

City of Kodiak Regular Council Meeting Agenda for May 25, 2017
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 May 11, 2017, Regular Council Meeting1

- III. Persons to Be Heard**
 - a. Proclamation: Salvation Army Week8
 - b. Proclamation: Mental Health Month10
 - c. Public Comments (limited to 3 minutes) (486-3231)

- IV. Unfinished Business**
 - a. None

- V. New Business**
 - a. First Reading, Ordinance No. 1363, 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 2017 and Ending on the Thirtieth Day of June 201814
 - b. Resolution No. 2017–14, Establishing a City of Kodiak Economic Development Special Committee.....26
 - c. Resolution No. 2017–15, Supporting a Law in Alaska to Make All Workplaces 100% Smoke Free to Protect the Health and Safety of All Workers and Visitors From the Dangers of Secondhand Smoke30
 - d. Authorization of Professional Services Contract for Auditing Services34

- 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**

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<p>DRAFT</p>

**MINUTES OF THE REGULAR COUNCIL MEETING
OF THE CITY OF KODIAK
HELD THURSDAY, MAY 11, 2017
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, Gabriel T. Saravia, and Richard H. Walker were present and constituted a quorum. Councilmember John B. Whiddon was absent. City Manager Mike Tvenge, City Clerk Debra Marlar, and Deputy Clerk Michelle Shuravloff-Nelson were also present.

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

II. PREVIOUS MINUTES

Councilmember Bishop MOVED to approve the minutes of the April 27, 2017, regular meeting as presented.

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

III. PERSONS TO BE HEARD

a. Proclamation: Municipal Clerks Week

Councilmember Davidson read the proclamation, which recognizes Municipal Clerks for the vital services they perform and their dedication to their community.

City Clerk Marlar and Deputy Clerk Shuravloff-Nelson accepted the proclamation for the City Clerk's Office. Clerk Marlar thanked the Mayor and Council for the acknowledgement and gave a brief overview of the role of the Municipal Clerk in government.

b. Proclamation: Kids to Parks Day

Councilmember Walker read the proclamation, which urges residents to make time to take the children in their lives to a neighborhood, state or national park.

Parks and Recreation Director Gronn accepted the proclamation.

c. Proclamation: Police Week and Peace Officers Memorial Day

Councilmember Bishop read the proclamation, which urges all citizens and patriotic, civic, and educational organizations to recognize police officers, past and present, who by their faithful and loyal devotion to their responsibilities, have rendered a dedicated service to their community and, in so doing, have established for themselves an enviable and enduring reputation for preserving the rights and security of all citizens. The proclamation encourages all citizens to honor

those law enforcement officers who, through their courageous deeds, have made the ultimate sacrifice in service to their community or have become disabled in the performance of duty, and to recognize and pay respect to the survivors of our fallen heroes.

Chief of Police Wallace accepted the proclamation on behalf of the Kodiak Police department. She commented that the staff is honored to serve the City's residents, and she thanked the management and Mayor and Council for their continued support.

d. Proclamation: EMS Week

Councilmember Arboleda read the proclamation, which urges residents to recognize the value and the accomplishments of emergency medical services providers.

Deputy Fire Chief Frank Dorner accepted the proclamation on behalf of the Fire department.

e. Public Comments

Katie Oliver, Director of the Kodiak Arts Council, opposed the proposed change to Resolution No. 2017-13, which will limit funding to one category only. She favored increasing the youth and adult funding categories to \$5,000. She stated municipal support is very significant to their programs and emphasized the importance of having matching grant funds. She highlighted the youth program services the Arts Council provides to the community.

Mike Wall said he is a member of the Arts Council, the nonprofit association, and a staff member of KMXT. He said he appreciates the support the Council has provided to the nonprofits over the years, and he provided an historical overview of applying for funds through the City's nonprofit grant process. He asked the Council to not restrict applicants to one funding category.

Corey Davis, Director for Hope Resources, spoke about the services they provide for vulnerable youth and adults. She commented that having to choose to fund either a youth or an adult program was not optimal. She highlighted that funding stays within the community, and she commented the Kodiak Island Borough cut nonprofit funding last year.

Mary Guiles Hawver, Director of Providence Counseling Center, spoke in support of Mental Health Month. She said they want to erase the stigma of mental health illnesses. She said there are free screenings at Providence Counseling Center and provided contact information.

Major Dave Davis from The Salvation Army thanked the Council for the nonprofit funding. He suggested postponing the resolution and to consider some different funding options.

IV. UNFINISHED BUSINESS

- a. Second Reading and Public Hearing, Ordinance No. 1362, Establishing Supplemental Appropriation No. 1 to the Budget 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. 1362 by title. The Supplemental Appropriation No. 1 to the budget for the fiscal year commencing on the first day of July 2016 and ending on the thirtieth day of June 2017 is in the amount of \$4,922,454. 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. This is the first supplemental appropriation of FY2017.

Councilmember Walker MOVED to adopt Ordinance No. 1362.

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, Saravia, and Walker in favor. Councilmember Whiddon was absent. The motion passed.

V. NEW BUSINESS

a. Resolution No. 2017–13, Rescinding Resolution No. 2015–16 and Establishing Funding Criteria for Nonprofit Grants

Mayor Branson read Resolution No. 2017–13 by title. Resolution No. 2017–13 amends the funding criteria for nonprofit grant awards based on Council discussion and consensus reached during the April 25, 2017, work session. The resolution includes the addition of funding category definitions, modifications to the funding amounts in the categories, and limiting organizations to one funding criteria per year.

