



City Manager
334 Front Street
Ketchikan, AK 99901

Phone (907) 228-5603
Fax (907) 225-5075

TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting City Manager

DATE: May 11, 2022

RE: **Resolution No. 22-2850 - Levying A General Property Tax For Municipal Purposes Upon All Real And Business Personal Property In The City For The Year 2022; Providing For The Collection Of Taxes Due In 2022; Prescribing Penalties And Interest For Delinquent Taxes; And Establishing An Effective Date**

The attached resolution was prepared by Finance Director Michelle Johansen, who requested that it be placed before the City Council for consideration at its meeting of May 19, 2022. If adopted by the City Council, Resolution No. 22-2850 provides for increasing the 2022 mill levy to 7.1 mills. The rationale for adopting the 7.1 mill levy is detailed in Ms. Johansen's transmittal memorandum and requires little elaboration on the part of my office.

As the City Council is aware, the crafting and adoption of the 2022 General Government Operating and Capital Budgets were predicated upon increasing the property tax levy from 6.6 mills to 7.1 mills, or by 0.5 mills. Taking 2022 increased property values into consideration, this represents an increase of \$444,171 for the City's property tax derived revenues allocated to the General Fund. As Ms. Johansen points out in her memorandum, these revenues are used to support a variety of General Fund supported services, principally Police Department and Fire Department operations. Given that the City has seen a decrease of more than \$2.2 million to the General Fund in 2021 as a result of the continued pandemic, and reserves are expected to decrease an additional \$1.7 million in 2022 in response to the adopted budget, the proposed property tax mill rate increase is necessary.

Furthermore, this increase has been programmed for adoption since 2020 and has been deferred twice by the City Council in response to the pandemic. This increase was necessary over two years ago when the City Council adopted this strategy to finance the General Fund's proportional cost to implement the 2019 Compensation Plan update, which at that time had a value of \$910,911 for General Government. While Ketchikan's economy is rebounding with the resumption of cruise, the ever fluctuating vessel call schedule and reduced onboard capacities will likely result in less than projected sales tax revenues for the City in 2022 and the \$1.7 million deficit to the General Fund may increase. This will create additional challenges when developing a sound 2023 draft General Government spending plan for the City Council's consideration. Additionally, Ms. Johansen aptly states that the City is either currently or will soon begin negotiations with

three bargaining units representing General Government employees. Negotiations may result in budget implications in the way of wage improvements and retirement and medical benefits. Given the City's difficulty in attracting qualified candidates for vacant positions, competition from other employers both locally and nationally, and the absence of Cost of Living Allowances (COLAs) in 2021 and 2022, it is anticipated that these negotiations will result in some level of increased personnel expenses.

Simply put, if the City Council wishes to retain a qualified and appropriately compensated workforce to service the needs of the City and also position itself well for drafting the 2023 General Government Operating and Capital Budget, increasing revenue streams in 2022 via property tax is well beyond optional. A failure to do so yet again will trigger a very serious conversation with the City Council about resuming hiring freezes, furloughs and possible layoffs. I concur with the Finance Director's recommendation to increase the levy from 6.6 mills to 7.1 mills, or by 0.5 mills.

The Finance Director will attend the City Council meeting of May 19, 2022, in order to address any questions and/or concerns that Councilmembers may have.

Alternative motions have been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt Alternative Motion No. 2 approving Resolution No. 22-2850 levying a general property tax for municipal purposes upon all real and business personal property in the City for the year 2022; providing for the collection of taxes due in 2022; prescribing penalties and interest for delinquent taxes; and establishing an effective date.

Recommended Motion: I move the City Council approve Resolution No. 22-2850 levying a general property tax for municipal purposes upon all real and business personal property in the City for the year 2022; providing for the collection of taxes due in 2022; prescribing penalties and interest for delinquent taxes; and establishing an effective date.

AGENDA – 05/19/22 – GGNB5

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

Michelle L. 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 L. Johansen, Finance Director

Date: May 5, 2022

Subject: **Resolution No. 22-2850, Levying a General Property Tax for Municipal Purposes Upon all Real and Business Personal Property in the City for the Year 2022; Providing for the Collection of Taxes Due in 2022; Prescribing Penalties and Interest for Delinquent Taxes; and Establishing an Effective Date**

The Ketchikan Gateway Borough Assessor has determined that the value of all taxable real and business personal property located in the City as of January 1, 2022 is \$888,342,378. This is an increase of \$19,460,578, or 2.2%, over last year's certified taxable assessment roll of \$868,881,800. On May 2, 2022, the Ketchikan Gateway Borough Board of Equalization approved the 2022 Real Property and Business Property Certified Report as prepared by the Borough Assessor. A copy of the 2022 Real Property and Business Property Certified Report is enclosed for your review.

Currently, the average assessed value of a single family residence located in the City is about \$254,300. There are about 1,142 single family residences located within City limits. A mill rate increase of .1 or a tenth of a mill will increase property taxes \$10 per \$100,000 or \$25 for a home valued at \$250,000 and \$40 for a home valued at \$400,000. Under the proposed mill rate of 7.1, property taxes on the average residence would be \$1,806, an increase of \$128, annually.

There are two components that affect the property tax revenues generated on an annual basis. The first component is property values which is provided in the table below and compares the assessment roll for 2022 with 2021.

	2022	2021	Increase (Decrease)
Certified Taxable Assessment Roll:			
Real Property	\$831,965,500	\$810,586,100	\$21,379,400
Business Personal Property	56,376,878	58,295,700	(1,918,822)
Total Certified Taxable Assessment Roll	888,342,378	868,881,800	19,460,578
Mandatory Exemptions:			
Senior Citizen	77,873,100	77,908,400	(35,300)
Veterans	1,694,400	1,541,700	152,700
Total Mandatory Exemptions	79,567,500	79,450,100	117,400
Total Property Value	\$ 967,909,878	\$ 948,331,900	\$ 19,577,978

The second component is the mill rate. The combination of the value of the taxable assessment roll and the mill rate established by the City Council determine the amount of property tax revenues the City will collect from property owners. With the adoption of the 2022 Budget, the City projected a taxable assessment roll of \$878,608,833, a mill rate of 7.1 and property tax revenues of \$6,238,123. The table below compares actual property tax revenues with budgeted property tax revenues calculated during budget deliberations.

	<u>2022 Actual</u>	<u>2022 Projected</u>	Increase (Decrease)
Real Property	\$831,965,500	\$820,313,133	\$11,652,367
Business Personal Property	56,376,878	58,295,700	(1,918,822)
Total Assessment Roll	<u>\$ 888,342,378</u>	<u>\$ 878,608,833</u>	<u>\$ 9,733,545</u>
Property Tax Revenue	<u>\$ 6,307,231</u>	<u>\$ 6,238,123</u>	<u>\$ 69,108</u>

As you may recall in 2019, the Council approved a compensation plan that increased the cost of personnel services. During the 2020 budget deliberation process the Council also approved a budget that included 0.5 mill rate increase that would have generated approximately \$470,604 in additional property tax revenue in 2020 and 2021 had it been implemented. The Council elected to delay a 0.5 mill rate increase in 2020 and 2021 due to the effects of the COVID-19 pandemic.

The 2022 General Government Operating and Capital Budget for Property Tax Revenues reflects a mill rate increase of 0.5 mills. Per the certified roll the City should receive \$6,307,231 in property tax revenues in 2022, an increase of \$69,108 over the amount proposed in the budget for 2022. While this is an increase over the proposed 2022 budget the change is not significant enough to warrant a change in the proposed 0.5 mill rate increase. The Council should also consider the following:

- During the 2020 budget deliberations, the Council proposed the property tax mill rate increase during the same year the City was expected reach a record high sales tax revenue. The mill rate increase and projected sales tax increase combined was expected to cover the increase in wages approved in the compensation plan approved in 2019.
- The General Fund reserves decreased \$2,275,388 from January of 2021 to January of 2022 and is expected to decrease an additional \$1.7 million in 2022 despite the proposed mill rate increase of 0.5 mills.
- The 2022 Sales Tax Revenue projections were based on higher cruise ship occupancy than we are currently seeing. While the industry is expecting the occupancy numbers to increase we know that there have already been some changes to port visits and shortened port of call times that can further reduce the revenues projected in the 2022 General Government Operating Budget.
- The cost of freight and fuel continue to increase.
- City IBEW bargaining unit is currently in negotiations which could result in an increase in wages and or benefits.

- The PSEA and IAFF bargaining units are also due to negotiate for the contract year beginning July 1, 2022.
- In an effort to keep our workforce strong the Council should be aware that the Ketchikan Gateway Borough is proposing a 3% COLA for their employees beginning July 1, 2022. The Borough also pays the full premium for its employee health insurance plan. The City has a co-pay requirement ranging from \$145.51 to \$605.58 per month resulting in a lower wage when comparing City positions to similar positions at the Borough.
- The City's health insurance cost for non-represented personnel is increasing 9.3% starting July 1, 2022.

