

City of Kodiak Regular Council Meeting Agenda for June 23, 2016
7:30 p.m., at 710 Mill Bay Road, Assembly Chambers (Room 232)

- I. Call to Order/Roll Call**
 - Invocation/Pledge of Allegiance

- II. Previous Minutes**
 - Approval of Minutes of the June 7, 2016, Special Meeting and June 9, 2016, Regular Council Meeting1

- III. Persons to Be Heard**
 - a. Proclamation: Declaring Filipino American Heritage Month12
 - b. Public Hearing on Resolution No. 2016–19, Amending Sections 8, 11, and 12 of the Schedule of Fees, Charges, and Tariffs14
 - c. Public Hearing on Resolution No. 2016–20, Amending Section 9, Harbor Fees, of the Schedule of Fees, Charges, and Tariffs and Authorizing Implementation of a Five-Year Rate Structure20
 - d. Public Comments (limited to 3 minutes) (486-3231)

- IV. Unfinished Business**
 - a. Continued Second Reading and Public Hearing, Ordinance No. 1351, Levying Taxes and Appropriating Funds for the Expenses and Liabilities of the City of Kodiak for the Fiscal Year Commencing on the First Day of July 2016 and Ending on the Thirtieth Day of June 2017.....26

- V. New Business**
 - a. Resolution No. 2016–19, Amending Sections 8, 11, and 12 of the Schedule of Fees, Charges, and Tariffs.....36
 - b. Resolution No. 2016–20, Amending Section 9, Harbor Fees, of the Schedule of Fees, Charges, and Tariffs and Authorizing Implementation of a Five-Year Rate Structure42
 - c. Resolution No. 2016–21, Authorizing the Issuance of a Permit to the American Legion Post 17 for Use of Public Property in Conjunction With Fourth of July Celebrations.....62
 - d. Resolution No. 2016–22, Authorizing the Issuance of a Permit to the High School Tennis Team for the Use of Public Property for Its Tennis Clinic Fundraiser66
 - e. Authorization of Bid Award for FY2017 Petroleum Products70
 - f. Authorization of Professional Services Agreement for Demolition of Existing Structure for New Fire Station, Project No. 15-06/601580
 - g. Authorization of Professional Services Agreement for Land Survey of New Fire Station, Project No. 15-06/601588
 - h. Authorization of a Five-Year Lease for Folder Insert Machine94
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 - j. Authorization of Program Agreement With Alaska Public Entity Insurance114

- VI. Staff Reports**
 - a. City Manager
 - b. City Clerk

- VII. Mayor’s Comments**

VIII. Council Comments

IX. Audience Comments (limited to 3 minutes) (486-3231)

X. Adjournment

<p>DRAFT</p>

**MINUTES OF THE SPECIAL COUNCIL MEETING
OF THE CITY OF KODIAK
HELD TUESDAY, JUNE 7, 2016
IN THE KODIAK CITY CONFERENCE ROOM**

I. MEETING CALLED TO ORDER

Mayor Pat Branson called the meeting to order at 5:33 p.m. Councilmembers Laura B. Arboleda, Randall C. Bishop, Charles E. Davidson, Richard H. Walker, and John B. Whiddon were present. Councilmember Gabriel T. Saravia was absent. A quorum was present. City Manager Aimée Kniaziowski, City Clerk Debra Marlar, and Deputy City Manager Mike Tvenge were also present.

II. PUBLIC COMMENTS ON AGENDA ITEM ONLY

None

III. EXECUTIVE SESSION

a. Discussion of Pacific Pile & Marine Request for Mediation

Councilmember Davidson MOVED to enter into executive session.

[Clerk's Note: The executive session was called pursuant to AS 44.62.310(c)(1) to discuss matters, the immediate knowledge of which would clearly have an adverse effect upon the finances of the City, specifically Pacific Pile & Marine Request for Mediation.]

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

The Council entered into executive session at 5:34 p.m.

The Mayor reconvened the special meeting at 6:40 p.m.

IV. ADJOURNMENT

Councilmember Whiddon MOVED to adjourn the meeting.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

The meeting adjourned at 6:40 p.m.

JUNE 7, 2016

8081

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Minutes Approved:

DRAFT

**MINUTES OF THE REGULAR COUNCIL MEETING
OF THE CITY OF KODIAK
HELD THURSDAY, JUNE 9, 2016
IN THE BOROUGH ASSEMBLY CHAMBERS**

I. MEETING CALLED TO ORDER/INVOCATION/PLEDGE OF ALLEGIANCE

Mayor Pat Branson called the meeting to order at 7:30 p.m. Councilmembers Laura B. Arboleda, Randall C. Bishop, Charles E. Davidson, Richard H. Walker, and John B. Whiddon were present and constituted a quorum. Councilmember Gabriel T. Saravia was absent. City Manager Aimée Kniazowski, City Clerk Debra L. Marlar, and Deputy Clerk Michelle Shuravloff-Nelson were also present.

Salvation Army Sergeant Major Dave Blacketer gave the invocation and the Pledge of Allegiance was recited.

II. PREVIOUS MINUTES

Councilmember Whiddon MOVED to approve the minutes of the May 26, 2016, regular meeting and the May 31, 2016, special meeting as presented.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

III. PERSONS TO BE HEARD

a. Public Hearing on Resolution No. 2016–17, Amending Section 14, Utilities (Water), of the Schedule of Fees and Charges and Authorizing Implementation of a Five-Year Rate Structure

Mayor Branson closed the regular meeting, opened and closed the public hearing when no one came forward to testify, and reopened the regular meeting.

b. Public Comments

John Jaskoski said he lives in Anchorage and is in Kodiak attending NPFMC meetings and stated there is an advisory meeting at the Elks Lodge tomorrow regarding rationalization. He spoke about jig boats and supporting small boats. He commented on big boat quotas and his concern that the impact will be a reduction in jobs. He stated he is the agent for the Sails, Oars, Arms, Restitution Trust, which strives to purchase long line halibut programs and transpose to no fuel harvesting.

Chastity McCarthy from Discover thanked the Council for their support and renewal of the FY2017 Marketing and Tourism Development Agreement.

IV. UNFINISHED BUSINESS**a. Second Reading and Public Hearing, Ordinance No. 1351, Levying Taxes and Appropriating Funds for the Expenses and Liabilities of the City of Kodiak for the Fiscal Year Commencing on the First Day of July 2016 and Ending on the Thirtieth Day of June 2017**

Mayor Branson read Ordinance No. 1351 by title. Ordinance No. 1351 provides for the adoption of the City of Kodiak's FY2017 budget. The budget document, which supports the ordinance, estimates all sources of revenue the City anticipates receiving between July 1, 2016, and June 30, 2017. The budget document also establishes an operating and capital expenditure plan for FY2017 that is based on staff's assessment of operational and community needs and the Council's FY2017 budget goals. Staff made the FY2017 budget presentation to Council a special budget work session on May 7, 2016. It was noted the public hearing should be continued at the next meeting to meet Charter budget advertising requirements.

Councilmember Arboleda MOVED to adopt Ordinance No. 1351.

Mayor Branson closed the regular meeting, opened and closed the public hearing when no one came forward to testify, and reopened the regular meeting.

Councilmember Davidson MOVED to postpone the adoption of Ordinance No. 1351 until the next regular Council meeting at which the public hearing will be continued.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

b. Second Reading and Public Hearing, Ordinance No. 1352, Establishing Supplemental Appropriation No. 2 to the Budget for the Fiscal Year Commencing on the First Day of July 2015 and Ending On the Thirtieth Day of June 2016

Mayor Branson read Ordinance No. 1352 by title. The Supplemental Appropriation No. 2 to the budget for the fiscal year commencing on the first day of July 2015 and ending on the thirtieth day of June 2016 is in the amount of \$3,767,357. It is customary for the City Council to approve at least one supplemental budget annually to authorize the adjustments of current revenues and expenses. These adjustments are for the operating funds as well as additions to project funds for grant revenues received and additional expenditures needed that were not known at the time the original budget was adopted or Supplemental No. 1, Ordinance No. 1342, was presented and passed. This is the second and final budget amendment of FY2016.

Councilmember Bishop MOVED to adopt Ordinance No. 1352.

Mayor Branson closed the regular meeting, opened and closed the public hearing when no one came forward to testify, and reopened the regular meeting.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

c. Second Reading and Public Hearing, Ordinance No. 1353, Amending Schedules I, II, and III to the Personnel Rules and Regulations to Include a 2.38% Cost of Living Increase

Mayor Branson read Ordinance No. 1353 by title. Ordinance No. 1353 provides for the adoption of a cost of living adjustment for all City full-time, part-time, and temporary employees and adjusts the pay scale per the Personnel Rules and Regulations handbook accordingly. The cost of living adjustment was calculated using a recent five-year average of the Anchorage, Alaska CPI-U index. The Anchorage CPI-U index is located on the State of Alaska, Department of Labor website. The latest five-year average calculates to a 2.38% increase and has been incorporated into the Fiscal Year 2017 budget.

Councilmember Walker MOVED to adopt Ordinance No. 1353.

Mayor Branson closed the regular meeting, opened and closed the public hearing when no one came forward to testify, and reopened the regular meeting.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

V. NEW BUSINESS

a. Resolution No. 2016-17, Amending Section 14, Utilities (Water), of the Schedule of Fees and Charges and Authorizing Implementation of a Five-Year Rate Structure

Mayor Branson read Resolution No. 2016-17 by title. CH2M has prepared several water and sewer rate studies for the City of Kodiak going back to 1982. In 2005 the Council adopted rate increases for both water and sewer based on a cost of service study completed by CH2M. In 2011 Council adopted a five-year rate increase plan for water rates, with the last rate increase adopted in FY2016. In August 2015 Council authorized a water rate and cost of service study for the next five-year period in order to evaluate system and capital improvement cost and to develop rates to cover revenue needs, and CH2M presented the rate study on April 26, 2016. Council approved the final report on May 26, 2016, and requested implementing Option 3 from the study's recommendations.

Councilmember Walker MOVED to adopt Resolution No. 2016-17.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Saravia, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

b. Resolution No. 2016-18, Authorizing a Three-Year Extension of the Lease of Space in the St. Herman Harbor Office to the Kodiak Maritime Museum

Mayor Branson read Resolution No. 2016-18 by title. The City Council has provided office space at the St. Herman Harbor support building to the Kodiak Maritime Museum at no cost since 2002. The same office space is shared with Harbor staff who work in St. Herman Harbor. Additionally, the building houses the St. Herman Harbor maintenance shop and public re-

strooms. Extension of this office use agreement for three years through June 2019 has been requested by the Museum.

Councilmember Davidson MOVED to adopt Resolution No. 2016–18.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

c. Authorization of Bid Award for Annual Sidewalk, Curb, and Gutter Repairs, Project No. 17-01/ 5003

Annually the City issues bids for the repair and replacement of damaged sections of sidewalk, curb, and gutters at various locations throughout the City. Actual quantities of each bid item will vary in response to need and approved FY2017 budget. The bid was advertised on April 25 and opened on May 26, 2016. Three bids were received.

Councilmember Bishop MOVED to authorize the bid award for the annual sidewalk, curb, and gutter project to Unitemp Mechanical Insulation LLC in the amount of \$54,488 with funds coming from the Street Improvement Capital Fund, Annual Sidewalk Curb and Gutter Project, Project No. 17-01/5003 and authorize the City Manager to execute the award documents on behalf of the City.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Saravia, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

d. Authorization of Marketing and Tourism Development Agreement With Discover Kodiak

Council has authorized agreements with the Kodiak Island Convention and Visitors Bureau, known as Discover Kodiak, to provide marketing and tourism outreach for Kodiak since FY2009. This Council action will approve the agreement for FY2017, although Discover Kodiak initially requested a three-year contract with annual payments based on audited, not budgeted revenues. At the June 7, 2016, work session the annual contract amount of \$108,000 was increased to reflect the amount of \$112,000, which are allowable funds in the FY2017 budget.

Councilmember Whiddon MOVED to authorize the FY2017 Marketing and Tourism Development Agreement No. 222510 with Discover Kodiak in the amount of \$112,000, with funds coming from the Special Revenue Funds, Tourism Development Fund, Tourism, Administration, Contributions account and authorize the City Manager to sign the agreement on behalf of the City.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

e. Authorization of FY2017 Special Services Contract with Alaska Department of Public Safety

The Alaska Department of Public Safety (DPS) requests the renewal of its contract with the City to provide services, which support the mission and operations of the Alaska State Troopers and Alaska Wildlife Troopers in Kodiak. In exchange for providing these services, DPS will compensate the City \$78,750 for FY2017, which is the same amount as the FY2016 agreement.

Councilmember Arboleda MOVED to authorize the FY2017 Special Services Contract with the Alaska Department of Public Safety, Division of Alaska State Troopers in the amount of \$78,750 and authorize the City Manager to sign the contract on behalf of the City.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

f. Authorization of Animal Shelter Operation Contract With the Humane Society of Kodiak

The City of Kodiak has contracted with the Humane Society of Kodiak (HSK) for the operation of the City animal shelter since 1995. HSK has requested nominal increases for both years of the proposed agreement.

Councilmember Davidson MOVED to authorize the two-year service contract ending June 30, 2018, with the Humane Society of Kodiak for animal shelter operations in the amount of \$121,500 for FY2017 and in the amount of \$125,000 for FY2018, with funds coming from the General Fund, Police Department, Animal Control account, and authorize the City Manager to insert the final annual amounts into the contract document and sign it on behalf of the City.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

g. Authorization of Animal Control Contract

This is a joint contract between the City of Kodiak and the Kodiak Island Borough for the City to provide animal control services to the Borough through June 30, 2019. City and Borough staff negotiated a three-year contract and the Borough Assembly authorized a one-year contract during the June 2, 2016, KIB Assembly meeting. At the June 7, 2016, work session the Council voiced consensus to change the three-year contract to a one-year contract after receiving notice the KIB Assembly approved a one-year contract.

Councilmember Bishop MOVED authorize the animal control contract between the City and the Borough effective from July 1, 2016, through June 30, 2017, and authorize the City Manager to sign the contract for the City.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

h. Authorization of a Professional Services Contract for Engineering Services for Mill Bay Road Pavement Rehabilitation, Project No. 17-02/5036

The FY2017 Mill Bay Road Pavement Rehabilitation project is a continuation of pavement repair, replacement, and overlay work performed over the last two construction seasons. This year’s work is the last of the three segments to be rehabilitated and the most “at-risk” segment due to having an additional year of traffic wear in the ruts. This project will complete the Mill Bay Road Rehabilitation project and should last for six or seven years before needing to be done again.

Councilmember Walker MOVED to approve a professional services contract with DOWL for engineering services for the FY2017 Mill Bay Road Pavement Rehabilitation project in the amount of \$44,815 with funds coming from the Streets Improvement Project No. 17-02/5036 and authorize the City Manager to execute the documents for the City.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

i. Appointment to Marijuana Advisory Special Committee

Council adopted Resolution No. 2016–16, Establishing a Marijuana Advisory Special Committee, whose task is to review various elements of State marijuana laws and act in an advisory capacity to the Council and City Manager on the regulation of marijuana and operation of marijuana facilities within the City. Council reviewed two applications at the June 7 work session.

Councilmember Arboleda MOVED to appoint Martin Barton as a City resident at-large member of the Marijuana Advisory Special Committee established by Resolution No. 2016–16.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, and Walker in favor. Councilmember Whiddon opposed. Councilmember Saravia was absent. The motion passed.

j. Authorization to Cancel the July 28 and August 25, 2016, Regular Meetings and Authorize the City Manager to Schedule a Special Meeting if Needed

The regularly scheduled Council meetings for July and August may be cancelled to reflect the summer meeting schedule. Elected officials and staff will attend the summer Alaska Municipal League conference August 17 through August 19. Staff discussed the meeting schedule with the Council at the May 10 work session, and Council recommended cancelling the July 28 and August 25, 2016, regular meetings and scheduling a special meeting if needed.

Councilmember Davidson MOVED to cancel the July 28 and August 25, 2016, regular meetings and authorize the City Manager to schedule a special meeting if needed.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

VI. STAFF REPORTS

a. City Manager

Manager Kniazowski thanked staff and the Deputy City Manager Tvenge for their coverage during her medical leave. She said the Monashka transmission line inspection appeared to be satisfactory, and piping will be sent out for further analysis. She said Juneau lobbyist Ray Gillespie has issued several updates on the State legislature's special session. She said the budget shortfall was funded through the Constitutional budget reserve, and the legislature continues to work on the revenue fund. She updated the City was able to meet the funding match for its transportation project. She said the lobbyist will continue to send updates. She said Hap Heiberg recently retired at the end of May, Building Official Doug Mathers will retire on June 24, and Lt. Raymond Ellis will retire at the end of June. She thanked these individuals for their many years of service and said it will be hard to backfill these positions. She commented there is a lot of activity in Kodiak with the NPFMC in town and she said the parade for the Groundfish festival will now start at Pier II on Saturday. She said there was a recent case of Paralytic Shellfish Poisoning (PSP) outbreak and recommended the public view the State Department Public Health for further information. She said she will be traveling to Anchorage within the next few weeks to meet regarding Pacific Pile and Marine mediation.

b. City Clerk

City Clerk Marlar informed the public of the next scheduled Council work session, special meeting and a regular meeting. She said the Marijuana Committee will be meeting soon.

VII. MAYOR'S COMMENTS

Mayor Branson thanked newly retired Hap Heiberg, soon to be retired Building Official Doug Mathers, and Lt. Raymond Ellis for their many years of services and she wished them the best of luck. She said the City and Borough have written documents to give public testimony during the NPFMC meetings in Kodiak and shared she is looking forward to the parade on Saturday sponsored by the Alaska Whitefish Trawlers and Groundfish Databank.

VIII. COUNCIL COMMENTS

Councilmember Arboleda asked the public to drive safely. She wished all fathers a Happy Father's Day.

Councilmember Whiddon shared the next FWG meeting dates. He said to avoid all shellfish with the recent PSP outbreak. He congratulated the USCG crews for their recent rescue.

Councilmember Davidson welcomed NPFMC to Kodiak and thanked Mr. Heiberg, Mr. Mathers, and Lt. Ellis for their service and recited a line from an old Irish blessing.

Councilmember Bishop reminded the public about wildfire prevention and thanked volunteers of the advisory committees for their time and service.

Councilmember Walker thanked the staff for their work and acknowledged the variety of work and services provided by City staff. He said he hopes for the best outcome for Kodiak during the NPFMC meetings. He said he will be out of town during the month.

IX. AUDIENCE COMMENTS

None

X. ADJOURNMENT

Councilmember Davidson MOVED to adjourn the meeting.

The roll call vote was Councilmembers Arboleda, Bishop, Davidson, Walker, and Whiddon in favor. Councilmember Saravia was absent. The motion passed.

The meeting adjourned at 8:45 p.m.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Minutes Approved:

PERSONS TO BE HEARD

MEMORANDUM TO COUNCIL

Date: June 23, 2016

Agenda Item: III. a. Proclamation: Filipino American Heritage Month

SUMMARY: This proclamation recognizes Filipino Americans for their vital contributions to our community and urges citizens to participate in festivities celebrating the rich heritage and traditions of the Philippine Islands.

ATTACHMENT:

Attachment A: Proclamation: Declaring Filipino American Heritage Month

PROCLAMATION

Declaring Filipino American Heritage Month

WHEREAS, the City of Kodiak is made up of a wonderful mosaic of culturally diverse people; and

WHEREAS, Filipino Americans have enriched our city through their vital contributions to the economic, social, political, and cultural quality of life in the community; and

WHEREAS, June 12, 2016, marks the 118th anniversary of the declaration of Philippine independence; and

WHEREAS, this momentous occasion provides an opportunity for all Filipino Americans to share their cultural heritage with people of all races, ethnicities, and nationalities; and

WHEREAS, local observances will include a traditional church service and potluck.

NOW, THEREFORE, I, Pat Branson, Mayor of the City of Kodiak, do hereby proclaim June 2016, as

Filipino American Heritage Month

in Kodiak and urge all citizens to participate in the festivities celebrating the rich heritage and traditions of the Philippine Islands.

Presented this 23rd day of June 2016.

City of Kodiak

Pat Branson, Mayor

MEMORANDUM TO COUNCIL

Date: June 23, 2016

Agenda Item: III. b. Public Hearing on Resolution No. 2016–19, Amending Sections 8, 11, and 12 of the Schedule of Fees, Charges, and Tariffs

SUMMARY: The City sets its fees and charges for various services by a resolution of the Council. The public hearing on proposed fee schedule amendment is scheduled prior to New Business item V. a, Resolution No. 2016–19, Amending Section 8, (General Services), Section 11 (Library Services), and Section 12 (Parks and Recreation) of the Schedule of Fees, Charges and Tariffs. The proposed changes to fees pertaining to general, library, and parks and recreation services are proposed to take effect on July 1, 2016.

The Council has requested a public hearing prior to amending fees.

NOTES/ATTACHMENTS:

Attachment A: Resolution No. 2016–19

**CITY OF KODIAK
RESOLUTION NUMBER 2016-19**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AMENDING
SECTIONS 8, 11, AND 12 OF THE SCHEDULE OF FEES AND CHARGES**

WHEREAS, at the February 11, 2016, regular meeting the Kodiak City Council approved its budget goals for FY2017, including annually reviewing and updating the Schedule of Fees and Charges; and

WHEREAS, staff reviewed the Schedule of Fees and Charges, and it was decided to bring forth amendments to the boat harbor fees separately from other City fees; and

WHEREAS, the suggested fee amendments herein reflect the City's cost to provide services.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Sections 8, 11, and 12 of the City's Schedule of Fees and Charges are hereby amended as follows:

Section 8 General Services		
8.1	Audit and financial report (hard copy).....	30.00
8.2	Budget printout, annual (hard copy)	30.00
8.3	Certification of City documents	5.00 + copy costs
8.4	Code of Ordinances (hard copy).....	125.00
8.5	Code supplement, annual subscription (hard copy)	45.00
8.6	Copies, per page public (see library and police headings for exception)	0.25
8.6.1	Copies per page, government and nonprofit.....	0.05
8.7	Copies, electronic (audio, video, CD, etc.)	10.00
8.8	Council meeting agenda, annual subscription (hard copy)	15.00
8.9	Council meeting minutes, annual subscription (hard copy)	50.00
8.10	Council meeting packet (hard copy)	20.00
8.11	Drug Testing, positive results	actual cost
	<i>(Any test authorized by KCC 5.40.196-198 which returns positive results for prescribed drugs.)</i>	
8.12	Encroachment permit.....	30.00 <u>50.00</u>
8.13	Exemption Card replacement	5.00
8.14	Film Permit, Commercial	200.00
8.145	Lien, Filing or Release (sales tax/utilities)	50.00
8.156	Memorial bench dedication fee.....	500.00
8.167	NSF or returned check.....	25.00 <u>29.00</u>
8.178	Sales Tax Returns, minimum estimated due per quarter	
8.178.1	All sales and services other than rentals	50.00
8.178.2	All rentals.....	157.50
8.189	Real Property, Purchase or Lease	
8.189.1	Application.....	50.00
8.189.2	Renewal of lease.....	50.00

8.4920	Verbatim transcript.....	actual cost
Section 11 Library Services		
11.1	Library material, lost or destroyed	Replacement cost plus 5.00
11.2	Card replacement	5.00
11.3	Copy charge	
11.3.1	Computer printed copy	
11.3.1.1	Black and white computer printer copies	0.20
11.3.1.2	Color computer printer copies.....	0.30
11.3.2	Photocopy	
11.3.2.1	Black and white.....	0.20
11.3.2.2	Color	0.40
11.4	Facsimile (fax) charge for public use	
11.4.1	To receive per page	1.00
11.4.2	To send	
11.4.2.1	First page	2.00
11.4.2.2	Each additional page.....	1.00
11.5	Overdue fees	
11.5.1	All <u>print, audio, digital, and film</u> library materials, per item, per day (<u>with a maximum of \$5.00 per item</u>)	0.10 with a maximum of 5.00 per item
11.5.2	Interlibrary loan per day	1.00
<u>11.5.3</u>	<u>Audio visual and electronic devices and accessories, per item per hour</u>	<u>1.00 with a maximum of 10.00 per item</u>
11.6	Visitor library card	10.00
11.7	Multipurpose room rental fee	Annual fee
11.7.1	One-time use (use by individual or groups for a one-time use for fee-based training and/or certification, corporate development session, convention workshop, or social occasion)	75.00
11.7.2	Series use (use by an individual or groups for a series of events or classes over a duration of time such as weekly, quarterly, seasonally, etc. for fee-based training and/or certifications, corporate development sessions, convention workshops, or social occasions)	175.00
11.8	Alaskana room rental fee	
11.8.1	One-time use (use by individual or groups for a one-time use for fee-based training and/or certification, corporate development session, convention workshop, or social occasion)	25.00
11.8.2	Series use (use by an individual or groups for a series of events or classes over a duration of time such as weekly, quarterly, seasonally, etc. for fee-based training and/or certifications, corporate development sessions, convention workshops, or social occasions)	75.00
<u>11.9</u>	<u>Craft room rental fee</u>	
<u>11.9.1</u>	<u>One-time use (use by individual or groups for a one-time use for fee-based training and/or certification, corporate development session, convention workshop, or social occasion).....</u>	<u>25.00</u>
<u>11.9.2</u>	<u>Series use (use by an individual or groups for a series of events or classes over a duration of time such as weekly, quarterly, seasonally, etc. for fee-based training and/or</u>	

	<u>certifications, corporate development sessions, convention workshops or social occasions</u>	<u>75.00</u>
<u>11.10</u>	<u>Teleconference service fee</u>	
<u>11.10.1</u>	<u>In state calls</u>	<u>10.00 per hour</u>
<u>11.10.2</u>	<u>Out-of-state calls</u>	<u>20.00 per hour</u>

Section 12 Parks and Recreation

(Note: For activities including micro tournaments and clinics not listed, the Parks & Recreation Department will establish the activity/program fee. Youth includes ages 4-18; Adult 19-65; Senior 65+. Activity fees can be waived for parent volunteers for coaching and officiating. A sponsor can contribute to activity fees to reduce cost of person or group participants.)

