



City Manager
334 Front Street
Ketchikan, AK 99901

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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting City Manager

DATE: October 27, 2021

RE: **Resolution No. 21-2827, Amending the 2021 General Government Operating and Capital Budget to Provide a Supplemental Appropriation for the Port Department in the amount of \$4,723,868 and the Public Health Department in the amount of \$180,000; and Establishing an Effective Date**

The motion detailed below was prepared at the request of Finance Director Michelle Johansen, who asked that it be placed before the City Council for consideration at its meeting of November 4, 2021. If adopted, Resolution No. 21-2827 amends the 2021 General Government Operating and Capital Budget by providing a supplemental appropriation to the Port Department in the amount of \$4,723,868 and to the Public Health Department in the amount of \$180,000. An explanation for the supplemental appropriation is detailed in Ms. Johansen's memorandum and requires some elaboration on the part of the City Manager's Office.

As explained in the Finance Director's transmittal memorandum, the specified \$180,000 supplemental appropriation to the Public Health Department corrects the amount listed in Resolution No. 21-2820 amending the Public Health 2021 budget to reflect the Ketchikan Medical Center roof replacement project, approved by the City Council at the September 16, 2021 meeting.

As the City Council is well aware, the absent 2020 and reduced 2021 cruise seasons have greatly impacted the financial stability of the Port Fund. Lacking the passenger and vessel revenues necessary to sustain 2021 and 2022 operational expenses, including debt service for Berth III (\$2,207,875) and the Berth IV lease payment (\$1,800,000), Port Fund reserves have been depleted. In order to support Port operational expenditures until appreciable revenues are realized in mid-2022, it is crucial that the available Norwegian Cruise Lines donation of \$2,000,000 and the Commercial Passenger Vessel Excise Tax – American Rescue Plan Act funds of \$2,723,867 be applied to the Port Fund. Staff has examined the situation and believes utilizing these two outside funding sources are the only immediate means available to sustain the Port Fund into mid-2022.

I concur with the Finance Director's recommendation.

Prior to consideration of Resolution No. 21-2827, a public hearing is required. The City Clerk's Office has scheduled such a public hearing for the beginning of the City Council meeting of November 4, 2021. Following the public hearing, the City Council may consider the resolution.

The Finance Director will be attending the City Council meeting of November 4, 2021, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended that the City Council adopt the motion approving Resolution No. 21-2827 amending the 2021 General Government Operating and Capital Budget to provide a supplemental appropriation for the Port Department in the amount of \$4,723,868 and the Public Health Department in the amount of \$180,000; and establishing an effective date.

Recommended Motion: I move the City Council approve Resolution No. 21-2827 amending the 2021 General Government Operating and Capital Budget to provide a supplemental appropriation for the Port Department in the amount of \$4,723,868 and the Public Health Department in the amount of \$180,000; and establishing an effective date.

MEMORANDUM
CITY OF KETCHIKAN, ALASKA
Finance Department
Office of the Finance Director

Michelle Johansen, Finance Director
Camille Nelson, Financial Analyst
Phone: (907) 228-5621
Facsimile: (907) 228-5617

To: Lacey G. Simpson, Acting City Manager/KPU General Manager

From: Michelle Johansen, Finance Director

Date: October 25, 2021

Subject: **Resolution No. 21-2827, Amending the 2021 General Government Operating and Capital Budget to Provide a Supplemental Appropriation for the Port Department in the amount of \$4,723,868 and the Public Health Department in the amount of \$180,000; and Establishing an Effective Date**

Attached is Resolution No. 21-2827 that has been prepared for the purpose of amending the 2021 General Government Operating and Capital Budget to provide a supplemental appropriation for the Port Department and the Public Health Department.