The property tax revenues help pay for the cost of general fund services. The 2022 budget proposed the use of property tax revenues to pay for approximately one third or \$1.67 million of fire operations and two thirds or \$3.9 million of police operations. The schedule below compares the proceeds budgeted by expected use and the General Fund's share of sales tax revenues from 2019 through 2022. The property tax and sales tax revenues pay for more than half of the General Fund costs and needs to keep up with the cost of providing general services. The schedule below shows the increase in personnel services costs compared to the property tax and sales revenues during the same time period.

	2019	2020	2021	2022
Property Tax Use	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
Fire Operations	\$1,360,282	\$1,396,332	\$1,809,464	\$1,667,520
Police Operations	3,241,722	3,917,242	4,020,105	3,912,104
General Fund Services	1,399,609	900,919	312,246	658,499
Total Budgeted Property Tax Revenue	<u>\$ 6,001,613</u>	<u>\$ 6,214,493</u>	<u>\$6,141,815</u>	<u>\$ 6,238,123</u>
	2019	2020	2021	2022
Personnel Services	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
Fire Operations	\$3,025,542	\$3,531,714	\$3,287,398	\$1,667,520
Police Operations	4,697,692	5,426,732	5,425,899	5,376,901
All Other General Fund Services	9,768,685	10,337,425	10,228,784	12,035,701
Total Budgeted Personnel Services	<u>\$ 17,491,919</u>	<u>\$ 19,295,871</u>	<u>\$18,942,081</u>	<u>\$ 19,080,122</u>
Percent Paid by Property Tax	34.3%	32.2%	32.4%	32.7%
	2019	2020	2021	2022*
General Fund Sales Tax Revenues	<u>Budgeted</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>
Budgeted	4,764,000	5,193,043	4,181,000	4,325,000
Actual	4,805,541	3,216,758	3,860,811	952,972
Excess (Deficiency)	41,541	(1,976,285)	(320,189)	(3,372,028)

* 2022 Actual General Fund Sales tax Revenues are year-to-date

An increase of one mill raises \$888,342 in property tax revenues and a tenth of a mill raises \$88,834 in property tax revenues. Should the Council decide to increase the mill rate 0.5, as was budgeted in 2022, the City would generate approximately \$444,171 in

Lacey G. Simpson

May 5, 2022

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property tax revenues. Since a mill rate increase is reflected in the original budget and discussed during the 2022 budget deliberations Resolution 22-2850 has been prepared using a mill rate of 7.1. If the City Council desires a different mill rate it will be necessary to amend Resolution 22-2850 before June 15. Alaska Statutes 29.45.560 require that the property tax levy be set on or before June 15.

Recommended Motion:

I move that City Council approve Resolution No. 22-2850 levying a general property tax for municipal purposes upon all real and business personal property in the City for the year 2022; providing for the collection of taxes due in 2022; prescribing penalties and interest for delinquent taxes; and establishing an effective date.

RESOLUTION NO. 22-2850

A RESOLUTION OF THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA LEVYING A GENERAL PROPERTY TAX FOR MUNICIPAL PURPOSES UPON ALL REAL AND BUSINESS PERSONAL PROPERTY IN THE CITY FOR THE YEAR 2022; PROVIDING FOR THE COLLECTION OF TAXES DUE IN 2022; PRESCRIBING PENALTIES AND INTEREST FOR DELINQUENT TAXES; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, the Council of the City of Ketchikan exercises its power to levy and collect general property taxes as provided in Ketchikan Municipal Code Section 3.20.010; and

WHEREAS, Alaska Statute 29.45.240 requires that a municipality annually determine the rate of levy and the date when taxes become delinquent by resolution no later than June 15; and

WHEREAS, in accordance with AS 29.45.240, the Council now wishes to set the 2022 tax year rate of the levy and date when taxes become delinquent.

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

Section 1: There is hereby levied upon all taxable real and business personal property in the City of Ketchikan, Alaska, except such property as is exempt by law from taxation, a general property tax of 7.1 mills for municipal purposes for the year 2022 based upon the certified taxable assessment roll in the amount of \$888,342,378 or such amount as may hereafter be stated in any supplemental assessment roll by the Ketchikan Gateway Borough Assessor, provided the amount of taxes levied and collected on automobiles shall not exceed the limit established by law.

Section 2: The billing date for taxes levied pursuant to the provisions of this resolution shall be July 1, 2022. Those taxes shall become due on September 30, 2022 and shall be delinquent unless paid before 5:00 p.m. local time, September 30, 2022. Payments may be accepted based on a timely postmark only if the return receives a United States Postal Service cancellation on or before the due date.

Section 3: Taxes remaining unpaid after the delinquent date shall be collected and have penalties and interest added thereto in accordance with the law.

Section 4: This resolution is effective immediately upon passage and approval.

PASSED AND APPROVED THIS 19th day of May, 2022.

David Kiffer, Mayor

ATTEST:

Kim Stanker, City Clerk



2022 CERTIFIED ROLL REAL & BUSINESS PERSONAL PROPERTY



The Assessment Department is responsible for assessing approximately 6,896 taxable properties within the boundaries of the Ketchikan Gateway Borough. It also assesses approximately 646 accounts of personal property within the City of Ketchikan. The Department administers all State and Borough exemptions set forth in State Statutes and Borough Code. Further, the Department maintains property records, which includes information regarding ownership, address, assessed value, and legal property descriptions. This Certified Report is subject to minor revisions. Some changes in the Certified Report may occur as a result of updates, corrections and changes in exemption status. Any changes that occur are documented and available for review throughout the year.

REAL PROPERTY CERTIFIED REPORT:

Real Property Three Year Taxable Value History by Tax District Page 2
Land and Improvement Values by Tax District Page 3

REFERENCE INFORMATION:

Senior and Veteran Report Page 4
Senior and Veteran Exemption Amount and Count (Chart) Page 5
Historical Assessed Value Ratio & Top Ten Taxpayers (Chart) Page 6
Assessed Values for Borough & COK (Chart) Page 7

BUSINESS PERSONAL PROPERTY CERTIFIED REPORT:

Business Personal Property Three Year Taxable Value History by Tax District Page 8
Business Personal Taxable Value (Chart) Page 9



Adam Thompson

Adam Thompson, Director of Assessment

The Assessment Department's primary mission is to administer property assessments that are fair, uniform, and equitable.

CERTIFIED REPORT

REAL PROPERTY THREE YEAR TAXABLE VALUE HISTORY BY TAX DISTRICT

		CURRENT YEAR CHANGE	2022 CERTIFIED	2021 CERTIFIED	2020 CERTIFIED
CITY OF KETCHIKAN	Tax Area	2.6%	831,965,500	810,515,500	809,561,700
CITY OF KETCHIKAN	1	2.6%	831,965,500	810,515,500	809,561,700
CITY OF SAXMAN	Tax Area	3.5%	23,696,000	22,888,600	22,149,200
CITY OF SAXMAN	85	3.5%	23,696,000	22,888,600	22,149,200
SERVICE AREAS NORTH: Districts 31-36	Tax Area	4.6%	467,246,700	446,749,100	411,878,500
NORTH TONGASS FIRE/EMS (excl 33,36)	31	4.3%	446,940,400	428,624,400	395,661,100
WATERFALL AREA	33	8.2%	10,566,600	9,762,900	9,290,600
MUD BIGHT AREA	36	16.5%	9,739,700	8,361,800	6,926,800
SERVICE AREAS SOUTH: Districts 70-77	Tax Area	4.3%	227,964,700	218,553,700	212,073,700
SOUTH TONGASS FIRE (excl 71-77)	70	4.1%	163,359,800	157,001,000	152,896,500
FOREST PARK AREA	71	5.8%	36,821,100	34,789,400	34,470,300
GOLD NUGGET AREA	73	2.4%	10,186,400	9,951,000	9,791,900
GOLD NUGGET/HOMESTEAD AREA	74	0.0%	3,900	3,900	3,900
HOMESTEAD AREA	75	5.8%	14,051,000	13,282,400	11,433,900
OLD DAIRY AREA	76	0.5%	3,284,400	3,267,900	3,219,100
NICHOLS VIEW AREA	77	0.0%	258,100	258,100	258,100
SERVICE AREAS OUTLYING	Tax Area	0.2%	6,106,500	6,091,500	5,830,200
VALLENAR BAY AREA	58	0.0%	1,132,800	1,132,800	1,134,900
LORING AREA	65	0.0%	941,800	941,800	787,800
DEEP BAY AREA	67	0.0%	496,800	496,800	496,800
LONG ARM AREA	68	0.4%	3,535,100	3,520,100	3,410,700
REMAINDER OF BOROUGH	Tax Area	-1.4%	51,594,700	52,325,700	51,911,900
REMAINDER OF BOROUGH	30	-1.4%	51,594,700	52,325,700	51,911,900
NONAREAWIDE - 30 to 77		4.0%	752,912,600	723,720,000	681,694,300
BOROUGH TOTAL <i>Cities plus Nonareawide</i>		3.3%	1,608,574,100	1,557,124,100	1,513,405,200
	<i>Current year dollar change</i>		<i>\$51,450,000</i>		

