

# KODIAK CITY COUNCIL

## WORK SESSION AGENDA

**Tuesday, April 22, 2014**

**Kodiak Public Library Multi-Purpose Room**

**7:30 p.m.**

*Work sessions are informal meetings of the City Council where Councilmembers review the upcoming regular meeting agenda packet and seek or receive information from staff. Although additional items not listed on the work session agenda are sometimes discussed when introduced by the Mayor, Council, or staff, no formal action is taken at work sessions and items that require formal Council action are placed on a regular Council meeting agenda. Public comments at work sessions are NOT considered part of the official record. Public comments intended for the "official record" should be made at a regular City Council meeting.*

### **Discussion Items**

1. Public Comments (limited to 3 minutes)
2. Discussion About Sales Tax Exemptions ..... No Backup
3. Discussion About Depreciation Funding .....1
4. Capital Projects Update..... No Backup
5. Discussion of Snack Shack at Baranof Park .....8
6. Discussion About Hosting a Governor's Picnic in Kodiak .....13
7. April 24, 2014, Agenda Packet Review

### **To Be Scheduled**

1. Summer Meeting Schedule



## DEPRECIATION – ENTERPRISE FUNDS

It is vital that cities keep the funded depreciation issue in perspective. Insufficient funding of infrastructure replacement will inevitably lead to capital asset degradation and higher costs for future generations. However, putting aside depreciation funds which are not likely to be used in the foreseeable future is an unnecessary burden on current ratepayers. Therefore a balance is required, so that capital assets are maintained in good condition, but unnecessarily large cash balances are not accumulated.

Enterprise Fund capital assets are capitalized in the fund accounts because the capital assets are used in the production of the goods or services provided and charged through a fee structure. Depreciation of these capital assets must be recorded to determine total expenses, net income, and changes in fund equity. Moreover, Enterprise Fund capital assets may serve as security for debt issued to establish, acquire, or improve a public enterprise. Depreciation of capital assets accounted for in an Enterprise Fund should be recorded in the accounts of that fund. Depreciation accounting is an important element of the income-determination process. Accordingly, it is recognized in the Enterprise Funds where expenses, net income, and/or capital maintenance are measured.

### **Purpose**

The purpose of this document is to provide a framework for identifying, valuing, and recording capital assets.

- Clarify the definition of, and accounting recognition concepts for, capital assets;
- Provide guidance on determining the periodic cost of using capital assets (depreciation);
- Specify a basis for valuing capital assets; and
- Set out the budget approach in regularly reviewing capital assets.

The key objective for the City is to ensure that capital assets used to support the services delivered by the City are sustainable and continue to function at a level of service determined by the City Council.

With the continued implementation of the City's Capital Improvement Plan (CIP) the City could achieve benefits including:

- Integration of resources
- Better and more informed decision-making
- Improved efficiency and reduction of limited capital funds and capital asset operation costs.
- The ability to plan for the present and future.

As part of the CIP the City Council should consider infrastructure capital assets such as the City's roads, sidewalks, parks, utilities, and piers and docks.

- As custodians of community capital assets and as part of providing quality infrastructure and community facilities, develop acceptable and financially sustainable CIP processes.
- Ensure that infrastructure capital assets will support services that are appropriate, accessible, responsive and sustainable to the community.
- Maintain and refurbish infrastructure capital assets in a systematic and sustainable manner.
- Ensure the infrastructure capital assets meet the needs of users and community with an affordable financial framework.

### **Definition – Capital Assets**

A capital asset is defined as a resource with a future economic benefit or service potential, which is controlled by the City Council and has occurred from transactions or events. Capital assets are assets where the normal period of future economic benefits or service potential is greater than twelve months. A future economic benefit generally stems from the capacity of the capital asset to contribute to the ability of the City to meet its' service objectives.

### **Capital Asset Recognition**

Property, plant and equipment is defined as tangible items that are for use in the production or supply of goods and services, for rental to others, or for administrative purposes and are expected to be used during more than one period. Capital assets should be recognized when it is probable the future economic benefits will occur, the capital asset has a cost or other value that can be measured reliably. The following costs are included in the cost of an item of property, plant and equipment upon initial purchase or construction and are capitalized.

- The purchase price and all costs directly attributable to bringing the capital asset to the location and condition necessary for it to be capable of operating in the manner intended.
- General administration and other indirect overhead costs and training costs are not to be capitalized and are expensed.