12.1	City Organized Activities	
12.1.1	<u>Basketball</u>	
12.1.1.1	Adult Recreation Basketball <u>Class A & Open</u> Per Season Per Team	340 <u>450.00</u>
12.1.1.2	Adult Tournament Basketball <u>Class B & C</u> Per <u>Tourney Season</u> Per Team	440 <u>350.00</u>
12.1.1.3	<u>Adult recreation Basketball B & C (Student) Per Season Per Team</u>	<u>175.00</u>
12.1.1.4	<u>Adult Recreation Basketball Class A & Open Per Person</u>	<u>75.00</u>
12.1.1.5	<u>Adult Recreation Basketball Class B & C Per Person</u>	<u>55.00</u>
12.1.1.36	Little Dribblers Per Season (6 weeks) Per Person	30.00
12.1.2	<u>Volleyball</u>	
12.1.2.1	Adult Recreation Volleyball Per Season Per Team	340 <u>200.00</u>
12.1.2.2	Adult Tournament Volleyball <u>Per Tourney Per Team Per Person</u>	440 <u>25.00</u>
12.1.2.3	<u>Student Recreation Volleyball Per Team</u>	<u>100.00</u>
12.1.3	<u>Soccer</u>	
12.1.3.1	Youth Soccer Per Season (6 weeks) Per Individual	20 <u>30.00</u>
12.1.4	<u>Races</u>	
12.1.4.1	Per Race Per Adult	45 <u>20.00</u>
12.1.4.2	Per Race Per Youth/Senior	5 <u>10.00</u>
12.1.5	<u>Summer Program</u>	
12.1.5.1	Per Session (2 Week) Per Child	20 <u>30.00</u>
12.1.6	<u>Softball</u>	
12.1.6.1	<u>Adult Recreation Softball Per Season Per Team</u>	<u>200.00</u>
12.1.6.2	<u>Adult Recreation Softball Per Season Per Person</u>	<u>25.00</u>
12.1.7	<u>Hockey</u>	
12.1.7.1	<u>Adult Recreation Hockey Per Season Per Person</u>	<u>75.00</u>
12.2	City Facility	
12.2.1	<u>Ice Rink</u>	
12.2.1.1	<u>Ice Time</u> Per Session Per Adult	3.00
12.2.1.2	<u>Ice Time</u> Per Session Per Student/Senior	1.00
12.2.1.3	<u>Ice Time</u> Per Month Per Adult	30.00
12.2.1.4	<u>Ice Time Per Month or Team's Season (6 week) Per Student</u>	10.00
12.2.1.5	<u>Ice Time Per Season Per Adult</u>	<u>130.00</u>
12.2.1.6	<u>Ice Time Per Season Per Student</u>	<u>45.00</u>
12.2.1.5	<u>Dasher Board Signs Per Year</u>	<u>350.00</u>
12.2.1.67	Rental Per Hour	100.00
12.2.2	<u>Swimming Pool</u>	
12.2.2.1	Per Session Per Adult	3.00
12.2.2.2	Per Session Per Youth/Senior	1.00
12.2.2.3	Per Month Per Adult	30.00
12.2.2.4	Per Month or Teams Season (6 week) Per Student <u>Youth/Senior</u>	10.00

12.2.2.45	Infant - 3 years	Free
<u>12.2.2.6</u>	<u>Masters Lessons Per Person Per Session</u>	<u>30.00</u>
12.2.4.62.7	Rental Per Hour	None <u>100.00</u>
12.2.3	<u>Teen Center</u>	
12.2.3.1	Racquetball Per Adult Per Session (1 hour)	3.00
12.2.3.2	Racquetball Per Month Per Adult	30.00
12.2.3.3	Auditorium Per 3 Hour Block (<u>Under 50 people</u>)	100.00
<u>12.2.3.4</u>	<u>Auditorium Per 4 Hour Block (51 – 100 people)</u>	<u>200.00</u>
<u>12.2.3.5</u>	<u>Auditorium Cleaning Fee</u>	<u>25.00</u>
12.2.4	<u>East Addition Recreation Building</u>	
12.2.4.1	Per Three Hour Block.....	100.00

BE IT FURTHER RESOLVED that this resolution shall supersede previous resolutions amending Sections 8, 11, and 12 of the Schedules of Fees, Charges and Tariffs.

BE IT FURTHER RESOLVED that the changes to Sections 8, 11, and 12 of the Schedule of Fees, Charges, and Tariffs herein shall be effected July 1, 2016.

BE IT FURTHER RESOLVED that the City Clerk is authorized to make the required changes to the Schedule of Fees, Charges, and Tariffs.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Adopted:

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MEMORANDUM TO COUNCIL

Date: June 23, 2016

Agenda Item: III. c. Public Hearing on Resolution No. 2016–20, Amending Section 9, Harbor Fees, of the Schedule of Fees, Charges, and Tariffs and Authorizing Implementation of a Five-Year Rate Structure

SUMMARY: The City sets its fees and charges for various services by a resolution of the Council. The public hearing on proposed fee schedule amendment is scheduled prior to New Business item V. b, Resolution No. 2016–20, Amending Section 9, (Harbor) of the Schedule of Fees, Charges and Tariffs. The proposed changes to fees pertain to the harbor facilities replacement and maintenance costs. The proposed changes to fees pertaining to harbor services are proposed to take effect beginning on July 1, 2016, and occur annually until July 1, 2020.

The Council has requested a public hearing prior to amending fees.

NOTES/ATTACHMENTS:

Attachment A: Resolution No. 2016–20

**CITY OF KODIAK
RESOLUTION NUMBER 2016–20**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AMENDING SECTION 9, HARBOR FEES, OF THE SCHEDULE OF FEES, CHARGES, AND TARIFFS AND AUTHORIZING IMPLEMENTATION OF A FIVE-YEAR RATE STRUCTURE

WHEREAS, existing harbor fees are not sufficient to fund harbor facilities replacement and maintenance costs; and

WHEREAS, Northern Economics conducted a rate study and cash flow analysis for moorage rates and other boat harbor services; and

WHEREAS, Northern Economics recommended a flat 18.5 percent increase to moorage and other harbor rates in FY2017 and annual inflation-based rate adjustments based on the Producer Price Index (PPI) for the subsequent four years; and

WHEREAS, the PPI has averaged an approximate 2.8 percent annual increase; and

WHEREAS, the Port and Harbors Advisory Board endorsed the five-year harbor rate structure proposed by Northern Economics to increase the revenues needed for maintenance of harbor facilities; and

WHEREAS, the Council of the City of Kodiak desires to amend harbor fees in Section 9 of the City's Schedule of Fees, Charges, and Tariffs to sufficiently fund facilities replacement and maintenance costs.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Section 9 of the City's Schedule of Fees, Charges, and Tariffs are hereby amended for FY2017 as follows:

Section 9 Harbor

	<i>A day is defined as a calendar day, midnight to midnight or portion thereof.</i>	
9.1	Disposal	
9.1.1	Drums, each 55 gallon	20 <u>24.00</u>
9.1.2	Containment boom, per foot, per day, plus labor	0.50 <u>0.60</u>
9.1.3	Sorbent pads and boom	cost + 10%
9.1.4	Petroleum products and bilge waste, per gallon	
9.1.4.1	Used oil	1.00 <u>1.20</u>
9.1.4.2	Oily bilge water, vessels under 400 gross tons	2.25 <u>2.70</u>
9.1.4.3	Oily bilge water, vessels over 400 gross tons	4.25 <u>5.00</u>
9.1.4.4	Testing and other necessary services	cost + 10%
9.2	Dry Storage	
	<i>No charge for fishing gear storage for the first three (3) days. Minimum charge is \$10.00 or per square foot fee, whichever is greater.</i>	
9.2.1	Daily, per square foot	0.03 <u>0.04</u>

9.2.2	Weekly, per square foot	0.4215
9.2.3	Monthly, per square foot	0.4050
9.2.4	Annual, per square foot.....	4.201.50
9.2.5	Impounded vessels: cost of labor, equipment, and storage	cost + 10%
9.3	Electric Service, temporary, per day	
9.3.1	120-volt single-phase or actual kWh cost, whichever is greater	1518.00
9.3.2	208-volt single-phase or actual kWh cost, whichever is greater	35.0041.50
9.3.3	208-volt three-phase or actual kWh cost, whichever is greater	40.0047.50
9.3.4	Electric cord rental, per day	
	30-amp 120-volt twist lock cords	510.00
9.3.5	Electric plug rental, per day	
	30-amp twist lock GFI to 20-amp straight blade.....	56.00
	208 single phase to 30-amp twist lock	4012.00
	208 three phase to 208 single phase	4518.00
9.4	Tidal Grid, per foot, per tide	2.002.40
9.5	Services and equipment rental	
9.5.1	Backhoe/loader, with operator, per 1/2 hour	7589.00
9.5.2	Fork Lift	
9.5.2.1	4-ton, with operator, per 1/2 hour	7589.00
9.5.3	Labor and Materials	
9.5.3.1	City employees, straight time, per hour	6577.00
9.5.3.2	City employees, overtime, per hour	90.00106.70
9.5.3.3	Non-City labor and miscellaneous materials	cost + 10%
9.5.4	Pumps	
9.5.4.1	Dewatering, electric, per day	30.0035.60
9.5.4.2	Dewatering, electric, per week	420142.00
9.5.4.3	Dewatering, electric, per month.....	300356.00
9.5.4.4	Dewatering gasoline, per day	5060.00
9.5.4.5	Sewage, vessel or RV pump-out, per use	4012.00
9.5.5	Tanker, used oil, with operator, per hour	130154.00
9.5.6	Vessel, with operator, per hour	445136.00
9.6	Dockage for commercial fishing vessels at piers and docks (all other vessels charged per port tariff)	
9.6.1	• Vessels 80' and under.....	4.501.80
9.6.2	• Vessels 81' and over.....	4.752.10
	• Includes Dock 1, Oscar's Dock, Piers 1, 2, & 3.	
	• Dockage fees shall be equal to the vessel's daily moorage rate, or the per foot rate, whichever is greater. Vessels with exclusive moorage, and vessels which have paid their annual daily moorage ceiling, receive the first day free. Dockage fees do not apply to the moorage ceiling.	
9.7	Moorage, exclusive, annual	
	• Exclusive moorage means a permanently assigned slip for a specific vessel. Moorage is calculated depending upon vessel length: Length x rate per linear foot.	
	• Length = length of vessel, including all fixed protuberances or length of slip, whichever is greater.	
	• Vessels moored at posted restricted areas in excess of the allotted time shall incur a moorage charge at double the daily rate, until the vessel has departed.	
	• 20% surcharge for vessels wider than 80% of the slip water space	
	• 50% surcharge for vessels wider than 100% of the slip water space	
9.7.1	0 to 20 feet	30.0035.55
9.7.2	21 to 30 feet	30.0035.55
9.7.3	31 to 40 feet	30.0035.55
9.7.4	41 to 60 feet	41.0048.59
9.7.5	61 to 80 feet	61.0072.29
9.7.6	81 to 100 feet	71.5084.73
9.7.7	101 to 120 feet	82.0097.17
9.7.8	121 to 150 feet	89.00105.47

9.7.9	151 feet +	100.00 <u>118.50</u>
9.8	Moorage, open/daily	1/60 of the annual exclusive moorage rate
	<ul style="list-style-type: none"> • Daily moorage shall stop accruing when an amount equal to 100% of the annual exclusive moorage has been reached. • Vessels moored at posted restricted areas in excess of the allotted time shall incur a moorage charge at double the daily rate, until the vessel has departed. • Vessels under 21' receive one free day per month at designated areas only, on first-come, first-served basis. 	
9.9	Parking	
9.9.1	Trailers at designated long-term parking areas	
9.9.1.1	Daily	56.00 <u>56.00</u>
9.9.1.2	Monthly	7589.00 <u>7589.00</u>
9.9.2	Permit parking for harbor customers in designated 30-day lots adjacent to the harbors, per day.....	1.00
	<ul style="list-style-type: none"> • Permits available to vessel slip holders and paid up transient vehicles only. Except that permits may be sold to the general public in the 30-day lot north of Ramp 1, St. Herman Harbor. 	
9.10	Gravel ramp use at SHH and SPH	
9.10.1	Aircraft, per launch or retrieval	7589.00 <u>7589.00</u>
9.10.2	Vessels under 76 feet in length, per foot, per tide	4.00 <u>1.20</u>
9.10.3	Vessels 76 feet and longer, per foot, per tide	4.50 <u>1.80</u>
9.10.4	Annual usage fee (must be paid in advance).....	2,000 <u>370.00</u>
9.10.5	<u>Anchoring inside harbor basins (when authorized by Harbormaster)</u>	<u>50% of daily moorage rate</u>
9.11	Waiting list, per year	2530.00 <u>2530.00</u>
9.12	Launch ramp (exclusive slip holders and personal pleasure boats of persons sixty-five years of age or older are exempt)	
9.12.1	Daily	10.00
9.12.2	Annual	400 <u>119.00</u>
9.13	Slip transfer fee, per vessel	45 <u>18.00</u>
9.14	Account sent to collections	400 <u>119.00</u>
9.15	Vessel sewage disposal at Pier II per day (vessel provides hoses, dockage charged separately)	7589.00 <u>7589.00</u>

BE IT FURTHER RESOLVED that amendments to the Schedule of Fees, Charges, and Tariffs shall be adjusted annually on July 1 2017, 2018, 2019, and 2020 according to the US Department of Labor Bureau of Labor Statistics Producer Price Index for port and waterfront terminal operations previous four year's annual average, unless subsequently amended by the City Council.

BE IT FURTHER RESOLVED that this resolution shall supersede previous resolutions amending these sections of Section 9 of the Schedule of Fees, Charges, and Tariffs.

BE IT FURTHER RESOLVED that the City Clerk is authorized to make the required changes to the Schedule of Fees and Charges as stated herein.

CITY OF KODIAK

MAYOR


ATTEST:

CITY CLERK

Adopted:

UNFINISHED BUSINESS

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers
From: Aimée Kniazowski, City Manager 
Thru: Kelly Mayes, Finance Director and Mike Tvenge, Deputy City Manager
Date: June 23, 2016

Agenda Item: IV. a. Continued Second Reading and Public Hearing, Ordinance No. 1351, Levying Taxes and Appropriating Funds for the Expenses and Liabilities of the City of Kodiak for the Fiscal Year Commencing on the First Day of July 2016 and Ending on the Thirtieth Day of June 2017

SUMMARY: Ordinance No. 1351 provides for the adoption of the City of Kodiak's FY 2017 budget. The budget document, which supports the ordinance, estimates all sources of revenue the City anticipates receiving between July 1, 2016, and June 30, 2017. The budget document also establishes an operating and capital expenditure plan for FY2017 that is based on staff's assessment of operational and community needs and the Council's FY2017 budget goals. Staff made the FY2017 budget presentation to Council a special budget work session on May 7, 2016. Staff recommends Council adopt Ordinance No. 1351 after the continued second reading and public hearing.

PREVIOUS COUNCIL ACTION:

- Prior to the start of each fiscal year, the City Council adopts the City's operating and capital budget by ordinance.
- Council adopted Resolution No. 2016-07, establishing budget goals for fiscal year 2017, on February 11, 2016.
- Council reviewed projected FY2017 revenues and the FY2017 budget calendar on February 23, 2016.
- Staff presented the proposed FY2017 budget to the mayor and Council at a special work session on May 7, 2016.
- Council reviewed the proposed FY2017 budget during the May 24, 2016, work session and passed Ordinance No. 1351 in the first reading and advanced to second reading during the May 26, 2016, regular meeting.
- Council reviewed and moved to continue second reading of Ordinance No. 1351 on June 9, 2016, to ensure adequate public notice as outlined in the City Charter.

DISCUSSION: The FY 2017 budget funds the services provided by the City of Kodiak to residents and visitors: law enforcement (including animal control and contract jail services), fire and emergency medical services (including ambulance services), public works (public water system, wastewater system, street and property maintenance), engineering, port and harbor facilities, parks and recreation facilities

and programs, public library, and general administrative functions (municipal recordkeeping and financial management).

The proposed FY2017 budget was developed as a maintenance level budget and will attempt to provide the same level of services as the current year's budget with a reduction in overall expenses. This is a prudent approach, since revenues are expected to remain static in some areas and decrease in others while expenses continue to increase. The City Council adopted FY2017 budget goals by resolution in February of this year and staff used the goals to develop and evaluate the proposed operating budget. The proposed budget is consistent with the Council's FY2017 budget goals.

Combined Revenues and Expenses for All Funds

The FY2017 budget projects combined revenues from all funds, excluding capital projects, to be \$35,259,729, which is a decrease of 12.55 percent from FY2016's combined budgeted revenues of \$40,321,286. Revenues are forecasted based on the current fiscal year even though some sources may fluctuate slightly. Expenses for all City funds, excluding capital projects, is expected to also be \$35,259,729, an overall decrease of 12.55 percent from FY2016. Fewer transfers and capital equipment account for the largest decreases in expenses.

Operating Budget

The FY2017 operating budget is primarily a maintenance budget, as it has been for at least the past seven years. As directed, City staff developed a conservative budget. The City, like everyone in the community, continues to face rising costs, but the departments are careful to absorb cost increases whenever and wherever possible. As outlined in the City Council FY2017 goals, a review of all categories of General Fund expenditures was conducted to identify ways to decrease expenses. Even with all the budget cuts, unavoidable cost increases resulted in a 1.35 percent decrease in General Fund expenses before transfers from FY2016.

General Fund

The General Fund provides funding for those City services that aren't required to be accounted for differently, like the enterprise funds. The General Fund uses revenues from sources such as sales and property taxes to fund the City's administrative functions, such as tax collection and audits, billing, emergency preparedness, information technology, and management of all City functions. It also funds services such as, municipal recordkeeping functions, law enforcement, fire and ambulance, library and recreational services and facilities, and public works and engineering services.

General Fund revenues for FY2017 are projected at \$19,578,224, a decrease of approximately 16.83 percent from FY2016 projections with the largest changes due to a decrease in the appropriation of the fund balance, which was required in FY2016 to fund necessary capital projects. The General Fund is projected to recognize a small surplus in the amount of \$72,702. These budget figures are consistent with Council's FY2017 goal that the General Fund would be budgeted without a deficit with

appropriations from the fund balance when/if necessary, and that General Fund operating expenses (non-personnel) will be consistent with those of FY2016.

Fund Balance

The City's General Fund balance has been accumulated from various revenue sources, large and small. Even with conservative budgeting, this fund no longer takes in more revenues than it must spend for expenses to operate the General Fund departments and to provide the necessary services. The FY2016 budget is projected to have \$5.7 million remaining in the fund balance. The FY2017 budget is projected to have an estimated \$5.8 million remaining in the fund balance after the surplus of \$72,702 and transfers in the operating budget. The estimated FY2017 fund balance, if projections are correct, will be needed to offset expenses and provide the City with approximately 3.59 months of operating reserves. Of course, there are many budget variables so this is only a projection and cannot be guaranteed so early in the budgeting process. The proposed FY2017 budget anticipates less use of fund balance than the FY2016 budget because less transfers are being made to fund capital projects.

Personnel

Salaries, wages and benefits are the single largest expense in the City's annual budget, totaling 50 percent. Salaries and wages for FY2017 are estimated to total \$9.4 million or 27 percent of the City's overall expenses. This is less than 2 percent change from FY2016 Citywide salaries and wages and reflects scheduled salary increases. Employee benefit costs are projected at \$8.1 million, 23 percent of the City's overall expense budget, which is a 4.72 percent increase from FY2016.

The FY2016 budget reflects an increase of two full-time employees due to the City's new composting facility. This increases the number of City employees from 126.15 to 128.15 for both FY2016 and FY2017. The City's work force for FY2017 remains at 123 regular full-time employees and 5.15 regular part-time positions working from 20-30 hours per week for a total of 128.15 FTEs.

These changes to the FY2017 budget meet Council's personnel goals. The tracking of part-time personnel is a necessary step in meeting Council's goal to complete an analysis of the need, costs, and hiring process for the City's use of temporary or seasonal employees.

Enterprise Funds

The City has eight separate enterprise funds; the Harbor Department's Cargo Terminal, Boat Harbor, Harbor Electric Utility, and the Boat Yard/Vessel Lift funds; the Water, Sewer, and Trident Basin funds managed by Public Works; and the E911 Fund. The FY2017 budgets for these funds reflect a balance of revenues to expenses.

The E911 Fund was established in FY2010 in preparation for the transfer of E911 extraterritorial authority from the Borough to the City. This transfer has not yet taken place, but the Borough staff has agreed to work toward the transfer of authority or find another way to fairly share in the expenses and responsibilities of providing the service to Kodiak.

Enhancement Fund

The FY2017 budget proposes no use of Enhancement Fund monies. Enhancement Fund monies have not been used since FY2013, so the fund balance can build up, per Council's budget goals. The projected fund balance for the Enhancement Fund in FY2016 is estimated to be \$4.05 million, which is an increase of \$1.2 million from the FY2015 balance.

Capital Projects

The FY2017 budget recommends \$8.2 million in capital project expenditures. This includes seven new capital projects in FY2017 ranging in size from \$5,000 to \$4,369,000. It also includes additional funding for established or ongoing capital projects such as annual curb and sidewalk repairs, Mill Bay Road pavement repairs, Fisherman's Hall remodeling, Downtown Revitalization, Sewer Centrifuge, Aleutian Homes Phase VI, rate studies, and large maintenance projects. Costs for the projects will be covered through use of capital project fund balances. Staff presented the capital projects in detail at the budget work session on May 7, 2016.

ALTERNATIVES:

- 1) Adopt Ordinance No. 1351 after the continued second reading and public hearing. This is staff's recommendation.
- 2) Council may also amend Ordinance No. 1351.

FINANCIAL IMPLICATIONS: The City Council must make appropriations and adopt an annual budget. As presented, this budget retains ongoing service levels while meeting maintenance level budgetary criteria established by Council. The budget meets operational needs and estimates an adequate retention of fund balance in the General Fund.

LEGAL: The Kodiak City Charter and Kodiak City Code grant Council the authority to make appropriations and adopt and amend budgets as required. Article V, Section 2 of the City Charter states the City Manager will prepare and present a proposed budget to the City Council in advance of the fiscal year which begins on July 1st and ends on June 30th. Article V, Section 4 of the City Charter gives the City Council the authority to make appropriations for the next fiscal year and approve or amend the budget. Appropriations must be made and the budget approved by a majority vote of the City Council no later than the third day before the beginning of the new fiscal year, and if the Council fails to approve the budget by that date, the budget as submitted shall go into effect and be considered adopted by the Council.