Councilmember Arboleda MOVED to adopt Resolution No. 2017–13.

Councilmember Walker MOVED to amend Resolution No. 2017–13 by striking \$2,500 in youth recreation program funding and inserting \$5,000 and striking \$2,500 in adult program funding and inserting \$5,000.

The roll call vote on the amendment was Councilmembers Arboleda, Bishop, Davidson, Saravia, and Walker in favor. Councilmember Whiddon was absent.

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

VI. STAFF REPORTS

a. City Manager

Manager Tvenge said the Channel Transient Float is substantially complete and within budget. He said a ribbon cutting event will occur on May 12 at the float with Mayor Branson providing the honors. He said a guard rail will be installed for safety on East Marine Way, and this new float will accommodate Kodiak's fishing fleet. He said Public Works and the WWTP will draw down a water tank for maintenance and inspection on May 16. He informed the public there may

be a decrease in water pressure during this time, which is contingent on the demand of water at any given time. He said the other tank will go for maintenance and inspection next year. He wished Aimée Kniazowski and Dave Billings well in their retirement and thanked them for their service to the City.

Mayor Branson suggested administering the oath of office to the new City Manger and Council concurred. The order of the agenda was changed.

OATH OF OFFICE TO CITY MANAGER

The City Clerk administered the Oath of Office to City Manager Mike Tvenge.

b. City Clerk

City Clerk Marlar said she attended government social media training and stated it provided insight on federal, state, and local government. She commented she will work with the City Manager to develop a policy and then create a City Facebook and Twitter account. She informed the public of the next scheduled Council work session and regular meeting.

VII. MAYOR'S COMMENTS

Mayor Branson welcomed City Manager Tvenge and said she hopes to work with him for many years. She thanked Captain Dave Billings for his service and apologized for missing his retirement farewell. She congratulated the junior high and high school students that graduate this May. She said that Senate Bill No. 23, Appropriation of the Capital Budget, still has replacement money for the Tustumena.

VIII. COUNCIL COMMENTS

Councilmember Bishop thanked Manager Kniazowski and Fire Captain Dave Billings for their service, and he thanked the department heads for their work on the budget.

Councilmember Saravia welcomed City Manager Tvenge to his position. He thanked the non-profits for their service and he commented on reducing the City's budget.

Councilmember Arboleda welcomed City Manager Tvenge and thanked the Clerks and department heads for their work. She thanked the nonprofits for their services and encouraged everyone to enjoy the nice weather.

Councilmember Davidson welcomed City Manager Tvenge. He wished Aimée Kniazowski and Dave Billings a good retirement. He asked citizens to drive safely.

Councilmember Walker said he was pleased with the Channel Transient Float design. He extended his condolences to the Doug Pedersen family. He congratulated the high school graduates of 2017. He said the State Senate wants to cut education in the budget, which he does not support, and he encouraged citizens to speak to their legislators. He thanked the Clerk's Office and department heads for their work.

IX. AUDIENCE COMMENTS

Katie Oliver thanked the Council for their amendment to Resolution No. 2017-13 and apologized for not making a public comment prior to the vote on the resolution.

X. OATH OF OFFICE TO CITY MANAGER

KCC 2.08.130 requires the City Manager to take and subscribe to the Oath of Office. This was administered after the City Manager’s comments earlier in the meeting.

XI. ADJOURNMENT

Councilmember Davidson **MOVED** to adjourn the meeting.

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

The meeting adjourned at 8:15 p.m.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Minutes Approved:

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PERSONS TO BE HEARD

MEMORANDUM TO COUNCIL

Date: May 25, 2017

Agenda Item: III. a. Proclamation: Salvation Army Week

SUMMARY: This proclamation recognizes The Salvation Army for its service to Kodiak and throughout Alaska

ATTACHMENTS:

Attachment A: Proclamation: Declaring Salvation Army Week

Proclamation

Recognizing National Salvation Army Week

May 15-21, 2017

Whereas, in 1954, the first National Salvation Army week was declared by the U.S. Congress and proclaimed by President Dwight D. Eisenhower as a reminder to Americans to give freely of themselves in service to others, and

Whereas, since arriving in Kodiak in 1993, The Salvation Army has provided humanitarian relief and spiritual guidance to people in Kodiak and throughout Alaska; and

Whereas, The Salvation Army members continue their compassionate tradition of helping wherever there is hunger, disease, destitution, and spiritual need and provides for those in the most need without discrimination; and

Whereas, National Salvation Army week was celebrated May 15 through May 21; and

Whereas, The Salvation Army should be commended for its selfless dedication to helping meet the physical and spiritual needs of people across Alaska.

NOW, THEREFORE, I, Pat Branson, Mayor of the City of Kodiak, do hereby proclaim the week of May 15 through May 21, 2017, as

National Salvation Army Week

in Kodiak and urge all to express their appreciation for The Salvation Army's good works and to follow their example of serving a cause greater than themselves.

Dated this 25th day of May 2017.

City of Kodiak

Pat Branson, Mayor

MEMORANDUM TO COUNCIL

Date: May 25, 2017

Agenda Item: III. b. Proclamation: Mental Health Month

SUMMARY: This proclamation recognizes the importance of mental health treatment and encourages the community to increase awareness and understanding of mental health, the steps one can take to protect their mental health, and the need for appropriate and accessible services for all people with mental illnesses.