### **Capital Asset Classes and Thresholds**

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.00. Major outlays for capital assets and improvements are capitalized as projects. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the useful life of the capital asset are not capitalized. Property, plant and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

- Buildings – 50 years
- Building Improvements – 20 years
- Public Domain Infrastructure – 50 years
- System Infrastructure – 30 years
- Vehicles – 7 years
- Office and Computer Equipment – 5 years
- Land – Not Depreciated

### **Cash and the Purchase of Capital Assets**

The concept of funded depreciation relates to the level of non-cash items funded by the Operating Surplus/Deficit. Unfunded Depreciation is the result of an Operating Deficit, effectively causing the transfer of capital to operating. Depreciation expense *is not a use of cash*. The cash was used when the asset was purchased or when a payment was made. When an asset is purchased in an Enterprise Fund it is not recorded as an expense but recorded as an addition to capital assets and a deduction to cash on the balance sheet. At the time of purchase there is no impact on the operating statement of revenues and expenses. Instead, each fiscal year a portion of the asset is expensed as depreciation expense and the value of the asset recorded when it was purchased is reduced by that same expense portion. Therefore no cash is used for the depreciation expense. The cash was accounted for when the asset was originally purchased.

## **Depreciation**

Where capital assets, including intangible capital assets, have a limited useful life, they must be depreciated in accordance with the governmental accounting standards. Depreciation is a mechanism to allocate the cost of a capital asset over its estimated useful life. Allocating costs of a capital asset over the period in which it is used allows the recognition of how much value has been used up.

## **Depreciation Method**

The depreciation methodology used by the City for all classes of capital assets is the straight line method. The straight line method allocates the depreciable amount in approximately equal amounts in each accounting period over the useful life of the capital asset being depreciated.

## **Useful Life**

Useful life is the period over which a capital asset is expected to be available for use by the City. The estimation of useful life is based on past experience and its planned replacement timeframe. If a capital asset is still used beyond its ideal or optimum replacement timeframe, the extended period is the life which should be used. The residual value is the amount expected to be recovered from the disposal of the capital asset at the end of its useful life to the City after deducting the estimated costs of disposal. A review of capital asset residual values should be reviewed on an annual basis.

## **Funded / Unfunded Depreciation**

Enterprise Fund rates may be established to cover the cost of the service and the cost of the service includes depreciation. There are four approaches to this, keeping in mind that when it is time to replace the capital asset, prices will be higher:

- Grant funded capital assets are not paid for by users so rates should not reflect depreciation costs.
- Rates should be set to cover the cost of depreciation because when the capital asset is old and used up, the City will have to replace it, and the City will most likely not be able to get grants to pay for it.
- Rates should be set to cover some of the depreciation in order to fund the replacement or partial replacement of capital assets.
- Rates should cover some portion of the depreciation on some classes of capital assets such as on rolling stock, but not infrastructure or maybe rates should cover the

depreciation on some of the infrastructure. The City has developed a Vehicle Replacement fund to account for the depreciation and replacement of rolling stock.

Funding the depreciation expense is a decision of how to plan for the future replacement costs that will occur when the asset needs to be replaced.

### **Year End Operating Deficit**

- Depreciation partially funded or unfunded
- Capital assets given away to the user/customer to the value of the loss

### **Year End Operating Surplus**

- Depreciation partially funded or fully funded
- Total capital asset consumption converted to cash
- The user/customer pays for the capital asset consumption

A material level of unfunded depreciation may have serious implications for the City and significant financial consequences for future generations. Any decision not to fund depreciation should be supported by an analysis of future capital asset replacement funding needs coupled with identification of the funding sources.

Funding depreciation is a confusing issue. Funding depreciation is not mentioned in the accounting standards – depreciation just records the consumption of capital assets.

What a City does with the funded depreciation, or portion thereof, is up to the City e.g. the City may decide to:

- **Transfer funds back to operations**
  - Appropriate if City Council wishes to remove a service or reduce the level of service for future generations
  - Erosion of capital base
  - Short term approach, which may impact future users
- **Buy new / additional capital assets**
  - Appropriate if the CIP alters the focus from one service, facility or activity to another
  - Fund an additional capital project

- Generally will result in additional operating expenditure for future users
- **Renew existing capital assets**
  - Appropriate if City Council believes the existing capital base is correct
  - Appropriate if CIP alters the focus from one service, facility or activity to another
  - Apply funds to existing capital assets as needed, i.e. across services, facilities or activities
- **Transfer funds to reserve**
  - Appropriate if current renewal program's requirements is less than the funded depreciation
  - Appropriate if in any year in the CIP, the renewal program's requirements is greater than the funded depreciation
  - Council has created this reserve and its current practice limits

### **Budgetary Decisions**

As part of the budgetary process the City should allocate sufficient unrestricted funds, after meeting all other ordinary expenses, to the funding of the annual depreciation expense. This may not be done on capital assets that the City has determined not to replace, or capital assets that the City has decided may be replaced using alternative sources of funding such as grants. If insufficient funds are available, the City may recover the shortfall in the next year's budget through revenue increases, or resolve to not fund that portion of the depreciation expense that cannot be funded from available funding sources.