STAFF RECOMMENDATION: Staff recommends Council adopt Ordinance No. 1351 after the continued second reading and public hearing.

CITY MANAGER'S COMMENTS: We have provided Council with another lean budget and minimal staffing without affecting service provision, per Council's FY2017 budget goals. The task becomes more challenging as costs continue to rise and other sources of governmental funding become more

limited. We do expect to have a modest amount of projected revenues for FY2017 for use on capital project needs, many of which are critical.

The preparation of this document and the presentations at the May 7, 2016, special work session reflect a great deal of work by the City staff, including an assessment of operational and community needs necessary to create this annual financial plan. I want to thank our management team for their serious commitment to meeting Council's goals and for their fiscal responsibility, not just in preparation of this draft budget, but on an ongoing basis.

ATTACHMENTS:

Attachment A: Ordinance No. 1351

PROPOSED MOTION:

Move to adopt Ordinance No. 1351.

**CITY OF KODIAK
ORDINANCE NUMBER 1351**

AN ORDINANCE OF THE COUNCIL OF THE CITY OF KODIAK LEVYING TAXES AND APPROPRIATING FUNDS FOR THE EXPENSES AND LIABILITIES OF THE CITY OF KODIAK FOR THE FISCAL YEAR COMMENCING ON THE FIRST DAY OF JULY 2016 AND ENDING ON THE THIRTIETH DAY OF JUNE 2017

BE IT ORDAINED by the Council of the City of Kodiak as follows:

Section 1: A tax in the amount of 2.0 mills is hereby levied against all taxable real property within the City of Kodiak for the fiscal year commencing on the first day of July 2016 and ending on the thirtieth day of June 2017.

Section 2: The following sums of money are hereby appropriated for corporate purposes and objects of the City of Kodiak for the fiscal year commencing on the first day of July 2016 and ending on the thirtieth day of June 2017 to defray expenses and liabilities of the City during the fiscal year.

FY2017 BUDGET SUMMARY

GENERAL FUND

	Anticipated Revenues	
Taxes	\$ 13,281,000	
Licenses & Permits	52,300	
Intergovernmental Revenues	2,813,431	
Charges for Services	1,661,217	
Fines & Forfeitures	15,000	
Interest	10,000	
Rents & Royalties	230,000	
Miscellaneous	22,000	
Interfund Charges	1,565,978	
Appropriation to Fund Balance	(72,702)	
Total Anticipated Revenues	19,578,224	
		Planned Expenditures
Legislative		\$ 288,404
Legal		100,000
Executive-Administration		704,353
Executive-Emergency Preparedness		38,000
City Clerk-Administration		350,890
City Clerk-Records Management		189,406

GENERAL FUND EXPENDITURES CONTINUED

Finance	1,421,001
Police	7,139,995
Fire	2,410,371
Public Works	2,228,043
Engineering	280,451
Parks & Recreation	1,513,707
Library	988,352
Non-Departmental	1,925,251
Total Planned Expenditures	19,578,224

SPECIAL REVENUE FUND

	Anticipated Revenues		Planned Expenditures
Tourism Fund	\$ 189,500		\$ 189,500
City Enhancement Fund	-		-
Total Anticipated Revenues	189,500		189,500

CAPITAL PROJECTS FUND

	Anticipated Revenues		
General Capital	\$ 83,790		
Street Improvements	1,500,000		
Building Improvement Fund	-		
Water Capital Fund	4,469,000		
Sewer Capital Fund	1,515,000		
Cargo Development Fund	-		
Harbor Development Fund	250,000		
Parks & Recreation Fund	134,000		
Vehicle Replacement Fund	203,594		
Total Anticipated Revenues	8,155,384		

CAPITAL PROJECTS FUND CONTINUED

General Capital	\$ 83,790
Street Improvements	1,500,000
Building Improvement Fund	-
Water Capital Fund	4,469,000
Sewer Capital Fund	1,515,000
Cargo Development Fund	-
Harbor Development Fund	250,000
Parks & Recreation Fund	134,000
Vehicle Replacement Fund	203,594
Total Planned Expenditures	8,155,384

ENTERPRISE FUNDS

	Anticipated
	Revenues
Cargo Fund	\$ 1,066,194
Harbor Fund	3,791,619
Boat Yard Lift	1,283,398
Harbor Electric Fund	637,884
Water Utility Fund	3,365,988
Sewer Utility Fund	4,483,078
Trident Basin Fund	301,293
E-911 Services	13,611
Total Anticipated Revenues	14,943,065

	Planned
	Expenditures
Cargo Fund	\$ 1,066,194
Harbor Fund	3,791,619
Boat Yard Lift	1,283,398
Harbor Electric Fund	637,884
Water Utility Fund	3,365,988
Sewer Utility Fund	4,483,078
Trident Basin Fund	301,293
E-911 Services	13,611
Total Planned Expenditures	14,943,065

INTERNAL SERVICE FUNDS

	Anticipated	
	Revenues	
Self Insurance Fund	\$	548,940
Total Anticipated Revenues		548,940
		Planned
		Expenditures
Self Insurance Fund	\$	548,940
Total Planned Expenditures		548,940
Grand Total Anticipated Revenues	\$	43,415,113
Grand Total Planned Expenditures	\$	43,415,113
	Non- Projects	35,259,729
	Non- Projects	35,259,729
	Projects	8,155,384
	Projects	8,155,384
	Total	43,415,113
	Total	43,415,113

Section 3: All unexpended appropriation balances, with the exception of capital project fund appropriations, shall lapse to the appropriate fund as of June 30, 2017.

Section 4: This ordinance shall go into effect July 1, 2016.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

First Reading: May 26, 2016

Second Reading: June 9, 2016

Continued Second Reading:

Effective Date:


Ordinance No. 1351

Page 4 of 4

NEW BUSINESS

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Aimée Kniazowski, City Manager and Mike Tvenge, Deputy City Manager 

Date: June 23, 2016

Agenda Item: V. a. **Resolution No. 2016–19, Amending Sections 8, 11, and 12 of the Schedule of Fees, Charges, and Tariffs**

SUMMARY: The City sets its fees and charges for various services by a resolution of the Council. It is important to review and adjust the fee schedule on a regular basis to ensure the City is receiving adequate revenues with which to provide services. The City Council identified the importance of an annual review and update of the schedule of fees and charges by including this as a budget goal since FY2011. Staff completed the review and submitted a list of proposed changes to fees pertaining to the General Services, Library, and Parks & Recreation departments. Changes are proposed to take effect on July 1, 2016. The changes are summarized below. Staff recommends Council adopt Resolution No. 2016–19, which reflects the recommended changes.

PREVIOUS COUNCIL ACTION: The Council updates the City’s Schedule of Fees, Charges, and Tariffs on a routine basis by resolution. The most recent changes were adopted in April 2013 by Resolution No. 2013–09 and became effective July 1, 2013.

DISCUSSION: Staff has been reviewing the fee schedule over the past several months. Three City departments - the Administration, Library, and Parks and Recreation submitted recommendations to increase, add, or regroup fees listed in the Schedule of Fees and Charges. The proposed fees for specific services are summarized below.

Section 8, Administration: The City Manager has proposed a \$20 increase in the encroachment permit fee and the addition of a \$ 200 fee for film permits within the City.

Section 11, Library: The Library proposes slight changes to overdue fees and electronic devices. Sections 11.9 and 11.10 are new items, proposed use fees for the craft room areas and teleconference service fees in the library facility to help offset the cost of maintenance and upkeep and equipment needs.

Section 12, Parks and Recreation: The Parks and Recreation Director proposes several fee changes within Section 12, by activities and facilities; and common fees are proposed when appropriate, such as the cost of access to the pool, ice rink, basketball and racquetball courts. Based on staff time and departmental resources, the Director proposes to charge various fees for the ice rink.

This proposed fee set is consistent with other facility use fees.

ALTERNATIVES: Council can adopt, amend, or choose to not approve Resolution No. 2016–19. Staff recommends Council adopt the resolution with the recommended fee changes because the increases and new fees are needed, and the changes reflect changes in facilities or needed clarifications or corrections. Also, regular reviews and updates of the fee schedule are identified in Council’s budget goals.

FINANCIAL IMPLICATIONS: The changes proposed to the General Services, Library, and Parks and Recreation departments are General Fund departments and should help offset operational costs without affecting affordability or accessibility for users.

STAFF RECOMMENDATION: Staff recommends Council adopt Resolution No. 2016–19 with fee changes effective on July 1, 2016.

DEPUTY CITY MANAGER’S COMMENTS: It is important to revise and update the City’s Schedule of Fees, Charges, and Tariffs on a regular basis to ensure the City is receiving acceptable revenues for the services provided. This set of updates reflects changes in the operational aspects and goals in three departments and is consistent with Council’s FY2017 budget goals. I recommend Council adopt Resolution No. 2016–19.

ATTACHMENTS:

Attachment A: Resolution No. 2016–19

PROPOSED MOTION:

Move to adopt Resolution No. 2016–19.

**CITY OF KODIAK
RESOLUTION NUMBER 2016-19**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AMENDING
SECTIONS 8, 11, AND 12 OF THE SCHEDULE OF FEES AND CHARGES**

WHEREAS, at the February 11, 2016, regular meeting the Kodiak City Council approved its budget goals for FY2017, including annually reviewing and updating the Schedule of Fees and Charges; and

WHEREAS, staff reviewed the Schedule of Fees and Charges, and it was decided to bring forth amendments to the boat harbor fees separately from other City fees; and

WHEREAS, the suggested fee amendments herein reflect the City's cost to provide services.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Sections 8, 11, and 12 of the City's Schedule of Fees and Charges are hereby amended as follows:

Section 8	General Services	
8.1	Audit and financial report (hard copy).....	30.00
8.2	Budget printout, annual (hard copy)	30.00
8.3	Certification of City documents	5.00 + copy costs
8.4	Code of Ordinances (hard copy).....	125.00
8.5	Code supplement, annual subscription (hard copy)	45.00
8.6	Copies, per page public (see library and police headings for exception)	0.25
8.6.1	Copies per page, government and nonprofit.....	0.05
8.7	Copies, electronic (audio, video, CD, etc.)	10.00
8.8	Council meeting agenda, annual subscription (hard copy)	15.00
8.9	Council meeting minutes, annual subscription (hard copy)	50.00
8.10	Council meeting packet (hard copy)	20.00
8.11	Drug Testing, positive results	actual cost
	<i>(Any test authorized by KCC 5.40.196-198 which returns positive results for prescribed drugs.)</i>	
8.12	Encroachment permit.....	30.00 <u>50.00</u>
8.13	Exemption Card replacement	5.00
8.14	Film Permit, Commercial	200.00
8.145	Lien, Filing or Release (sales tax/utilities)	50.00
8.156	Memorial bench dedication fee.....	500.00
8.167	NSF or returned check.....	25.00 <u>29.00</u>
8.178	Sales Tax Returns, minimum estimated due per quarter	
8.178.1	All sales and services other than rentals	50.00
8.178.2	All rentals.....	157.50
8.189	Real Property, Purchase or Lease	
8.189.1	Application.....	50.00
8.189.2	Renewal of lease.....	50.00

8.4920	Verbatim transcript.....	actual cost
Section 11 Library Services		
11.1	Library material, lost or destroyed	Replacement cost plus 5.00
11.2	Card replacement	5.00
11.3	Copy charge	
11.3.1	Computer printed copy	
11.3.1.1	Black and white computer printer copies	0.20
11.3.1.2	Color computer printer copies.....	0.30
11.3.2	Photocopy	
11.3.2.1	Black and white.....	0.20
11.3.2.2	Color	0.40
11.4	Facsimile (fax) charge for public use	
11.4.1	To receive per page	1.00
11.4.2	To send	
11.4.2.1	First page	2.00
11.4.2.2	Each additional page.....	1.00
11.5	Overdue fees	
11.5.1	All <u>print, audio, digital, and film</u> library materials, per item, per day (<u>with a maximum of \$5.00 per item</u>)	0.10 with a maximum of 5.00 per item
11.5.2	Interlibrary loan per day	1.00
<u>11.5.3</u>	<u>Audio visual and electronic devices and accessories, per item per hour</u>	<u>1.00 with a maximum of 10.00 per item</u>
11.6	Visitor library card	10.00
11.7	Multipurpose room rental fee	Annual fee
11.7.1	One-time use (use by individual or groups for a one-time use for fee-based training and/or certification, corporate development session, convention workshop, or social occasion)	75.00
11.7.2	Series use (use by an individual or groups for a series of events or classes over a duration of time such as weekly, quarterly, seasonally, etc. for fee-based training and/or certifications, corporate development sessions, convention workshops, or social occasions)	175.00
11.8	Alaskana room rental fee	
11.8.1	One-time use (use by individual or groups for a one-time use for fee-based training and/or certification, corporate development session, convention workshop, or social occasion)	25.00
11.8.2	Series use (use by an individual or groups for a series of events or classes over a duration of time such as weekly, quarterly, seasonally, etc. for fee-based training and/or certifications, corporate development sessions, convention workshops, or social occasions)	75.00
<u>11.9</u>	<u>Craft room rental fee</u>	
<u>11.9.1</u>	<u>One-time use (use by individual or groups for a one-time use for fee-based training and/or certification, corporate development session, convention workshop, or social occasion).....</u>	<u>25.00</u>
<u>11.9.2</u>	<u>Series use (use by an individual or groups for a series of events or classes over a duration of time such as weekly, quarterly, seasonally, etc. for fee-based training and/or</u>	

	<u>certifications, corporate development sessions, convention workshops or social occasions</u>	<u>75.00</u>
<u>11.10</u>	<u>Teleconference service fee</u>	
<u>11.10.1</u>	<u>In state calls</u>	<u>10.00 per hour</u>
<u>11.10.2</u>	<u>Out-of-state calls</u>	<u>20.00 per hour</u>

Section 12 Parks and Recreation

(Note: For activities including micro tournaments and clinics not listed, the Parks & Recreation Department will establish the activity/program fee. Youth includes ages 4-18; Adult 19-65; Senior 65+. Activity fees can be waived for parent volunteers for coaching and officiating. A sponsor can contribute to activity fees to reduce cost of person or group participants.)

12.1	City Organized Activities	
12.1.1	<u>Basketball</u>	
12.1.1.1	Adult Recreation Basketball <u>Class A & Open</u> Per Season Per Team	340 <u>450.00</u>
12.1.1.2	Adult Tournament Basketball <u>Class B & C</u> Per <u>Tourney Season</u> Per Team	440 <u>350.00</u>
12.1.1.3	<u>Adult recreation Basketball B & C (Student) Per Season Per Team</u>	<u>175.00</u>
12.1.1.4	<u>Adult Recreation Basketball Class A & Open Per Person</u>	<u>75.00</u>
12.1.1.5	<u>Adult Recreation Basketball Class B & C Per Person</u>	<u>55.00</u>
12.1.1.36	Little Dribblers Per Season (6 weeks) Per Person	30.00
12.1.2	<u>Volleyball</u>	
12.1.2.1	Adult Recreation Volleyball Per Season Per Team	340 <u>200.00</u>
12.1.2.2	Adult Tournament Volleyball <u>Per Tourney Per Team Per Person</u>	440 <u>25.00</u>
12.1.2.3	<u>Student Recreation Volleyball Per Team</u>	<u>100.00</u>
12.1.3	<u>Soccer</u>	
12.1.3.1	Youth Soccer Per Season (6 weeks) Per Individual	20 <u>30.00</u>
12.1.4	<u>Races</u>	
12.1.4.1	Per Race Per Adult	45 <u>20.00</u>
12.1.4.2	Per Race Per Youth/Senior	5 <u>10.00</u>
12.1.5	<u>Summer Program</u>	
12.1.5.1	Per Session (2 Week) Per Child	20 <u>30.00</u>
12.1.6	<u>Softball</u>	
12.1.6.1	<u>Adult Recreation Softball Per Season Per Team</u>	<u>200.00</u>
12.1.6.2	<u>Adult Recreation Softball Per Season Per Person</u>	<u>25.00</u>
12.1.7	<u>Hockey</u>	
12.1.7.1	<u>Adult Recreation Hockey Per Season Per Person</u>	<u>75.00</u>
12.2	City Facility	
12.2.1	<u>Ice Rink</u>	
12.2.1.1	<u>Ice Time</u> Per Session Per Adult	3.00
12.2.1.2	<u>Ice Time</u> Per Session Per Student/Senior	1.00
12.2.1.3	<u>Ice Time</u> Per Month Per Adult	30.00
12.2.1.4	<u>Ice Time Per Month or Team's Season (6 week) Per Student</u>	10.00
12.2.1.5	<u>Ice Time Per Season Per Adult</u>	<u>130.00</u>
12.2.1.6	<u>Ice Time Per Season Per Student</u>	<u>45.00</u>
12.2.1.5	<u>Dasher Board Signs Per Year</u>	<u>350.00</u>
12.2.1.67	Rental Per Hour	100.00
12.2.2	<u>Swimming Pool</u>	
12.2.2.1	Per Session Per Adult	3.00
12.2.2.2	Per Session Per Youth/Senior	1.00
12.2.2.3	Per Month Per Adult	30.00
12.2.2.4	Per Month or Teams Season (6 week) Per Student <u>Youth/Senior</u>	10.00

12.2.2.45	Infant - 3 years	Free
<u>12.2.2.6</u>	<u>Masters Lessons Per Person Per Session</u>	<u>30.00</u>
12.2.4.6 12.2.4.2.7	Rental Per Hour.....	None <u>100.00</u>
12.2.3	<u>Teen Center</u>	
12.2.3.1	Racquetball Per Adult Per Session (1 hour)	3.00
12.2.3.2	Racquetball Per Month Per Adult	30.00
12.2.3.3	Auditorium Per 3 Hour Block (<u>Under 50 people</u>).....	100.00
<u>12.2.3.4</u>	<u>Auditorium Per 4 Hour Block (51 – 100 people)</u>	<u>200.00</u>
<u>12.2.3.5</u>	<u>Auditorium Cleaning Fee</u>	<u>25.00</u>
12.2.4	<u>East Addition Recreation Building</u>	
12.2.4.1	Per Three Hour Block.....	100.00

BE IT FURTHER RESOLVED that this resolution shall supersede previous resolutions amending Sections 8, 11, and 12 of the Schedules of Fees, Charges and Tariffs.

BE IT FURTHER RESOLVED that the changes to Sections 8, 11, and 12 of the Schedule of Fees, Charges, and Tariffs herein shall be effected July 1, 2016.

BE IT FURTHER RESOLVED that the City Clerk is authorized to make the required changes to the Schedule of Fees, Charges, and Tariffs.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Adopted:

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Aimée Kniazowski, City Manager

Thru: Lon White, Harbormaster and Mike Tvenge, Deputy City Manager 

Date: June 23, 2016

Agenda Item: V. b. **Resolution No. 2016–20, Amending Section 9, Harbor Fees, of the Schedule of Fees, Charges, and Tariffs and Authorizing Implementation of a Five-Year Rate Structure**

SUMMARY: Harbor Rates have not been adjusted since July 2011. Resolution No. 2016–20 authorizes a five-year rate plan that increases moorage and other harbor services 18.5 percent in FY2017 and implements an annual inflationary increase based on Producer Price Index (PPI) each year thereafter. The proposed increase is recommended by the City’s consultant Northern Economics. The Port & Harbor Advisory Board (PHAB) and staff support Northern Economics recommendation. If approved as recommended, the new rates would be effective July 1, 2016, which is the beginning of FY2017.

PREVIOUS COUNCIL ACTION:

- April 2008, Council approved a five-year rate plan implemented 2004 through 2008.
- March 2011, Council authorized a two percent moorage rate increase.
- February 2012, Council received harbor rate recommendations from Northern Economics based on a rate study they conducted with Council approval. No action was taken at that time, citing the need for more information.
- February 2016, Council authorized Northern Economics to perform an updated Harbor cash flow analysis and rate study.

DISCUSSION: Council’s budgetary guidelines call for review of enterprise fund rates at least every five years. In February 2016, Northern Economics was hired to conduct a cash flow analysis and rate study for Kodiak harbors. Their findings recommend an 18.5 percent increase to the current moorage rates and other harbor services and an annual inflationary increase to keep rates current. This will also help to avoid the larger rate increases that have traditionally occurred that tend to be harder to absorb by users. The initial 18.5 percent increase essentially represents an inflationary adjustment from 2011 to present. With St Herman Harbor replacement immanent in the next five years at a cost estimated to be in excess of \$28 million dollars, it’s essential harbor rates are sufficient to support the cost of maintaining, operating and ultimately replacing facilities.

Northern Economics memo dated May 20, 2016, (Attachment C) outlines the basis for their recommendations. On May 25, 2016, Northern Economics presented their findings and

recommendations to the PHAB. Northern Economics compared Kodiak’s proposed 2017 flat rate increase of 18.5 percent to other harbors within our market area. Additionally, they provided an alternative rate option that meets the same cash flow needs as a flat rate increase but adjusts the small vessel rate upward and the largest vessels rates downward to be comparable to other harbors within the market. The Harbormaster initially supported the alternative rate option because it was more comparable and minimizes the risk of losing large vessels market share to other harbors with lower rates. The PHAB voted on the alternate rate option but the motion did not pass because of concerns the small boats would see a much higher rate increase than other vessel classes. The PHAB voted and unanimously approved Northern Economics scenario 3: an 18.5 percent increase in year one and annual inflationary increases each year thereafter based on PPI. The PPI rates are published monthly. To establish the inflation adjustment annually, the City will use the average rate published for the previous four years.

Table 2. Regional Comparison of Annual Moorage Rates: Kodiak, Dutch Harbor, Homer, and Seward

Slip Size (Linear Feet)	Kodiak			Dutch Harbor/ CEM	Homer	Seward
	2016 Rates	2017 Flat % Increase	2017 Alternative Rates			
	(Approved by PHAB)	Rate per Foot (\$/ft)				
17	30.00	35.55	40.94	40.25	49.91	54.32
23	30.00	35.55	40.94	40.25	49.09	56.01
24	30.00	35.55	40.94	40.25	48.99	55.79
30	30.00	35.55	40.94	40.25	48.54	54.79
35	30.00	35.55	40.94	40.25	48.29	54.22
40	30.00	35.55	40.94	40.25	48.10	53.79
46	41.00	48.58	50.19	40.25	47.92	54.71
48	41.00	48.58	50.19	40.25	47.87	54.54
55	41.00	48.58	50.19	46.00	47.73	54.07
60	41.00	48.58	56.29	51.75	47.65	53.79
62	61.00	72.28	56.78	51.75	46.11	53.70
85	71.50	84.73	62.27	74.75	47.38	53.62
90	71.50	84.73	75.95	80.50	47.35	53.46
100	71.50	84.73	84.73	86.25	47.29	53.19
110	82.00	97.17	91.40	92.00	47.24	52.97
125	89.00	105.46	103.73	103.50	47.18	52.71
150	89.00	105.46	114.29	149.50	47.11	52.39
151	100.00	118.50	114.29	149.50	47.11	52.38

Source: City of Kodiak (2015), City of Unalaska (2016), City of Homer (2016), City of Seward (2016), Northern Economics, Inc. analysis

Note: Homer has slips that can accommodate vessels up to 86 feet in length; vessels larger than 86 feet in length must side-tie at the transient raft rather than a stall. Larger vessels must likewise side-tie in Seward.

ALTERNATIVES:

- 1) Adopt Resolution No. 2016–20, authorizing a five-year rate plan commencing July 1, 2016, with an 18.5 percent flat rate increase to moorage and other harbor services year one and an annual inflationary increase based on PPI each year thereafter. This is Northern Economic, PHAB’s, and staff’s recommendation.
- 2) Council could authorize an alternative rate structure. If concerned about the short time between authorization and implementation, Council could approve the proposed rate plan but delay implementation to January 1, 2017. This would give time for users to prepare for the rate increase. To match billing cycles, rates should be implemented either July 1 or January 1.
- 3) Council could choose to approve the “*alternate rate plan*” that would increase small vessel rates and lower large vessel rates closer to comparable market. This could be implemented on either July 1, or January 1, 2017. Please note, the alternate rate scenario was rejected by the PHAB.
- 4) Council could choose not to approve any rate increase. This does not address harbor cash flow needs and is not recommended.