ATTACHMENTS:

Attachment A: Proclamation: Declaring Mental Health Month

PROCLAMATION

Declaring Mental Health Month

WHEREAS, mental health is essential to everyone's overall health and well-being; and

WHEREAS, all Americans experience times of difficulty and stress in their lives; and

WHEREAS, prevention is an effective way to reduce the burden of mental illnesses; and

WHEREAS, there is a strong body of research that supports specific tools that all Americans can use to better handle challenges and protect their health and well-being; and

WHEREAS, mental illnesses are real and prevalent in our nation; and

WHEREAS, with early and effective treatment, those individuals with mental illnesses can recover and lead full, productive lives; and

WHEREAS, each business, school, government agency, healthcare provider, organization, and citizen shares the burden of mental illnesses and has a responsibility to promote mental wellness and support prevention efforts.

NOW, THEREFORE, I, Pat Branson, Mayor of the City of Kodiak, do hereby proclaim May 2017 as

MENTAL HEALTH MONTH

in Kodiak and call upon the citizens, government agencies, public and private institutions, businesses, and schools in Kodiak, Alaska to increase awareness and understanding of mental health, the steps our citizens can take to protect their mental health, and the need for appropriate and accessible services for all people with mental illnesses at all stages.

Dated this 25 day of May 2017.

City of Kodiak

Pat Branson, Mayor

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NEW BUSINESS

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Mike Tvenge, City Manager

Thru: Kelly Mayes, Finance Director *KMM*

Date: May 25, 2017

Agenda Item: V. a. **First Reading, Ordinance No. 1363, 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 2017 and Ending on the Thirtieth Day of June 2018**

SUMMARY: Ordinance No. 1363 provides for the adoption of the City of Kodiak's FY2018 budget. The budget document, which supports the ordinance, estimates all sources of revenue the City anticipates receiving between July 1, 2017, and June 30, 2018. The budget document also establishes an operating and capital expenditure plan for FY2018 that is based on staff's assessment of operational and community needs and the Council's FY2018 budget goals. Staff made the FY2018 budget presentation to Council and the public during a special budget work session on May 6, 2017. Staff recommends Council pass Ordinance No. 1363 in the first reading and advance the ordinance to second reading and public hearing at the next regular or special meeting.

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 reviewed projected FY2018 revenues and the FY2018 budget calendar on February 7, 2017.
- Council adopted Resolution No. 2017-05, establishing budget goals for FY2018, on February 28, 2017.
- Staff presented the proposed FY2018 budget to the Mayor and Council at a special work session on May 6, 2017.

DISCUSSION: The FY2018 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 FY2018 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 expenses. This is a prudent

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approach since revenues are expected to remain static as expenses continue to increase. The City Council adopted FY2018 budget goals by resolution in February of this year (Attachment B), and staff used the goals to develop and evaluate the proposed operating budget. The proposed budget is consistent with the Council's FY2018 budget goals.

Combined Revenues and Expenses for All Funds

The FY2018 budget projects combined revenues from all funds excluding capital projects to be \$35,282,406, which is a decrease of 2.26 percent from FY2017's combined budgeted revenues of \$36,094,739. 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 \$35,282,406, an overall decrease of 2.26 percent from FY2017. Fewer capital equipment purchases account for the largest decreases in expenses.

Operating Budget

The FY2018 operating budget is primarily a maintenance budget as it has been for at least the past eight 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 FY2018 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 0.525 percent decrease in General Fund expenses before transfers from FY 2017.

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 FY2018 are projected at \$19,583,887, a decrease of approximately 0.07 percent from FY 2017 projections with the largest changes due to an increase in the appropriation of the fund balance (12%) which was required in FY2018 to fund the operating expenses. The General Fund is projected to recognize a deficit in the amount of \$2,238,227. These budget figures are consistent with Council's FY2018 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 FY2017.

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 FY2017 budget is projected to have \$7.6 million remaining in the fund balance. The FY 2018 budget is projected to have an estimated \$5.4 million remaining in the fund balance after the FY18 deficit of \$2,238,227 and transfers in the operating budget. The estimated FY2018 fund balance, if projections are correct, will be needed to offset expenses and provide the City with approximately 3.01 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 FY2018 budget anticipates greater use of fund balance than the FY2017 budget because less revenue is being received from intergovernmental revenue sharing sources and slightly lower sales tax projections.

Personnel

Salaries, wages and benefits are the single largest expense in the City's annual budget, totaling 49 percent. Salaries and wages for FY2018 are estimated to total \$9.4 million or 26 percent of the City's overall expenses. This is less than 1 percent change from FY2017 citywide salaries and wages and reflects the Personnel Rules and Regulations scheduled salary increases. Employee benefit costs are projected at \$8.3 million, 23 percent of the City's overall expense budget, which is a 2.00 percent increase from FY 2017.

The FY2017 budget reflects an increase of one full-time employee for the new HR Manager. This increases the number of City employees from 128.15 to 129.15 for both FY2017 and FY2018. The City's work force for FY2018 remains at 124 regular full-time employees and 5.15 regular part-time positions working from 20-30 hours per week for a total of 129.15 FTEs.

These changes to the FY2018 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 FY2018 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 FY2018 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 FY2017 is estimated to be \$4.1 million, which is an increase of \$106,000 from the FY2016 balance.

Capital Projects

The FY2018 budget recommends \$2.1 million in capital project expenditures. This includes nine new capital projects in FY2018 ranging in size from \$25,000 to \$600,000. It also includes additional funding for established or ongoing capital projects such as annual curb and sidewalk repairs, maintenance projects, and the vehicle replacement fund. Costs for the projects will be covered through use of capital project fund balances and a transfer from the General fund. Staff presented the capital projects in detail at the budget work session on May 6, 2017.

ALTERNATIVES:

- 1) Pass Ordinance No. 1363 in the first reading and advance to second reading and public hearing at the next regular or special Council meeting. This is staff's recommendation.
- 2) Council may also amend Ordinance No. 1363.

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 may 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. 1363 in the first reading with advancement to second reading and public hearing at the next regular or special Council meeting.

CITY MANAGER'S COMMENTS: We have managed to provide Council with another lean budget without affecting services provided, per Council's FY2018 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 use on capital project needs, many of which are critical. The preparation of this document and the presentations at the May 6, 2017, budget 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 throughout the year.

ATTACHMENTS:

Attachment A: Ordinance No. 1363

Attachment B: Resolution No. 2017-05, FY2018 Council Budget Goals

PROPOSED MOTION:

Move to pass Ordinance No. 1363 in the first reading and advance to second reading and public hearing at the next regular or special Council meeting.

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**CITY OF KODIAK
ORDINANCE NUMBER 1363**

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 2017 AND ENDING ON THE THIRTIETH DAY OF JUNE 2018

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 2017 and ending on the thirtieth day of June 2018.
- 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 2017 and ending on the thirtieth day of June 2018 to defray expenses and liabilities of the City during the fiscal year.

FY2018 BUDGET SUMMARY

GENERAL FUND

	Anticipated Revenues	
Taxes	\$ 12,756,000	
Licenses & Permits	58,800	
Intergovernmental Revenues	1,113,300	
Charges for Services	1,661,217	
Fines & Forfeitures	10,000	
Interest	15,000	
Rents & Royalties	175,000	
Miscellaneous	22,000	
Interfund Charges	1,534,343	
Appropriation to Fund Balance	2,238,227	
Total Anticipated Revenues	19,583,887	
		Planned Expenditures
Legislative		\$ 266,408
Legal		75,000
Executive-Administration		827,691
Executive-Emergency Preparedness		38,000
City Clerk-Administration		359,905
City Clerk-Records Management		197,115

GENERAL FUND EXPENDITURES CONTINUED

Finance	1,676,759
Police	6,913,240
Fire	2,459,976
Public Works	2,188,350
Engineering	281,914
Parks & Recreation	1,434,270
Library	929,750
Non-Departmental	1,935,509
Total Planned Expenditures	19,583,887

SPECIAL REVENUE FUND

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

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

CAPITAL PROJECTS FUND

	Anticipated
	Revenues
General Capital	\$ 50,000
Street Improvements	325,000
Building Improvement Fund	-
Water Capital Fund	600,000
Sewer Capital Fund	600,000
Cargo Development Fund	-
Harbor Development Fund	243,000
Parks & Recreation Fund	25,000
Vehicle Replacement Fund	260,901
Total Anticipated Revenues	2,103,901

CAPITAL PROJECTS FUND CONTINUED

	Planned Expenditures
General Capital	\$ 50,000
Street Improvements	325,000
Building Improvement Fund	-
Water Capital Fund	600,000
Sewer Capital Fund	600,000
Cargo Development Fund	-
Harbor Development Fund	243,000
Parks & Recreation Fund	25,000
Vehicle Replacement Fund	260,901
Total Planned Expenditures	2,103,901

ENTERPRISE FUNDS

	Anticipated Revenues
Cargo Fund	\$ 1,290,355
Harbor Fund	3,807,436
Boat Yard Lift	1,231,367
Harbor Electric Fund	626,908
Water Utility Fund	3,297,238
Sewer Utility Fund	4,325,212
Trident Basin Fund	302,253
E-911 Services	13,771
Total Anticipated Revenues	14,894,540

	Planned Expenditures
Cargo Fund	\$ 1,290,355
Harbor Fund	3,807,436
Boat Yard Lift	1,231,367
Harbor Electric Fund	626,908
Water Utility Fund	3,297,238
Sewer Utility Fund	4,325,212
Trident Basin Fund	302,253
E-911 Services	13,771
Total Planned Expenditures	14,894,540

INTERNAL SERVICE FUNDS

	Anticipated	
	Revenues	
Self Insurance Fund	\$	614,479
Total Anticipated Revenues		614,479
		Planned
		Expenditures
Self Insurance Fund	\$	614,479
Total Planned Expenditures		614,479
Grand Total Anticipated Revenues	\$	37,386,307
Grand Total Planned Expenditures	\$	37,386,307
	Non- Projects	35,282,406
	Non- Projects	35,282,406
	Projects	2,103,901
	Projects	2,103,901
	Total	37,386,307
	Total	37,386,307

Section 3: All unexpended appropriation balances, with the exception of capital project fund appropriations, shall lapse to the appropriate fund as of June 30, 2018.

Section 4: This ordinance shall go into effect July 1, 2017.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

First Reading:
Second Reading:
Effective Date:

**CITY OF KODIAK
RESOLUTION NUMBER 2017-05**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK APPROVING
THE CITY COUNCIL'S BUDGET GOALS FOR FY2018**

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

WHEREAS, the City Council discussed and selected the list of budget goals at their January 14, 2017, planning meeting; and

WHEREAS, management will use the listed budget goals as a framework when developing the FY2018 budget.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that the following budget goals will be used in the development of the City of Kodiak's FY2018 budget:

Revenue

Revenues will continue to be estimated conservatively using an analytical and objective approach.

One-time revenues will be used only for one-time expenditures. The City will avoid using temporary revenues or grants to fund routine City services or positions.

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

Operating Expenses

General Fund operating (non-personnel) expenses for FY2018 will be at a level consistent with FY2017. Required increases will be justified to the City Manager in writing and, if approved, presented by department heads to the City Council for final consideration during budget presentations.

Review existing programs and services to assess how well budgeted performance indicators met goals and objectives.

City management will continue to examine ways to maintain efficiencies of expenditures without significant impact to level and quality of services provided to residents.

Personnel Goals

The increase in personnel includes the Council approved Human Resource Manager. The City will not increase the current number of FTEs from 129.15 in FY2018 unless new operational needs or mandates require additional employee positions.

Sections of the PR&R will continue to be reviewed and amended to improve practices that reflect recognized Human Resources standards.

General Fund

Council will review ways to increase revenues in the General Fund to help offset increases in operating expenses, meet infrastructure needs, and increase the fund balance, per the plan outlined in "Setting the Course for the Future," 1/14/12.

General Fund revenues will be forecast conservatively and take into consideration possible state funding policies that may affect City revenues such as, community assistance program, shared fisheries and other shared business taxes, pension costs and liabilities, and the required allocation of sales tax.

The General Fund will be budgeted without a deficit through appropriations from the fund balance when/if necessary, and with a goal to maintain up to three months' operating reserves. Council may appropriate additional funds for capital projects.

Enterprise Funds

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

Enterprise Funds will continue to conduct rate studies every five years and present them to the City Council for implementation.

The Shipyard will strive to maintain positive cash flows through charges for services to meet debt service payments and maintain facilities operations and maintenance costs. The Shipyard will highlight the services offered by developing a business plan and marketing campaign to maximize revenues. This plan will be reviewed annually for marketing effectiveness.

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

Community Support

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

Capital

Within resources available, the City will maintain capital assets and infrastructure at a level that is adequate to protect its investment, to minimize future replacement and maintenance costs, and to maintain existing service levels.

The City Manager and management staff developed the City's first formal five-year capital improvement plan (CIP) that identifies and ranks projects for capital and major maintenance projects. The plan has additional information for ten-year expense projections for all departments and funds. The City will utilize the planning document and develop policies and procedures identifying criteria and steps for implementation. The capital budget will link to, and flow from, the multi-year capital improvement plan.

Debt Service

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

- Show impacts on rates or taxpayers, or
- Analyze financial capacity for proposed capital projects, or
- Determine if the debt is required for projects mandated by the state or federal government, needed for economic development, environmental, aesthetic or quality of life, or health and safety improvements.

Quality of Life

The City will provide adequate services that meet the community needs, priorities, challenges and opportunities with consideration given to the condition of the economy, the composition of the population, technology, legal or regulatory issues, intergovernmental issues, and physical or environmental issues.

Economic Development

The City will continue to promote and support economic development to help ensure a sustainable and healthy economy for Kodiak.



CITY OF KODIAK

MAYOR

ATTEST:

Michelle Geraswilt-Nelson
for
CITY CLERK

Adopted: February 28, 2017

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Mike Tvenge, City Manager *MT*

Date: May 25, 2017

Agenda Item: V.b. Resolution No. 2017-14, Establishing a City of Kodiak Economic Development Special Committee

SUMMARY: The City Council has identified the need for an economic development plan. Economic Development Consultant Wanetta Ayers has been retained to assist with this plan and recommends the City establish a committee to achieve those economic development goals. Resolution No. 2017-14 establishes the membership and guidelines of this committee.

PREVIOUS COUNCIL ACTION: During the most recent Council work session on May 9, Council set the criteria and numbers of members, including the Mayor and two Council members to be seated on this committee.

DISCUSSION: Consultant Wanetta Ayers has made presentations to the Council during public meetings providing suggestions towards establishing an economic development committee. The goal is to provide diversity and gather ideas of what development could enhance the economic sector of our community.

FINANCIAL IMPLICATIONS: Council has a professional services agreement with A3 Consulting, Creativity and Communications (Wanetta Ayers) billing monthly for services. These services will continue until Council no longer sees they are needed. The committee is intended to be volunteer membership.

STAFF RECOMMENDATION: Staff recommends Council establish the committee membership, areas of representation, and terms of membership, powers and duties, and rules of this committee by adopting Resolution No. 2017-14.

CITY MANAGER'S COMMENTS: This newly established committee will benefit from the direction of Ms. Ayers. I will assist the consultant with administration of the agreement and provide support to the committee.

ATTACHMENTS:

Attachment A: Resolution No. 2017-14

PROPOSED MOTION:

Move to adopt Resolution No. 2017-14.

**CITY OF KODIAK
RESOLUTION NUMBER 2017-14**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK ESTABLISHING AN ECONOMIC DEVELOPMENT SPECIAL COMMITTEE

WHEREAS, the City of Kodiak seeks to harmonize its approaches to economic development; and

WHEREAS, a strategic economic development planning process will help the City of Kodiak develop and initiate a plan to achieve economic growth; and

WHEREAS, successful economic development initiatives are driven by a solid foundation of economic analysis, as well as continuous public engagement.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Kodiak, Alaska, that an Economic Development Special Committee is hereby established.

BE IT FURTHER RESOLVED THAT:

Section 1. Membership/Quorum. The Economic Development Special Committee shall consist of nine members appointed by the City Council as follows:

- a) The Mayor and two members of the City Council of which one member shall be designated as Chair and one as Vice-chair.
- b) Six Kodiak community members representing any of the following:
 - Aviation and Support Services
 - Community and Civic Organizations
 - Construction Contracting and Trades
 - Health Care and Medical Support Services
 - Hospitality and Tourism
 - Marine Transportation and Support Services
 - Professional and Business Services
 - Retail Goods and/or Services
 - Seafood Harvesting
 - Seafood Processing
 - Other Representation Deemed Appropriate by the City Council.

The City Manager, as well as additional City staff designated by the City Manager, shall serve as nonvoting consulting members of the Committee, if requested. The City's Economic Development Consultant shall also serve as a non-voting member of the Committee.

A simple majority shall constitute a quorum.

- Section 2. Terms of members.
- a. The Committee is expected to complete its task within one year and shall be in effect until it presents its final report to the City Council.
 - b. Any Committee member who shall have two successive unexcused absences shall be subject to removal by the Committee by a majority vote of the members present.

- Section 3. Powers/Duties. The Economic Development Special Committee shall act in an advisory capacity to the City Council and City Manager and shall:
- Discover and address business concerns and pain points;
 - Encourage businesses to prepare for natural disasters and economic downturns;
 - Review ordinances, fee structures, land management, and other assets controlled by the City for policy revisions that will encourage economic growth.
 - Review and harmonize key positioning and marketing efforts with primarily external audiences;
 - Conduct outreach with key markets using a unified branding approach;
 - Encourage prioritized efforts amongst the school district, Kodiak College, UAF School of Ocean Sciences, and others to ensure secondary and postsecondary education and training to address in-demand jobs that achieve a living wage;
 - Identify planned and prioritized infrastructure investments that are most likely to support economic growth.

The Committee shall not have direct power to affect policy determinations but shall make recommendations to the City Council and administration.

- Section 4. Meetings/Duration. Economic Development Special Committee meetings shall be open to the public, and public notice shall be provided at least three days prior to each meeting. The Committee shall meet at least quarterly and more often, if needed, at the call of the Chair. Permanent records or minutes shall be kept of the vote of each member upon every question. Committee meeting minutes shall be directed to the City Council at the earliest possible date.

- Section 5. Administrative Support. The City Clerk's Office shall provide administrative support.

- Section 6. Parliamentary Authority. The current version of "Roberts Rules of Order Newly Revised" shall serve as the Committee's parliamentary authority.

CITY OF KODIAK

MAYOR

ATTEST:

CITY CLERK

Adopted:

MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Mike Tvenge, City Manager *MT*

Date: Date of Council Meeting

Agenda Item: V. c. **Resolution No. 2017–15, Supporting a Law in Alaska to Make All Workplaces 100% Smoke Free to Protect the Health and Safety of All Workers and Visitors From the Dangers of Secondhand Smoke**

SUMMARY: Resolution No. 2017–14 voices support of a statewide Alaska law to make all workplaces 100% smoke free to protect the health and safety of all workers and visitors from the dangers of secondhand smoke.

PREVIOUS COUNCIL ACTION: At the May 9, 2017, work session the Council directed staff to draft a resolution in support of a state law to require all work places to be smoke free.

DISCUSSION: In December 2015 the American Cancer Society Action Network commissioned a public opinion survey on what Alaskans think about a statewide smoke free workplace law. The survey indicated that more than 1,000 business owners and organizations support and want smoke free indoor workplaces for all of Alaska. Resolution No. 2017–14 contains language that mirrors the recommendation from Smoke Free Alaska and a resolution the Kodiak Island Borough adopted in 2015 requesting the State of Alaska enact a law to make all workplaces smoke free.

ALTERNATIVES:

- 1) Adopt Resolution No. 2017–14.
- 2) Amend Resolution No. 2017–14.
- 3) Do not adopt Resolution No. 2017–14.

CITY MANAGER’S COMMENTS: Resolution No. 2017–14 was drafted at the request of the Council. If adopted, the Clerk’s Office will forward it to the State of Alaska.

ATTACHMENTS:

Attachment A: Resolution No. 2017–14

PROPOSED MOTION:

Move to adopt Resolution No. 2017–14.

**CITY OF KODIAK
RESOLUTION NUMBER 2017-15**

A RESOLUTION OF THE COUNCIL OF THE CITY OF KODIAK SUPPORTING A LAW IN ALASKA TO MAKE ALL WORKPLACES 100% SMOKE FREE TO PROTECT THE HEALTH AND SAFETY OF ALL WORKERS AND VISITORS FROM THE DANGERS OF SECONDHAND SMOKE

WHEREAS, secondhand smoke contains more than 7,000 chemicals, including at least 69 of which are known to cause cancer, including formaldehyde, benzene, vinyl chloride, arsenic, ammonia and hydrogen cyanide, and people who are exposed to secondhand smoke are inhaling many of the same cancer-causing substances and poisons as smokers; and

WHEREAS, numerous studies have found that tobacco smoke is a major contributor to indoor air pollution and that breathing secondhand smoke is a cause of disease in healthy nonsmokers, including heart disease, stroke, respiratory disease and lung cancer; and

WHEREAS, the 2006 U.S. Surgeon General's Report, "*The Health Consequences of Involuntary Exposure to Tobacco Smoke*," concluded that there is no risk-free level of exposure to secondhand smoke; ventilation and other air cleaning technologies cannot eliminate exposure of nonsmokers to secondhand smoke; and smoke free workplace policies are the only effective way to eliminate secondhand smoke exposure in the workplace; and

WHEREAS, the 2010 U.S. Surgeon General's Report, "*How Tobacco Smoke Causes Disease*," determined that even occasional exposure to secondhand smoke is harmful; and

WHEREAS, there are serious questions about the safety of inhaling the substances in some e-cigarette aerosol, and e-cigarettes have not been subject to thorough, independent testing, making it difficult for users to be sure of what they are actually inhaling. Some studies have shown that some e-cigarettes can cause short-term lung changes and irritations and the long-term health effects, are unknown; and

WHEREAS, for every nine smokers who die, one nonsmoker dies from exposure to secondhand smoke; and

WHEREAS, approximately half of Alaska's population is not protected by a smoke free workplace law; and

WHEREAS, among those who work primarily indoors, young adults aged 18 to 29 are significantly less likely to be protected by a smoke free indoor workplace policy than other Alaska adults; and

WHEREAS, research in communities where smoke free laws have been adopted has consistently shown neutral or positive economic effects to the hospitality industry following a smoke free workplace requirement; and

WHEREAS, smoke free workplace laws protect people from secondhand smoke, reduce tobacco use overall and reduce health care costs; and

WHEREAS, all Alaskans have the right to breathe smoke free air; and

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Kodiak, Alaska, supports a law in Alaska to make all workplaces 100% smoke free to protect the health and safety of all workers and visitors from the dangers of secondhand smoke.

CITY OF KODIAK

MAYOR

ATTEST:


CITY CLERK

Adopted:

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MEMORANDUM TO COUNCIL

To: Mayor Branson and City Councilmembers

From: Mike Tvenge, City Manager 

Thru: Kelly Mayes, Finance Director

Date: May 25, 2017

Agenda Item: V. d. Authorization of Professional Services Contract for Auditing Services

SUMMARY: Each year, the City Council retains a qualified professional audit firm to perform an independent audit of the City's financial records. The City Charter and the City Code require the Council to accept the Comprehensive Annual Financial Report at the completion of the audit. The City's request for these services is to award a three-year contract with the option to extend for two additional years.

As the current professional services contract for independent auditing services expired with the fiscal year 2016 audit, the Finance Director, City Manager, and City Clerk performed a search through a Request for Proposal for Auditing Services for fiscal years ending 2017, 2018, and 2019 with an option to extend the contract for 2020 and 2021.

PREVIOUS COUNCIL ACTION: BDO, Inc., formerly Mikunda Cottrell & Co. has been awarded the City's audit from 2003-2016, with the most recent award for the fiscal year 2016 annual independent audit.

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

The Request for Proposal for Auditing Services was released to the public on March 24, 2017. The deadline for response was May 1, 2017. The City received three proposals for auditing professional services. These responders included the following listed alphabetically:

1. Aldrich CPAs and Advisors, LLP
2. Altman, Rogers & Co.
3. BDO, Inc.

On May 8 all proposals were reviewed by the City Manager, City Clerk, and Finance Director. Each proposal was evaluated based on the City's qualifying criteria. The City Manager, City Clerk, and Finance Director went through each of the following phases of elimination.

Phase I Elimination –

Phase I determined whether the City Manager, City Clerk, and Finance Director believed the RFP responder's proposal sufficiently met the Mandatory criteria and the Experience and Expertise criteria and could advance to the next level. Mandatory criteria and Experience and Expertise criteria listed in the RFP included: Is the audit firm an independent entity? Is the firm licensed to practice in the state of Alaska? Is the firm free of any conflicts of interest? Does the firm and engagement team meet the professional standards to perform government audits? Does the firm have appropriate past experience and performance on comparable government engagements?

One proposal was eliminated and two proposals advanced to Phase II Elimination.

Phase II Elimination –

The two remaining proposals were discussed by the City Manager, City Clerk, and Finance Director again. The group ranked the remaining categories of timely performance, firm interaction with management and staff, firm approach to client prepared financial statements, and fees for each of the two final proposers.

Staff Recommendation: Altman, Rogers & Co.

Altman, Rogers, & Co. has an extensive background with state and local government, and with Alaska municipalities. The individuals listed to review the City's account are also highly trained and have the appropriate qualifications and background.

ALTERNATIVES:

- 1) Authorize the professional services contract for audit services with Altman, Rogers & Co.
- 2) Reject all proposals and perform another search for RFP. The City Staff does not agree with this alternative.

FINANCIAL IMPLICATIONS:

Auditing fees outlined in the proposal are as follows for the next three fiscal years: FY 2017 - \$69,300; FY 2018 - \$70,925; FY 2019 - \$73,020. Based on the City's size and complexity, staff believes that these fees are reasonable to perform a thorough, independent audit for the City of Kodiak.

LEGAL: The city followed Kodiak city code section 3.12.040 Advertising for Bids.

STAFF RECOMMENDATION: After thorough review and discussions of the committee, it is our recommendation that Council authorize the professional services agreement for audit services with Altman, Rogers & Co. with an office in Anchorage Alaska.

CITY MANAGER'S COMMENTS: The City is required to conduct a financial audit as a condition of Federal and State grant funding received. Also pursuant to Section V, Chapter 21 of the City Charter, this is also a requirement. Communities often rotate audit firms in an effort to provide transparency and clarity of its use of public funding. For this and other reasons aforementioned, I support the authorization of this audit service contract with Altman, Rogers & Co.