### **Budget Determinations**

- The City should decide what capital assets will not be replaced at the end of their useful lives. These capital assets will continue to be depreciated in line with the usage of their service potential, but the depreciation will not be funded by the raising of equivalent operating revenue.
- For individual capital assets or classes of capital assets the City should decided what percentage of these capital assets could be raised from available funding sources, such as grants or contributions. To the extent of those sources, the City may determine not to raise operating revenue. That is, it will not fund that proportion of the depreciation on those capital assets.
- The amount of unfunded depreciation in any budget year can be determined by the following:

- Operating Surplus or Deficit / Depreciation Expense = Maximum Extent of Unfunded Depreciation

With the implementation of the CIP and the continued review of revenue sources and fund balance reserves the City can ensure that the management of capital assets will be addressed in the budget process each fiscal year.



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## Kodiak Football League

P.O. Box 973  
Kodiak, Alaska 99615  
[rjwalker@gci.net](mailto:rjwalker@gci.net)



April 1<sup>st</sup> 2014

Kodiak City Council  
Debra Mauler,  
City Clerk's Office  
710 Mill Bay Road, Room 216  
Kodiak, AK 99615

Dear Debra,

Between the Months of April and October 2014

The Kodiak Football League would like to request a City Permit to sell concessions at Baranof Park during High School Track & Field Meet's, Baseball Games and Football Games, along with gate admissions during the Fall Football Season.

As most of you know we are a Non-profit Organization who survive by raising money through Fund Raiser's, Donations, Concession & Gate Sales.

We promote Good Sportsmanship, Team Building , and teach the sport of Football to An average of 200 Boys and Girls ages 8 to18 each year.

Thank You for your Consideration

Sincerely

KFL Board of Directors

## Title 5 BUSINESS LICENSES AND REGULATIONS

### Chapter 5.04 BUSINESSES ON PUBLIC PROPERTY

#### 5.04.010 Businesses on city property prohibited

Except where permitted under the provisions of this chapter, in or upon a city street, alley, sidewalk, parking lot, park, or other public place, no person may:

(a) Park, place, erect, or construct a building, structure, tent, trailer, bus, or other enclosure, or a stand or table, for the purpose of displaying for sale, selling, or soliciting the sale of goods or services;

(b) Display for sale, sell, or solicit the sale of goods or services; or

(c) Park a vehicle bearing a for-sale sign for a purpose of soliciting buyers or otherwise offering the vehicle for sale. It shall be conclusively presumed that any vehicle bearing a for-sale sign which is parked in the same location for more than 48 consecutive hours is parked with a purpose of soliciting buyers or otherwise offering the vehicle for sale. (See also amended 13 AAC 02.365(f)(3) in KCC 10.16.020.) [Ord. 131 §1, 2013; Ord. 1291 §2, 2011; Ord. 1177 §1, 2004]

#### 5.04.050 Permits for community festivities

(a) The city clerk may issue permits allowing the erection of temporary stands, structures, or tables or the temporary parking of a suitable vehicle on public property for the purpose of selling or dispensing goods or services in conjunction with the King Crab festival or other similar designated community events.

(b) An application for a permit under this section shall be submitted to the city clerk accompanied by any required fees established by resolution or motion of the city council; provided, however, that the council may reduce or waive payment of the fee for permits issued to nonprofit organizations and associations performing community services in Kodiak, so long as all such organizations are treated alike with respect to permits issued for any single festival or similar community event. The application shall contain the following information:

- (1) The name and address of the applicant;
- (2) The business name to be used and the nature of the business;
- (3) The name of the festivity or event for which the permit is requested;
- (4) A description of the structure, stand, or vehicle to be used;
- (5) The location where the applicant would prefer to conduct the business.

(c) If insufficient space or facilities are available to accommodate the applicants for permits at any particular event, locations shall be assigned giving preference to nonprofit organizations and associations performing community services in Kodiak and to those businesses that are most compatible with the community festival or event for which the applicants are seeking permits.