LEGAL: KCC 18.28.130 (f) The fees and charges for the use of facilities or services associated with the Kodiak boat harbors, piers and docks shall be established by resolution of the City Council.

STAFF RECOMMENDATION: Staff recommends Council adopt Resolution No. 2016–20 authorizing an 18.5 percent rate increase to moorage and other harbor services, with rates to be adjusted annually thereafter based on PPI. Harbor moorage and other services are defined in Section 9 of the City fee schedule. Rates would be implemented July 1, 2016, or January 1, 2017, depending on Council direction.

DEPUTY CITY MANAGER’S COMMENTS: The Northern Economics rate study suggests a harbor rate increase to support the rising cost of maintaining an operational port and harbor. The 18.5 percent adjustment is a large increase; however the suggested PPI annual average increases in the succeeding years will be of a more stable rate adjustment. The PPI is published online and can be budgeted for knowing how harbor rates will be established for the future. If Council wishes for a longer public notice an amendment to the implementation date is reasonable.

ATTACHMENTS:

- Attachment A: Resolution No. 2016–20
- Attachment B: Northern Economics Memorandum Dated May 20, 2016

PROPOSED MOTION:

Move to adopt Resolution No. 2016–20.

**CITY OF KODIAK
RESOLUTION NUMBER 2016–20**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AMENDING SECTION 9, HARBOR FEES, OF THE SCHEDULE OF FEES, CHARGES, AND TARIFFS AND AUTHORIZING IMPLEMENTATION OF A FIVE-YEAR RATE STRUCTURE

WHEREAS, existing harbor fees are not sufficient to fund harbor facilities replacement and maintenance costs; and

WHEREAS, Northern Economics conducted a rate study and cash flow analysis for moorage rates and other boat harbor services; and

WHEREAS, Northern Economics recommended a flat 18.5 percent increase to moorage and other harbor rates in FY2017 and annual inflation-based rate adjustments based on the Producer Price Index (PPI) for the subsequent four years; and

WHEREAS, the PPI has averaged an approximate 2.8 percent annual increase; and

WHEREAS, the Port and Harbors Advisory Board endorsed the five-year harbor rate structure proposed by Northern Economics to increase the revenues needed for maintenance of harbor facilities; and

WHEREAS, the Council of the City of Kodiak desires to amend harbor fees in Section 9 of the City's Schedule of Fees, Charges, and Tariffs to sufficiently fund facilities replacement and maintenance costs.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that Section 9 of the City's Schedule of Fees, Charges, and Tariffs are hereby amended for FY2017 as follows:

Section 9 Harbor

A day is defined as a calendar day, midnight to midnight or portion thereof.

9.1	Disposal	
9.1.1	Drums, each 55 gallon	20 <u>24.00</u>
9.1.2	Containment boom, per foot, per day, plus labor	0.50 <u>0.60</u>
9.1.3	Sorbent pads and boom	cost + 10%
9.1.4	Petroleum products and bilge waste, per gallon	
9.1.4.1	Used oil	1.00 <u>1.20</u>
9.1.4.2	Oily bilge water, vessels under 400 gross tons	2.25 <u>2.70</u>
9.1.4.3	Oily bilge water, vessels over 400 gross tons	4.25 <u>5.00</u>
9.1.4.4	Testing and other necessary services	cost + 10%
9.2	Dry Storage	
	<i>No charge for fishing gear storage for the first three (3) days. Minimum charge is \$10.00 or per square foot fee, whichever is greater.</i>	
9.2.1	Daily, per square foot	0.03 <u>0.04</u>

9.2.2	Weekly, per square foot	0.4215
9.2.3	Monthly, per square foot	0.4050
9.2.4	Annual, per square foot.....	4.201.50
9.2.5	Impounded vessels: cost of labor, equipment, and storage	cost + 10%
9.3	Electric Service, temporary, per day	
9.3.1	120-volt single-phase or actual KWH cost, whichever is greater	1518.00
9.3.2	208-volt single-phase or actual KWH cost, whichever is greater	35.0041.50
9.3.3	208-volt three-phase or actual KWH cost, whichever is greater	40.0047.50
9.3.4	Electric cord rental, per day	
	30-amp 120-volt twist lock cords	510.00
9.3.5	Electric plug rental, per day	
	30-amp twist lock GFI to 20-amp straight blade.....	56.00
	208 single phase to 30-amp twist lock	4012.00
	208 three phase to 208 single phase	1518.00
9.4	Tidal Grid, per foot, per tide	2.002.40
9.5	Services and equipment rental	
9.5.1	Backhoe/loader, with operator, per 1/2 hour	7589.00
9.5.2	Fork Lift	
9.5.2.1	4-ton, with operator, per 1/2 hour	7589.00
9.5.3	Labor and Materials	
9.5.3.1	City employees, straight time, per hour	6577.00
9.5.3.2	City employees, overtime, per hour	90.00106.70
9.5.3.3	Non-City labor and miscellaneous materials	cost + 10%
9.5.4	Pumps	
9.5.4.1	Dewatering, electric, per day	30.0035.60
9.5.4.2	Dewatering, electric, per week	420142.00
9.5.4.3	Dewatering, electric, per month.....	300356.00
9.5.4.4	Dewatering gasoline, per day	5060.00
9.5.4.5	Sewage, vessel or RV pump-out, per use	4012.00
9.5.5	Tanker, used oil, with operator, per hour	130154.00
9.5.6	Vessel, with operator, per hour	115136.00
9.6	Dockage for commercial fishing vessels at piers and docks (all other vessels charged per port tariff)	
9.6.1	• Vessels 80' and under.....	1.501.80
9.6.2	• Vessels 81' and over.....	1.752.10
	• Includes Dock 1, Oscar's Dock, Piers 1, 2, & 3.	
	• Dockage fees shall be equal to the vessel's daily moorage rate, or the per foot rate, whichever is greater. Vessels with exclusive moorage, and vessels which have paid their annual daily moorage ceiling, receive the first day free. Dockage fees do not apply to the moorage ceiling.	
9.7	Moorage, exclusive, annual	
	• Exclusive moorage means a permanently assigned slip for a specific vessel. Moorage is calculated depending upon vessel length: Length x rate per linear foot.	
	• Length = length of vessel, including all fixed protuberances or length of slip, whichever is greater.	
	• Vessels moored at posted restricted areas in excess of the allotted time shall incur a moorage charge at double the daily rate, until the vessel has departed.	
	• 20% surcharge for vessels wider than 80% of the slip water space	
	• 50% surcharge for vessels wider than 100% of the slip water space	
9.7.1	0 to 20 feet	30.0035.55
9.7.2	21 to 30 feet	30.0035.55
9.7.3	31 to 40 feet	30.0035.55
9.7.4	41 to 60 feet	41.0048.59
9.7.5	61 to 80 feet	61.0072.29
9.7.6	81 to 100 feet	71.5084.73
9.7.7	101 to 120 feet	82.0097.17
9.7.8	121 to 150 feet	89.00105.47

9.7.9	151 feet +	100.00 <u>118.50</u>
9.8	Moorage, open/daily	1/60 of the annual exclusive moorage rate
	<ul style="list-style-type: none"> • Daily moorage shall stop accruing when an amount equal to 100% of the annual exclusive moorage has been reached. • Vessels moored at posted restricted areas in excess of the allotted time shall incur a moorage charge at double the daily rate, until the vessel has departed. • Vessels under 21' receive one free day per month at designated areas only, on first-come, first-served basis. 	
9.9	Parking	
9.9.1	Trailers at designated long-term parking areas	
9.9.1.1	Daily	56.00 <u>56.00</u>
9.9.1.2	Monthly	7589.00 <u>7589.00</u>
9.9.2	Permit parking for harbor customers in designated 30-day lots adjacent to the harbors, per day.....	1.00
	<ul style="list-style-type: none"> • Permits available to vessel slip holders and paid up transient vehicles only. Except that permits may be sold to the general public in the 30-day lot north of Ramp 1, St. Herman Harbor. 	
9.10	Gravel ramp use at SHH and SPH	
9.10.1	Aircraft, per launch or retrieval	7589.00 <u>7589.00</u>
9.10.2	Vessels under 76 feet in length, per foot, per tide	4.00 <u>1.20</u>
9.10.3	Vessels 76 feet and longer, per foot, per tide	4.50 <u>1.80</u>
9.10.4	Annual usage fee (must be paid in advance).....	2,000 <u>370.00</u>
<u>9.10.5</u>	<u>Anchoring inside harbor basins (when authorized by Harbormaster)</u>	<u>50% of daily moorage rate</u>
9.11	Waiting list, per year	2530.00 <u>2530.00</u>
9.12	Launch ramp (exclusive slip holders and personal pleasure boats of persons sixty-five years of age or older are exempt)	
9.12.1	Daily	10.00
9.12.2	Annual	400 <u>119.00</u>
9.13	Slip transfer fee, per vessel	45 <u>18.00</u>
9.14	Account sent to collections	400 <u>119.00</u>
9.15	Vessel sewage disposal at Pier II per day (vessel provides hoses, dockage charged separately)	7589.00 <u>7589.00</u>

BE IT FURTHER RESOLVED that amendments to the Schedule of Fees, Charges, and Tariffs shall be adjusted annually on July 1 2017, 2018, 2019, and 2020 according to the US Department of Labor Bureau of Labor Statistics Producer Price Index for port and waterfront terminal operations previous four year's annual average, unless subsequently amended by the City Council.

BE IT FURTHER RESOLVED that this resolution shall supersede previous resolutions amending these sections of Section 9 of the Schedule of Fees, Charges, and Tariffs.

BE IT FURTHER RESOLVED that the City Clerk is authorized to make the required changes to the Schedule of Fees and Charges as stated herein.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Adopted:



Memorandum

Date: May 20, 2016

To: Lon White, Harbormaster, City of Kodiak
Kelly Mayes, Finance Director, City of Kodiak

From: Michelle Humphrey

Re: Kodiak Cash Flow Analysis

This memo provides moorage rate recommendations for the Kodiak Harbor system based on a life cycle cost model that takes into account all of the costs associated with operating, maintaining, and replacing the three harbor facilities in Kodiak. This memo also provides a preliminary debt plan that is based on the external financing needs identified in a second model that looks at Boat Harbor Enterprise Fund's cash flows and working capital balance over the 50-year study period. The following sections discuss our findings and recommendations as well as the analytical process, data, and assumptions used in the analysis.

Findings and Recommendations

Based on the results of the life cycle cost analysis, our model recommends increasing the average moorage rates to cover the net present value of the projected cash flows from operations, maintenance, and capital replacement. We recommend implementing this moorage increase through a single year flat rate increase of 18.5 percent across all vessel sizes at the beginning of fiscal year 2017, bringing average moorage rates from \$51.52 per foot in 2016 to \$61.05 per foot in 2017. The recommended adjustment in fiscal year 2017 includes the flat percentage increase as well as an adjustment for inflation. While this is a large increase, it is equivalent to annual increases of only 2.8 percent since the last rate increase in 2011.

We also suggest implementing annual inflation-based moorage rate adjustments following the flat rate increase in fiscal year 2017. The cash flow model uses the four-year compounded annual growth rate of the Producer Price Index (PPI) for port and waterfront terminal operations of 2.8 percent as a proxy for this annual adjustment, but in practice that adjustment can be based on the change in the PPI from the previous year (BLS 2016). The Anchorage Consumer Price Index is another index that could be used as the basis for the annual inflation adjustments, and with a ten-year compounded annual growth rate of 2.3 percent, it is similar to the PPI index used in this model (BLS 2016). The study team recommends using the industry-specific PPI as the basis for annual inflation adjustments at this time.

Preliminary debt plans based on the results of the cash flow model suggest that the implementation of the two moorage rate changes described above has the potential to reduce the harbor system's debt requirement by over \$314 million (in 2016 dollars) over the 50-year study period.

Life Cycle Cost Model

Our model estimates the annualized life cycle cost of Kodiak's harbor facilities to be \$2.03 million. This annualized cost was calculated by projecting cash flows for operations, maintenance, and capital

replacement out 50 years to 2065, then discounting them to 2016 dollars to find the net present value. This model uses revenues and expenses from fiscal year 2015 as the basis for the projections since it was the latest available information when the study began. Cash flows were discounted using the 30-year real discount rate of 1.5 percent based on the 2015 discount rates published by the Office of Management and Budget (OMB 2015).

This study uses \$2.03 million as the annualized life cycle cost of Kodiak's harbor facilities, but it is important to note that the actual cash requirements vary from year to year due to harbor facility replacement and major maintenance schedules. In fiscal year 2015, the harbor facilities generated approximately \$2.371 million in revenue, resulting in a \$336,756 surplus when compared to the life cycle cost.

Using the annualized life cycle cost and the total linear footage available for moorage at Kodiak's harbor facilities (28,686 linear feet), and adjusting for the current mix of permanent and transient users, the model suggests an average moorage rate of \$59.39 (in 2016 dollars). The current average moorage rate is \$51.52, so the model suggests a \$7.87 per foot or roughly 15.3 percent increase to moorage rates.

Rate Recommendations

Based on the results of the life cycle cost model, we recommend implementing an 18.5 percent flat increase to moorage rates at the start fiscal year 2017. Based on the model results, this increase in rates will allow the harbor to bring in adequate annual revenues to cover its average annual expenses. In addition to the flat percentage increase, we also recommend annual inflation-based rate adjustments, so that moorage rate revenue will mirror the anticipated changes in the harbor expenses and the harbor will continue to be able to cover its expenses with its revenues.

Table 1 shows the rates published for fiscal year 2016 and recommended moorage rates for fiscal year 2017 for each of the slip sizes offered at Kodiak's harbor facilities. The recommended moorage rates per foot for fiscal year 2017 combine the flat percentage increase to bring rates in line with the life cycle costs of the harbor facilities as well as a 2.8 percent increase to account for inflation. The annual inflation adjustment used in the model is based on the four-year compounded annual growth rate of the PPI for port and waterfront terminal operations (BLS 2016).

An 18.5 percent flat percentage increase in fiscal year 2017 would reconcile the difference between the moorage rates currently being charged and suggested moorage rates derived from the life cycle cost model and adjust rates for a year of inflation, since the life cycle cost results are presented in 2016 dollars.

Table 1. Comparison of Current and Recommended Moorage Rates per Foot

Slip Size (Linear Feet)	Number of Slips	Current Rate	01 Rate	Percent Increase
		per Foot	per Foot	%
17	18	30.00	35.55	18.5
23	12	30.00	35.55	18.5
24	92	30.00	35.55	18.5
30	57	30.00	35.55	18.5
35	31	30.00	35.55	18.5
40	105	30.00	35.55	18.5
46	46	41.00	48.58	18.5
48	35	41.00	48.58	18.5
55	21	41.00	48.58	18.5
60	38	41.00	48.58	18.5
62	40	61.00	72.28	18.5
85	15	71.50	84.73	18.5
90	15	71.50	84.73	18.5
100	14	71.50	84.73	18.5
110	14	82.00	97.17	18.5
125	17	89.00	105.46	18.5
150	10	89.00	105.46	18.5
151	0	100.00	118.50	18.5

Source: City of Kodiak (2015), Northern Economics, Inc. analysis

The 18.5 percent increase in the moorage rate per foot is applied equally across all slip sizes, which results in varying increases in terms of the dollar amount per square foot. For example, the tenants using slips that are 40 linear feet or less would see a \$5.55 per foot increase and the tenants using slips that are 125 linear feet would see a \$16.46 per foot increase in moorage rates.

Market Comparison

Compared to other harbors in the region, the current annual moorage rates at Kodiak fall right in the middle of the spectrum. This suggests that the market could bear higher rates than what is currently being charged at Kodiak, and could absorb a reasonable rate increase. Dutch Harbor, Homer, and Seward have been identified at Kodiak’s main competitors and appropriate regional comparisons. Table 2 shows the annual moorage rate per foot currently charged at comparable facilities in the region as well and the current and recommended rates at Kodiak.

Table 2. Regional Comparison of Annual Moorage Rates: Kodiak, Dutch Harbor, Homer, and Seward

Slip Size (Linear Feet)	Kodiak			Dutch Harbor / Homer	Seward	
	2017 Rates	2017 Flat Increase	2017 Alternative Rates			
17	30.00	35.55	40.94	40.25	49.91	54.32
23	30.00	35.55	40.94	40.25	49.09	56.01
24	30.00	35.55	40.94	40.25	48.99	55.79
30	30.00	35.55	40.94	40.25	48.54	54.79
35	30.00	35.55	40.94	40.25	48.29	54.22
40	30.00	35.55	40.94	40.25	48.10	53.79
46	41.00	48.58	50.19	40.25	47.92	54.71
48	41.00	48.58	50.19	40.25	47.87	54.54
55	41.00	48.58	50.19	46.00	47.73	54.07
60	41.00	48.58	56.29	51.75	47.65	53.79
62	61.00	72.28	56.78	51.75	46.11	53.70
85	71.50	84.73	62.27	74.75	47.38	53.62
90	71.50	84.73	75.95	80.50	47.35	53.46
100	71.50	84.73	84.73	86.25	47.29	53.19
110	82.00	97.17	91.40	92.00	47.24	52.97
125	89.00	105.46	103.73	103.50	47.18	52.71
150	89.00	105.46	114.29	149.50	47.11	52.39
151	100.00	118.50	114.29	149.50	47.11	52.38

Source: City of Kodiak (2015), City of Unalaska (2016), City of Homer (2016), City of Seward (2016), Northern Economics, Inc. analysis

Note: Homer has slips that can accommodate vessels up to 86 feet in length; vessels larger than 86 feet in length must side-tie at the transient raft rather than a stall. Larger vessels must likewise side-tie in Seward.

The Carl E. Moses Harbor in Dutch Harbor charges the highest annual moorage rates, peaking at \$149.50 per foot, and is also the newest facility in the region. With the recommended annual moorage rate increases in 2017, Kodiak’s average annual moorage rate would still be 28 percent or \$23.85 per foot less than the average annual moorage rate charges at Carl E. Moses Harbor. Homer and Seward each charge a flat fee per foot (\$43.49 and \$47.47 respectively) plus and sales tax and administrative fees.¹ The moorage rates displayed for Homer and Seward in Table 2 are the fully loaded rates that include sales tax and administrative charges associated with each slip size.²

Even though Kodiak’s average annual moorage rate is lower than other harbor facilities in the region, moorage rates for slips that are 62–90 linear feet and 110–125 linear feet would be the highest in the region with a flat increase of 18.5 percent applied to all slip sizes. Kodiak currently charges lower rates than its competitors for slips that are 40 linear feet or less. Redistributing the moorage rate structure, similar to the “2017 Alternative Rates” column in Table 2, so that smaller slip sizes carry more of the life cycle costs could be one option to bring moorage rates for all slip sizes closer in line with the rates

¹ The Homer Port and Harbor Commission has recently approved a plan to move to a graduated moorage structure with rates increasing with vessel size.

² The administrative charge results in the effective price per foot decreasing with larger vessel sizes.

charged by other facilities in the region. The moorage rates shown under the 2017 alternative rate example would produce the same potential revenue as the flat percentage increase, but with a different distribution of rate increases.

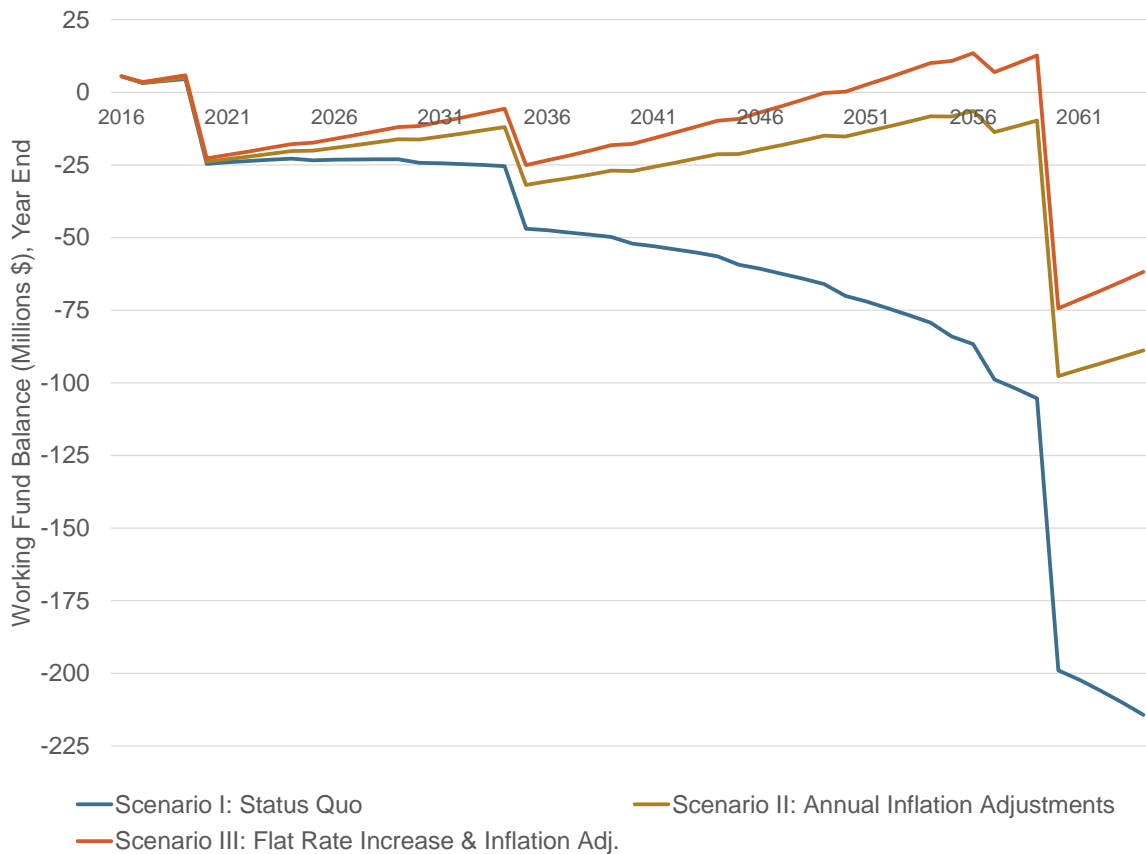
Cash Flow Model

Northern Economics developed a model of the Boat Harbor Enterprise Fund's cash flows and working capital balance over the 50-year study period that incorporates the results of the life cycle cost analysis. This model considers both annual operating revenues, which are contingent upon the rate scenario selected, and non-operating revenues that were estimated using financial records from fiscal year 2015. The model also takes into account operating and maintenance costs based on fiscal year 2015 financials. Capital costs are based on a five-year rotating major maintenance schedule and a facility replacement schedule that was provided by the city.

The cash flow model considers three different rate scenarios. The first scenario is the no-change option that holds constant the rates charged in 2016, and does not factor in any rate increases over the 50-year study period. The second scenario starts with the current moorage rates and factors in annual inflation-based rate increases starting in fiscal year 2017. The third scenario incorporates a flat percentage increase in fiscal year 2017 that would bring moorage rates in line with the results of the life cycle cost analysis as well as annual inflation-based rate increases. Rates developed using a life cycle cost approach have a long-term focus and aim to sufficiently cover operations, maintenance, and facility replacement over the 50-year study period.

Figure 1 shows the projected working capital balance for the Harbor Enterprise Fund under the three moorage rate scenarios described above. The starting working capital balance of \$4.6 million comes from the total current assets recorded in fiscal year 2015 financial documents and is used as the starting point for all three scenarios. It should also be noted that grant funding and debt proceeds are not included in values shown in Figure 1.

