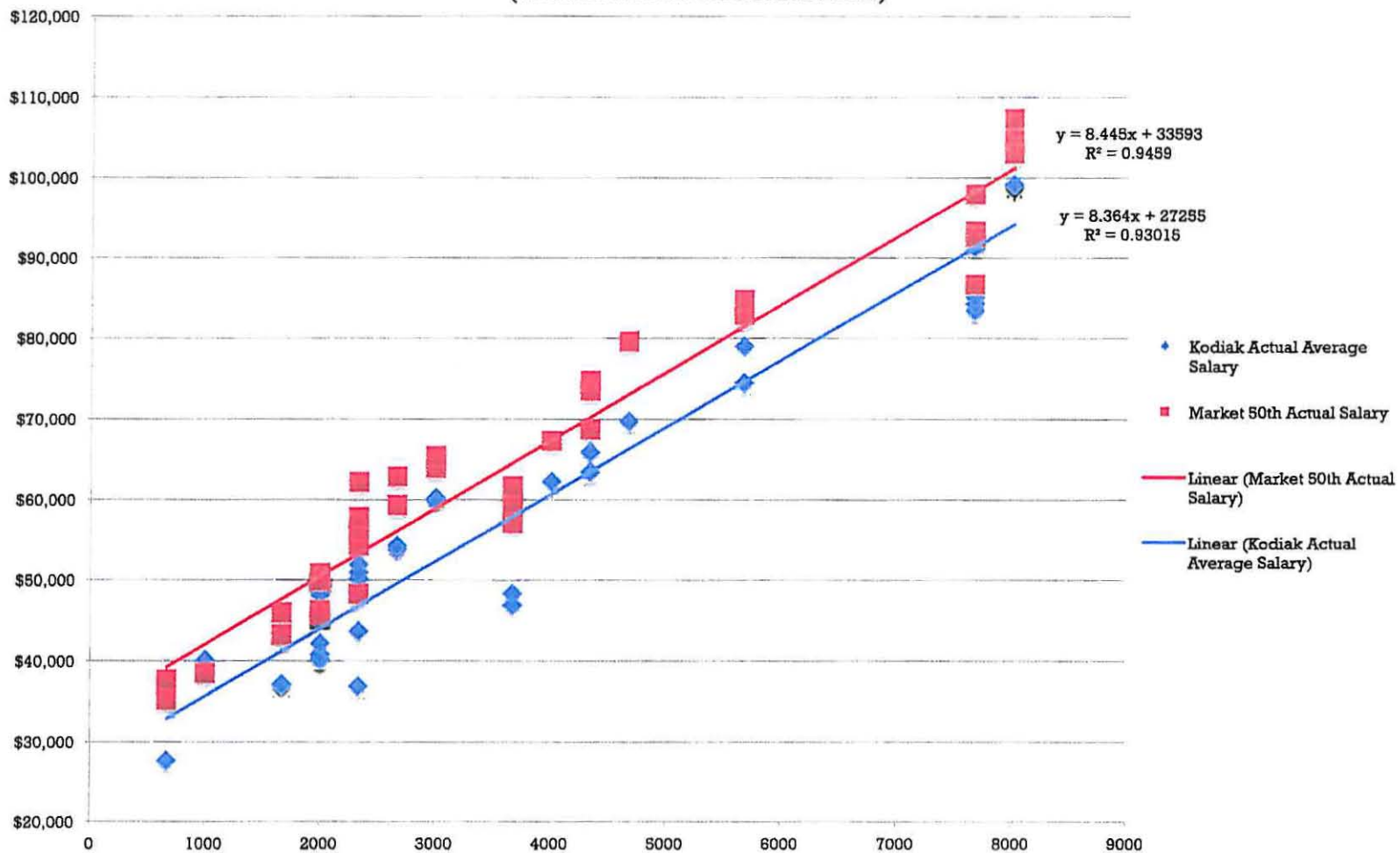
In a legal context, defeasance renders the outstanding bonds paid thereby removing all obligations of the issuer for payment of the bonds. In order for a bond issue to be legally defeased the securities selected and the terms of how and where the securities are held and must meet the requirements set forth in the documents that authorized the outstanding bonds.

If the defeasance is consistent with generally accepted accounting principles and complies with the outstanding bond document requirements, the bonds will no longer treated as debt for accounting purposes nor for purposes of computing any statutory or constitutional debt limitation.

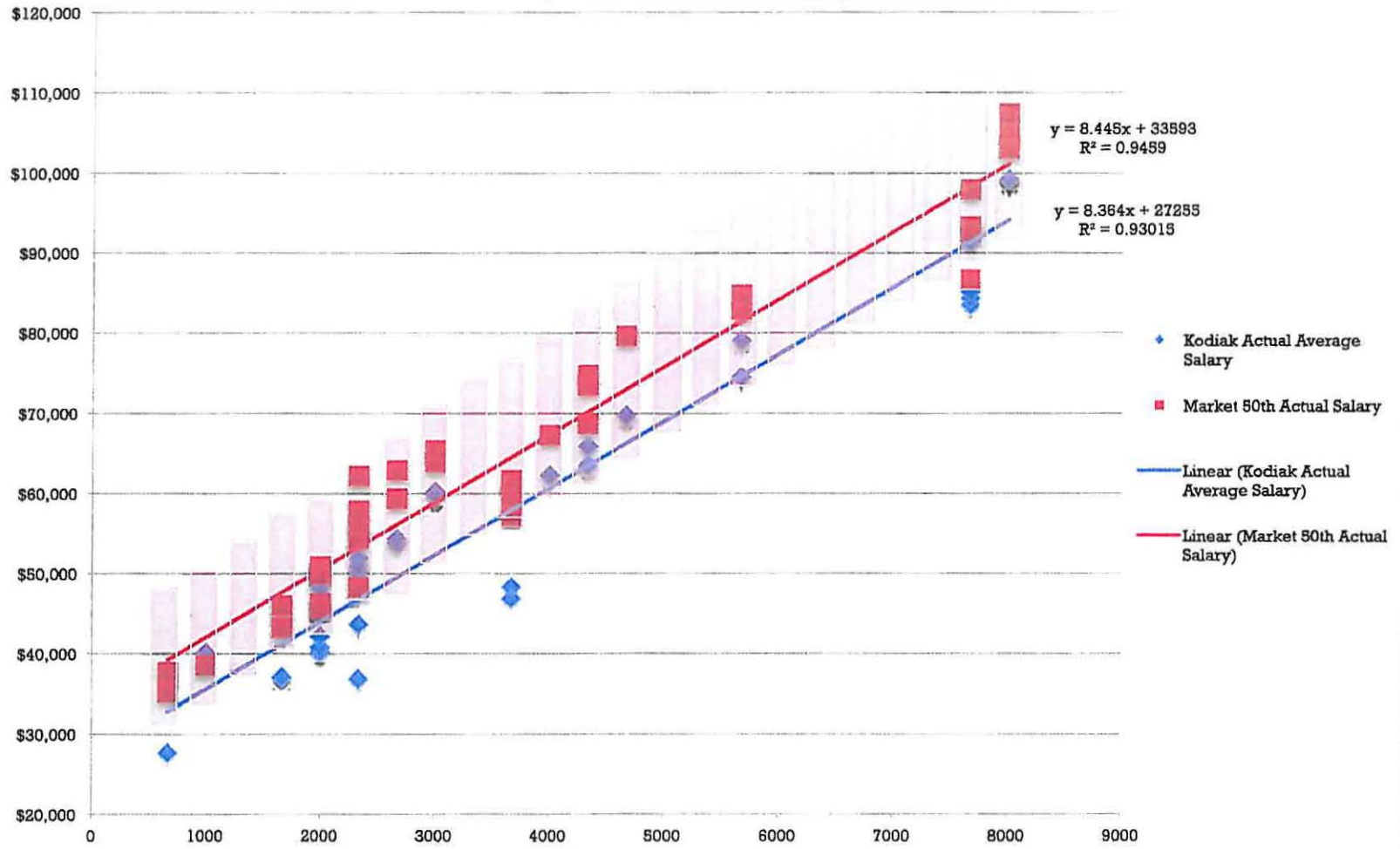
The Bonds that would be affected by this would be the Boat Yard Lift Bonds for \$4,000,000 and \$1,000,000. The balance due on these bonds as of June 30, 2011 is \$4,855,000.

	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2011</u>	Due Within <u>One Year</u>
<b><u>Business-type activities</u></b>					
Revenue Bonds:					
\$2,000,000 2007 Series A Boat Harbor Revenue Bonds, due in annual installments of \$35,000 to \$125,000 plus interest at 4.0% to 6.0% through 2038	\$ 1,970,000	-	30,000	1,940,000	35,000
\$4,000,000 2007 Series A Boat Yard/Lift Revenue Bonds, due in annual install- ments of \$55,000 to \$295,000 plus interest at 4.0% to 6.0% through 2038	3,940,000	-	55,000	3,885,000	55,000
\$1,000,000 2009 Series One Boat Yard/Lift Revenue Bonds, due in annual installments of \$20,000 to \$65,000 plus interest at 3.0% to 5.875% through 2037	985,000	-	15,000	970,000	20,000

### Step II - Market Salary Analysis (Kodiak Actuals vs. Market 50th)



### Step III - Salary Structure Development (Anchored to Market 50th)



### Step IV - Proposed Salary Structure

Anchored to Market 50th

<b>DBM</b>	<b>Minimum</b>	<b>Midpoint</b>	<b>Maximum</b>	<b>Range Spread</b>
A11	\$31,411	\$39,264	\$47,116	50%
A12	\$33,658	\$42,072	\$50,486	50%
A13	\$35,904	\$44,880	\$53,856	50%
B21	\$38,157	\$47,697	\$57,236	50%
B22	\$40,404	\$50,505	\$60,606	50%
B23	\$42,650	\$53,313	\$63,976	50%
B24/B31	\$44,904	\$56,130	\$67,355	50%
B25/B32	\$47,150	\$58,938	\$70,725	50%
C41	\$51,650	\$64,562	\$77,475	50%
C42	\$53,896	\$67,371	\$80,845	50%
C43	\$56,143	\$70,179	\$84,215	50%
C44/C51	\$58,396	\$72,995	\$87,594	50%
C45/C52	\$60,643	\$75,804	\$90,964	50%
D61	\$65,143	\$81,428	\$97,714	50%
D62	\$67,389	\$84,236	\$101,084	50%
D63	\$69,636	\$87,045	\$104,453	50%
E81	\$78,635	\$98,294	\$117,953	50%
E82	\$80,882	\$101,102	\$121,323	50%
E83	\$83,128	\$103,910	\$124,692	50%

## NEXT STEPS

### Council Actions

- Approval of classification framework
- Approval of compensation structure
- Implementation funding



## Office of the City Clerk

710 Mill Bay Road, Room 216, Kodiak, Alaska 99615

### MEMORANDUM

To: Mayor Branson and Councilmembers      Date: January 26, 2012  
From: Debra Marlar, MMC *DM*      Subject: Special and Standing Rules  
City Clerk

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The Council has created special and standing rules, which were last adopted via Resolution No. 08-02.

A special rule supplements or modifies a parliamentary rule in *Robert's Rules or Order Newly Revised*, which is the Council's parliamentary authority.

A standing rule relates to the details of the administration of the Council (procedures).

These rules have evolved over the past several years to accommodate the manner in which the Council conducts its business or to document a procedure defined by the Council.

The Council has reviewed its rules each year and has modified them, when desired, via resolution. If the Council desires to amend its standing and special rules, the Clerk will prepare a resolution for approval at a future meeting.



**KCC 2.04.120 Agenda.** The agenda for each meeting of the city council shall be prepared by the city clerk after consultation with the city manager and the council. The agenda shall be distributed to each member of the council at least forty-eight hours prior to the meeting.

**CITY OF KODIAK  
RESOLUTION NUMBER 08-02**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK RESCINDING RESOLUTION NUMBER 05-6 AND RE-ESTABLISHING STANDING AND SPECIAL RULES OF THE COUNCIL**

WHEREAS, the City Council initially established its Standing and Special Rules with Resolution No. 02-01 and subsequently amended its Rules with Resolution No. 05-6; and

WHEREAS, the City Council reviewed its Special and Standing Rules at the January 19, 2008, planning meeting; and

WHEREAS, the City Council desires to amend its Special and Standing Rules to allow a minimum of three minutes for public comments during regular and special meetings and work sessions.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Resolution No. 05-6 is hereby rescinded.

BE IT FURTHER RESOLVED by the Council of the City of Kodiak, Alaska, that the following Rules are hereby adopted and shall remain in effect until rescinded or amended:

- Section 1: Items for Regular Meeting Agendas.** Regular meeting agenda items shall be established by the Mayor, any two Councilmembers, and/or the City Manager. The Clerk may also place routine items on the agenda.
- Section 2: Agenda Amendments.** Except in the event of an emergency, or to consider an extremely time-sensitive issue, motions to amend the agenda shall not be made. (Any amendment to an agenda that results in an official Council action for which sufficient public notice has not been given is a violation of the Alaska Open Meetings Act and is grounds for recall.)
- Section 3: Work Session Agenda Discussion Items.** Work session agenda items shall typically be established by the Council during a prior work session. In the event a time-sensitive issue requires discussion at the next regularly scheduled work session, the time-sensitive issue may be included on the work session agenda by the Mayor and/or any two Councilmembers. At the request of a citizen, the Mayor, a Councilmember, the City Manager, or the City Clerk, an item may be listed on the work session agenda under "To Be Scheduled."
- Section 4: Time Limits for Public Comments.** Unless the Mayor announces a different time limit for public comments, the Clerk shall set a timer for three minutes for public comments during regular and special meetings and work sessions.

- Section 5: Presiding Officer in the Absence of the Mayor and Deputy Mayor.** The most recent Deputy Mayor shall preside at meetings when both the Mayor and Deputy Mayor are absent.
- Section 6: Cell Phones.** Cell phones must be turned off or muted during regular and special meetings. A member cannot leave the chambers to answer a cell phone unless a recess has been called.
- Section 7: Certificates of Appreciation, Proclamations, Letters of Support, etc.** The Mayor is authorized to proclaim events, issue certificates of appreciation, and sign letters of support for various nonprofit agencies, etc.
- Section 8: City of Kodiak Membership in Organizations.** As a matter of policy, the City of Kodiak shall decline membership in organizations whose mission does not promote or support municipal government. Unless otherwise directed by the Council, the City shall maintain membership with the following: Alaska Municipal League, Southwest Alaska Municipal Conference, and National League of Cities.
- Section 9: Public Hearings/Amendments to Motions.** The following process shall be followed with respect to public hearings:
- The agenda item shall be read by the Mayor.
  - A staff report shall be given.
  - A main motion shall be made and seconded.
  - The public hearing shall be opened.
  - The public hearing shall be closed after public comments are made.
  - Amendments to the main motion may be made, if desired.
  - The public hearing shall be reopened **ONLY** if an amendment alters the substantive content of the ordinance.
  - The roll call vote shall be taken on any amendment(s).
  - The roll call vote shall be taken on the main motion.
- Section 10: Restatement of Motion.** Once made and seconded, a motion is considered to be before the Council and does not need to be restated by the Mayor.
- Section 11: Right of Motion Maker to Modify or Withdraw Motion.** The maker of a motion may modify or withdraw the motion before debate/discussion has begun. After debate/discussion has begun, the motion “belongs” to the entire Council and can only be withdrawn by Council consent or amended through the usual process of amendment.
- Section 12: Voting Order.** Unless a conflict has been determined in accordance with KCC 2.10.060(d), a Councilmember shall vote when his or her name is called and may not pass.

**Section 13: Change of Vote.** The Clerk shall inquire if anyone desires to change a vote before the result is announced.

**Section 14: Reintroduction of a Defeated Motion/Proposal.** A defeated motion/proposal may not be reintroduced for one year. However, a motion may be reintroduced following an election or appointment of new Councilmembers.

**Section 15: Postponed Motions.** A motion may be postponed until a specific future meeting. The Councilmember who moves to postpone a motion shall state in the motion when it will be reintroduced.

**Section 16: Vote on a Motion To Reconsider.** When a motion has been made to reconsider an action of the Council, the vote on the motion to reconsider shall be taken at the next regular meeting, unless otherwise stated in the motion.



CITY OF KODIAK

*Carolyn Floyd*  
MAYOR

ATTEST:

*Delva Marler*  
CITY CLERK

Adopted: February 28, 2008

**CITY OF KODIAK  
RESOLUTION NUMBER 2011-10**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK RE  
SCINDING RESOLUTION NO. 05-20 AND ESTABLISHING FUNDING CRITERIA  
FOR NONPROFIT GRANTS**

WHEREAS, the City Council recognizes and supports local nonprofit organizations and has historically made funding available to these organizations on an annual basis; and

WHEREAS, it has been determined that the appropriate total amount of City funds to grant to nonprofit organizations is a maximum of one percent of budgeted general fund revenues, exclusive of any fund balance appropriation; and

WHEREAS, City funds have been provided to nonprofit organizations that supplement and compliment the services provided to residents by the City; and

WHEREAS, it is the intent of the City Council to update this policy statement.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Kodiak, Alaska hereby establishes the following additional funding criteria for nonprofit grants provided by the City:

1. Organizations receiving funds must be legally recognized by the Internal Revenue Service.
2. Funding will be granted only for the following kinds of programs/activities and up to the maximum identified funding amount per organization and program type:

Youth Recreation Programs	\$2,500
Adult Recreation Programs	\$5,000
Public Safety Support Programs (Shelter/Food)	\$10,000
Emergency Response Support Programs	\$10,000
3. Subject to the total amount of funding available, in order to minimize the impact of potential funding cuts and/or gains to organizations as a result of the implementation of these caps, no organization will receive ten percent (10%) less and/or more than in the previous funding year.

CITY OF KODIAK

  
\_\_\_\_\_  
MAYOR

ATTEST:

*Delma Markin*  
CITY CLERK

Adopted: April 28, 2011



**CITY OF KODIAK**  
**Nonprofit Grant Applications**  
**Fiscal Year 2013**  
**Calendar**

- May 22 Council review of City's nonprofit application and award process
- Week of June 4 Mail applications, FY12 grant reports *(if no change to criteria)*
- July 6 Applications and FY12 grant reports due to the City Manager's Office
- July 6-24 City Council evaluates applications
- July 26 Nonprofit funding resolution on agenda for Council approval
- July 27 Check requests prepared and forwarded to finance
- July 27 FY13 award notification letters and agreements mailed
- August 3 Checks returned to City Manager's Office
- August 3 Grant checks available upon execution of grant agreements and verification of FY12 reports filed

**CITY OF KODIAK**  
**FY12 NONPROFIT FUNDING APPLICATION**  
**Only organizations that were funded in FY11 are eligible to apply.**  
**Return to City Manager's Office by July 5, 2011.**

ORGANIZATIONAL OVERVIEW

Organization Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Telephone No.: \_\_\_\_\_ Fax No.: \_\_\_\_\_

Federal Employer Tax ID Number: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Printed Name

Title

Contact Person : \_\_\_\_\_

Signature

Date

**SERVICES: Funding will be granted only for the following kinds of programs/activities and up to the maximum identified funding amount per organization, per program type:**

- Youth Recreation Programs \$ 2,500
- Adult Recreation Programs \$ 5,000
- Public Safety Support Programs (Shelter/Food) \$10,000
- Emergency Response Support Programs \$10,000

In order to minimize the impact of potential funding cuts and/or gains to organizations as a result of the implementation of these caps, no organization will receive ten percent (10%) less and/or more than was received in FY10. **Please reflect this 10% in your funding request, if desired.**

Category(s) of Funding Requested (see above list):

\_\_\_\_\_  
Category Amount

\_\_\_\_\_  
Category Amount

\_\_\_\_\_  
Category Amount

Brief Description of Service(s) Provided and Number of City Residents Served:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_






**PROPERTY**



## MEMORANDUM

TO: Mayor Branson and City Councilmembers

FROM: Aimée Kniazowski, City Manager 

DATE: January 28, 2012

RE: Planning Session Agenda, Item 3.a., Plan for Vacant City Properties

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The City owns several buildings which are unused and vacant. The building on the corner of Shelikof and Marine Way, known as the “public bathroom” building has been vacant since KPD stopped using it as a police substation about two years ago. The Barn has also been vacant since KPD consolidated the detective unit into the new police station. The old police station/jail building was vacated in February of 2011 when we moved jail operations into the new facility. It costs the City to winterize, minimally heat, and insure vacant City facilities. The buildings are prone to vandalism, as we’ve seen with the break-ins and fire at the Barn. We’ve also had to repair a series of major boiler malfunctions and pipe breakage in the old KPD building, even though steps were taken to winterize the building. I recommend we begin a discussion on the disposition of these buildings.

I understand the City Council adopted a resolution that would allow the Maritime Museum to use the Harbor building for an historic visitor display. I don’t believe their use of that building included rent or other types of payments for the proposed use, but I don’t know what Council’s intent was at the time the resolution was adopted. I haven’t taken any other actions to turn over the building to the museum group since they started to work with the Foraker Pre-Development group to explore the possibility of building a museum on the City’s waterfront. They continue to work on this issue and should come forward to Council with a recommendation in the future. In the meantime, the City is responsible for the building and it remains unused.

The Barn facility used to house the KPD detective unit and also has a communications tower attached to the building which is used for public safety purposes. It was vacated last year when KPD made the transition to the new station. The City used it for storage of miscellaneous items of City property until a group of juveniles broke into the building and tried to set it on fire. They did a substantial amount of damage to the building. We requested restitution for damages through the state Juvenile Justice system, but have only received a small amount from the family of one juvenile. We no longer store items at the Barn. There has been quite a bit of interest from local groups to commit to a use for the Barn. The City has inadequate administrative office space and limited indoor storage, so I would rather we rehab the building to accommodate our needs. However, before the best use can be determined, we need a professional engineering assessment of the building, and then we can make the repairs necessary for that use.

The Barn is a historically listed property related to its use in the former agricultural station from the 1920s. I don't know how the City came to own the Barn, but I've heard we've put it to several uses since it became a City facility. It's been used as a basketball facility, used for storage of records and equipment, and to house the detectives. Its use is limited by the overall condition (including water leaks from where the walls join the floor), existing floor plan, and limited load bearing capacity of the second floor.

The Kodiak Public Library Association board, the Foraker pre-Development team, the City project team, and I toured the Barn to see if it could be incorporated into the new library project. The building does not lend itself to direct incorporation into a new library structure. However, because of its location and status as a historical building, it has been considered as part of a larger campus for possible use or development in the future.

As mentioned, several local groups have expressed interest in having the City find a new use for the Barn. Interest has been expressed by the Maritime Museum as storage (not display) for a growing collection of marine related items. The 4H group and the Kodiak Soil and Water Conservation District want to see a future use that links it with Kodiak's agricultural past. The Historical Society is interested in preserving the building because of its historical value. Eventually, these groups hope to work together with the City to develop a plan for the use of the Barn. As I meet with groups interested in finding an affordable alternative to leaving the Barn unoccupied, I'm not able to respond with facts as to the structural integrity of the building. I haven't been able to find an engineering assessment of the building or evaluation of the condition or capacity.

We have several choices as to what to do with the Barn, none of them fully satisfactory. The historical listing does not prevent us from deciding to demolish it, but it's obvious that a large sector of the community would be strongly opposed to that alternative. We could take the building apart and relocate it on other City property or on private property. This would free up space for a new library, but is likely to be costly and problematic in that no site is available on which to relocate the building. It could remain where it is, be refurbished, and put to some use supported by the community. These alternatives would require a commitment of City funds and effort, but could result in a reasonable and up-to-code facility for use by the City or for rent by another public or private entity. We could deed it to a non-profit organization. I do not recommend we leave it unoccupied in the long-term without a plan. The current location has made it a target for vandalism, but that risk will diminish with the construction of the new library on that lot. Still, I don't recommend a do-nothing approach even though the solutions will cost money. I recommend we work with the Historical Society to secure funding to get an engineering study done of the Barn which will help us identify costs and a reasonable solution to the use or removal of the Barn.

In anticipation of building a new police station & jail, the City had USKH do an evaluation of the building in 2004 to identify its composition including hazardous materials like asbestos in

anticipation of demolishing the building. The study showed the building (like the existing library and fire station) contains asbestos containing materials, lead, molds, and other substances that have the potential to cause health problems and would require special handling during demolition. This building is in very poor condition, is in the identified tsunami inundation/evacuation zone, and will not be rehabilitated and brought up to current building codes for less than it would cost to build a new building. The Public Works Director also informed me that the City has multiple utility lines and easements which bisect the lot, making it difficult to sell to someone who might want to build on the site. It is my recommendation that we plan to demolish the building and retain ownership of the lot for future use as part of a new fire station development. The lot could be used to store snow removed from the fire station (now a very difficult removal/storage problem that contributes to flooding into the fire station equipment bays) and parking or secured equipment storage for the fire station. Property borders could be made into a green space with grass, trees, and simple benches near the sidewalks. I am recommending the demolition of this building be included in the new 5-year CIP plan for inclusion in an upcoming year.

The City also owns a currently unused house on Hillside Drive that is problematic as to condition and possible future use. No work has been done to assess the overall condition of the building or appropriate lot access. This property has similar issues to the others in that it remains vacant without an identified use.

I believe it's important to begin discussions on what Council would like to have us do about these buildings. It doesn't make sense to just leave them vacant and in place. They are City resources and the potential risks of continued vacancy should be weighed against the costs of demolition, sale, relocation, and possible reuse for those facilities worth saving.

Attached is a spreadsheet identifying costs we've incurred to repair the Barn and old KPD recently. Other insurance and utility costs aren't included.

Barn expenses for FY 2012:

	<u>Electric</u>	<u>Fuel</u>
Jul-11	85.44	
Aug-11	87.65	
Sep-11	35.24	24.75
Oct-11	32.66	
Nov-11	35.64	
Dec-11	38.62	
Jan-Jun 12	<u>215.00</u> estimate	<u>0</u>
	530.25	24.75

**Barn total expenses for FY 2012: \$555.00**

Old KPD expenses for FY 2012:

	<u>Electric</u>	<u>Fuel</u>
Jul-11	1,159.32	
Aug-11	1,262.60	
Sep-11	1,192.45	2,664.28
Oct-11	1,215.83	1,572.46
Nov-11	1,271.95	1,052.11
Dec-11	1,253.25	1,254.60
Jan-Jun 12	<u>7,400.00</u> estimates	<u>6,500.00</u>
	14,755.40	13,043.45

Scott's Heating & Plumbing:

12/6/2011	2,133.76
12/27/2011	3,219.56
12/28/2011	271.97
12/30/2011	<u>367.75</u>
	5,993.04

**Old KPD total expenses for FY2012: \$33,791.89**

## Shelikof-Public Restrooms Operational Expenses


<b>FY10</b>	<b>Janitorial</b>	<b>Fuel</b>	<b>Electric</b>	<b>Supplies(esitmated)</b>	
July	550.00	0.00	182.38	200.00	
Aug	550.00	0.00	173.70	200.00	
Sept	550.00	0.00	220.86	200.00	
Oct	550.00	240.21	184.62	200.00	
Nov	550.00	289.39	294.48	200.00	
Dec	550.00	0.00	241.95	200.00	
Jan	550.00	604.05	191.97	200.00	
Feb	550.00	0.00	179.90	200.00	
Mar	550.00	590.85	242.93	200.00	
April	550.00	0.00	218.00	200.00	
May	550.00	556.67	218.20	200.00	
June	550.00	0.00	234.20	200.00	
	<b>6600.00</b>	<b>2281.17</b>	<b>2583.19</b>	<b>2400.00</b>	<b>FY10 Total = \$ 13,864.36</b>

<b>FY11</b>	<b>Janitorial</b>	<b>Fuel</b>	<b>Electric</b>	<b>Supplies(esitmated)</b>	
July	550.00	0.00	213.40	200.00	
Aug	250.00	241.30	209.04	200.00	
Sept	250.00	0.00	222.27	200.00	
Oct		0.00	198.34	200.00	
Nov		267.79	212.82	200.00	
Dec		0.00	205.76	200.00	
Jan		357.94			
Feb					
Mar					
April					
May					
June					
	<b>1050.00</b>	<b>867.03</b>	<b>1261.63</b>	<b>1200.00</b>	<b>FY10 Total = \$ 4,378.66</b>



## MEMORANDUM

TO: Mayor Branson and City Councilmembers

FROM: Aimée Kniazowski, City Manager 

DATE: January 28, 2012

RE: Planning Session Agenda, Item 3.b., Land Sales

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I would like to revisit the Council's preferences regarding the sale of City owned land deemed no longer needed for a public purpose and the possible acquisition of land.

For several years, Council has directed the Manager to dispose of City properties, especially on Near Island. Since 2009, I've facilitated the sale of five lots in the Near Island Business Park Subdivision along Alimaq Drive (formerly Dog Salmon Bay Road), two lots in Chiniak, and two residential lots, one on Alder Lane and the other on Yukon Street.

In 2009 and 2010, Council wanted me to work on preparing land for sale on Near Island. According to my research, the majority of remaining undeveloped City property requires utility installation which is expensive due to bedrock and other ground conditions. Installation of utilities prior to subdivision and sale would result in very expensive lots. Installation of utilities by a developer would make development less attractive. The majority of the remaining undeveloped land the City owns on Near Island (except the three parks) is zoned as a conservation district. Title 17 of the Borough Code, Section 17.50.010-17.50.111 describe permitted development, establish lot sizes, and encourage continued use of the land as open space areas. These requirements, as I understand them, and the fact that utilities would need to be provided, make the subdivision and sale of this area of Near Island different from the other lots that were sold from 2007-2010. Based on this information, last year Council agreed that due to several factors, additional land sales, especially on Near Island, would not be pursued.

I am also approached by individuals or groups interested in the purchase of other land owned by the City, such as land set aside for possible future development by the State for a ferry terminal, the Gibson Cove property (which may have use restrictions dating back to when it was granted to the City), the City impound lot on Selief Lane near Municipal Airport, and single lots on undeveloped/undevelopable lots near Hillside Drive, and ROW purchases. Some requests have been made formally in writing, but haven't come to Council for consideration. Without an evaluation of future land needs, and a policy on the disposal of land, I am unsure what to tell people making inquiries even though I have received direction to sell property not needed for City purposes in the past.

The City has limited land available, and I have concerns that, since we don't have an assessment of



our land needs or a land use plan, most sales may not be the best course to take at this time. I believe the decision to proceed with land sales should be revisited considering an assessment of long-term land needs, various zoning requirements, the need to be compliant with the Borough's Comprehensive Plan, and development costs required in preparing the land for sale (surveys, subdivision process, permitting, and utilities). As mentioned in the previous agenda item on vacant City property, the sale of the old police station lot on Lower Mill Bay Road would also require considerations similar to other property as discussed above.

I recommend Council review the decision to sell land, discuss my concerns, and provide direction to me on the preferred approach, or schedule this topic for further discussion. I don't believe this is a time-sensitive issue given the other projects and concerns we are currently faced with, but I think it merits review and discussion as to what direction Council feels is in the City's best short- and long-term interest, and what priority this issue may be for Council in 2012.