In May of 2021, Norwegian Cruise Lines donated \$10 million to six southeast ports. The City received \$2,000,000 to use as the City Council determines necessary. As we near the end of a second cruise season with little relief for revenue replacement and a Port Fund that has depleted its reserves, serious consideration should be given to utilizing the \$2,000,000 to pay debt service costs in the amount of \$1,654,875 and other operating costs of the Port Fund.

On August 2, 2021 the City received Commercial Passenger Vessel Excise Tax- American Recovery Plan Act (CPV-ARPA) Funds in the amount of \$2,723,867.50. Per the eligible uses under Section II C of the Interim Final Rule – Revenue Loss “Recipients may use payments from Fiscal recovery Funds for the provision of government service to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency.” The City’s Port Fund recognized \$10,682,037 and \$82,144 in revenues in 2019 and 2020 respectively. The expected 2021 revenues of the Port Fund are approximately \$1.35 million compared to the expected costs of \$6.5 to \$6.9 million. As previously mentioned, the Port Fund has depleted its reserves. These funds can be used to replace the revenue loss from 2020 and 2021 and keep the Port Fund solvent until the start of the 2022 cruise ship season.

The first ship is expected dock at the Ketchikan Port on April 29, 2022 which means we need to have sufficient funds in reserves to pay the operations costs of the port while we wait for services to be billed and payments to be collected. Based on our current estimates, the Norwegian Cruise Line and CPV-ARPA funds would be sufficient to carry us through the first five months of 2022.

At its meeting of September 16, 2021, the City Council amended the Public Health’s 2021 budget to provide an appropriation in the amount of \$2,461,000 for the Ketchikan General Hospital roof replacement project. The amount referenced in resolution 21-2820 was underreported by \$180,000 and is need of correction. As a result, the 2021 General Government Operating and Capital Budget will need to be amended.

I recommend that the City Council pass Resolution No. 21-2827 amending the 2021 General Government Operating and Capital Budget to provide a supplemental appropriation for the Port and Public Health Department. As required by the Ketchikan Municipal Code, a public hearing for the budget amendment must be held. The City Clerk, Kim Stanker, has been requested to schedule a public hearing for November 4, 2021 and to provide for the proper public notice of such hearing.

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Recommended Motion:

I move that the City Council pass Resolution No. 21-2827, amending the 2021 General Government Operating and Capital Budget to provide a supplemental appropriation for the Port Department in the amount of \$4,723,868; the Public Health Department in the amount of \$180,000; and establishing an effective date.

CITY OF KETCHIKAN, ALASKA

RESOLUTION NO. 21-2827

A RESOLUTION OF THE CITY OF KETCHIKAN, ALASKA AMENDING THE 2021 GENERAL GOVERNMENT OPERATING AND CAPITAL BUDGET TO PROVIDE A SUPPLEMENTAL APPROPRIATION FOR THE PORT DEPARTMENT IN THE AMOUNT OF \$4,723,868; AND THE PUBLIC HEALTH DEPARTMENT IN THE AMOUNT OF \$180,000; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the City of Ketchikan, Alaska General Government Operating and Capital Budget and appropriations for the year 2021 were adopted by the City Council with the passage of Resolution No. 20-2796; and

WHEREAS, funds in the amount of \$2,000,000 is available in 2021 from private funding contribution from Norwegian Cruise Lines for the City of Ketchikan, and the Council of the City of Ketchikan desires to accept these funds to pay debt service on bonded cruise port dock improvements and other costs of the port.

WHEREAS, funds in the amount of \$2,723,868 is available in 2021 from the Department of Commerce, Community and Economic Development – Coronavirus Local Fiscal Recovery Funds awarded through the Commercial Passenger Vessel Tax Fund to offset revenue loss as a result of the coronavirus pandemic, and the Council of the City of Ketchikan desires to use these funds to replenish a portion of the port reserves as result of revenue loss from 2020 and 2021.

WHEREAS, funds in the amount of \$180,000 is available in 2021 from Peacehealth as a contribution to fund the Ketchikan Medical Center roof replacement project and the Council of the City of Ketchikan desires to accept the funds for the Ketchikan Medical Center roof replacement.

THEREFORE, BE IT RESOLVED by the Council of the City of Ketchikan, Alaska as follows:

Section 1: The 2021 revenues and appropriations of the Port fund are hereby amended as follows:

<i>Revenues:</i>	
<i>Private Contributions (510-4000-419.000)</i>	<i>\$2,000,000</i>
<i>Appropriated Reserves (510-999.000)</i>	<i>\$2,000,000</i>

Section 2: The 2021 revenues and appropriations of the Port fund are hereby amended as follows:

<i>Revenues:</i>	
<i>Federal Grant Funds (510-4000-418.101)</i>	<i>\$2,723,868</i>
<i>Appropriated Reserves (510-999.000)</i>	<i>\$2,723,868</i>

Section 3: The 2021 revenues and appropriations of the Hospital Construction fund are hereby amended as follows:

Revenues:

Private Contributions (340-419.500) *\$180,000*

Appropriations:

Ketchikan Medical Center Roof Replacement Capital Project *\$180,000*
(340-1320-190-705.00 – Project 1320 2021 001)

Section 4: This resolution shall become effective immediately upon passage.

PASSED AND APPROVED this 4th day of November, 2021.

David Kiffer, Mayor

ATTEST:

Kim Stanker, City Clerk

CONSENT AGENDA

Mayor Sivertsen suggested moving Resolution No. 21-2820 amending the 2021 General Government operating and capital budget to provide a supplemental appropriation to the Public Health Department and a budget transfer to the Streets Division infrastructure maintenance materials to the Consent Agenda; and no objections were heard.

Approval of Minutes – Regular City Council Meeting of September 2, 2021

Moved by Flora, seconded by Kiffer approval of the minutes from the regular City Council meeting of September 2, 2021.

Motion passed with Gass, Kiffer, Gage, Zenge, Bradberry, Flora and Bergeron voting yea.

Liquor License Transfer of Ownership Application – Good Fortune Restaurant

Moved by Flora, seconded by Kiffer the City Council approve the Transfer of Ownership application for License No. 3630 - Good Fortune Restaurant, #4 Creek Street, Ketchikan, AK 99901.

Motion passed with Gass, Kiffer, Gage, Zenge, Bradberry, Flora and Bergeron voting yea.

Standard Marijuana Cultivation Facility License Renewal – Rainforest Cannabis Cultivation

Moved by Flora, seconded by Kiffer the City Council approve the Standard Marijuana Cultivation Facility license renewal application for License No. 10095 – Rainforest Cannabis Cultivation, 4975 Rex Allen Drive, Ketchikan, AK 99901.

Motion passed with Gass, Kiffer, Gage, Zenge, Bradberry, Flora and Bergeron voting yea.

Resolution No. 21-2820 – Amending the 2021 General Government Operating and Capital Budget to Provide a Supplemental Appropriation for the Public Health Department in the Amount of \$2,461,000

Moved by Flora, seconded by Kiffer the City Council approve Resolution No. 21-2820 amending the 2021 General Government Operating and Capital Budget to provide a supplemental appropriation for the Public Health Department in the amount of \$2,461,000; and establishing an effective date.

Motion passed with Gass, Kiffer, Gage, Zenge, Bradberry, Flora and Bergeron voting yea.

Budget Transfer – Streets Division Infrastructure Maintenance Materials

Moved by Flora, seconded by Kiffer the City Council authorize the City Manager to transfer \$50,000 from the Streets Division’s 2021 Temporary Wages Account No. 502.01 to the Streets Division’s 2021 Infrastructure Maintenance Materials Account No. 515.05 to replenish sand and de-icer stocks for City road maintenance and safety.

Motion passed with Gass, Kiffer, Gage, Zenge, Bradberry, Flora and Bergeron voting yea.