Figure 1. Projected Working Fund Balance without Debt, Nominal Dollars, 2016–2065



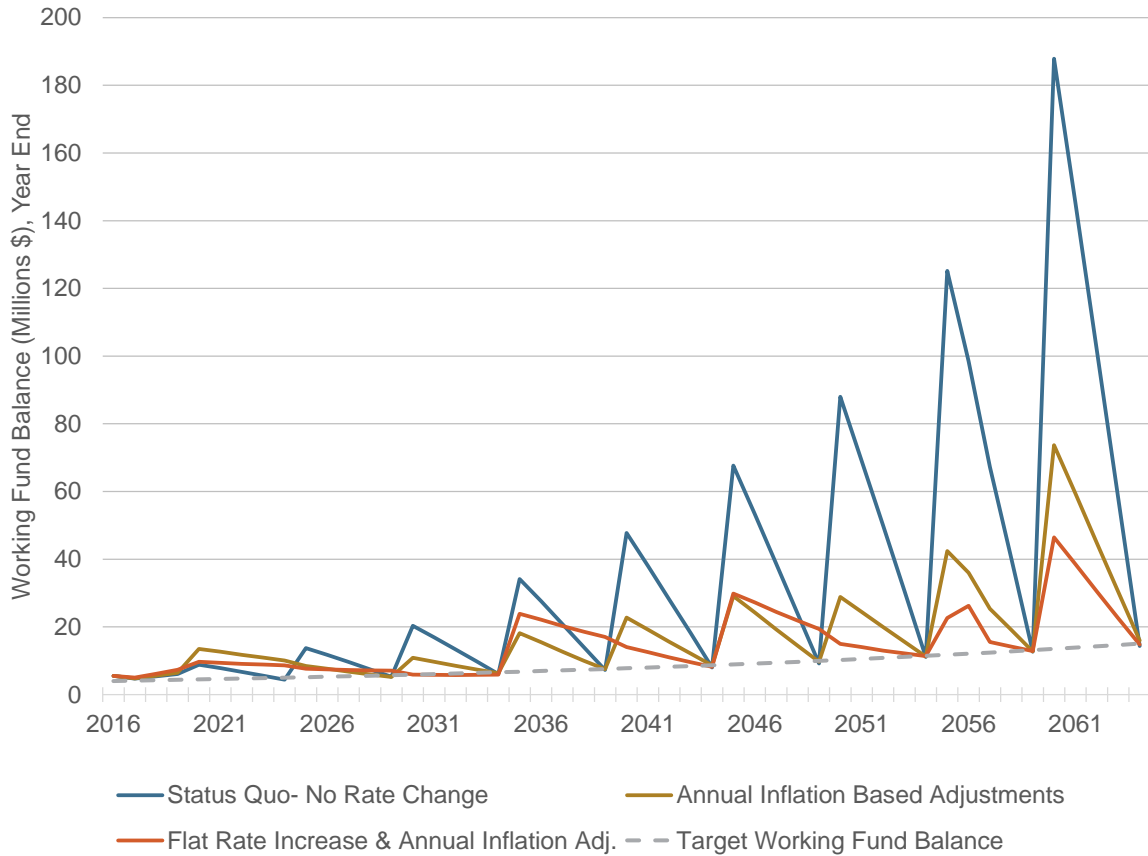
Source: Northern Economics, Inc. analysis

All three of the rate scenarios considered in this study require the issuance of debt on several occasions to maintain the targeted minimum working capital balance of \$4 million, but the amount of debt required varies drastically. The targeted minimum balance is based on the average annual expenses associated with the harbor and is used to signal the need for debt or external financing in the upcoming year. Under all three scenarios, the Harbor Fund would drop to a negative balance in 2020 and under the status quo and inflation adjustment only scenarios (Scenario I and Scenario II) it would remain negative through the end of the study period. Under Scenarios III, the working fund balance would rebound to a positive balance in 2050 before dropping back down to a negative balance in 2060. The drops in the year-end working fund balances are tied closely to the capital replacement schedules of the three facilities in Kodiak’s harbor system.

Preliminary Debt Plan

Using the working capital model, Northern Economics developed a preliminary debt issuance plan that would address the working capital requirements of the harbor. Each of the moorage rate scenarios produces unique debt requirements so separate debt plans were developed for each of the scenarios. The preliminary debt plans for each scenario also assume grant funding through the Municipal Harbor Facility Grant Program for each of the scheduled capital replacement projects within the study period. Figure 2 shows the projected year-end working fund balance under each rate scenario with the preliminary debt plans in place.

Figure 2. Projected Working Fund Balance with Preliminary Debt Plan, Nominal Dollars, 2016–2065



Source: Northern Economics, Inc. analysis

The model assumes that the city will receive the maximum Municipal Harbor Facility Grant amount for each of the scheduled facility replacements that occur during the 50-year study period, with the exception of the Channel Transient replacement that is scheduled to occur in 2017. The city has applied for a \$1.5 million, Tier 1 Municipal Harbor Facility Grant for the Channel Transient Float and is currently the top ranked applicant, subject to appropriation by the Alaska Legislature. The maximum grant amount of \$5 million has not been adjusted for inflation in previous years and the analysis assumes that this will not change moving forward. It should be noted that this is not a guaranteed source of funding and the grants available through this program are dependent upon approval by the Alaska Legislature.

Table 3. Assumed Grant Funding by Facility (Nominal \$)

Facility	Replacement Year	Priority Level	Grant Funding (Nominal)
Channel Transient Float	2017	Tier I	1,500,000
St. Herman Harbor	2020	Tier II	5,000,000
St. Paul Harbor	2035	Tier I	5,000,000
Channel Transient Float	2057	Tier II	5,000,000
St. Herman Harbor	2060	Tier II	5,000,000

Table 4 shows the year of issuance and the amount of debt issued for each of the preliminary debt plans developed in this analysis. By increasing moorage revenues through annual inflation-based adjustments and implementing a flat percentage rate adjustment based on the findings of the life cycle cost analysis, the harbor can significantly reduce the amount and frequency of debt issuances needed to maintain the targeted minimum working fund balance of \$4 million.

Table 4. Preliminary Debt Issuance Plans, Nominal Dollar, 2016–2065

Status quo—No Change to Rates		Annual Inflation Based Rate Adjustments		Flat Rate Increase Annual Adjustments	
Year	Debt Issued	Year	Debt Issued	Year	Debt Issued
2020	27,000,000	2020	31,000,000	2020	26,000,000
2025	11,500,000	2030	7,500,000	2035	34,000,000
2030	18,500,000	2035	29,000,000	2045	24,500,000
2035	48,000,000	2040	19,250,000	2055	14,000,000
2040	49,000,000	2045	25,500,000	2060	120,000,000
2045	71,500,000	2050	26,000,000		
2050	96,000,000	2055	37,500,000		
2055	136,000,000	2060	152,500,000		
2060	288,500,000				

Notes: The timing and amounts of debt issuance are based on a preliminary plan and should be evaluated prior to issuance.

The preliminary debt plan would have a different impact on the harbor’s working capital fund depending on the rate structure scenario that is in place (see Table 5). If there are no changes in the harbor moorage rates (Scenario I), the preliminary debt plan calls for nine debt issuances over the 50-year study period and the net present value of the total debt issued is just over \$450 million. There is also more variation in the working fund balance under this scenario as the gap between the harbor’s revenues, and the harbor’s costs continues to expand, and larger and more frequent debt issues are required to maintain the targeted working fund balance (Figure 2).

If annual inflation-based rate adjustments are implemented starting in fiscal year 2017 (Scenario II), the preliminary debt plan consists of eight debt issuances with a net present value just over \$202 million. If a flat percentage rate increase based on the life cycle cost model is implemented in 2017 in addition to annual inflation based rate adjustments (Scenario III), the preliminary debt plan calls for only five debt issuances at a net present value of just under \$136 million. The net present value of the debt in the preliminary debt plan for Scenario I is almost three times the net present value for the preliminary debt plan under Scenario III.

Table 5. Summary of Preliminary Debt Issuance Plans by Rate Scenario

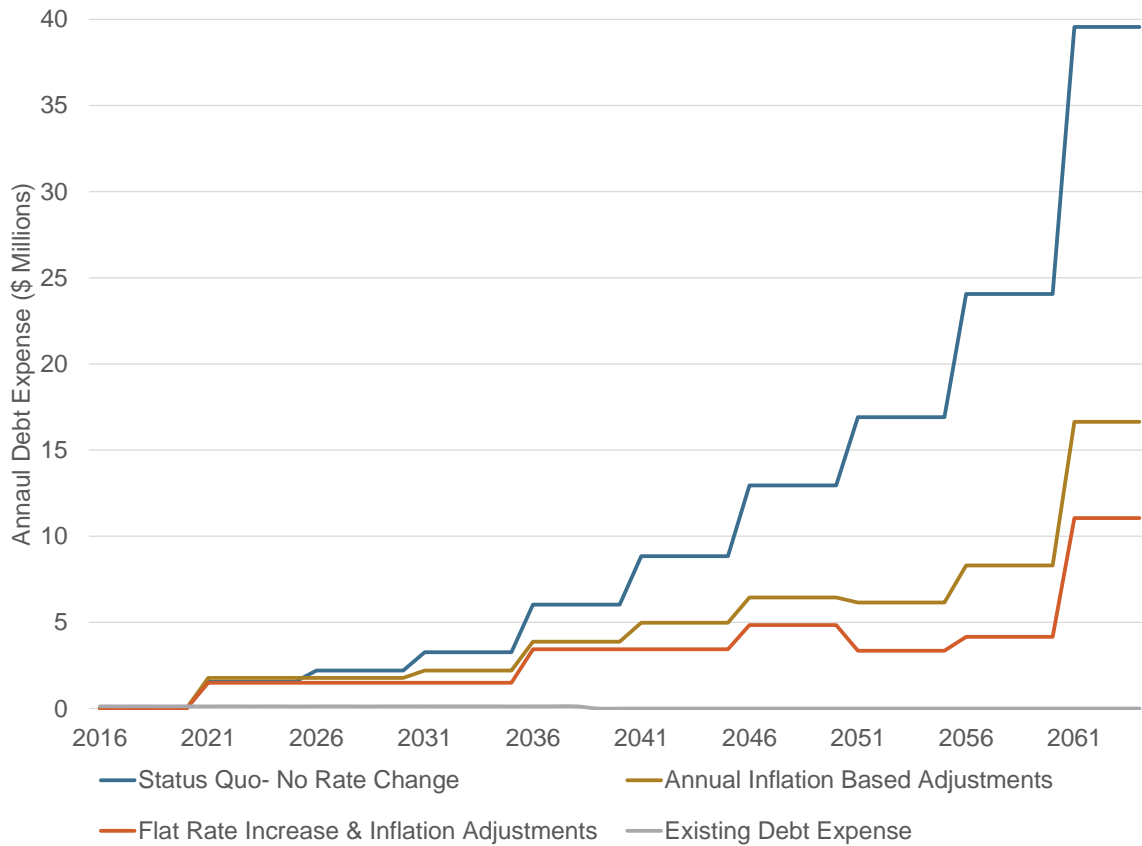
Rate Scenarios	Debt Issues	Minimum Excess Fund Balance	Maximum Excess Fund Balance	Average Excess Fund Balance	Total Debt Issued, Nominal Dollars	Net Present Value of Debt
		Millions \$				
Scenario I	9	-0.79	174.37	26.43	746.00	450.21
Scenario II	8	-0.50	60.19	9.11	328.25	202.59
Scenario III	3	-0.69	32.96	6.43	218.50	135.89

Source: Northern Economics, Inc. analysis

The working capital model also takes into account the expense associated with repaying the debts, both principal amounts and interest. The debt parameters in the cash flow model are based on typical debt issues by the Alaska Municipal Bond Bank Authority (AMBBA) for port and harbor projects around the state. The model assumes a 30-year term for each debt issuance with a 4 percent interest rate and a debt issuance cost of 0.22 percent of the total bond amount. While other funding sources are available to the harbor, including direct loans and grants through USDA Rural Development programs, AMBBA offers lower interest rates than most alternatives and has experience doing businesses with Alaskan port and harbor facilities, including those in Kodiak.

Figure 3 shows the annual debt expense under the preliminary debt plan for each of the moorage rate scenarios considered. The annual debt expense under all three scenarios is relatively similar for the first ten years of the model, but starting in 2026, the annual debt expense under the status quo moorage rate scenario increases significantly. The difference between the annual debt expenses for the three rate scenarios only becomes more pronounced in the later years of the model, and by 2065 the annual debt expense under the status quo rate (Scenario I) is over three times more than the annual debt expense with the recommended rate increases (Scenario III).

Figure 3. Annual Debt Expense in Nominal Dollars (2016–2065)



Source: Northern Economics, Inc. analysis

The results of the cash flow model show that bringing moorage rates in line with the average moorage rate derived from the life cycle cost and implementing annual inflation-based rate adjustments can significantly reduce the amount of debt and debt expense needed to maintain the targeted minimum working fund balance of \$4 million.

Analytical Approach, Data, and Assumptions

We have used a life cycle cost approach to evaluate the complete cost of operating, maintaining, and replacing the Port of Kodiak's harbor facilities. The life cycle cost model takes the total cost of the three harbor facilities, expressed in today's dollars, and then develops an annualized cost that must be covered by moorage revenues and other revenue sources in order for the facilities to be financially sustainable.³

The model uses the average moorage rate per foot, which is calculated by dividing the annualized life cycle cost by the total linear feet available for moorage. The average moorage rate per foot is then distributed to the different vessel size ranges based on "rate ratios." These ratios represent the proportion of the average rate that would be paid by vessels in each size range.

The average moorage rate then feeds into a second model that analyzes the cash flow and ending working fund balance for Kodiak's harbor system on an annual basis. This model takes into consideration operating and non-operating revenues, operating expenses, debt issuance, and grant funding to calculate the year end working fund balance.

We used the following data sources and assumptions in our analysis:

- We considered St. Herman Harbor, St. Paul Harbor, and the Channel Transient Float in the analysis.
- Capital cost estimates and replacement years were provided via email for the facilities being considered (White 2016). We assumed a 40-year useful life for each facility for the purpose of determining replacement schedules.
- Annual estimated operating costs of \$1.9 million were calculated by subtracting the depreciation from the total operating expenses listed in the City's Fiscal Year 2015 Comprehensive Annual Financial Reports (City of Kodiak 2016), and adjusting that number based on the estimated impact of inflation.
- We assumed annual offsetting revenues of \$1.1 million based on the non-moorage revenues and "transfers in" listed in the City's Fiscal Year 2015 Comprehensive Annual Financial Reports (City of Kodiak 2016), and adjusting that number based on the estimated impact of inflation. Transfers in to the harbor enterprise fund are capped as \$500,000 and are not adjusted for inflation. Based on the historic trends, the model assumes that the enterprise fund will receive the maximum allowable amount of transfers each year. These are non-moorage revenues and do not change from one scenario to the next.
- We assumed that rates for other services (i.e. grid use, used oil disposal, launch ramp fees...etc.) would also be adjusted annually based on the same PPI index used to adjust moorage rates under Scenarios II and III. Under the status quo scenario (Scenario I) these non-moorage revenues are held constant throughout the 50-year study period.
- We have assumed that all harbor facilities will be fully occupied. On average, 83.9 percent of the total linear moorage space will be used by exclusive users, with the rest used by transients. Due to the difference in rates, permanent users only account for two-thirds of moorage revenues.

³ For more information about life cycle cost analysis and setting sustainable rates, see Fisher (2011) and Fisher (2009).

- The life cycle cost model assumes a real discount rate of 1.5 percent based on U.S. Office of Management and Budget guidance (OMB 2015). All values in the life cycle cost model are expressed in real terms, in 2016 dollars.
- The cash flow model uses an annual inflation rate of 2.8 percent that is based on the five year compounded annual growth rate of the Producer Price Index for Port and Waterfront Terminal Operations (BLS 2016).
- The cash flow model assumes grant funding through the Municipal Harbor Facility Grant Program for each of the facility replacements scheduled to take place during the 50-year study period.
- The targeted minimum working fund balance is specified to be \$4 million (in 2016 dollars). This targeted balance is based on fiscal year 2015 financial data and aims to cover the annual operating expenses, minus depreciation, for two fiscal years.
- Bonds through AMBBA are assumed to be the primary financing source in the cash flow model. Bonds are assumed to have a term of 30 years at a 4 percent interest rate. The cost of capital is assumed to be 0.22 percent of the total bonded amount (Mitchell 2016).
- Depreciation expense is not included in the life cycle cost model or cash flow models because it is a non-cash expense.

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MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Aimée Kniazowski, City Manager 

Thru: Ronda Wallace, Chief of Police

Date: June 23, 2016

Agenda Item: V. c. **Resolution No. 2016–21, Authorizing the Issuance of a Permit to the American Legion Post 17 for Use of Public Property in Conjunction With Fourth of July Celebration**

SUMMARY: Resolution No. 2016–21 permits American Legion Post 17 to close and use City streets for its annual Fourth of July parade. Street closures for the parade will take place on Monday July 4, 2016, from 11 a.m. to 12:30 p.m. The parade will begin at the St. Paul Harbor spit, turn left onto Marine Way heading to Rezanof Drive. From Rezanof Drive, the parade will turn onto Center Avenue making its way to Marine Way again and ending at Oscar’s Dock. As Rezanof Drive is part of the parade route, the American Legion will receive a separate authorization for closure from the State Department of Transportation (DOT), since that is a state roadway.

PREVIOUS COUNCIL ACTION: The Council approves parade permit requests from the American Legion on an annual basis.

BACKGROUND: For several years, the American Legion has coordinated a Fourth of July parade in Kodiak. The Council has traditionally adopted a resolution to authorize street closures to accommodate the parade and related activities. The American Legion has been working with State DOT to obtain a permit to close Rezanof Drive, because it is a state roadway, which the City does not have the authority to close. The organizers will coordinate with the City Manager, Kodiak Police Department, and the DOT in the event the parade must be postponed due to inclement weather.

ALTERNATIVES:

- 1) Adopt Resolution No. 2016–21, which is staff’s recommendation.
- 2) Do not adopt Resolution No. 2016–21, which would result in cancellation of the parade.

STAFF RECOMMENDATION: Staff recommends Council adopt Resolution No. 2016–21.

CITY MANAGER’S COMMENTS: I appreciate and support the efforts of the American Legion to sponsor a parade for the Fourth of July. The City Council has also supported their efforts each year. Therefore, I recommend Council adopt the resolution.

ATTACHMENTS:

Attachment A: Resolution No. 2016-21

Attachment B: Letter from the American Legion

PROPOSED MOTION:

Move to adopt Resolution No. 2016-21.

**CITY OF KODIAK
RESOLUTION NUMBER 2016-21**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AUTHORIZING THE ISSUANCE OF A PERMIT TO THE AMERICAN LEGION POST 17 FOR USE OF PUBLIC PROPERTY IN CONJUNCTION WITH FOURTH OF JULY CELEBRATIONS

WHEREAS, the American Legion Post 17 is a local nonprofit organization that annually manages the Fourth of July parade; and

WHEREAS, the Fourth of July parade has a proud tradition of family fun and encourages widespread participation and involvement from Kodiak citizens of all ages; and

WHEREAS, the Fourth of July parade is planned for Monday, July 4, 2016, beginning at 11:00 a.m.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that a permit be issued, with the permit fee waived, to the American Legion Post 17 for use of City public property for the Fourth of July parade on the condition that the American Legion Post 17 agrees to comply with the stipulations as provided in City Code Sections 5.04.050(d) and 5.04.060.

BE IT FURTHER RESOLVED that the Council hereby authorizes City street closures/traffic control for the Fourth of July Parade on Monday, July 4, 2016, from 11:00 a.m. until approximately 12:30 p.m. for the St. Paul Harbor spit, Marine Way, and Center Ave. Traffic control is also authorized for Rezanof Drive, under the condition that the American Legion Post 17 obtains authorization from the State Department of Transportation to close Rezanof Drive for the parade.

BE IT FURTHER RESOLVED that if the State of Alaska Department of Transportation grants authority to close Rezanof Drive, the parade shall begin at the St. Paul Harbor spit; turning left onto Marine Way; turning right onto Rezanof Drive, turning right onto Center Avenue; turning right onto Marine Way; and ending at the St. Paul Harbor spit.

BE IT FURTHER RESOLVED that in the event the parade is postponed due to inclement weather and must be rescheduled, or if the State of Alaska Department of Transportation does not grant authority for the closure of Rezanof Drive, the Council authorizes necessary changes and additional City road closures be coordinated through the City Manager and the Kodiak Police Department.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Adopted:



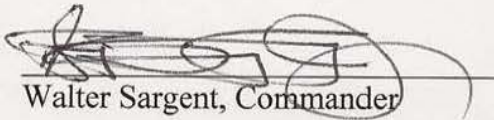
THE AMERICAN LEGION
Robert G. Blair Post 17
318 Center Ave., Kodiak, AK 99615
Phone (907) 486-3258 Fax (907) 486-6588
aklegion@gci.net

May 1, 2016

City of Kodiak

The American Legion Post 17 is requesting permission to have our annual 4th of July parade which lands on a Monday this year. It will be the same route as last year, starting at Oscars dock at 11am, left on Marine Way, right on Rezanof, right on Center Ave, right on Marine Way disassembling at the starting point Oscars dock. We are expecting a larger amount of participants this year! Thank you for your time.

Sincerely,




Walter Sargent, Commander

Cc: KPD Chief Wallace

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Aimée Kniazowski, City Manager 

Thru: Corey Gronn, Parks and Recreation Director

Date: June 23, 2016

Agenda Item: V. d. **Resolution No. 2016–22, Authorizing the Issuance of a Permit to the High School Tennis Team for the Use of Public Property for Its Tennis Clinic Fundraiser**

SUMMARY: The high school tennis coach, Steve Johnston, requested the use of Baranof Park tennis courts to run tennis clinics and lessons as a fundraiser from June 23rd through October 31st. The purpose is to promote the sport and use of the courts while raising money for the high school tennis team. The tennis team is a high school sport that is completely self-funded. The team raises money to cover the cost of travel and other costs associated with tennis. Staff recommends Council approve this use by adopting Resolution No. 2016–22.

PREVIOUS COUNCIL ACTION: The City Council routinely issues permits to non-profit and other community organizations to allow them to conduct fundraising activities on public property that benefit the community.

DISCUSSION: The high school tennis team began in 2004. The team represents the school in the Alaska State High School Tennis Tournament. All expenses are met with self-generated funds.

City staff supports the tennis team and coach's efforts to promote tennis in the community and to raise funds for the team and recommends that Council adopt the resolution to authorize the use of the Baranof Park tennis court(s).

ALTERNATIVES:

- 1) Adopt Resolution No. 2016–22, which is staff's recommendation because it promotes the use of the City's tennis courts and helps the high school team raise money for their expenses.
- 2) Do not adopt the resolution, which is not recommended, because it is inconsistent with past actions to support school sports team fundraising events and would impact their opportunity to raise money for their program.

FINANCIAL IMPLICATIONS: There are no financial implications involved in allowing this permitted use.

STAFF RECOMMENDATION: Staff recommends Council approve the high school tennis team's use of the City's tennis courts to provide tennis clinics and lessons to offset their travel and other expenses by adopting Resolution No. 2016-22.

CITY MANAGER'S COMMENTS: This is a worthwhile effort and supports the tennis team's efforts as well as those of the staff. Therefore, I recommend Council approve the resolution as they have in years past.

ATTACHMENTS:

Attachment A: Resolution No. 2016-22

Attachment B: Letter from Steve Johnston, dated April 28, 2016

PROPOSED MOTION:

Move to adopt Resolution No. 2016-22.

**CITY OF KODIAK
RESOLUTION NUMBER 2016-22**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK AUTHORIZING THE ISSUANCE OF A PERMIT TO THE HIGH SCHOOL TENNIS TEAM FOR THE USE OF PUBLIC PROPERTY FOR ITS TENNIS CLINIC FUNDRAISER

WHEREAS, the Kodiak High School Tennis Team is a self-funded team affiliated with the Kodiak High School; and

WHEREAS, the Team is sponsoring a tennis clinic for the Kodiak community to raise funds for team travel and to purchase tennis equipment; and

WHEREAS, the Team has requested use of the Baranof Park tennis court(s) from June 24 through October 31, 2016, and will charge a fee and/or request donations; and

WHEREAS, Kodiak City Code Section 5.04.010 prohibits business activities on City property, and Kodiak City Code Section 5.04.060 requires a permit for community festivities.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that a permit be issued, with the permit fee waived, to the Kodiak High School Tennis Team as provided in section 5.04.050(b) and (d) of the City Code for use of public property for its 2016 tennis clinic on the condition that the Team agrees to comply with the stipulations set forth in this section and section 5.04.060 of the City Code.