CERTIFIED REPORT**LAND AND IMPROVEMENT VALUES BY TAX DISTRICT**

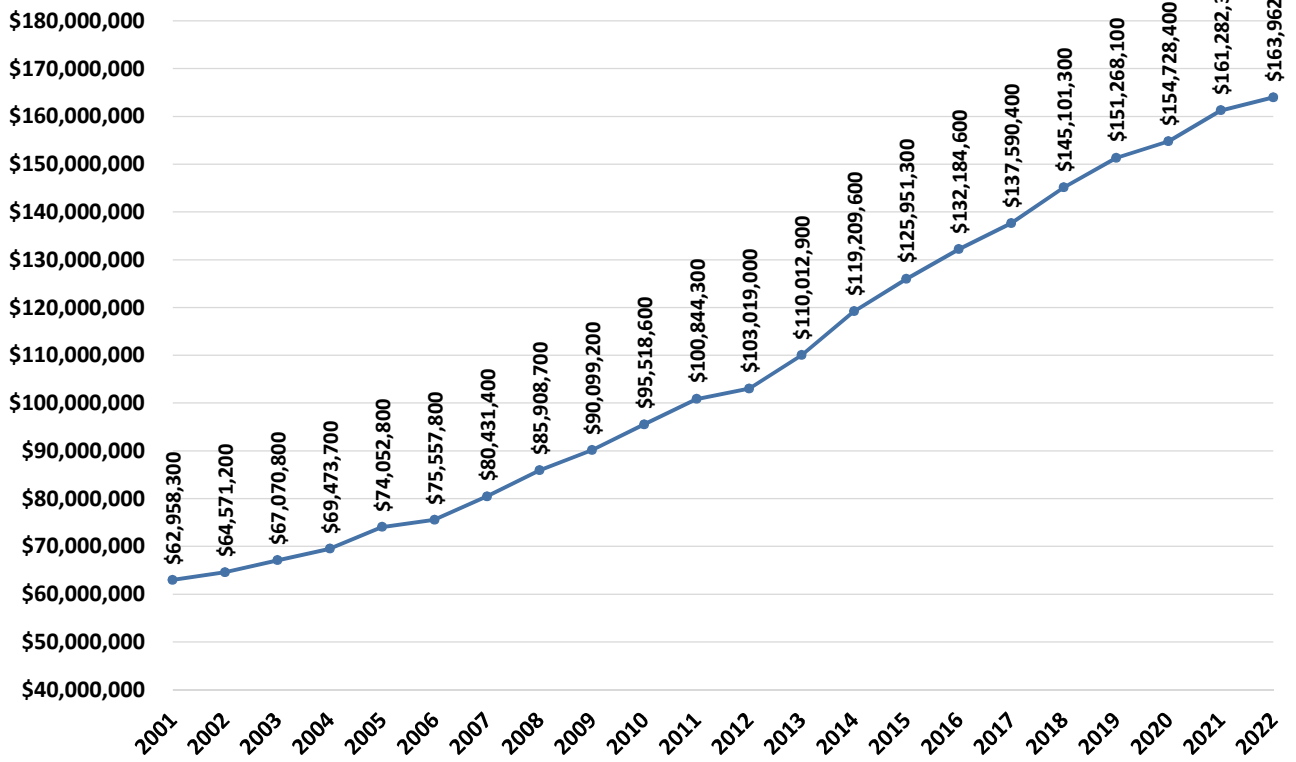
AREA	NO OF PARCELS ASSESSED	ACREAGE	LAND	BUILDING	TOTAL
CITY OF KETCHIKAN	3,161	2,753	257,987,200	573,978,300	831,965,500
1 CITY OF KETCHIKAN	3,161	1,214	257,987,200	573,978,300	831,965,500
CITY OF SAXMAN	140	625	8,050,800	15,645,200	23,696,000
85 CITY OF SAXMAN	140	54	8,050,800	15,645,200	23,696,000
SERVICE AREAS NORTH: Districts 31-36	1,793	4,727	153,355,500	313,891,200	467,246,700
31 NORTH TONGASS FIRE/EMS (excl 33,36)	1,639	1,721	147,225,300	299,715,100	446,940,400
33 WATERFALL AREA	45	55	3,075,600	7,491,000	10,566,600
36 MUD BIGHT AREA	109	64	3,054,600	6,685,100	9,739,700
SERVICE AREAS SOUTH: Districts 70-77	933	2,634	75,130,300	152,834,400	227,964,700
70 SOUTH TONGASS FIRE (excl 71-77)	669	602	56,507,700	106,852,100	163,359,800
71 FOREST PARK AREA	145	61	9,583,000	27,238,100	36,821,100
73 GOLD NUGGET AREA	28	23	2,538,600	7,647,800	10,186,400
74 GOLD NUGGET/HOMESTEAD AREA	1	0	3,900	0	3,900
75 HOMESTEAD AREA	43	57	4,573,700	9,477,300	14,051,000
76 OLD DAIRY AREA	13	11	1,665,300	1,619,100	3,284,400
77 NICHOLS VIEW AREA	34	22	258,100	0	258,100
SERVICE AREAS OUTLYING	161	452	4,170,500	1,936,000	6,106,500
58 VALLENAR BAY AREA	68	122	1,007,700	125,100	1,132,800
65 LORING AREA	18	7	409,700	532,100	941,800
67 DEEP BAY AREA	8	11	363,700	133,100	496,800
68 LONG ARM AREA	67	160	2,389,400	1,145,700	3,535,100
REMAINDER OF BOROUGH	708	3,053,823	25,935,000	25,659,700	51,594,700
30 REMAINDER OF BOROUGH	708	15,593	25,935,000	25,659,700	51,594,700
BOROUGH TOTALS	6,896	19,778	524,629,300	1,083,944,800	1,608,574,100

Personal property is exempted by Borough Code 4.45.11.080 (b)(3) is exempt from Borough taxation.
 Personal property taxed by the City of Ketchikan is on a separate assessment roll.

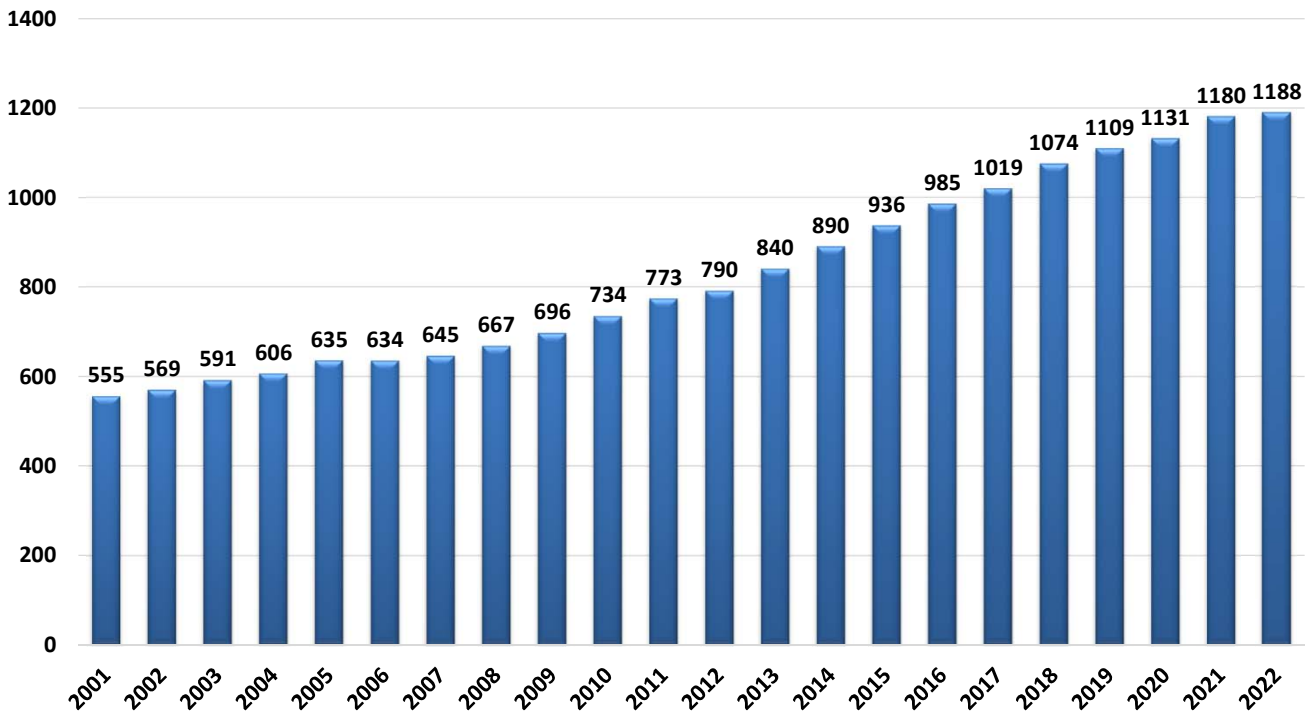
CERTIFIED REPORT**SENIOR AND VETERANS REPORT 2022**
(Mandatory Exemptions)