ATTACHMENTS:

Attachment A: Altman, Rogers & Co. Engagement Letter

PROPOSED MOTION:

Move to authorize a three-year professional services contract, with an option to extend for an additional two years, with Altman Rogers & Co to perform an annual independent audit in the amount of \$69,300 for FY2017, \$70,925 for FY2018, and \$73,020 for FY2019 with funds from the Finance Administration Professional Services account.



May 10, 2017

Kelly M. Mayes, Finance Director
City of Kodiak
710 Mill Bay Road
Kodiak, Alaska 99615

Dear Ms. Mayes,

Enclosed is the engagement letter to provide audit services for the year ended June 30, 2017. We will address our engagement letter to the Audit Committee or Mayor; however, they may authorize anyone to sign this contract.

After this engagement letter is signed and returned please either call or email me at grantt@altrogco.com with your preferences for fieldwork dates. Please feel free to contact me with any questions at (907) 274-2992.

Sincerely,

ALTMAN, ROGERS & CO.

A handwritten signature in black ink that reads "Grant R. Todd".

Grant Todd, CPA
Principal

Enclosures

May 10, 2017

City of Kodiak
710 Mill Bay Road
Kodiak, AK 99615

Dear Audit Committee or Mayor,

We are pleased to confirm our understanding of the services we are to provide City of Kodiak for the year ended June 30, 2017. 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 as of and for the year ended June 30, 2017. 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), budgetary comparison information, and the schedule of the City's share of net pension liability and contributions, to supplement City of Kodiak's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to City of Kodiak's RSI in accordance with auditing standards generally accepted in the United States of America. 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 obtained 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 by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Share of Net Pension Liabilities and Contributions for PERS

We have also been engaged to report on supplementary information other than RSI that accompanies City of Kodiak's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

- 1) Schedule of expenditures of federal awards
- 2) State schedule of financial assistance
- 3) Additional supplementary information.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your 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 second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Alaska Audit Guide and Compliance Supplement State Single Audit*, and *Audits of States, Local Governments, and Non-Profit Organizations*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit* reports on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the governing board of City of Kodiak. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from: (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; schedule of state financial assistance; federal and state award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Kodiak's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit* requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of City of Kodiak's major programs. The purpose of these procedures will be to express an opinion on the City's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*.

Other Services

If requested, we will also assist in preparing the financial statements, Federal Data Collection form, schedule of expenditures of federal awards, schedule of state financial assistance and related notes of City of Kodiak in conformity with U.S. generally accepted accounting principles and the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit* based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, Federal Data Collection form, schedule of expenditures of federal awards, schedule of state financial assistance, and related notes previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for: (1) establishing and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, Federal Data Collection form, schedule of expenditures of federal awards, schedule of state financial assistance and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations (including federal and state statutes) and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with: (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*, (3) additional information that we may request for the purpose of the audit, and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements as a whole.

You are 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 government involving: (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance and *State of Alaska Audit Guide and Compliance Supplement State Single Audit*, it is management's responsibility to evaluate and monitor noncompliance with federal and state statutes, regulations, and the terms and conditions of federal and state awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review on or before the start of fieldwork.

You are responsible for identifying all federal and state awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that: (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that: (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying 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.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, schedule of state financial assistance, and related notes, and any other nonaudit services we provide, if requested. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, schedule of state financial assistance, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, schedule of state financial assistance, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, schedule of expenditures of federal awards and state schedule of financial assistance, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.

We will provide copies of our reports to the City of Kodiak; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Altman, Rogers & Co. and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to Cognizant Agency or Oversight Agency for Audit or its designee, a federal 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 audit documentation will be provided under the supervision of Altman, Rogers & Co. personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the Cognizant Agency, Oversight Agency for Audit, or Pass-through Entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit in July 2017 and to issue our reports no later than December 15, 2017. Grant Todd is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

The estimated fee for our services will be \$69,300 including out-of-pocket costs. This fee is based on two federal and two state programs selected as major programs for compliance purposes. Each additional compliance program will increase the fee by \$1,000. Assistance with CAFR preparation will be billed at \$170 per hour. This estimate is based on anticipated cooperation from your personnel, your preparation of the financial statements, the assumption that unexpected circumstances will not be encountered and that significant deficiencies and/or material weaknesses will not be discussed during the audit. Additionally, if significant deficiencies of material weaknesses are found, our fees developing and writing deficiencies are estimated between \$500 and \$1,000 for each. If significant additional time is necessary, we will discuss it with you and arrive at a new fee before we incur the additional costs. Preparation of the Data Collection for the Federal Audit Clearinghouse is included in this fee.

Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to City of Kodiak and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

ALTMAN, ROGERS & CO.



Grant Todd, CPA
Principal

RESPONSE:

This letter correctly sets forth the understanding of City of Kodiak for estimated audit fees of \$69,300 including out-of-pocket costs for the year ended June 30, 2017.

Officer Signature: _____

Title: _____

Date: _____

System Review Report

To the Shareholders of
Altman Rodgers & Co.
and the California Society of CPAs Administering Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Altman Rogers & Co. (the firm) in effect for the year ended December 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 audit engagements performed in accordance with *Government Auditing Standards* and OMB Circular A-133 and employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Altman Rogers & Co., in effect for the year ended December 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*. Altman Rogers & Co., has received a peer review rating of *pass*.

Anderson Zurmuehlen & Co., P.C.

Butte, Montana
May 6, 2016