BE IT FURTHER RESOLVED that event sponsors shall coordinate the event with the Kodiak Parks and Recreation Director.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Adopted:



KHS Tennis Team

Coach Steve Johnston

PO Box 2244 - Kodiak, AK 99615

Phone: 907-654-7014

e-mail: sfjohnston@hotmail.com

Date: 28 April 2016

To: Mayor Ms. Pat Branson
City of Kodiak
722 Mill Bay Rd
Kodiak, AK 99615

From: Mr. Stephen F. Johnston

Re: Use of Baranof Park Tennis Courts for KHS Tennis Team Funding

Dear Ms. Pat Branson,

My name is Steve Johnston and I am the head coach for the Kodiak High School (KHS) Tennis Team. This program is a sport at the high school and currently has a membership of some 25+ students. The season runs from the last week of July thru the first or second week of October. The club has existed since 2004 when it was started by Craig Johnson and Derrik Magnuson. The team is affiliated with Kodiak High School and represents the school at the annual Alaska State High School State Tennis Tournament. In fact, it was the development of this team in Region 3, that allowed this important tournament to take place. Last year Colony High School stood up a varsity tennis team. Region 3 Regionals will become regular feature of our competition schedule.

Like most KHS sports we are constantly dealing with funding issues. The team raises money through its own efforts which include an entry fee and fund raising activities such as car washes and bake sales. In addition we receive some support from the Kodiak High School Booster Club which we pay back by assisting in the Bear's Den during various other sporting events. For the first year ever, the team will receive funding from the Kodiak Island Borough School District. However, to replace worn equipment and enhance our facilities the tennis team needs a greater amount of funding than can be supplied by the above efforts. As with all sports at KHS, travel is the all consuming problem, typical expenses include a \$200+ round trip airfare Kodiak to Anchorage and \$80 round trip fare for the Alaska State Ferry Kodiak to Homer. Some equipment costs are: new ball machines \$700 to \$1500 (or more), stringing tennis racquets: \$25 per racquet, uniforms: \$20.00 to \$35.00.


Other fund raising opportunities would be to run tennis clinics and/or tournaments for the greater Kodiak Community for a fee and/or donations. As such I am requesting the use of the Baranof Park tennis courts for various tennis related activities such as competitions and skills clinics to assist with funding. These various activities would be planned from now through the end of October.

The team appreciates your consideration of this request and I will be happy to answer any questions you may have about this.

Sincerely,

Stephen F. Johnston

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers
From: Aimée Kniazowski, City Manager 
Thru: Mark Kozak, Public Works Director
Date: June 23, 2016

Agenda Item: V. e. Authorization of Bid Award for FY2017 Petroleum Products

SUMMARY: Each year the Public Works Department issues bids for the City's petroleum products. Bids were opened on June 9, 2016, for petroleum products FY2017. Two bids were received. Petro Marine Services was the lowest bidder for all petroleum products. Staff recommends Council authorize the bid award for the purchase of petroleum products to Petro Marine Services.

PREVIOUS COUNCIL ACTION: Annually, the City Council awards the petroleum product bid to the lowest bidder.

DISCUSSION: This bid provides all the City's fuel needs for FY2017. This includes the City's heating fuel, equipment diesel, and gasoline. Once bids are awarded, the price for each type of product will fluctuate throughout the year as fuel costs move up and down.

Petroleum product bids were opened on June 9, 2016. The bids received are summarized in the following table:

BIDDER	DIESEL Ultra low sulfur	GASOLINE	HEATING FUEL # 2	HEATING FUEL # 1*
Petro Marine Service 104 Marine Way Kodiak, Alaska 99615	\$2.105	\$2.175	\$2.105	\$2.205
North Pacific Fuel P.O. Box 1487 Kodiak, Alaska 99615	\$2.145	\$2.315	\$2.145	\$2.275

* Heating fuel #1 is needed for blending purposes during cold weather and is awarded to the vendor who is selected to provide heating fuel products.

ALTERNATIVES:

- 1) Authorize the award of the FY2017 bid to Petro Marine Services for all of the City's petroleum products as listed above, which is staff's recommendation.
- 2) Do not authorize the award of the petroleum bids, which is not recommended, because it would not allow City crews to maintain daily operations and services to the public.

FINANCIAL IMPLICATIONS: Fuel and oil costs are an operational expense. The costs are included in the appropriate department's FY2017 operating budgets. Public Works tracks fuel use by vehicle or piece of equipment and submits a monthly report to the Finance Department. Each department is charged for the fuel used, and these funds are returned to the appropriate account.

STAFF RECOMMENDATION: Staff recommends Council authorize the award of the City's petroleum products bid for FY2017 to Petro Marine Services.

CITY MANAGER'S COMMENTS: The award of the fuel bids is done annually with bids normally awarded to the lowest bidder for the needed products. This year we received bids from both local suppliers. Costs for the products in the FY2017 bid are lower than the initial award in FY2016 owing to market volatility. So far this year, our price has risen by \$.30/gallon since March 2016. We need these fuel products for operations, so I support staff's recommendation to award the FY2017 petroleum products bid to Petro Marine Services.

ATTACHMENTS:

- Attachment A: Petro Marine Service bid
- Attachment B: North Pacific Fuel bid

PROPOSED MOTION:

Move to authorize the bid award of the City's FY2017 petroleum products to Petro Marine Services for Diesel Ultra Low Sulfur at \$2.105, Gasoline at \$2.175, Heating Fuel #2 at \$2.105, and Heating Fuel #1 at \$2.205 per gallon with funds coming from each department's FY2017 fuel line items.

ATTACHMENT: A

7

BID FORM

TO: Aimée Kniazowski, City Manager
 City of Kodiak
 710 Mill Bay Road, Room #114
 PO Box 1397
 Kodiak AK 99615

Any alternates to the published bid specifications must be listed by item.

In compliance with your Invitation to bid for Bid No. 534 for Petroleum Products FY 2017 dated May 9, 2016, the undersigned hereby proposes to provide the following:

Item	Bid amount
1. Ultra Low Sulphur Diesel Fuel No. 2 – Estimated 30,000 gallons delivered to:	
Fire Hall Generator, Public Works Equipment Tank, Pillar Creek Pump Station, Monashka Pump Station, Spruce Cape Lift Station, Mill Bay Lift Station, Father Herman Lift Station, Lift Station #5-Metrokin.	\$ <u>2.105</u> * (per gallon)
2. Unleaded Gasoline – Estimated 40,000 gallons delivered to:	
Public Works Equipment Tank	\$ <u>2.175</u> * (per gallon)
3. Heating Fuel No. 2 – Estimated 90,000 gallons delivered to:	
Barn, Kodiak Police Dept Building, Kodiak Fire Dept, Public Works, Baranof Park Office Bldg, Baranof Museum, Teen Center, Kodiak Public Library (new and old), St. Paul Harbormaster Building, St. Paul Harbor Restroom Facility, St. Herman Harbormaster Bldg, Wastewater Treatment Plant, Baranof Park Ice-Rink.	\$ <u>2.105</u> * (per gallon)
4. Heating Fuel No. 1 – This will be needed for blending purposes:	
For cold weather conditions, and will be awarded to the vendor who is selected to provide heating fuel products.	\$ <u>2.205</u> * (per gallon)

The bid will be awarded on an individual basis for each of the above items.

Invitation to Bid No.534

May 9, 2016

* See Note page #2

Copy of current Business License and Certificate of liability insurance enclosed.

Bid price valid for 14 days.

Terms Net 30 Days

Submitted by:

Cameron Jolley Petro Marine Services
Signature Business Name

Marketing Manager 104 Marine Way
Title Address

907-486-3421 Kodiak AK 99615
Telephone City, State, Zip

Dated: June 8, 2016

* Please note Applicable taxes that are NOT included in our Bid

Prices are:

1) Federal LUST tax - \$0.001 per gallon

2) State of Alaska Fuel Surcharge - \$0.0045 per gallon.

Alaska Department of Commerce, Community, and Economic Development

Division of Corporations, Business and Professional Licensing
P.O. Box 110806, Juneau, Alaska 99811-0806

This is to certify that

PETRO MARINE SERVICES

PO BOX 389 SEWARD AK 99664

owned by

PETRO 49 INC.

is licensed by the department to conduct business for the period

October 09, 2014 through December 31, 2016
for the following line of business:

23 - Construction



This license shall not be taken as permission to do business in the state without having complied with the other requirements of the laws of the State or of the United States.

This license must be posted in a conspicuous place at the business location. It is not transferable or assignable.

Chris Hladick



P.O. Box 1487
715 Shelkof
Kodiak, Alaska 99615
(907) 486-3245 tel • (907) 486-3205 fax

ATTACHMENT: B North Pacific

June 9, 2016

Aimee Kniazowski, City Manager
City of Kodiak
710 Mill Bay Rd. Room #114
Kodiak, AK 99615

RE: Bid No. 534

Dear Aimee,

North Pacific Fuel is pleased to submit our offer for the City of Kodiak's invitation to bid for Petroleum Products for FY 2016- 2017. Enclosed please find our completed Bid Form with our offer prices, as well as a copy of our Business License.

Our prices are indexed to the following NPF Kodiak Posted Prices as of June 9, 2016 less the listed discount:

- Diesel Fuel #2 - The 10,000 Gallons Plus Posted Price for ULSD #2 less \$.205 per gallon
- Unleaded Gasoline - The 500 Gallons Plus Posted Price for Unleaded Gasoline less \$.125 per gallon
- Heating Fuel #2 - The 10,000 Gallons Plus Posted Price for ULSD #2 less \$.205 per gallon
- Heating Fuel #1 - The 10,000 Gallons Plus Posted Price for Diesel Fuel #1 less \$.205 per gallon

We appreciate the opportunity to bid on these services.

Sincerely,

Terry Davis
Kodiak Terminal Manager

BID FORM

TO: Aimée Kniazowski, City Manager
 City of Kodiak
 710 Mill Bay Road, Room #114
 PO Box 1397
 Kodiak AK 99615

Any alternates to the published bid specifications must be listed by item.

In compliance with your Invitation to bid for Bid No. 534 for Petroleum Products FY 2017 dated May 9, 2016, the undersigned hereby proposes to provide the following:

Item	Bid amount
1. Ultra Low Sulphur Diesel Fuel No. 2 – Estimated 30,000 gallons delivered to: Fire Hall Generator, Public Works Equipment Tank, Pillar Creek Pump Station, Monashka Pump Station, Spruce Cape Lift Station, Mill Bay Lift Station, Father Herman Lift Station, Lift Station #5-Metrokin.	<u>\$ 2.145</u> (per gallon)
2. Unleaded Gasoline – Estimated 40,000 gallons delivered to: Public Works Equipment Tank	<u>\$ 2.315</u> (per gallon)
3. Heating Fuel No. 2 – Estimated 90,000 gallons delivered to Barn, Kodiak Police Dept Building, Kodiak Fire Dept, Public Works, Baranof Park Office Bldg, Baranof Museum, Teen Center, Kodiak Public Library (new and old), St. Paul Harbormaster Building, St. Paul Harbor Restroom Facility, St. Herman Harbormaster Bldg, Wastewater Treatment Plant, Baranof Park Ice-Rink.	<u>\$ 2.145</u> (per gallon)
4. Heating Fuel No. 1 – This will be needed for blending purposes For cold weather conditions, and will be awarded to the vendor who is selected to provide heating fuel products.	<u>\$ 2.275</u> (per gallon)

The bid will be awarded on an individual basis for each of the above items.

Invitation to Bid No.534

May 9, 2016

Copy of current Business License and Certificate of liability insurance enclosed.

Bid price valid for _____ days. Bid price valid until a change in NPF Plant posted price.

Terms N30

Submitted by:

Tony Davis Signature North Pacific Fuel Business Name

Terminal Manager Title 715 Shelikof Kodiak AK Address

907-486-3245 Telephone Kodiak Alaska 99615 City, State, Zip

Dated: 6/9/16

Alaska Business License #

718040

Alaska Department of Commerce, Community, and Economic Development

Division of Corporations, Business and Professional Licensing

P.O. Box 110806, Juneau, Alaska 99811-0806

This is to certify that

NORTH PACIFIC FUEL

3900 C ST STE 802 ANCHORAGE AK 99503

owned by

PETRO STAR INC.

is licensed by the department to conduct business for the period

November 10, 2014 through December 31, 2016

for the following line of business:

42 - Trade




This license shall not be taken as permission to do business in the state without having complied with the other requirements of the laws of the State or of the United States.

This license must be posted in a conspicuous place at the business location. It is not transferable or assignable.

Susan K. Bell
Commissioner

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MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers
From: Aimée Kniazowski, City Manager 
Thru: Glenn Melvin PE, City Engineer
Date: June 23, 2016

Agenda Item: V. f. Authorization of Professional Services Agreement for Demolition of Existing Structure for New Fire Station, Project No. 15-06/6015

SUMMARY: In 2015 Stantec performed a condition assessment of the old library building and prepared a construction cost estimate to restore and upgrade the building for general City use as office space. Stantec presented the condition assessment and cost estimate to Council at the February 23, 2016, work session. At the meeting it was discussed and determined that based on the poor condition of the library building, the cost of improvements to the building would approach the cost of new construction. It was also pointed out that the old library building, if left in place, would present a major challenge to developing the site for future construction of a new fire station. After Council discussion, staff was given direction that the old library should be removed. The Manager and staff recommend moving forward with the process to have the building removed. The first step is to contract for professional services to prepare the engineering drawings and specifications and assist with bid document preparation for the demolition project. Staff recommends Council authorize the Professional Services Agreement with Stantec for the lump sum fee of \$31,238.

PREVIOUS COUNCIL ACTION:

- In early 2004, Council selected USKH to prepare a feasibility study for the replacement of aging City facilities, including building that housed the old police station and jail.
- In September of 2005, a Hazardous Material Report for Municipal Buildings City of Kodiak was prepared by USKH. It included the fire station, the old KPD building, and the library.
- Council approved a capital project to demolish the old police and jail facility in the 2013 budget.
- March 19, 2015 Council authorized the professional services contract with Stantec (formerly USKH) for Pre-Design of the New Fire Station and Condition Assessment of the Old Library Building.
- February 23, 2016, Council concurred with demolition of the building following Stantec's presentation at the work session.

DISCUSSION: Stantec architects and engineers are very familiar with the old library building. The company, formerly USKH, prepared a hazard assessment of this building and other older buildings the City identified for replacement in 2005. They also prepared the documents for the Old KPD building

demo project done in 2013, which was successfully completed. Staff requested a proposal from Stantec to prepare documents for hazardous materials removal and disposal, demolition plans, specifications, and bid documents to move forward with demolition.

The work will include the following tasks:

- Conduct a site visit to verify and record key information needed to create the bid documents.
- Update the Hazardous Materials Report prepared in 2005 to incorporate any new discoveries and include some mitigation done when the building was in use.
- Develop drawings and specifications for City review prior to final bid documents.
- Create signed and sealed construction documents and submit electronic copies to the City.
- Provide a minimal level of support during the bidding and construction phase.

ALTERNATIVES:

- 1) Authorize the demolition design contract with Stantec, which will eliminate the ongoing expense of maintaining utilities to the old building and allow maximum use of the site for design of the new fire station. This is staff's recommendation and reflects Council consensus.
- 2) If Council chooses to not authorize the contract, the cost for maintaining an unoccupied building and the associated risk including public safety would continue. This is not recommended, because the building is not suitable for use and should be demolished.

FINANCIAL IMPLICATIONS: Funding for demolition of this building was included in the FY2016 budget capital project New Fire Station, Project No. 15-06/6015 and has approximately \$1 million available in the project.

LEGAL: N/A

STAFF RECOMMENDATION: Staff recommends Council authorize the professional services contract for engineering services for demolition of the building in the amount of \$31,238.

CITY MANAGER'S COMMENTS: The old library building served the community well, but exceeded its useful life and has been vacant for about two years. The demolition is necessary to ensure an adequate footprint for the design of a new fire station. The City will no longer have to pay for utilities and insurance and be concerned about building security. I recommend Council authorize the contract so we can begin the demolition process.

ATTACHMENTS:

Attachment A: Stantec Scope and Fee Proposal dated April 5, 2016

PROPOSED MOTION:

Move to authorize a professional services agreement for engineering services for demolition of the existing structure (old library building) and authorize the City Manager to enter into a design contract with Stantec in the amount of \$31,238 with funds coming from the Building Improvement Fund, New Fire Station Project, Project No. 15-06/6015.



Stantec Architecture Inc.
725 East Fireweed Lane Suite 200, Anchorage AK 99503-2245

April 5, 2016
File: 2046052800

Attention: Mr. Glen Melvin, City Engineer

City of Kodiak
2410 Mill Bay Road
Kodiak, AK 99615

Dear Mr. Melvin,

Reference: Proposal for Professional Design Services-Demolition of Old Kodiak Library Building

Stantec Architecture Inc. (Stantec) appreciates the opportunity to provide the City of Kodiak with this proposal for design services to support the removal of hazardous materials and subsequent demolition of the Old Library Building located on Mill Bay Road. The following tasks are proposed to properly support the City of Kodiak with this endeavor.

- Conduct a site visit to verify and record key information required for the creation of bid/construction documents, including utility disconnects, outbuildings, fencing, and protection of adjacent buildings. Stantec will also review and record existing hazardous material conditions, with quantities verified, and identify and record suspect materials not previously identified that may impact the project. Suspect materials will be sampled and tested as required. The site team will consist of an AHERA-accredited building inspector.
- Update the Hazardous Materials Report prepared in 2005, to incorporate new investigation discoveries and tailor it solely to conditions at the Old Library Building. The updated report will provide further compliance with pre-demolition inspection requirements set forth by the U.S. Environmental Protection Agency (EPA). The report is also intended to serve as a reference document for contractors during bid and construction phases.
- Develop drawings and technical specifications to a 95 percent design level addressing site management, building demolition, and hazardous material removal and disposal requirements for asbestos, lead, and other hazardous material conditions that have been documented. Submit design documents to the City of Kodiak in digital format and conduct a teleconference review with City officials.
- Create construction documents suitable for bidding activities that will consist of signed drawings and technical specifications. Submit construction documents in digital format to the City of Kodiak.
- Provide support during bid and construction phases at a minor level. Fifteen labor hours have been included in the attached fee schedule, which should cover minor bid support and one round of contractor submittal review. This will be billed as "Time and Material" over Fifteen hours.

Design with community in mind

Doing business as:
Stantec Architecture and Engineering (NY)
Stantec Architecture P.C. (DC, MS, MO, NE)
For a list of our registered architects, please visit www.stantec.com/registeredarchitects



April 5, 2016
Mr. Glen Melvin, City Engineer
Page 2 of 2

Reference: Proposal for Professional Design Services-Demolition of Old Kodiak Library Building

Stantec has made the following assumptions in preparing this proposal:

- Cost of construction estimating, land surveying, and permitting will not be required as part of this effort.
- Contaminated soils will not be included in the project work scope.
- Civil engineering design support for site grading will be provided by the City of Kodiak.

Stantec proposes to provide the services described within this document for a lump sum fee of **\$31,238.00**. Please let us know if you have any questions or how we may further assist you.

Regards,

STANTEC ARCHITECTURE INC.

Dale Smythe
Senior Architect
Phone: (907) 343-5254
Fax: (907) 258-4653
dale.smythe@stantec.com

md document3

SUMMARY OF LABOR AND EXPENSES

Task Description	Stantec		Expenses	Total
	Labor			
I Scope Development	\$1,288.00		\$0.00	\$1,288.00
II Site Conditions and Report Update	\$7,286.00		\$1,000.00	\$8,286.00
III Construction Documents 95%	\$14,174.00		\$10.00	\$14,184.00
IV Construction Documents 100%	\$5,055.00		\$10.00	\$5,065.00
V Bid/Construction Support	\$2,415.00		\$0.00	\$2,415.00
Total	\$30,218.00		\$1,020.00	\$31,238.00

Notes:

1. This proposal includes the following:

- a. Site survey to confirm and record site conditions related to structural and hazardous materials.
- b. An updated hazardous materials report incorporating previous data and new data collected from the site visit. The report is intended as a reference document during bidding and construction.
- c. Drawings and Specifications to support removal of all known haz mat.
- d. Drawings and Specifications to support demo and removal of structure limited to Division 2 and Division 16.

2. This proposal excludes the following:

- a. Permitting.
- b. Investigation, testing and reporting for contaminated soils.
- c. General and Supplemental Conditions, Division 1 Specs
- d. Site visits for progress, substantial completion and final inspections.



SUMMARY OF LABOR AND EXPENSES

Item	Description	Haz Mat Tech	PM	Designer / Tech		Administrative	TOTAL COST	TOTAL HOURS
		\$161.00	\$161.00	\$140.00		\$131.00		
Task Description								
I Scope Development								
	Fee & Scope Development		8.0				\$1,288.00	8.0
	Totals for Task I	0.0	8.0	0.0	0.0	0.0	\$1,288.00	8.0
II Site Conditions & Report Update								
	MOB Preparation	8.0					\$1,288.00	8.0
	MOB To Site	3.0					\$483.00	3.0
	Site Work & Coordination	8.0					\$1,288.00	8.0
	MOB From Site	3.0					\$483.00	3.0
	Sample Prep, Field Notes & Photos	8.0					\$1,288.00	8.0
	Update Report	12.0				4.0	\$2,456.00	16.0
	Quality Control						\$0.00	0.0
	Totals for Task II	42.0	0.0	0.0	0.0	4.0	\$7,286.00	46.0
III Design Documents 95%								
	Drawings	16.0		4.0			\$8,176.00	56.0
	Specs Div 2 (5 Sections)	12.0				3.0	\$2,325.00	15.0
	Owner Coordination	10.0					\$1,610.00	10.0
	Quality Control						\$0.00	0.0
	Review Conference with Owner	2.0					\$322.00	2.0
	Project Management and Team Coord		10.0			1.0	\$1,741.00	11.0
	Totals for Task III	40.0	10.0	4.0	0.0	4.0	\$14,174.00	94.0
IV Construction Documents 100%								
	Drawings	8.0		8.0			\$2,408.00	16.0
	Specs Div 2	8.0				2.0	\$1,550.00	10.0
	Owner Coordination						\$0.00	0.0
	Quality Control						\$0.00	0.0
	Review Conference with Owner	2.0					\$322.00	2.0
	Project Management and Team Coord		4.0			1.0	\$775.00	5.0
	Totals for Task IV	18.0	4.0	8.0	0.0	3.0	\$5,055.00	33.0
V Bid/Construction Support								
	Support to COK	15.0					\$2,415.00	15.0
	Totals for Task V	15.0	0.0	0.0	0.0	0.0	\$2,415.00	15.0
	Labor Totals	115.0	22.0	48.0	0.0	11.0	\$30,218.00	196.0



Stantec Architecture Inc.
 725 E Fireweed Avenue, Suite 200
 Anchorage, AK 99503

City of Kod WO# TBD
 Haz Mat Removal/Building Demo CDs
 Fee Estimate for Professional Service


EXPENSES BREAKDOWN

	Item Description	Quantity	Units	Rate	Total	Remarks
I	Scope Development					
	Totals for Task I				\$0.00	
II	Site Conditions and Report Update					
	Airfare RT Anch to Kodiak	1	allow	\$500.00	\$500.00	
	ACM Sample Analysis	10	each	\$30.00	\$300.00	
	Lodging, Meals, Ground Trans, Supplies	1	allow	\$200.00	\$200.00	
	Totals for Task II				\$1,000.00	
III	Construction Documents 95%					
	95% Construction Docs on CD	1	Discs	\$10.00	\$10.00	
	Totals for Task III				\$10.00	
IV	Construction Documents 100%					
	Burn CD of AutoCAD and Word Files	1	Discs	\$10.00	\$10.00	
	Totals for Task IV				\$10.00	
V	Bidding					
	Support to COK	1	Allow		\$0.00	
	Totals for Task V				\$0.00	
	Total Expenses				\$1,020.00	

Notes:

1. Differences in plot size affect cost per sheet. Check the 2016 Billing Rates for plotter charges. Consult reprographics company for charge per sheet

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers
From: Aimée Kniazowski, City Manager 
Thru: Glenn Melvin PE, City Engineer
Date: June 23, 2016

Agenda Item: V. g. **Authorization of Professional Services Agreement for Land Survey of New Fire Station, Project No. 15-06/6015**

SUMMARY: This memorandum discusses the request for a professional services agreement for surveying services needed to prepare the engineering drawings and specifications to publicly bid the demolition of the old library building. Stantec is the City's design consultant for the project and has surveyors on staff, but staff recommends hiring a local surveyor because of local knowledge of the City and to save the cost to bring surveyors over from Anchorage. Staff recommends Council authorize the professional services agreement with Kodiak Land Services (KLS) for the combined lump sum and hourly fee of \$31,690.

PREVIOUS COUNCIL ACTION:

- In early 2004, Council selected USKH to prepare a feasibility study for the replacement of aging City facilities, including the building that housed the old police station and jail.
- In September 2005, a Hazardous Material Report for Municipal Buildings City of Kodiak was prepared by USKH. It included the fire station, the old KPD building, and the library.
- Council approved a capital project to demolish the old police and jail facility in the 2013 budget.
- March 19, 2015, Council authorized the professional services contract with Stantec (formerly USKH) for Pre-Design of the New Fire Station and Condition Assessment of the Old Library Building.
- February 23, 2016, Council concurred with demolition of the building following Stantec's presentation at the work session.
- June 21, 2016, Council reviewed professional services agreements to move toward demolition of the old library building at the work session.

DISCUSSION: During the process of selecting the appropriate surveyor for this project, staff worked with Stantec architects to define the scope of services needed to support the design and based on our discussion, it made sense to survey the entire site, including the existing fire station, since it would be needed for the design of the new fire station. Stantec prepared a well defined written description of the scope of survey work needed to develop the project. Staff reviewed and discussed the survey scope with Stantec, and based on positive past performance, determined that KLS was best suited for the work. At

the City's request KLS prepared the attached survey proposal, which includes research, boundary and recovery work, project control, utility research and locations, site topography, and deliverables. The proposal covers survey of the entire site and will be used for future design work on the new fire station project. Stantec reviewed and approved the proposal and commented that the fee is much less than it would have been to send their survey crew over from Anchorage.

ALTERNATIVES:

- 1) Authorize the survey contract with KLS, which will support Stantec's design to remove the old library building and eliminate the ongoing expense of maintaining utilities to the old building. This is staff's recommendation, as it is a key step in the demolition preparation and fire station development work.
- 2) If Council chooses to not authorize the contract, the cost for maintaining an unoccupied building and the associated risk including public safety would continue. This is not recommended, because the building is not suitable for use and should be demolished.

FINANCIAL IMPLICATIONS: Funding for professional services was included in the FY2016 budget capital project New Fire Station, Project No. 15-06/6015 and has approximately \$1 million available, which is adequate to award this agreement.

STAFF RECOMMENDATION: Staff recommends Council authorize the professional services agreement for surveying the entire site of the old library and existing fire station with Kodiak Land Services in the amount of \$31,960 to provide the necessary survey information for the new fire station project with funds coming from the Building Improvement Fund, new fire station project, Project No. 15-06 /6015.

CITY MANAGER'S COMMENTS: I am pleased that we are moving forward in getting the old library building demolished. We will no longer have the expenses related to keeping the building in place and can begin the process of planning and preparing to replace the fire station at some point in the future when funding becomes available. Any planning and pre-design work the City can do will weigh in our favor when we begin to look for construction funding in the future. Therefore, I recommend Council authorize approval of this professional services agreement.

ATTACHMENT:

Attachment A: KLS Scope and Fee Proposal dated May 23, 2016

PROPOSED MOTION:

Move to approve a professional services agreement with Kodiak Land Services in the amount of \$31,960 for land surveying services related to the new Kodiak fire station project with funds coming from the Building Improvement Fund, new fire station project, Project No. 15-06 /6015, and authorize the City Manager to execute the agreement for the City.

City of Kodiak Kodiak Fire Station Topographic Survey

LAND SURVEY PROPOSAL



KODIAK LAND SURVEYING

2769 LAKEVIEW DRIVE
PO BOX 2322
KODIAK AK 99615
(907) 486 - 1945

kodiaklandsurveying.com

Glenn Melvin P.E.
City Engineer
City of Kodiak
2410 Mill Bay Road

May 23th, 2016

RE: Topographic Survey in support of the Design of New Fire Station.

Glenn:

I appreciate the chance to offer the City of Kodiak Professional Land Surveying Services. I also appreciate the opportunity to help with something so important to the community of Kodiak.

Included please find proposal outlining these services.

Kodiak Land Surveying, (Alaska Business License No. 279165.) is a 17 year Kodiak Business and qualified Alaskan vendor in accordance with AS 36.30.170.

We are happy to be able to offer the unusual service of an Alaskan Licensed Land Surveyor with 34 years experience as the dedicated person performing the field work, calculations and AutoCAD drafting work for this project.

Thank you and if you have any questions, please call anytime.

wrk 486-1945 / mbl 539-1945.

Sincerely,
Jim Purdy PLS

Understanding of the Project

I have reviewed Survey Work Request and made a site visit to area of survey.

Project Site is City of Kodiak property - Kodiak Fire Station and Old Kodiak Library Block 10A and Lot 1A.

The project would include Surveying and AutoCAD Drawings to produce results listed under Cost Proposal below and also outlined in - Stantec email communications and phone conversations.

KLS proposes to establish Horizontal Survey Control based on Alaska State Plane Reference. This control would be established with Leica GPS static observations and processed through National Geodetic Survey's OPUS Service. Local historical survey monumentation will be referenced to this project control.

KLS has found two different applicable vertical references possible for this project. Each have their own benefits for use and KLS would provide comparisons and discussion of reference basis and historical use so project engineer or City of Kodiak could choose best option.

Due to the density of the supporting storm drain and sanitary sewer manholes surrounding the site and the undetermined number of manholes needed to be as-built, KLS proposes to have the survey costs for that effort based on an hourly rate charged at actual field time basis. This is to save money in only surveying the manholes needed for the future design as opposed to proposing on the entirety of the manholes in the area. The sum listed is an estimate of costs for the effort.

Schedule

Kodiak Land Surveying will complete the project within three weeks of Notice to Proceed.
Weather Dependent

Itemized Cost Proposal

Research

- Boundary - Analyze platted history (chain of titles) of properties and construction plans.
- Historical Horizontal and Vertical Control - \$1,200

Build AutoCAD Boundary and Recovery Work Drawing

- AutoCAD drawings of current and historical plats - \$1,520
- AutoCAD drawings of construction control of Property monumentation - \$880

Project Boundary Recovery

- Search and Recovery of Existing Horizontal Centerline and or Boundary Monumentation - \$3,480
- Calculations Boundary Monumentation - \$660
- OPUS Calculations - \$220

Project Control New

- Search and Recovery of Existing Vertical Monumentation - \$290
- OPUS Calculations - \$220

- Provide additional horizontal (#3) and vertical (#2) project control points / bench marks for construction. - \$3,000

Utility Research and Locations

- Research his bill only e in oiced at actual ti e - 00
- Locates - \$2,600
- Overhead Power Wire Heights - \$580
- Manhole As-built and Sketches his bill only e in oiced at actual ti e - 40

Site Topography

- Surface Topography and Site Features - \$8,160

Deliverables

- Survey Packet
 - ASCII file with all topographic and control points
 - Point code dictionary
 - Copy of field notes and Utility As-built Sketches
 - Plats Referenced - \$800
- Provide two CAD drawings.
 1. A Survey Control Sheet depicting horizontal and vertical control used for this project with a coordinate listing, legend and control statements. - \$1,100
 2. Topography of existing conditions, break lines, surface lines and contour lines of surface topography, utility locations and site features Including property, right-of-way lines and associated text. - \$2,600

total 1 0

If you have any questions about anything within this proposal, please call anytime.

Sincerely,

Jim Purdy PLS

RESEARCH / CONSULTATION \$75 HR

PRINCIPAL- CALCULATIONS \$110 HR


COMPUTER DRAFTING \$95 HR

1 PERSON FIELD SURVEY \$145 HR

2 PERSON FIELD SURVEY \$190 HR

OVERTIME or SPECIALIZED EQUIPMENT WOULD BE ADDITIONAL

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers
From: Aimée Kniazowski, City Manager 
Thru: Kelly Mayes, Finance Director
Date: June 23, 2016

Agenda Item: V. h. Authorization of a Five-Year Lease for Folder Insert Machine

SUMMARY: The Finance Department currently processes approximately 2,000 utility bills per month, approximately 200 payroll checks biweekly, and 1,000 sales tax forms per quarter, plus miscellaneous mailers that are processed through the City Administration, City Clerks, and other City departments. To efficiently fold these mailings and insert these mailings into envelopes, the Finance Department utilizes office equipment designed to fold these mailers and insert them into envelopes. The current folder/insertor has ceased working properly and attempts to revive it have proven unsuccessful. The Finance Department and IT staff researched new equipment for purchase or lease to replace the existing machine. Based on research, staff recommends Council authorize a five-year lease with Mail Finance Inc./Neo Post USA Inc. for a total of \$15,679.80.

PREVIOUS COUNCIL ACTION:

None came to the Finance Director's attention.

DISCUSSION: The use of the folder/insertor machine has been noted in the summary section. The Finance-IT department contacted Pitney Bowes and NeoPost USA, Inc. regarding the folder/insertor machine. The only response came from NeoPost USA, Inc. The Finance Department is recommending leasing this machine from Mail Finance, Inc. / NeoPost USA, Inc. based on the following schedule:

Year 1: \$165.33 per month, includes support and maintenance, for \$1,983.96
Year 2 through 5: \$285.33 per month, includes support and maintenance, for \$13,695.84
Total five-year lease price: \$15,679.80

ALTERNATIVES:

- 1) An alternative to leasing would be to purchase the machine. The purchase price is \$7,799, not including support and maintenance. Support and maintenance would be included for the first year and \$1,440 every year thereafter. In comparison to the five-year lease option, four years of support and maintenance would total \$5,760, for a total five-year cost of \$13,559. From the leasing option recommended above, this calculates to a difference of \$2,120.80. From a nonmathematical view, leasing options prove to be more advantageous from a training, installation, and repairs and maintenance viewpoint. Under leasing, training and installation are included. In addition, if the machine should cease to function, the leasing company would

replace the machine. Therefore, the Finance Department recommends leasing rather than purchasing the folder/insert machine.

FINANCIAL IMPLICATIONS:

Financial implications have been noted herein. First-year funds have been budgeted and are available in the FY2017 Finance-Utilities-Equipment Rental account.

LEGAL: N/A

STAFF RECOMMENDATION: Staff recommends Council authorize a five-year lease with Mail Finance, Inc./NeoPost USA, Inc. for a total of \$15,679.80: Beginning in FY2017 at \$1983.96 for the year and FY2018-FY2021 at \$3,423.96 per year. The costs include support and maintenance. The funds would come from the General Fund Finance Department Finance-Utilities-Equipment Rental account.

CITY MANAGER'S COMMENTS: I appreciate the research that Kelly and her IT staff did to find that the best and most cost-effective solution for the City is to lease the machine from a reputable supplier. Since the machine we have has been inoperable, staff has spent many hours hand folding and stuffing envelopes, which isn't an effective use of their time or our resources. I support the request and encourage Council to approve this agreement.

ATTACHMENTS:

Attachment A: Lease Agreement

PROPOSED MOTION:

Move to authorize a five-year lease agreement for a folder insert machine with Mail Finance Inc./NeoPost USA Inc. for a total of \$15,679.80; FY2017 (year 1) at \$1,983.96 and FY2018-2021 for a total of \$13,695.84 per year, with funds coming from the General Fund Finance Department Finance-Utilities-Equipment Rental account.

MailFinance

A Neopost USA Company

Government Product Lease Agreement with Meter Rental Agreement

Section (A) Dealer Information

Dealer Office Number: 6281	Dealer Office Name:	Phone #:	Date Submitted:
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Section (B) Billing Information

Company Name (Full legal name): City of Kodiak		
DBA:		
Billing Address:		
Billing City:	State:	Zip Code + 4:
Billing Contact Name:	Contact Phone Number:	
Billing Contact Title:	Contact Fax Number:	
Billing Contact email Address:	Purchase Order Number:	

Section (C) Installation Information (if different than Billing Information)

Company Name (Full legal name):		
DBA:		
Installation Address (No PO Boxes or General Delivery):		
Installation City:	State:	Zip Code + 4:
Installation Contact Name:	Phone Number:	
Installation Contact Title:	Fax Number:	
Installation Contact email Address:		

Section (D) Products

Quantity	Model / Part Number	Description (Include Serial Number, if applicable) <input type="checkbox"/> See additional listed products on attached continuation schedule.
1	DSG32.5	FOLDER/Insenter - 2 Flex and 1 Insert Feeder
2		Insenter
3		
4		
5		(WSCA ADSP011-00000411-4)

Section (E) Lease Payment Information & Lease Payment Schedule

Tax Status: <input type="radio"/> Taxable <input checked="" type="radio"/> Tax-Exempt. <i>Certificate attached.</i>	Period	# of Months	Monthly Payment (plus applicable taxes)
	First	12	165.33
	Next	48	285.33
	Next		
	Next		
	Current Lease Number:		
Billing Frequency: <input type="radio"/> Monthly <input type="radio"/> Quarterly <input checked="" type="radio"/> Annually	New Lease Number:		
	Billing Method:		
	<input checked="" type="radio"/> Standard <input type="radio"/> Government Payment in Arrears		

Section (G) Postage Meter & Postage Funding Information

Main Post Office Name:	Post Office 5-Digit Zip Code:
Postage Funding Method: <input checked="" type="radio"/> Bill Me <input type="radio"/> Prepay by Check <input type="radio"/> ACH Debit <small>Attach ACH Authorization Form</small>	<input type="radio"/> OMAS / CPU OMAS Agency Code <small>Attach USPS CPU Authorization Letter</small>
Postage Funding Account: <input type="radio"/> POC <input type="radio"/> TMS <input type="radio"/> New <input type="radio"/> Existing Existing Account Number	

Section (H) Services

Rate Protection: <input type="radio"/> Online Postal Rates <input type="radio"/> RCP (Shipped Update) <input type="radio"/> None	Covered Product.
iMeter Apps: <input type="checkbox"/> Online Postal Expense Management <input type="checkbox"/> Online E-Services <input type="checkbox"/> Online E-Services with Electronic Return Receipt	
Software: <input type="checkbox"/> Software Advantage	Covered Product.
Dealer Services: <input checked="" type="checkbox"/> Maintenance <input checked="" type="checkbox"/> Installation / Training	

Section (F) ACH Direct Debit for Lease Payments (Attach Voided Check)


Bank Name	Bank Contact Name
Bank City, State	Bank Contact Phone Number
Bank Routing Number	Bank Account Number

Section (I) Approval

Existing customers who currently fund the Postage account by ACH Debit will not be converted to neoFunds/TotalFunds unless initiated here _____.

This document consists of a Government Product Lease ("Lease") with MailFinance Inc.; and a Postage Meter Rental Agreement ("Rental Agreement"), and an Online Services and Software Agreement with Neopost USA Inc.; and a neoFunds/TotalFunds Account Agreement with Mailroom Finance, Inc. Your signature constitutes an offer to enter into the Lease and, if applicable, the other agreements, and acknowledges that you have received, read, and agree to all applicable terms and conditions (version DealerGovLease-06-13), which are also available at <http://www.neopostusa.com/terms/DealerGovLease-06-13.pdf>, and that you are authorized to sign the agreements on behalf of the customer identified above. The applicable agreements will become binding on the companies identified above only after an authorized individual accepts your offer by signing below, or when the equipment is shipped to you.

Authorized Signature _____	Print Name and Title _____	Date Accepted _____
Accepted by Neopost USA and its Affiliates		Date Accepted _____

 **PDF Complete**
Click Here to upgrade to
Unlimited Pages and Expanded Features

*Your complimentary
use period has ended.
Thank you for using
PDF Complete.*

and General Instructions Contract # ADSPO11-00000411-4

This is the price catalog is for Neopost USA Inc. (Offeror includes both Neopost and Hasler brand products)
Purchase Orders for equipment being PURCHASED from Neopost's so be made out to:


Neopost USA Inc.
FEIN: 94-2388882
478 Wheelers Farms Road
Milford, CT 06461
Ph: 1-800-NEOPOST
Fax: 1-510-880-8800
URL: www.neopostinc.com/NAGA/Government-Accounts

For all entites who will be leasing off the WSCA/NASPO contract
Purchase Orders for equipment being LEASED from Neopost's should be made out to:

MailFinance Inc.
FEIN: 94-2984524
478 Wheelers Farms Road
Milford, CT 06461
Ph: 1-800-NEOPOST
Fax: 1-510-880-8800
URL: www.neopostinc.com/NAGA/Government-Accounts

Included in this price catalog is a tab for all the current products offered under the WSCA/NASPO contract
It also includes a tab for pricing Meter Rental for all legacy equipment no longer on contract
And the last tab is for pricing Maintenance for all legacy equipment no longer on contract.

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers
From: Aimée Kniazowski, City Manager 
Thru: Kelly M. Mayes, Finance Director
Date: June 23, 2016

Agenda Item: V. i. Authorization of Professional Services Contract for FY 2016 Audit

SUMMARY: Each year the City Council retains a qualified professional audit firm to perform an annual audit of the City's financial records and accounting practices. The City Charter and the City Code require the Council to accept the comprehensive annual financial report. The City's contract for these services was awarded on March 28, 2013 for FY 2013, FY 2014, and FY 2015. The Request for Proposal was for a three-year contract with two one-year extensions. City Charter Section V-21, *Independent annual audit*, states the following: "The council shall designate a certified public account or accountants who shall make an independent audit..." Therefore, the Finance Department is recommending authorization of a professional services contract with BDO, Inc. for audit services for FY2016 for \$66,500.

PREVIOUS COUNCIL ACTION:

BDO, Inc., formerly Mikunda Cottrell & Co. was been awarded the City's audit from 2003-2015, with the most recent contract of three years awarded on March 28, 2013.

DISCUSSION:

Article V, Section 21 of the City Charter requires an annual audit of the accounting and financial records of the City by independent certified public accountants, in accordance with generally accepted auditing standards and the standards set forth in the Government Accountability Office's Government Auditing Standards, State of Alaska single audit requirements and federal single audit requirements.

The City has contracted with BDO, Inc., formerly Mikunda Cottrell & Co., since 2003. Based on provisions located in Section V-21 of the City Charter, the Finance Department is recommending authorization of extending the contract with BDO, Inc. for one fiscal year. The engagement letter in Attachment A, outlines the cost for audit services are \$66,500 for the FY2016 year.

ALTERNATIVES:

- 1) Approve a professional services contract with BDO, Inc. to perform the City's FY2016 audit, which is staff's recommendation.

- 2) Council could choose not to approve the contract and issue a Request for Proposals (RFP) for audit services. This is not recommended due to extensive staff time in preparing an RFP, which could potentially delay the audit and release of the comprehensive annual financial report.

FINANCIAL IMPLICATIONS: The City budget has audit costs included in the Finance Department's operating budget and funds are adequate to make this award.

LEGAL: Compliance with Kodiak City Code Section 3.24.020 is required. The City Charter and the City Code require the Council to accept the comprehensive annual financial report. In order to comply with this code a qualified professional audit firm must perform the audit.

STAFF RECOMMENDATION: Staff recommends Council authorize an extension of the professional services agreement with BDO, Inc. for FY2016 and authorize the contract for professional services with BDO, Inc. for \$66,500 with funds coming from the Finance Department's operating budget professional services line item.

CITY MANAGER'S COMMENTS: The annual audit is a financial requirement of the City. Kelly worked with BDO for the FY2015 audit and wishes to extend the contract for an additional year. I support her recommendation to award the FY2016 auditing services to BDO as outlined.

ATTACHMENTS:

Attachment A: BDO, Inc. Engagement Letter for FY 2016 Audit Services

PROPOSED MOTION:

Move to authorize a professional services contract for audit services with BDO, Inc. for FY2016 for \$66,500 with funds coming from the Finance Department's operating budget professional services line item and authorize the City Manager to sign the contract on behalf of the City.



Tel: 907-278-8878
 Fax: 907-278-5779
 www.bdo.com

3601 C Street, Suite 600
 Anchorage, AK 99503

May 23, 2016

Aimee Kniazowski
 City Manager
 City of Kodiak
 710 Mill Bay Road
 Kodiak, Alaska 99615

Dear Ms. Aimee Kniazowski:

Agreement to Provide Services

This agreement to provide services (the "Agreement") is intended to describe the nature and scope of our services.

Objective and Scope of the Audit

As agreed, BDO USA, LLP ("BDO" or "we") will audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of City of Kodiak, Alaska (the "City" or "you") as of and for the year ending June 30, 2016.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate context. As part of our engagement, we will apply certain limited procedures to the City's RSI in accordance with auditing standards generally accepted in the United States of America ("GAAS"). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis
2. Schedule of the City's Information on the Net Pension Liability
3. Schedule of City Contributions
4. General Fund Budget to Actual

Also, the supplementary information accompanying the basic financial statements, as listed below, will be subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the basic financial statements as a whole.

1. Schedule of state financial assistance
2. Individual and combining fund statements and schedules

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information:

1. Introductory Section
2. Statistical Section

Responsibilities of BDO

We will conduct our audit in accordance with GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement, whether caused by error or fraud. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. Our work will be based primarily upon selected tests of evidence supporting the amounts and disclosures in the financial statements and, therefore, will not include a detailed check of all of the City's transactions for the period. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS.

Our audit will also be conducted in accordance with the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the State of Alaska Audit Guide and Compliance Supplement for State Single Audits (State Audit Guide), and will include tests of accounting records, a determination of major program(s) in accordance with the State Audit Guide, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports. The State Audit Guide requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable state statutes, regulations, and the terms and conditions of the state awards that may have a direct and material effect on each of its major programs. Our procedures will consist of the applicable procedures described in the State Audit Guide for the types of compliance requirements that could have a direct and material effect on each of the City's major programs. As required by the State Audit Guide, our audit will include tests of transactions related to major state award programs for compliance with applicable state statutes, regulations, and the terms and conditions of state awards. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to major programs in our report on compliance issued pursuant to the State Audit Guide.

Also, an audit is not designed to detect errors or fraud or violations of state statutes and regulations that are immaterial to the financial statements or major programs. However, we will inform you of any material errors or fraud that come to our attention. We will also inform you of possible illegal acts that come to our attention unless they are clearly inconsequential. We will also include such matters in the reports required for an audit performed under the State Audit Guide. In addition, during the course of our audit, financial statement misstatements relating to accounts or disclosures may be identified, either through our audit procedures or through communication by your employees to us, and we will bring these misstatements to your attention as proposed adjustments. At the conclusion of our audit we will communicate to those charged with governance (as defined below) all uncorrected misstatements. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

The term “those charged with governance” is defined as the persons with responsibility for overseeing the strategic direction of the City and obligations related to the accountability of the City, including overseeing the financial reporting process. For the City, we agree that the City Council meets that definition.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances and to evaluate compliance with each direct and material compliance requirement applicable to each major program, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses in internal control. However, we will communicate to you and those charged with governance in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during our audit. We will also inform you of other matters involving internal control, if any, as required by the State Audit Guide.

The objective of our audit is the expression of an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the third paragraph of this letter when considered in relation to the basic financial statements as a whole. The objective also includes reporting on the City's:

- Internal control related to the financial statements and compliance with state statutes, regulations, and the terms and conditions of the state awards, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major programs and issuance of an opinion on whether the City complied with state statutes, regulations, and the terms and conditions of

the state awards that could have a direct and material effect on each major program in accordance with the State Audit Guide.

We will perform test of controls, as required by the State Audit Guide, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with each direct and material compliance requirement applicable to each of the City's major state award programs. However, our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the State Audit Guide.

We are also responsible for communicating with those charged with governance what our responsibilities are under GAAS, an overview of the planned scope and timing of the audit, and significant findings from the audit.

Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that you and those charged with governance acknowledge and understand that you and those charged with governance have responsibility (1) for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; (2) for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and relevant to state award programs that are free from material misstatement, whether due to error or fraud; (3) for identifying and ensuring that the City complies with the laws and regulations applicable to its activities; and (4) to provide us with access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, additional information we may request for the purpose of the audit, and unrestricted access to persons within the City from whom the auditor determines it is necessary to obtain audit evidence.

Management is also responsible for preparation of the schedule of state financial assistance of state awards, including the notes, noncash assistance received and other required information, in accordance with the requirements of the State Audit Guide. You acknowledge and understand your responsibility for the preparation of all supplementary information, including the schedule of state financial assistance, in accordance with the applicable criteria. Management is responsible for identifying all state awards received and understanding and complying with the compliance requirements, in accordance with the State Audit Guide. Management is also responsible for (1) establishing and maintaining effective internal control, including internal control over compliance and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met, (2) compliance with state statutes, regulations, and the terms and conditions of state awards, (3) ensuring that there is reasonable assurance that city programs are administered in compliance with compliance requirements, and (4) ensuring that management and financial information is reliable and properly reported. You also agree to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information. You also agree to present the supplementary information with the audited financial

statements, or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and our report thereon.

Management's responsibilities also include identifying and informing us of significant contractor relationships in which the contractor is responsible for program compliance and for the accuracy and completeness of that information.

Management is responsible for adjusting the financial statements to correct material misstatements relating to accounts or disclosures, after evaluating their propriety based on a review of both the applicable authoritative literature and the underlying supporting evidence from the City's files; or otherwise concluding and confirming in a representation letter (as further described below) provided to us at the conclusion of our audit that the effects of any uncorrected misstatements are, both individually and in the aggregate, immaterial to the financial statements taken as a whole. Additionally, as required by the State Audit Guide, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

As required by GAAS, we will request certain written representations from management at the close of our audit to confirm oral representations given to us and to indicate and document the continuing appropriateness of such representations and reduce the possibility of misunderstanding concerning matters that are the subject of the representations. Because of the importance of management's representations to an effective audit, the City agrees, subject to prevailing laws and regulations, to release and indemnify BDO, its Permitted Assignees (as defined herein under "Assignment"), and each of their respective employees from any liability and costs relating to our services rendered under this Agreement attributable to any knowing misrepresentations by management.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a direct and material effect on the financial statements and/or schedule of state financial assistance. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the City complies with applicable state statutes, regulations, and the terms and conditions of the state awards. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of state statutes, regulations and the terms and conditions of the state awards, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying to us, previous financial audit attestation engagements, performance audits, or other studies related to our audit objectives. This responsibility includes communicating to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible

for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Expected Form and Content of the Auditor's Report

At the conclusion of our audit, we will submit to you a report containing our opinion as to whether the financial statements, taken as a whole, are fairly presented based on accounting principles generally accepted in the United States of America. If, during the course of our work, it appears for any reason that we will not be in a position to render an unmodified opinion on the financial statements or the Single Audit compliance, or that our report will require an Emphasis of Matter or Other Matter paragraph, we will discuss this with you. It is possible that, because of unexpected circumstances, we may determine that we cannot render a report or otherwise complete the engagement. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require, we may resign from the engagement prior to completion.

The reports on internal control and compliance will each include a statement that the purpose of these reports is solely to describe the scope of our testing of internal control and compliance and the results of that testing based on the requirements of *Government Auditing Standards* (GAS) and the State Audit Guide and are not suitable for any other purpose.

Client Reacceptance Matters

BDO is retaining the City as a client in reliance on information obtained during the course of our continuing client reacceptance procedures. Joy Merriner has been assigned the role of engagement partner and is responsible for directing the engagement and issuing the appropriate report on the City's financial statements.

Email Communication

BDO disclaims and waives, and you release BDO from, any and all liability for the interception or unintentional disclosure of email transmissions or for the unauthorized use or failed delivery of emails transmitted or received by BDO in connection with the services we are being engaged to perform under this Agreement.

External Computing Options

If, at your request, BDO agrees to use certain external commercial services, including but not limited to services for cloud storage, remote control, and/or file sharing options (collectively "External Computing Options"), that are outside of BDO's standard security protocol, you acknowledge that such External Computing Options may be associated with heightened security and privacy risks. Accordingly, BDO disclaims and waives, and you release BDO from, any and all liability arising out of or related to the use of such External Computing Options.

Ownership of Working Papers

The working papers prepared in conjunction with our audit are the property of BDO, constitute confidential information, and will be retained by us in accordance with BDO's policies and procedures.

However, pursuant to authority given by law or regulation, we may be requested to make certain working papers available to the City's oversight agency, or its designee, a state agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such working papers will be provided under the supervision of BDO personnel and at a location designated by BDO. Furthermore, upon request, we may provide photocopies of selected working papers to the aforementioned parties. These parties may intend or decide to distribute the photocopies of information contained therein to others, including other governmental agencies.

Reproduction of Audit Report

If the City plans any reproduction or publication of a document that includes our report, or any portion of it, and that is assembled differently from any paper or electronic version that we may have assembled and provided to you (e.g., by the addition of financial statements and/or accompanying information that you have produced), a copy of the entire document in its final form should be submitted to us in sufficient time for our review and written approval before printing. You also agree to provide us with a copy of the final reproduced material for our written approval before it is distributed. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Posting of Audit Report and Financial Statements on Your Website

You agree that, if you plan to post an electronic version of the financial statements and audit report on your website, you will ensure that there are no differences in content between the electronic version of the financial statements and audit report on your website and the signed version of the financial statements and audit report provided to management by BDO. You also agree to indemnify BDO from any and all claims that may arise from any differences between the electronic and signed versions.

Review of Documents for Sale of Debt or Other Securities

The audited financial statements and our report thereon should not be provided or otherwise made available to recipients of any document to be used in connection with the sale of debt or other securities (including securities offerings on the Internet) without first submitting copies of the document to us in sufficient time for our review and written approval. If, in our professional judgment, the circumstances require, we may withhold our written approval.

Availability of Records and Personnel

You agree that all records, documentation, and information we request in connection with our audit will be made available to us (including those pertaining to related parties), that all material information will be disclosed to us, and that we will have the full cooperation of, and unrestricted access to, your personnel during the course of the engagement.

You also agree to ensure that any third-party valuation reports that you provide to us to support amounts or disclosures in the financial statements (a) indicate the purpose for which they were intended, which is consistent with your actual use of such reports; and (b) do not contain any restrictive language that would preclude us from using such reports as audit evidence.

Assistance by Your Personnel and Internet Access

We also ask that your personnel prepare various schedules and analyses for our staff. However, except as otherwise noted by us, no personal information other than names related to City employees and/or customers should be provided to us. In addition, we ask that you provide high-speed Internet access to our engagement team, if practicable, while working on the City's premises. This assistance will serve to facilitate the progress of our work and minimize costs to you.

Peer Review Reports

Government Auditing Standards requires that we provide you with a copy of our most recent quality control review report. Our latest peer review report accompanies this letter.

Other Services

We are always available to meet with you and other executives at various times throughout the year to discuss current business, operational, accounting, and auditing matters affecting the City. Whenever you feel such meetings are desirable, please let us know. We are also prepared to provide services to assist you in any of these areas. We will also be pleased, at your request, to attend city board meetings.

Independence

Professional and certain regulatory standards require us to be independent, in both fact and appearance, with respect to the City in the performance of our services. Any discussions that you have with personnel of BDO regarding employment could pose a threat to our independence. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence.

Dispute Resolution Procedure

If any dispute, controversy, or claim arises out of, relates to, or results from the performance or breach of this Agreement, excluding claims for non-monetary or equitable relief (collectively, the "Dispute"), either party may, upon written notice to the other party, request non-binding mediation. A recipient party of such notice may waive its option

to resolve such Dispute by non-binding mediation by providing written notice to the party requesting mediation and then such parties hereto shall resolve such Dispute by binding arbitration as described below. Such mediation shall be assisted by a neutral mediator acceptable to both parties and shall require the commercially reasonable efforts of the parties to discuss with each other in good faith their respective positions and different interests to finally resolve such Dispute. If the parties are unable to agree on a mediator within twenty (20) days from delivery of the written notice, either party may invoke the mediation service of the American Arbitration Association (the "AAA").

Each party may disclose any facts to the other party or to the mediator that it, in good faith, considers reasonably necessary to resolve the Dispute. However, all such disclosures shall be deemed in furtherance of settlement efforts and shall not be admissible in any subsequent proceeding against the disclosing party. Except as agreed to in writing by both parties, the mediator shall keep confidential all information disclosed during mediation. The mediator shall not act as a witness for either party in any subsequent proceeding between the parties.

Unless waived, such mediation shall conclude after the parties have engaged in good faith settlement negotiations, but nonetheless are unable to resolve the Dispute through the mediation process. The attorneys' fees and costs incurred by each party in such mediation shall be borne solely by such party, except that the fees and expenses of the mediator, if any, shall be borne equally by the parties.

Any Dispute not resolved first by mediation between the parties (or if the mediation process is waived as provided herein) shall be decided by binding arbitration. The arbitration proceeding shall take place in the city in which the BDO office providing the majority of services involved exists, unless the parties agree in writing to a different locale. The arbitration shall be governed by the provisions of the laws of the State of Alaska, which shall be applied without reference to conflicts of law rules. In any arbitration instituted hereunder, the proceedings shall proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that the Arbitration Panel (as defined below) shall permit discovery that is consistent with the scope of discovery typically permitted by the Federal Rules of Civil Procedure and/or is otherwise customary in light of the complexity of the Dispute and the amount in controversy. Any Dispute regarding discovery, or the relevance or scope thereof, shall be determined by the Arbitration Panel (as defined below).

The arbitration shall be conducted before a panel of three persons, one selected by each party, and the third selected by the two party-selected arbitrators (the "Arbitration Panel"). The party-selected arbitrators shall be treated as neutrals. The Arbitration Panel shall have no authority to award non-monetary or equitable relief, but nothing herein shall be construed as a prohibition against a party from pursuing non-monetary or equitable relief in a state or federal court. The parties also waive the right to punitive damages and the arbitrators shall have no authority to award such damages or any other damages that are not strictly compensatory in nature. In rendering their award, the Arbitration Panel shall issue in writing findings of fact and conclusions of law. The Arbitration Panel shall not have authority to grant an award that is not supported by substantial evidence or that is based on an error of law, and such absence of substantial evidence or such error of law may be reviewed on appeal to vacate an award based on the standard of review otherwise

applicable in the Federal Appellate Court responsible for the jurisdiction in which the arbitration is venued, and without regard to any heightened standard of review otherwise applicable to an arbitration decision rendered by the AAA. The confidentiality provisions applicable to mediation shall also apply to arbitration. The award issued by the Arbitration Panel may be confirmed in a judgment by any federal or state court of competent jurisdiction. No payment of any award or posting of any bond of any kind whatsoever is required to be made or posted until such Dispute is finally determined.

In no event shall a demand for arbitration be made after the date on which the initiation of the legal or equitable proceeding on the same Dispute would be barred by the applicable statute of limitations or repose. For the purposes of applying the statute of limitations or repose, receipt of a written demand for arbitration by the AAA shall be deemed the initiation of the legal or equitable proceeding based on such Dispute.

Fees

Our charges to the City for the services described above for the year ending June 30, 2016 will be \$66,500. This fee anticipates that the City staff will draft the financial statements. In addition, it is based on the following assumptions: your personnel will prepare certain schedules and analyses for us and make available to us documents for our examination as and when requested; there will be no significant changes in the internal controls, accounting systems, key personnel, or structure of the organization; there will be no significant additions of funds or disposal/divestiture of activities; and there will not be no significant additions of funds or operations requiring significant additional audit time. Should we encounter any unforeseen problems that will warrant additional time or expense, you will be notified of the situation and, if possible, the added cost.

This engagement includes only those services specifically described in this Agreement; any additional services not specified herein will be agreed to in a separate letter. In the event you request us to respond to, or we receive and respond to, a validly issued subpoena, court order, government regulatory inquiry, or other similar request or legal process against the City or its management for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements, you agree to compensate us for all time we expend in connection with such response, at our regular rates, and to reimburse us for all related out-of-pocket costs (including outside lawyer fees) that we incur.

Our fees and costs will be billed periodically, and are payable within 30 days of the invoice date. If we do not receive any notice of dispute within 10 days of your receipt of the invoice, we will conclude that you have seen the invoice and find it acceptable. Invoices that are unpaid 30 days past the invoice date are deemed delinquent and we reserve the right to charge interest on the past due amount at the lesser of (a) 1.0% per month or (b) the maximum amount permissible by applicable law. Interest shall accrue from the date the invoice is delinquent. We reserve the right to suspend our services, withhold delivery of any deliverables, or withdraw from this engagement entirely if any of our invoices are delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for all our costs of collection, including without limitation, attorneys' fees.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this Agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all of our time expended, and to reimburse us for all of our out-of-pocket expenses and internal charges incurred, through the date of termination.

Assignment

BDO shall have the right to assign its rights to perform a portion of the services described above to any of its independent Alliance members, affiliates (including, where applicable, member firms of the international BDO network), agents, or contractors (a "Permitted Assignee") without the City's prior consent. If such assignment is made, the City agrees that, unless it enters into an engagement letter directly with the Permitted Assignee, all of the applicable terms and conditions of this Agreement shall apply to the Permitted Assignee. We agree that we shall not permit the Permitted Assignee to perform any work until it agrees to be bound by the applicable terms and conditions of this Agreement. We further agree that we will remain primarily responsible for the services described above, unless we and the City agree otherwise, and we will properly supervise the work of the Permitted Assignee to ensure that all such services are performed in accordance with applicable professional standards. From time to time, and depending on the circumstances, Permitted Assignees located in other countries may participate in the services we provide to the City. In some cases, we may transfer information to or from the United States or another country. Although applicable privacy laws may vary depending on the jurisdiction, and may provide less or different protection than those of the City's home country, we require that all Permitted Assignees enter into contractual agreements to maintain the confidentiality of the City's information and observe our policies concerning any confidential client information that we provide to them.

Third-Party Use

BDO will perform the professional services provided in connection with this engagement solely for the benefit and use of the City. BDO does not anticipate and does not authorize reliance by any other party on its professional services. Any amendment to this provision must be made through a written document signed by the City and BDO.

Miscellaneous

This Agreement is intended to cover only the services specified herein, although we look forward to many more years of pleasant association with the City. This engagement is a separate and discrete event and any future services will be covered by a separate agreement to provide services.

Many banks have engaged a third party to electronically process cash or debt audit confirmation requests, and a few of those banks have mandated the use of this service. To the extent applicable, the City hereby authorizes BDO to participate in this electronic confirmation process through the third party's website (e.g., by entering the City's bank account information to initiate the process and then accessing the bank's confirmation response) and agrees that BDO shall have no liability in connection therewith.

Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable laws, regulations, or published interpretations, but if any provision of this Agreement shall be deemed prohibited, invalid, or otherwise unenforceable for any reason under such applicable laws, regulations, or published interpretations, such provisions shall be ineffective only to the extent of such prohibition, invalidity, or unenforceability and such revised provision shall be made a part of this Agreement as if it was specifically set forth herein. Furthermore, the provisions of the foregoing sentence shall not invalidate the remainder of such provision or the other provisions of this Agreement.

This Agreement may be transmitted in electronic format and shall not be denied legal effect solely because it was formed or transmitted, in whole or in part, by electronic record; however, this Agreement must then remain capable of being retained and accurately reproduced, from time to time, by electronic record by the parties to this Agreement and all other persons or entities required by law. An electronically transmitted signature to this Agreement will be deemed an acceptable original for purposes of consummating this Agreement and binding the party providing such electronic signature.

* * * * *

We believe the foregoing correctly sets forth our understanding; however, if you have any questions, please let us know. If you find the foregoing arrangements acceptable, please acknowledge this by signing and returning to us a copy of this Agreement and retaining a copy for your files.

Very truly yours,

BDO USA, LLP

Acknowledged:

CITY OF KODIAK

By: _____
Aimee Kniazowski, City Manager

Date: _____

SYSTEM REVIEW REPORT

To the Partners of BDO USA, LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of BDO USA, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2015. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of employee benefit plans, audits performed under FDICIA, audits of carrying broker-dealers and examinations of service organizations (Service Organization Control (SOC) 1 and 2 engagements).

In our opinion, the system of quality control for the accounting and auditing practice of BDO USA, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2015, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. BDO USA, LLP has received a peer review rating of pass.




Minneapolis, Minnesota
December 2, 2015

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MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Aimée Kniaziowski, City Manager 

Date: June 23, 2016

Agenda Item: V. j. **Authorization of Program Agreement with Alaska Public Entity Insurance Agreement**

SUMMARY: The City receives its property, casualty, liability, and Workers' Compensation coverage through its membership in the Alaska Public Entities Insurance (APEI) pool since the City joined APEI in 2010. In June of 2015 Council directed staff to work with the City's broker to get quotes for FY2017 to compare rates and benefits between the two municipal insurance pools. The City's broker worked to get quotes, which were presented to Council at the June 7 work session. The Manager and broker recommended that accepting the quote from APEI was in the City's best interest. Council concurred, and staff recommends Council authorize the City Manager to sign the Agreement to Remain in APEI from July 1, 2016, through June 30, 2019.

PREVIOUS COUNCIL ACTION:

- July 22, 2010, Council authorized the Manager to sign a three year agreement to join the APEI insurance pool through 2013.
- July 12, 2012, Council authorized an extension to remain with APEI for three years, through FY16.
- June 25, 2015, Council did not approve the extension requested for FY17-FY20 and directed staff to get quotes from both pools for City coverage
- June 7, 2016, Council concurred with Broker and Manager's recommendation to remain with APEI due to costs and coverage.
- June 21, 2016, Council reviewed the decision to renew with APEI at the work session.

DISCUSSION: The City became a member of APEI's insurance pool in 2010 following an analysis of premium quotes for property, casualty, liability, and workers' compensation coverage received from several sources. APEI was able to provide the City with more comprehensive coverage, substantial reduction in deductibles, and no deductible for automobile liability claims. The City has remained with APEI since that time.

In June, rather than approve a three-year extension, Council directed staff and the City's broker, Brandon Allen of Marsh McLennan to get full coverage quotes from both APEI and the City's former insurer, AML/JIA. The results of the findings were shared with Council at the June 7 work session.

JUNE 23, 2016
Agenda Item V. j. Memo Page 1 of 3

Brandon Allen prepared a side-by-side comparison of premiums and presented to Council. It showed the APEI quote at \$638,559 and the AML/JIA quote at \$679,437. APEI will also apply the annual dividend as a credit once premium payments are received. The difference is in APEI's favor at \$64,088. Council concurred with staff's recommendation that it was in the City's best interest to renew with APEI and to agree to remain in the pool for a three-year period.

The City has been well served through its membership in APEI and has received premium credits each year. As staff, we are pleased to continue our coverage under APEI. They provide excellent claims handling, good training programs available to all employees, and help the City manage its resources and its risk.

ALTERNATIVES:

- 1) Authorize the Manager to sign the three-year agreement to remain in the APEI program, which is staff's recommendation, because it provides the City with the best coverage at the lowest price and allows staff to continue to work closely with APEI and our broker to provide the best service possible.
- 2) Do not agree to the recommendation to remain in the APEI pool for three years, which is not recommended, because it would be inconsistent with direction received, and the City would miss the financial benefit of continued membership.

LEGAL: The City is required to adequately insure its assets and to provide workers compensation coverage to employees.

STAFF RECOMMENDATION: Staff recommends Council authorize the City Manager to sign the Intent to Remain in the APEI Program document as stated.

CITY MANAGER'S COMMENTS: I was pleased to be able to provide renewal quotes from both pools to Council in early June. I also appreciated that our broker, Brandon Allen, was able to make the presentation to Council. The choice to remain with APEI is a good one for the City, and I look forward to working with Brandon and the APEI staff in FY2017. As I've said before, I've found APEI to be a professional and reliable organization, and they see the City as a good member and partner. It's clearly in our best interest to remain a member of APEI as long as they continue to serve our needs. I believe it's also important to manage and retain long-term relationships with insurers, which provides additional indirect benefits to us. I recommend Council authorize me to sign the intent agreement.

ATTACHMENTS:

- Attachment A: MarshMcLennan Broker's Renewal Report, dated June 2, 2016
- Attachment B: Agreement to Remain in APEI form

PROPOSED MOTION:

Move to authorize the City Manager to sign the three-year APEI Intent To Remain document on behalf of the City.

JUNE 23, 2016
Agenda Item V. j. Memo Page 3 of 3



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1031 West 4th Avenue, Suite 400
Anchorage, AK 99501
+1 907 276 5617
brandon.allen@marshmc.com
www.marshmc.com

June 2, 2016

Aimee Kniazowski
City Manager
City of Kodiak

Re: 2016 Property Casualty Insurance Renewal

Dear Aimee,

Aimee, we are pleased to present our renewal proposal for Property Casualty insurance coverages. At your request we secured quotes from Alaska Public Entity Insurance (APEI), your incumbent carrier, and from Alaska Municipal League Joint Insurance Association (JIA).

Both APEI and JIA quoted property, liability and workers comp coverages. Each was given the same underwriting and loss information. Each offers a 5% premium discount in return for a three year participation agreement. Each applied a credit for City loss control activities.

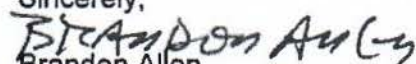
The APEI quote is \$638,559 and the JIA quote is \$679,437 or a difference of \$40,878. APEI applies an annual dividend after receiving premium payment. This year's dividend is \$23,210 which effectively increases the premium difference to \$64,088.

Excess earthquake coverage with the current \$5m limit is renewing at \$125,000 which is flat to expiring while property values increased 21.6%.

Marine liability coverage with a \$20m limit is renewing at \$52,282 which is flat to expiring while revenues increased 14.1%. Aviation liability with a \$20m limit is renewing at \$12,000 which is flat to expiring.

Overall premiums are 8% higher than expiring and within 1% of my budget estimate.

City of Kodiak is an important client to us and we look forward to continuing to provide insurance brokerage and risk advisory services.

Sincerely,

Brandon Allen
Senior Vice President



2233 Jordan Avenue
Juneau, AK 99801

Phone: (907) 523-9400
Fax: (907) 586-2008
www.akpei.com

AGREEMENT TO REMAIN IN APEI PROGRAM

The mission of Alaska Public Entity Insurance ("APEI") is to provide our members with stable, affordable insurance, broad insurance coverage, and effective risk management services to ensure that maximum funds are available for local government and education programs. APEI is a non-profit corporation, and all member contributions are allocated to, and utilized for, the payment of claims and program expenses. APEI is generally referred to as an insurance "pool", meaning that risks, liability, and expenses are shared on an equitable basis among all pool members.

In order to encourage membership stability and predictability, an important factor in procuring excess and reinsurance, the APEI Board of Directors has authorized the establishment of a program whereby a member's annual contribution will be discounted in exchange for an agreement to remain in the program for three years. Other than the annual application of the discount to the amount due from the participating member, a member's election to participate or not in this discount program will have no effect on any other aspect of the program as it relates to the member.

APEI and the undersigned member of APEI ("Member"), for mutual consideration, hereby agree as follows:

1. Except as provided in paragraph 3 below, Member agrees to remain a member of APEI for at least three years, through the conclusion of the 2018/2019 policy year that will end on June 30, 2019. Consistent with this paragraph, Member agrees not to give notice of intent to withdraw from the program during the three-year period, and further agrees not to seek quotes during that time from other potential insurers for coverage provided under the APEI program.
2. APEI agrees to provide Member with a discount on Member's annual contributions each year for the provision of insurance coverage under the program. Each policy year, the discount shall be 5% of the member's contribution.
3. If APEI determines that the a member's total annual contribution is expected to increase by more than 10% when compared to the preceding policy year, APEI will so notify Member and Member may, at its sole option, elect to cancel its commitment under this program without incurring charges or penalties under paragraph 4. Increases in contributions caused by increases in Member's payroll, total insured property value, or vehicle count are not considered part of the above-mentioned 10%.

Agreement to Remain in APEI Program – Policy Year 2016/17

4. If Member gives written notice to the Administrator (APEI Executive Director) of intent to withdraw from the program prior to the conclusion of this three year agreement, or otherwise acts inconsistent with the terms of this agreement, Member will forfeit all credits received during this three year term pursuant to this agreement and will be required to repay all such credits to APEI and will further be required to pay penalties in the amount of 5% of the total premium charged for the last year Member was in the APEI program, as determined by the Administrator.
5. This agreement is effective July 1, 2016 through June 30, 2019.

IN WITNESS WHEREOF, the parties hereto, acting through properly authorized officials, hereby execute this Agreement.

Member: _____

Alaska Public Entity Insurance

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____