Area	SENIOR	Count	VETERAN	Count
CITY OF KETCHIKAN	77,873,100	586	1,694,400	12
1 CITY OF KETCHIKAN	77,873,100	586	1,694,400	12
CITY OF SAXMAN	4,909,000	34	150,000	1
85 CITY OF SAXMAN	4,909,000	34	150,000	1
SERVICE AREAS NORTH: Districts 31-36	45,916,200	321	2,700,000	18
31 NORTH TONGASS FIRE/EMS (excl 33,36)	44,266,200	310	2,550,000	17
33 WATERFALL AREA	600,000	4	150,000	1
36 MUD BIGHT AREA	1,050,000	7	0	
SERVICE AREAS SOUTH: Districts 70-77	25,579,400	176	900,000	6
70 SOUTH TONGASS FIRE (excl 71-77)	20,313,800	140	750,000	5
71 FOREST PARK AREA	4,065,600	28	150,000	1
73 GOLD NUGGET AREA	1,050,000	7	0	
74 GOLD NUGGET/HOMESTEAD AREA	0		0	
75 HOMESTEAD AREA	150,000	1	0	
76 OLD DAIRY AREA	0		0	
77 NICHOLS VIEW AREA	0		0	
SERVICE AREAS OUTLYING	150,500	2	0	
58 VALLENAR BAY AREA	84,300	1	0	
65 LORING AREA	66,200	1	0	
67 DEEP BAY AREA	0		0	
68 LONG ARM AREA	0		0	
REMAINDER OF BOROUGH	4,008,900	31	81,300	1
30 REMAINDER OF BOROUGH	4,008,900	31	81,300	1
TOTALS ALL AREAS	158,437,100	1,150	5,525,700	38

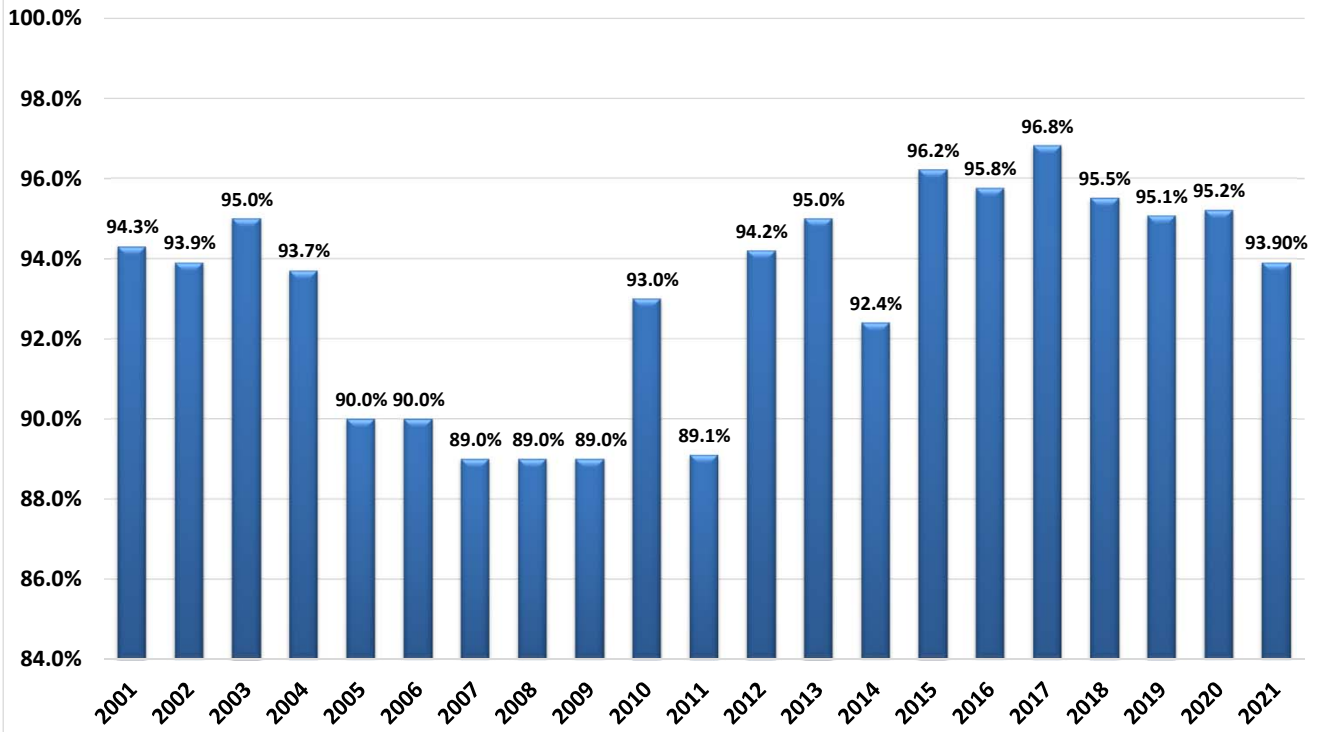
Total Senior and Veteran Exemption Amount



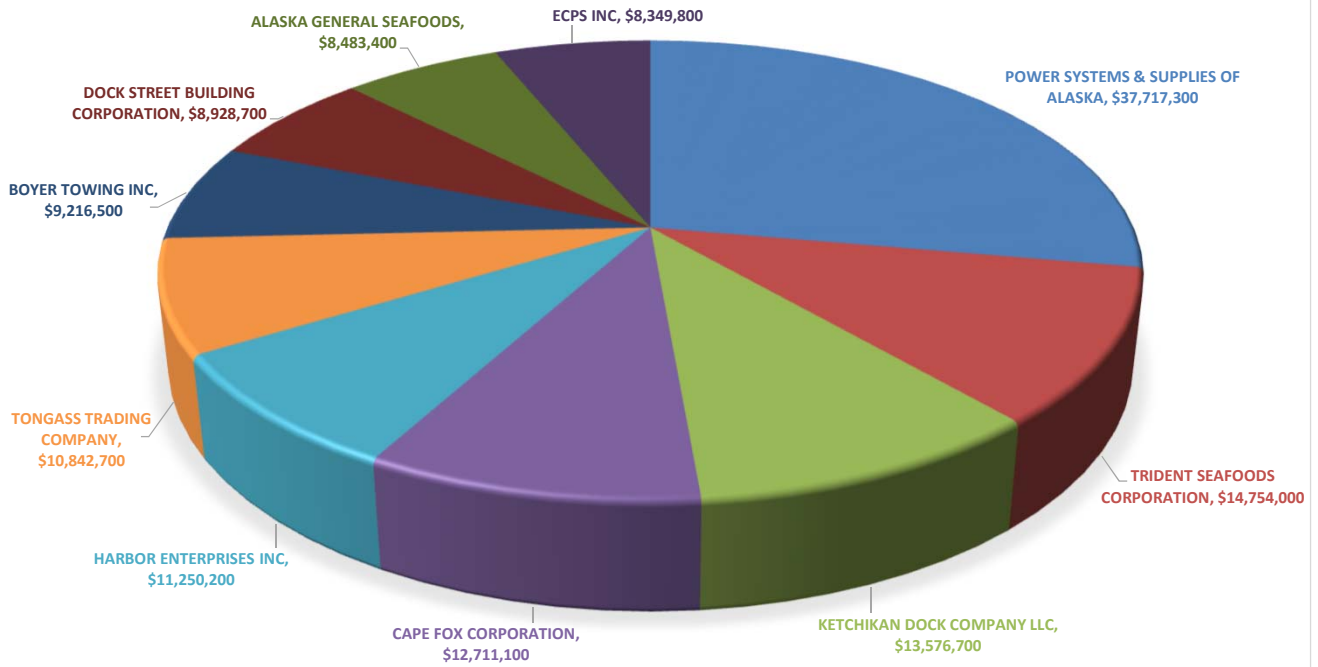
Senior and Veteran Exemption Count

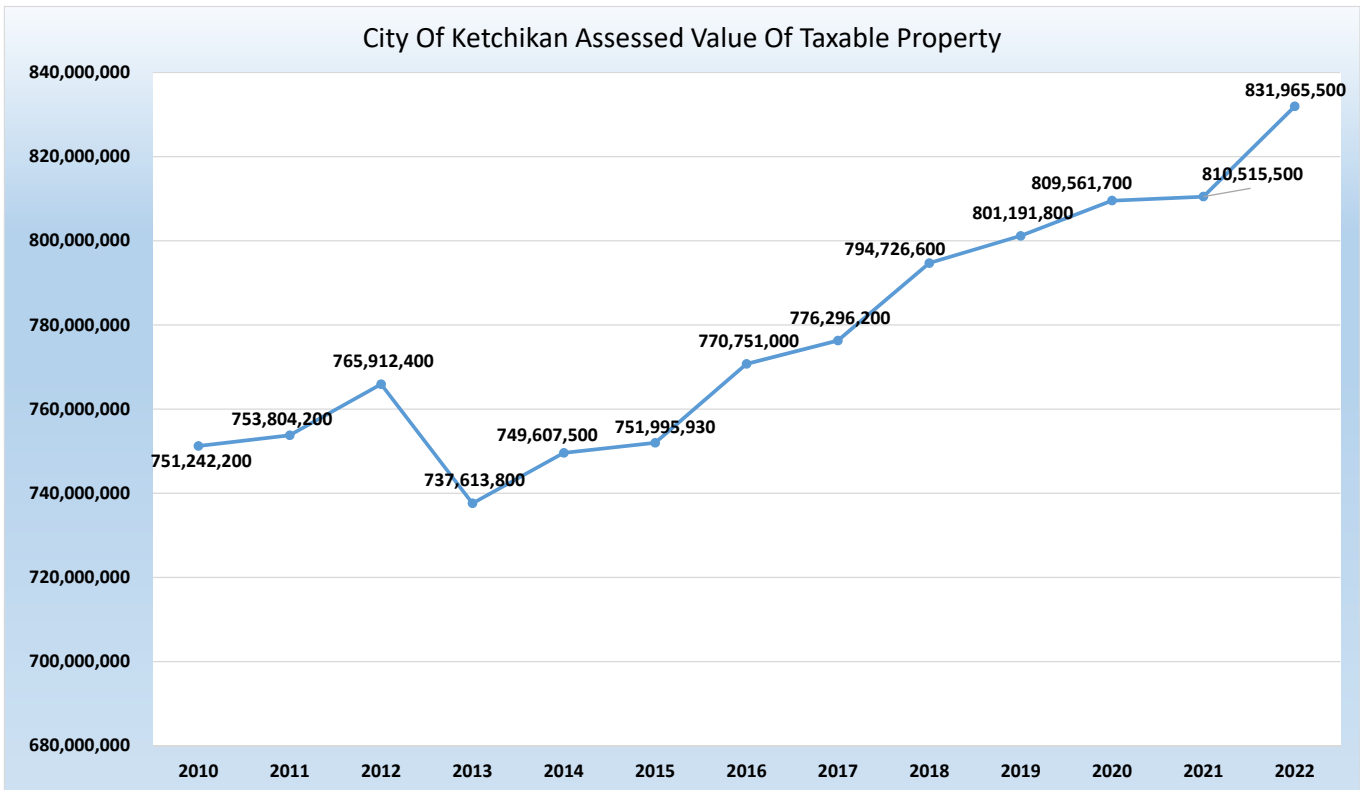
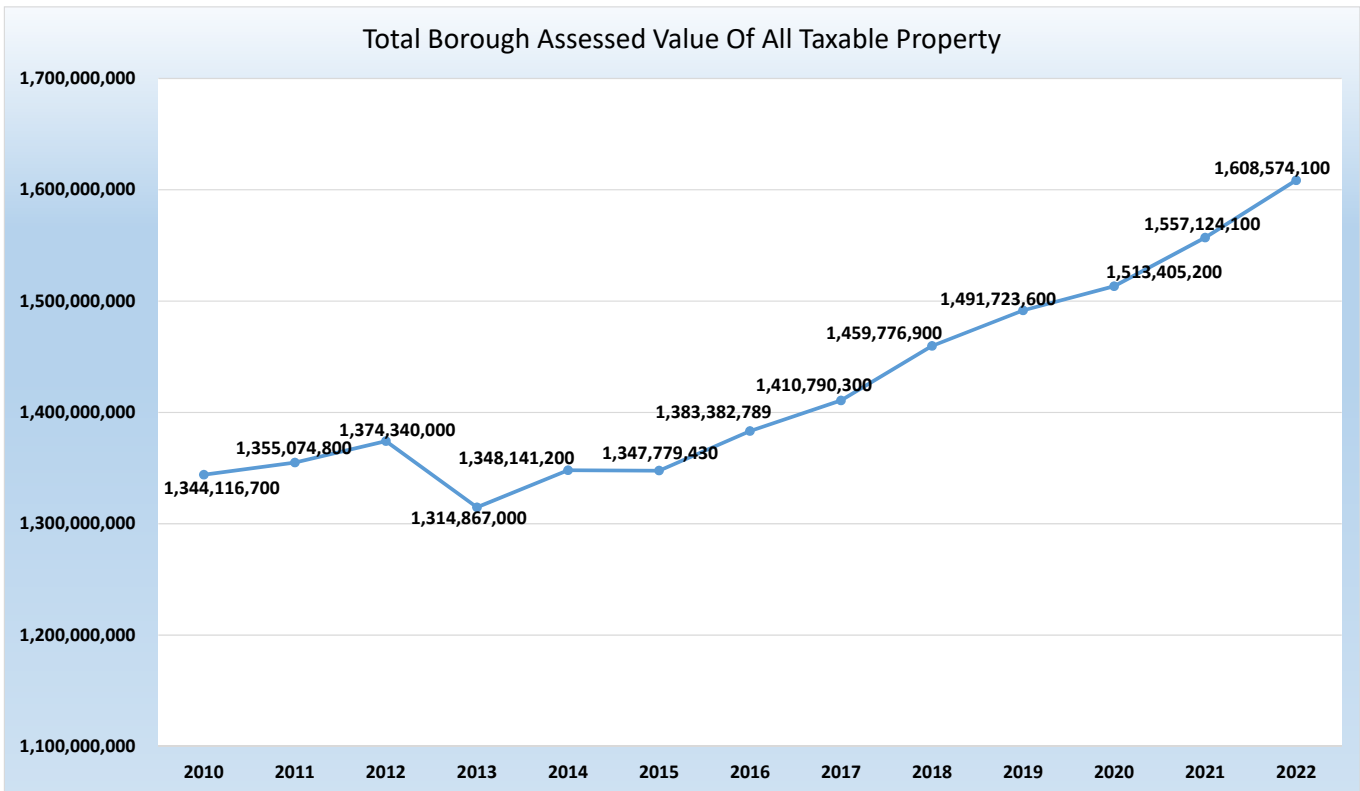


Historic A/S Ratios



Ketchikan Gateway Borough Top Ten Taxpayers





CERTIFIED REPORT

BUSINESS PERSONAL PROPERTY THREE YEAR TAXABLE VALUE HISTORY BY TAX DISTRICT

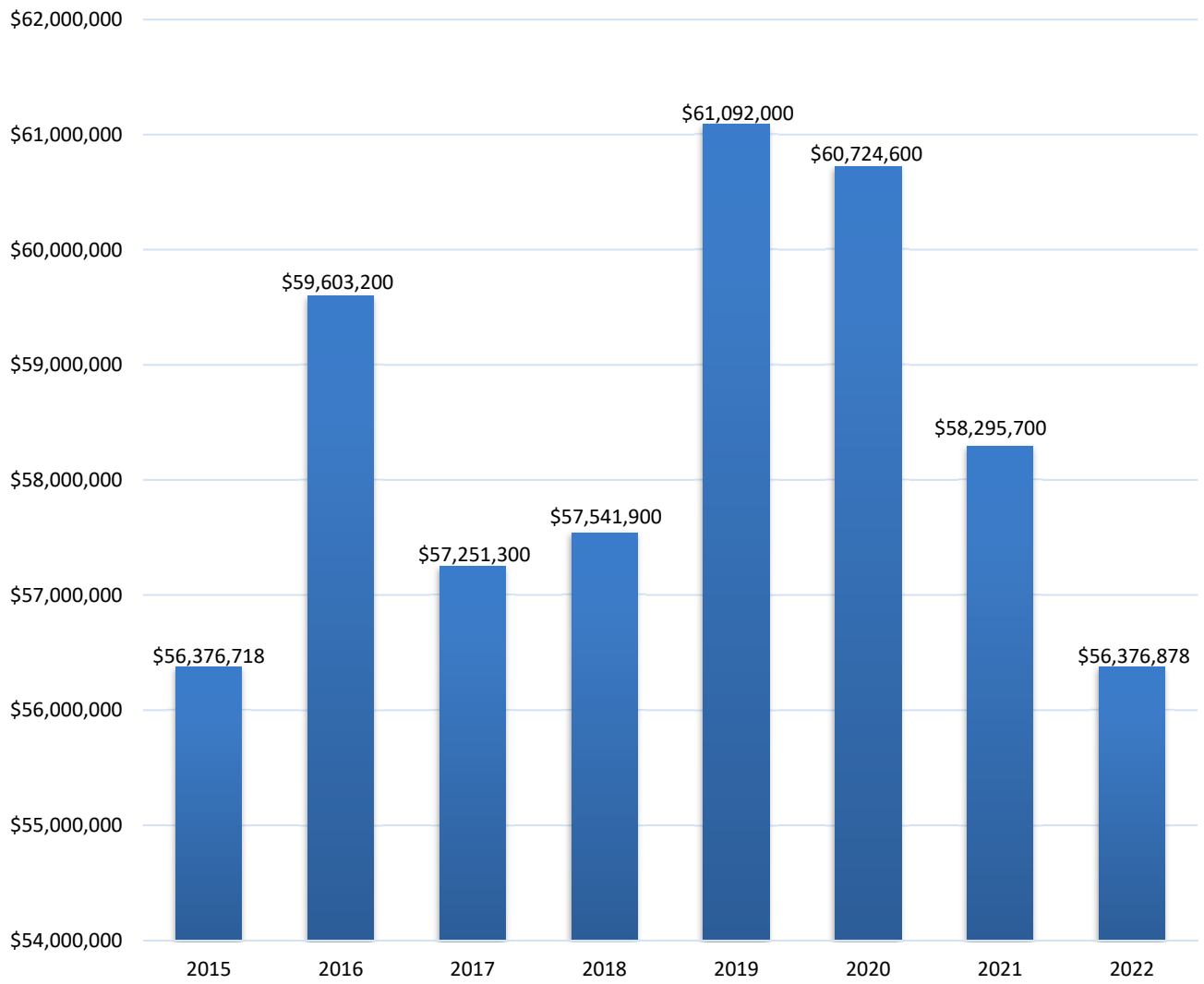
	CURRENT YEAR CHANGE	2022 CERTIFIED	2021 CERTIFIED	2020 CERTIFIED
CITY CITY OF KETCHIKAN	-3.3%	56,376,878	58,295,700	60,724,600
BOROUGH TOTALS <i>Cities plus Nonareawide</i>	-3.3%	56,376,878	58,295,700	60,724,600
<i>Current year dollar change</i>	<i>(\$1,918,822)</i>			

2022 BUSINESS/PERSONAL DETAIL: APR VALUE PERCENTAGES

PROPERTY CLASS	FURNISHINGS	MACH/EQUIPMENT	AIRCRAFT	OTHER
TOTAL VALUE	6,943,300	34,218,700	14,929,000	6,928,800
CLASS PERCENT	11.0%	54.3%	23.7%	11.0%
Total Value	63,019,800	646 accounts		
Exempt Total	6,642,922	639 accounts		
Taxable Total	56,376,878	177 accounts		

Note: The number of taxable accounts can include those with the \$25,000 exemption.

Business Personal Taxable Value



June 3, 2021

Exempting the Procurement of Annual Colocation Services for the Telecommunications Division from the Competitive Bidding/Written Quotation Requirements of the Ketchikan Municipal Code – Lunavi, Inc. (Formerly Green House Data)

Moved by Flora, seconded by Bradberry pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, the City Council exempt the procurement of annual colocation services for the Telecommunications Division from the competitive bidding and written quotation requirements of the Ketchikan Municipal Code; authorize the General Manager to enter into an agreement for acquisition of such annual colocation services with Lunavi, Inc. (formerly Green House Data) in the amount of \$27,645; establish a five percent contingency in the amount of \$1,382, bringing the total procurement cost to \$29,027; and approve funding from the Telecommunications Division's 2021 Rents and Leases - Infrastructure Account No. 645.04.

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

Mayor Sivertsen said there are many reoccurring contract renewals on the agenda that are administrative in nature and the cost threshold for items to come before the Council should be reviewed and updated. He asked for a discussion item at an upcoming meeting to discuss this.

Councilmember Zenge said she would like to have that discussion. She stated if Councilmembers have concerns or questions the Manager can include a list of purchases as a Manager's report.

Mayor Sivertsen asked if staff could provide a simple list of some of those things, stating the majority of these items come from the Telecommunications Division.

UNFINISHED BUSINESS - None

NEW BUSINESS

Resolution No. 21-2807 – Levying A General Property Tax For Municipal Purposes Upon All Real And Business Personal Property In The City For The Year 2021; Providing For The Collection Of Taxes Due In 2021; Prescribing Penalties And Interest For Delinquent Taxes

Moved by Bradberry, seconded by Gass the City Council approve Resolution No. 21-2807 levying a general property tax for municipal purposes upon all real and business personal property in the City for the year 2021; providing for the collection of taxes due in 2021; prescribing penalties and interest for delinquent taxes; and establishing an effective date.

Councilmember Bradberry said when the Council raised disposal fees and utility fees it was said each time it was only a few dollars for each increase. She said we are adding this on during a time of crisis when many people are still out of work. She stated she would like to visit this again when our economy is doing better.

Councilmember Gass echoed comments made by Councilmember Bradberry. He said we keep increasing the prices and if there are shortfalls then we need to make it up. He stated he would like to discuss this at budget time to come up with ways to lower this. He said this will make it harder for people trying to buy homes and for renters, because landlords will pass on these increases to their tenants.

June 3, 2021

Councilmember Bergeron asked what the delinquency rates currently are on utilities.

Manager Amylon said a report was provided to Council at the beginning of the year that summarized those numbers. He indicated delinquency rates are up across the board.

Councilmember Bergeron stated that would show people are struggling to pay their utilities. He said assessment rates keep going up every year, therefore, tax bills go up as well. He informed he would support keeping the millage rate the same.

Councilmember Flora said he would support alternate motion No. 1 and comments made by other Councilmembers. He stated he requested an extensive report from staff with a detailed breakdown of the utility rates. He said when the budget is presented we need to come up with an actual plan versus just saying we will find the money somewhere as we cannot operate a budget under generalities.

Councilmember Gage said she has heard from people who are having a hard time paying their mortgage, rent or utilities. She stated she is disturbed to hear AML is raising their rates again. She said she would love to hear alternate suggestions from the community other than wind and solar power.

Mayor Sivertsen explained that property taxes support public safety not the utilities that are selling power, telephone services or water and sewer. He said for the City of Ketchikan, there is a revenue side and tax base side. He informed when we talk about the tax side this is for basic services that we provide like public safety and operations.

Manager Amylon stated he understands what the Council is saying and their rationale. He informed, in 2019 when the City had record revenues coming from the Port and sales tax the Council implemented a revised compensation plan, and to pay for that the Council agreed in the 2020 budget to raise the mill levy by half a mill. He said then we were hit by the pandemic he recommended at that time not to raise the mill levy in 2020. He clarified the assessed values in the City did not go up this year and we are going to take in less revenue than projected at the time the 2021 budget was adopted. He said the Council has to be very careful not to dig themselves into a hole because when we do return to full cruise, 25% will be heading outside of the City limits. He explained the only way to control the mill levy is on the expenditure side and you do not want to be in the position where you have to raise the mill levy by 7/10ths of a mill or a full mill. He indicated we are drawing down on reserves to fund where we are at right now. He said his job is to try and put things in perspective.

Mayor Sivertsen said looking forward, there is still the possibility of working with the State in regards to the American Rescue Plan (ARP) funds to help replace some lost revenues. He stated there might be some relief coming in regards to the Commercial Passenger Vessel (CPV) monies. He said the City has to look forward at the price of commodities to keep up with our infrastructure. He informed we are in a tough spot right now with the lack of cruise to businesses and families. He thanked the Council for their support of the community.

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

June 4, 2020

Manager Amylon informed he is working with three different groups of in house staff relative to CARES Act Relief funding, and improvements that need to be made at various facilities including the Port, noting the main focus will be 2021 but we will do what we can for 2020 given the lack of traffic. He said they will instruct the Port security and our Port employees relative to Personal Protection Equipment (PPE) and how we will have to interact with the ship's crew and passengers when the smaller vessel comes in. He informed relative to trying to instruct private business on proper procedures the Council will have to give staff direction if that is what you want to do. He explained that may cross a line that is not our function to do. He indicated we can give general guidelines to follow, but he didn't feel comfortable having to inspect businesses to make sure they are following the current mandates properly.

Councilmember Zenge said we don't do this for the planes that are coming in, why would we do it for the boats. She felt most business know and are doing a good job of distancing, wearing masks and making sure they have hand washing stations available. She didn't know if that was the Council's job to tell businesses what do that. She said from her perspective we hire professional people to do a professional job, but if she hears something different, it comes back to the Council to deal with it.

Port and Harbors Director Corporon informed the bathrooms are open on Berth III and they are sanitized and equipped with touchless faucets and paper towel dispensers. He said with a vessel this size we prefer to put them on Berth III.

Mayor Sivertsen informed the mandates the State has put out to all businesses that have been allowed to open are the same standards they will have to use in regards to the cruise ship passengers.

EOC Manger Hoage confirmed Mayor Sivertsen is correct, but the mandates come as health advisories and the content is still the same which include the CDC best practices and outlines what those businesses need to do. He said in answer to the question if we had a plan and if there was a standard set of criteria, we have a process where we can review those plans, as each one is specific to the different vessels and each operation to make sure it meets the needs. He indicated once the EOC reviews and approves, it is then forwarded to the Council for final approval.

Moved by Flora, seconded by Coose to instruct the city manager and the port & harbors director to reply to ACL to approve their visits to Ketchikan for the summer 2020.

Motion passed with Kiffer, Gage, Bergeron, Flora, Zenge and Coose voting yea; Chapel voting nay.

NEW BUSINESS

Resolution No. 20-2777 – Levying a General Property Tax for Municipal Purposes Upon All Real and Business Personal Property in the City for the Year 2020; Providing for the Collection of Taxes Due in 2020; Prescribing Penalties and Interest for Delinquent Taxes

Moved by Flora, seconded by Kiffer the City Council approve Resolution No. 20-2777 levying a general property tax for municipal purposes upon all real and business personal property in the City for the year 2020; providing for the collection of taxes due in 2020; prescribing penalties and interest for delinquent taxes; and establishing an effective date.

Motion passed with Zenge, Flora, Chapel, Bergeron, Coose, Kiffer and Gage voting yea.

UNFINISHED BUSINESS

Ordinance No. 20-1908 – Authorizing The Issuance of Ketchikan Public Utilities Revenue Bonds of the City; In one or More Series, In an Aggregate Principal Amount of Not to Exceed \$11,500,000 to Finance Costs of Designing, Constructing and Equipping a New Undersea Fiber Optic Cable Linking the Ketchikan Area with Prince Rupert, British Columbia; As Authorized by Resolution No. 19-2748 of the City Council and Ratified by the City’s Voters at the Election Held Therein on October 1, 2019; Authorizing the Pledge of Ketchikan Public Utilities Revenues to Pay Debt Service on the Bonds; Providing for the Date, Terms and Covenants of the Bonds; Authorizing the Sale of the Bonds to the Alaska Municipal Bond Bank on the Terms and Conditions Provided in this Ordinance – Second Reading

Copies of Ordinance No. 20-1908 were available upon request.

Moved by Flora, seconded by Gage the City Council approve in second reading Ordinance No. 20-1908 authorizing the issuance of Ketchikan Public Utilities revenue bonds of the City, in one or more series, in an aggregate principal amount of not to exceed \$11,500,000 to finance costs of designing, constructing and equipping a new undersea fiber optic cable linking the Ketchikan area with Prince Rupert, British Columbia, as authorized by Resolution No. 19-2748 of the City Council and ratified by the City’s voters at an election held therein of October 1, 2019; authorizing the pledge of Ketchikan Public Utilities revenues to pay debt service on the bonds; providing for the date, terms and covenants of the bonds; authorizing the sale of the bonds to the Alaska Municipal Bond Bank on the terms and conditions provided in this ordinance; and establishing an effective date.

Motion passed with Gage, Zenge, Chapel, Flora, Bergeron and Coose voting yea; Kiffer absent.

NEW BUSINESS

Maintaining the 2020 Millage Rate at 6.6 Mills

Moved by Coose, seconded by Zenge the City Council direct the city manager and finance director to take such measures as may be required to maintain the 2020 millage rate at 6.6 mills.

Manage Amylon stated it was pretty straight forward and we all know the fiscal implications the community is experiencing as a result of the COVID-19 pandemic. He said the budget staff prepared and the Council adopted for 2020 presumed this increase, but given the hardships that residents are currently under he felt it was the right thing to do.

Motion passed with Gage, Zenge, Chapel, Flora, Bergeron and Coose voting yea; Kiffer absent.

Discussion of Return of Seasonal Employees and Visitors from the Following Sectors and What Authority/Jurisdiction the City May Have – Councilmember Chapel

Councilmember Chapel started the discussion by saying the Council is in the situation where they need to make some hard decisions, or at the very least provide guidance for our community so they can plan and prepare accordingly.

November 26, 2019

Special City Council Budget meeting was called to order by Mayor Sivertsen at 6:05 p.m., November 26, 2019, with the following members present: Judy Zenge, Sam Bergeron, Dick Coose, Lew Williams III (via teleconference) and Janalee Gage. Councilmember Mark Flora and Councilmember David Kiffer were absent.

The Pledge of Allegiance was given by all persons in the Chambers.

Staff Present were Manager Amylon, Assistant Manager Simpson, City Attorney Seaver, Finance Director Newell, Information Technology Manager Thomas, Fire Chief Hoage, Police Chief White, Human Resources Manager Miller, Library Director Tully and City Clerk Stanker.

COMMUNICATIONS - None

PERSONS TO BE HEARD - None

NEW BUSINESS

Resolution No. 19-2756 - Adopting the Budget for the Year 2020, Appropriating from the General Government Funds for the Fiscal Year 2020

Moved by Zenge, seconded by Coose the City Council approve Resolution No. 19-2756 adopting the budget for the year 2020, appropriating from the General Government Funds for the Fiscal Year 2020, and establishing an effective date.

Transmittal Letter

Manager Amylon reported the proposed spending plan that is reflected in the 2020 draft General Government budget maintains a status quo spending plan. He said the salient issues are detailed in the transmittal letter. He said staff made certain assumptions that will either require Council concurrence or alternative direction. He said the proposed spending plan maintains current levels of service, with the exception of a few minor restructuring issues in the Police Department, current staffing levels are maintained. He indicated as a result of the extension of the current Collective Bargaining Agreements, a 2% cost of living adjustment for 2020 has been programmed for employees represented by I.B.E.W, the Ketchikan Professional Firefighters Association and the Public Safety Employees Association. He stated as authorized by Council at the November 25, 2019 regular meeting a 2% salary increase has been budgeted for non-represented employees. He informed a mill increase of .5 mills has been proposed increasing the mill levy from 6.6 to 7.1. He explained the increase is primarily driven by the implementation of the General Government and KPU Compensation Plan Update that was effective October 1, 2019. He went on to say while the General Funds has a program deficit of approximately two million dollars, as in previous years it is expected that the City will not expend all of its appropriations. He said staff believes that the year-end deficit of the General Fund will likely be in the range of about \$200,000, and the year-end Fund Balance will be approximately \$6.4 Million. He stated with the exception of the mill levy increase, no other taxes or fees have been proposed.

November 26, 2019

Manager Amylon said the transmittal letter outlines two or three areas of concern that staff has relative to fees the Council may want to consider for 2020 for action in 2021. He informed there are only two issues that need to be addressed relative to the General Government budget. He explained the first has to do with the Port, noting no major capital improvements have been programmed pending the responses to the City's Request for Proposal (RFP). He indicated last week mandatory conferences were held with the proposers, and said we should get responses in January that the Council will review and discuss. He said while staff didn't program any capital improvements the environment has changed now with Ward Cove moving forward. He said from his perspective the City has to up their game relative to the Port, and how visitors are integrated into the community. He informed there are a number of projects that have been proposed in the Tourism and the Economic Development budget, and he urged the Council to give those proposals serious consideration.

Manager Amylon went on to say given the health of General Government reserves the other issue the Council is going to want to discuss is whether the proposed mill rate increase has to go into effect this year. He said the Council implemented the General Government and KPU compensation plan update which added close to a \$1 million in expenses to both General Government and KPU. He stated in addition a 2% cost of living adjustment (COLA) adjustment for employees will go into effect January 1, 2020 and July 1, 2020. He said negotiations for new Collective Bargaining Agreements will start next year, and based on discussions held this year with at least one of the bargaining units it is very likely all the unions will be seeking further cost of living adjustments. He informed the Ward Cove project is underway and depending on if the facility is open at the beginning of the cruise ship season, the City could lose up to 250,000 passengers to them. He said this information was noted at last night's Council meeting that the City is in discussion with the Ward Cove Dock Group about facilitating transportation between Ward Cove and the City. He indicated not everybody is going to make it town, and a fair amount of the tours will no longer be sold within the City limits. He pointed out that will be a loss of sales tax that has not been quantified as of yet. He informed what is more significant is the loss of the \$7 per passenger wharfage fee, and depending on the action the Council may take relative to the request for proposal (RFP) the loss of those funds may be even more critical to the future development of the Port. He noted the last concern staff has is the fate of the Alaska Marine Highway System remains far from certain and could result in a significant loss of jobs for Ketchikan. He said if that issue is legitimate it must be thought of in terms of the shipyard, noting there is a correlation between the two. He stated we don't know what is in store relative to the State of Alaska, noting Governor Dunlevy's budget will be out in December. He said if there are continued efforts to shift the cost of services from the State to the Municipalities this will be an issue for us in regards to PERS contribution rates. He said if taken collectively these factors justify the proposed mill levy increase, and felt to do otherwise would not be a responsible course of action if the Council wants to retain the current level of services and the present work force that we have. He indicated it is a straight forward spending plan and staff is here to answer any questions you may have.

Finance Director Newell talked about the General Fund and the mill rate. He indicated as Manager Amylon pointed out, the General Fund will have a deficit of approximately two million dollars if we spend all of our appropriation. He said we believe it will probably be closer to deficit of \$200,000. He informed that is predicated on us not spending all the appropriations and that \$200,000 assumes that we will only spend roughly 91% of it, noting this has been the trend for the last few years. He said it is very easy for our deficiency situation to change depending on how we spend our appropriations. He pointed out the one thing that is different this year from

August 22, 2019

which would have an adverse impact upon the finances of the City and upon the City's ability to negotiate favorable labor settlements.

Motion passed with Flora, Zenge, Kiffer, Gage, Williams and Coose voting yea; Bergeron absent.

The Council recessed into executive session at 7:32 p.m. and reconvened at 8:15 p.m.

Mayor Sivertsen said the Council has completed its executive session to discuss the implementation of the 2019 City of Ketchikan and KPU Compensation Plan update and negotiations regarding the collective bargaining agreements between the City of Ketchikan d/b/a Ketchikan Public Utilities and the International Brotherhood of Electrical Workers, Local 1547.

Moved by Williams, seconded by Zenge the City Council direct the city manager to initiate the process of implementing the results of the Ralph Andersen & Associates update of the General Government and KPU Compensation Plan as transmitted by staff report dated May 24, 2019 for General Government and KPU non-represented employees and for employees represented by the International Brotherhood of Electrical Workers (I.B.E.W.), Local 1547, the Ketchikan Professional Firefighters Association, (IAFF), Local 2761 and the Public Safety Employees Association (PSEA) effective October 1, 2019, and further direct the city manager to advise the I.B.E.W., Local 1547 Assistant Business Manager of the City's request to reopen the current collective bargaining agreements to address issues associated with journeyman lineman retention and I.B.E.W. employer/employee retirement plan contribution rates, the financial impact of which can be quantified and assessed by both parties.

Motion passed with Flora, Zenge, Kiffer, Gage, Williams and Coose voting yea; Bergeron absent.

MAYOR AND COUNCIL COMMENTS

Councilmember Gage said this plan is not perfect, but it is a start.

Councilmember Zenge thanked everyone for their patience.

Councilmember Flora said like some of the other decisions the Council has had to make recently on big ticket items like this there is not a perfect solution. He said not everyone is going to be happy with the results. He stated the next step for the Council is to figure out how we can keep the cost of living as affordable as possible for everyone.

Mayor Sivertsen reminded Council of the special meeting scheduled for Wednesday, August 28, 2019, regarding the Port and preparation of a request for proposal.

ADJOURNMENT

As there was no further business, the Council adjourned at 8:25 p.m.

Robert Sivertsen, Mayor

ATTEST:

Kim Stanker, MMC
City Clerk

June 6, 2019

Discussion of Placing Crossing Guard(s) at the Intersection of Mission Street and Main Street and at the Intersection of Stedman Street, Mill Street and Dock Street - Councilmember Bergeron

Councilmember Bergeron felt we have talked this to death, and said we need to do a better job with public safety.

Discussion of Enacting Either a Temporary Moratorium or Permanent Prohibition of the Commercial Rental or Provision of Dockless Vehicles in the Downtown Core - Mayor Sivertsen

Mayor Sivertsen indicated Juneau has put a ban on these types of vehicles until such time regulations can be put into place to manage it. He asked with Council approval to direct staff to draw up an ordinance banning commercial rentals or provision of dockless vehicles within the downtown core.

Attorney Seaver felt the issue is with the dockless vehicles and the renters just leaving them anywhere. He said he envisioned along the lines of Juneau which would prohibit or put off to a future date short term rentals of any of those types of vehicles motorized or otherwise for that reason.

Mayor Sivertsen asked for a show of four hands to have staff bring back an ordinance for Council consideration, and at least four hands were shown.

City of Ketchikan and KPU Compensation Plan Update - Ralph Andersen & Associates

Moved by Zenge, seconded by Flora the City Council direct the city manager to schedule a special meeting of the City Council for the purpose of having Ralph Andersen & Associates present the firm's update of the City of Ketchikan and Ketchikan Public Utilities Compensation Plan on such date as determined appropriate by the City Council.

Manager Amylon said he spoke with Ralph Andersen and Associates and they cannot come until after June 24, 2019. He suggested June 25, 26 or 27th, 2019, but could not give an exact date until after he talks with them.

There were no objections from the Council to hold a special meeting on any of those dates.

Motion passed with Gage, Coose, Zenge, Flora, Williams, Kiffer and Bergeron voting yea.

Resolution No. 19-2736 - Levying a General Property Tax for Municipal Purposes Upon All Real and Business Personal Property in the City for the Year 2019

Moved by Zenge, seconded by Gage the City Council approve the Resolution No. 19-2736 levying a general property tax for municipal purposes upon all real and business personal

June 6, 2019

property in the City for the Year 2019; providing for the collection of taxes due in 2019; prescribing penalties and interest for delinquent taxes; and establishing an effective date.

Councilmember Zenge said we all knew this was coming as it was discussed during budget time, and here it is.

Councilmember Williams said he wasn't here at budget time. He stated with the property assessments that went up last year, using the funds from the number of open positions and our reserves are in great shape, there should be enough funds to cover the cost for this year without raising the mill rate.

Manager Amylon answered questions from the Council.

Councilmember Bergeron echoed Councilmember William's comments. He said he was not in favor of raising property taxes either. He felt we should look at reserves. He indicated we need to keep in mind the people we represent, as there have been several utility rate increases this year including large electric diesel surcharges. He felt we need to hold the line on taxes, and look within our own resources to make it right with our employees.

Councilmember Flora said he would consider deferring this action after listening to Councilmember Williams, but not if the conversation at a later date turns into, "now we don't have the money to implement the plan". He described the compensation plan recommendations which include 46 classes below the median. He felt staffing cost are going to increase in the next few years for many reasons. He wasn't sure how far the Council wants to dig into the reserves. He stated the City will have a little extra money from the online sales tax.

Councilmember Gage agreed with Councilmember Flora's comments. She felt this issue has been kicked down the road for multiple years, and we need to make it right with our employees or we won't have anybody working for the City.

Councilmember Zenge questioned staff if the City has the money to implement the compensation plan without raising taxes.

Councilmember Flora questioned if the plan could be implemented in phases.

Manager Amylon answered questioned from the Council.

Moved by Kiffer, seconded by Zenge the City Council amend the main motion to reduce the proposed increase by .4 mills.

Councilmember Kiffer said this Council cannot bind a future Council. He noted we can talk about a phased system, but we can't promise a phased system. He said it is not realistic for this Council to do nothing.

Motion to amend failed with Kiffer, Gage and Zenge voting yea; Flora, Williams, Bergeron and Coose voting nay.

June 6, 2019

Moved by Williams, seconded by Bergeron to amend the main motion to keep the mill rate at 6.6 mills.

Motion to amend passed with Flora, Williams, Bergeron and Coose voting yea; Kiffer, Gage and Zenge voting nay.

Main Motion, as amended passed with Flora, Williams, Bergeron and Coose voting yea; Kiffer, Gage and Zenge voting nay.

The Council took a short recess at 8:25 p.m. and reconvened at 8:30 p.m.

**A Call to Artist and Budget Transfer for a Community
Holiday Tree Topping Ornament**

Moved by Kiffer, seconded by Zenge the City Council approve a call to artists for a community holiday tree topping ornament and authorize the city manager to transfer \$15,000 from Appropriated Reserves of the General Fund to the Mayor and Council's 2019 Community Promotion Account No. 610.01 in order to fund the project.

Assistant Manager Simpson said the chosen artist is required to have their piece engineered by a professional, so it is verified that it is safe and meets all the requirements included in the proposal. She indicated it could cost less.

Councilmember Coose thought \$15,000 was out of line.

Assistant Manager Simpson answered questions from the Council.

Councilmembers Kiffer said even regular ornaments are expensive.

Assistant Manager Simpson indicated additional funds may be required for lights in future years. She indicated the power source for the tree would come from the building rather than patching it in.

Motion passed with Coose, Zenge, Flora, Williams, Kiffer, Bergeron and Gage voting yea.

**Professional Services Agreement for Determining the
Feasibility of Constructing a Separate Raw Water
Transmission Line - Civil Science Infrastructure, Inc.**

Moved by Williams, seconded by Kiffer that the City Council approve a professional services agreement with the Civil Science Infrastructure, Inc. in the amount of \$24,000 to determine the feasibility of constructing a separate raw water transmission line independent of that which serves the Ketchikan Lakes Hydroelectric Project; authorize funding in the amounts of \$12,000 and \$12,000 respectively from the Water Division and Electric Divisions' 2019 Engineering & Architectural Services Account Nos. 640.02 and 640.02; and direct the general manager to execute the contract documents on behalf of the City Council.

Water Division Manager Kleinegger answered questions from the Council.