(d) If a community event or festival is being planned and managed by a local nonprofit community organization, the council may, by resolution, authorize the issuance of a single permit to that organization for the designated public property. As a condition to receiving the permit, the organization shall:

(1) Agree to assign space in accordance with the priorities established in subsection (c) of this section;

(2) Comply with the conditions set forth in KCC 5.04.060 and require compliance with those conditions by all persons occupying space under the auspices of a permit from that organization; and

(3) Hold harmless and defend the city from any claims for death, injury, or damage arising or resulting from the event conducted, as well as from any suits or actions based upon the assignment or utilization of public property under the permit.

(4) The council may waive payment of any fee by an organization receiving a permit under this subsection, and the organization may charge a reasonable fee for persons utilizing a booth, structure, or stand in conjunction with their participation in the festivity. [Ord. 1177 §1, 2004]

#### **5.04.060 Permits for community festivities—conditions of permit**

(a) A permit issued under KCC 5.04.050 shall be subject to the following terms and conditions:

(1) The structure, stand, or vehicle may not be erected or parked prior to the date and time designated on the permit and shall be removed within 24 hours after the end of the designated event.

(2) If the business is one that utilizes disposable wrappings or containers, the permittee shall place suitable refuse containers in the vicinity of the business and provide for the disposal of the contents of those containers on a daily or more frequent basis.

(3) The permittee shall obtain and display all other licenses and permits necessary to the conduct of the business and shall display those licenses and permits at the place of business.

(4) The permittee shall permit the inspection of the facilities from which the business is conducted at all reasonable hours.

(5) The permittee shall maintain the property in the immediate vicinity of the business facilities in a neat and clean condition and shall remove all accumulated waste, litter, and debris upon removal of the business facilities.

(6) The permittee shall comply with all applicable laws and regulations.

(7) The permittee shall comply with such other reasonable conditions as may be provided in the permit by the city manager.

(b) If the permittee fails to comply with any condition of the permit or a provision of this section, the city manager may, after not less than two hours' notice and an opportunity to be heard, revoke the permit.

(c) If the permittee fails to leave the immediate vicinity in a clean condition or fails to remove the business facilities as required by this section, the city may, after reasonable verbal notice, perform such work and the permittee shall be liable for all costs so incurred. Business facilities removed by the city may be discarded in the dump or otherwise disposed of as abandoned property having no value. [Ord. 1177 §1, 2004]



## Office of the City Manager

710 Mill Bay Road, Room 219, Kodiak, Alaska 99615

June 24, 2011

Rich Walker, Vice-President  
Kodiak Football League  
PO Box 973  
Kodiak, AK 99615

Re: Request to Place Snack Shack at Baranof Park

Dear Mr. Walker:

I am responding to the letter you provided to the City Clerk's Office on May 17, 2011, requesting permission for the Kodiak Football League (KFL) to place a snack shack at Baranof Park to sell concessions and raise money for your organization.

Unfortunately, we cannot grant KLF permission to place the snack shack at Baranof Park or any other City facility. The City Code, Chapter 5.04.010 specifically prohibits structures like the snack shack from being placed on City property for the purpose of displaying, selling, or soliciting the sale of goods or services.

Each year the City Council authorizes a permit to KFL to sell concessions at Baranof Park under Chapter 5.04.050, but this section of the Code does not apply to your request to place a structure in the park. It allows KFL to provide concessions using temporary structures related to specific football events.

The City appreciates KFL's dedication to the young people in our community. I'm sorry the City cannot accommodate your request.

Sincerely,  
CITY OF KODIAK

Aimée Kniaziowski  
City Manager

Cc: Debra Marlar, City Clerk  
Ian Fulp, Parks and Recreation Director



# KODIAK FOOTBALL LEAGUE

P.O. Box 973  
(907) 481-2565  
Kodiak, Alaska 99615



May 17, 2011

To: City of Kodiak

From: Kodiak Football League

Re: Snack Shack at Baranof Park



The Kodiak Football League would like to request the City of Kodiaks permission to put a snack shack at Baranof Park. This structure would allow the KFL and other organizations an opportunity to sell snacks and drinks to spectators at events held at Baranof Park. We feel the shack would provide a service to our community and be an improvement for Baranof Park.

KFL would be responsible for the upkeep of the building. We would be willing to allow other organizations to use the snack shack for their events for a small fee, \$25.00. This would give other organizations an opportunity for fund raising at events being held at Baranof Park. The small fee would be put towards the upkeep of the building.

In the event that the KFL would cease to exist, which we don't foresee happening, we would donate the building to the city of Kodiak. If the city did not want the building to remain at Baranof Park the KFL would be responsible for having the shack removed.

This request has been submitted and unanimously approved by the City Park & Recreation Board on May 5<sup>th</sup> 2011.

We appreciate the board's cooperation and consideration in approving the installation of the shack. It will be nice to offer a cup of hot chocolate or coffee to spectators on those rainy, cold Kodiak days.

Sincerely,

Richard H. Walker  
Vice-President  
Kodiak Football League

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**Marlar, Debra**

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**Subject:** Governor picnic in Kodiak?

**Date:** Wed, 02 Apr 2014 10:44:48 -0800

**From:** Linda Kozak <[lindakozak@gmail.com](mailto:lindakozak@gmail.com)>

**To:** Kniaziowski, Aimee <[akniaziowski@city.kodiak.ak.us](mailto:akniaziowski@city.kodiak.ak.us)>, Pat Branson <[scokinc@ptialaska.net](mailto:scokinc@ptialaska.net)>

Let's invite him, okay? I can help put it together. lk

## **Governor Invites Communities to Host Family Picnic**

April 2, 2014, Juneau, Alaska – Governor Sean Parnell today invited Alaska communities to host the traveling Governor's Family Picnic this coming summer. Beginning in 2012, a community outside of Anchorage, Fairbanks, Mat-Su, and Juneau has been chosen to host an annual picnic. The Governor's Family Picnics are made possible by the generous donations of Alaska businesses and hundreds of volunteers. Interested communities are encouraged to visit the governor's website and learn how to submit an application.

**From:** Patricia Branson [<mailto:pbb@ak.net>]

**Sent:** Wednesday, April 02, 2014 1:05 PM

**To:** Linda Kozak; Pat Branson

**Cc:** Marlar, Debra

**Subject:** Re: Fwd: Governor picnic in Kodiak?

We can discuss at a city council meeting.

KIB should be involved as well.

Pat

**From:** Marlar, Debra [<mailto:dmarlar@city.kodiak.ak.us>]

**Sent:** Thursday, April 03, 2014 10:57 AM

**To:** Nova Javier

**Subject:** FW: Fwd: Governor picnic in Kodiak?

Nova,

Does the Borough have any interest in sponsoring a governor's picnic in Kodiak? The Council will discuss this at a work session.

Deb

**From:** Nova Javier [<mailto:njavier@kodiakak.us>]

**Sent:** Thursday, April 03, 2014 11:00 AM

**To:** Marlar, Debra

**Subject:** RE: Fwd: Governor picnic in Kodiak?

Hi Deb,

I will add it to the Assembly's April 15 work session.

Nova



Governor Sean and First Lady Sandy Parnell are excited to offer the opportunity for an additional Alaskan community to host the Governor's Family Picnic in 2014. We are accepting proposals for your community now through May 2, 2014. Four locations annually host the Governor's Family Picnic: Juneau, Fairbanks, Anchorage, and the Mat-Su. The Governor's Family Picnic celebrates one of the best things about Alaska – strong communities. In accordance with the Governor's Family Picnic this event is:

- Free, non-partisan event that is open to the public
- May not be funded by government funds (federal, state, or city)
- No business transactions may occur
- All food, beverages, and activities are free and available to the public
- Paid for with money raised by the community through fundraising
- Sponsorship in the form of financial or in-kind donations may be accepted
- The community hosting the event is responsible for planning (location, program, event details, etc.) and nominating the local committee members
- The Governor's office will provide a liaison to coordinate with the community's picnic committee



We encourage each community to tailor a picnic proposal to the uniqueness of their community. The Governor's Family Picnic will be celebrated in a different Alaskan community each year. We look forward to seeing our neighbors across the state. Please fill out the form below to be considered to host the Governor's Family Picnic in 2014.

## Picnic Form

State of Alaska ©



2014 |



Form to request to Host a Governor's Family Picnic. Please submit the form in one of the following ways:

Contact: Tara Fradley

Phone: 907-465-3500

Fax: 907-465-3532

Email: [governor@alaska.gov](mailto:governor@alaska.gov)

Mail: Office of the Governor  
Governor's Family Picnic  
P.O. Box 110001  
Juneau, AK 99811

**NOTE:** This form may be filled out in Adobe Acrobat, printed and faxed or mailed; or you may email your submission by using the "Submit Form" button at the bottom of the form.

Community submitting proposal:

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**Picnic Committee Chair**

First Name and Last Name:

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Email: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Address:

**Event Information**

Proposed location of event:

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Proposed menu:

Program / Agenda:

Family Activities:

Estimated Attendance: \_\_\_\_\_

Describe what will make your picnic unique to your community: