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| <b>TRANSMITTAL MEMORANDUM</b> |
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**TO:** The Honorable Mayor and City Council

**FROM:** Karl R. Amylon, City Manager

**DATE:** March 11, 2021

**RE:** **General Government and KPU Operating and Capital Budget Mitigation Plans for Substantially Reduced or No Cruise Season Conditions in 2021**

**Introduction**

On February 4, 2021, the Government of Canada issued two new COVID-19 pandemic interim orders, which prohibit pleasure craft in Canadian Arctic waters and cruise vessels carrying more than one hundred people in all Canadian waters until February 22, 2022 (see Exhibit A). When coupled with the lack of specific direction from the CDC on the resumption of cruise, Canada's ban is anticipated to shut down the 2021 cruise ship season due to the inability of foreign-flagged vessels visiting Alaska to comply with the Passenger Vessel Services Act of 1886 a/k/a the Jones Act (see Exhibit B).

The City Council discussed this matter at length at its meeting of February 4, 2021 (see Exhibit C). Staff was directed to prepare a financial mitigation plan assuming substantially reduced or no cruise conditions in southeast Alaska in 2021. The purpose of this report is to present the requested mitigation plan; outline specific courses of action; and seek City Council approval as necessary. The plan addresses General Government and KPU separately.

**Financial Impacts on General Government Under Substantially Reduced or No Cruise Conditions in 2021**

Finance Director Michelle Johansen has updated her initial financial analysis of the projected revenue impacts that General Government will experience if there is no cruise ship season in 2021. The analysis has been updated to include additional projections of lost revenues due to decreased charges for services. The five most affected funds of General Government are listed below.

- General Fund
- Hospital Sales Tax Fund
- Public Works Sales Tax Fund
- CPV Fund
- Port Fund

As indicated in the table below, Ms. Johansen is projecting total budgeted revenue losses of \$8.91 million across the five funds should there be no cruise activity in Ketchikan in 2021.

**Projected General Government Revenue Impacts Under  
Substantially Reduced or No Cruise Conditions in 2021**

| <b>2021 Budget</b>  | <b>General Fund</b> | <b>Hospital Sales<br/>Tax Fund</b> | <b>PW Sales Tax<br/>Fund</b> | <b>CPV Funds</b> | <b>Port Fund</b>   |
|---|---------------------|------------------------------------|------------------------------|------------------|--------------------|
| Beginning Reserves 1/1/2021 <sup>①</sup>  | 6,780,208           | 3,228,957                          | 3,535,347                    | 7,011,170        | 4,116,133          |
| Revenues  | 17,929,745          | 2,800,700                          | 4,201,200                    | 4,900            | 6,074,329          |
| Transfers In  | 3,394,289           | -                                  | -                            | -                | 500,000            |
| Advances  | -                   | -                                  | -                            | -                | 379,627            |
| Expenditures/Expenses   | (23,482,902)        | (355,140)                          | -                            | (30,000)         | (6,713,299)        |
| Transfers Out   | (867,784)           | (2,983,170)                        | (2,303,056)                  | (1,656,960)      | (522,000)          |
| Capital Projects  | (18,000)            | (110,000)                          | (1,816,257)                  | -                | (519,000)          |
| <b>Projected December 31, 2021 Reserves</b>   | <b>3,735,556</b>    | <b>2,581,347</b>                   | <b>3,617,234</b>             | <b>5,329,110</b> | <b>3,315,790</b>   |
| <b>Projected Revenues Included in the 2021 Budget That Will Not Be Realized</b>                                     |                     |                                    |                              |                  |                    |
| Sales Tax Revenues  | (852,888)           | (568,592)                          | (852,888)                    | -                | -                  |
| Charges for Services - Civic Center   | (50,000)            |                                    |                              |                  |                    |
| Charges for Services - Museum   | (137,000)           |                                    |                              |                  |                    |
| Charges for Services - Ambulance  | (365,000)           |                                    |                              |                  |                    |
| Charges for Services - Parking Enforcement <sup>②</sup>   | (128,000)           |                                    |                              |                  |                    |
| Port Revenues   | -                   | -                                  | -                            | -                | (5,959,475)        |
| <b>Expected Revenue Decrease</b>  | <b>(1,532,888)</b>  | <b>(568,592)</b>                   | <b>(852,888)</b>             | <b>-</b>         | <b>(5,959,475)</b> |
| <b>Revised Projected December 31, 2021 Reserves<br/>Without Cruise Ships</b>  |                     |                                    |                              |                  |                    |
|   | <b>2,202,668</b>    | <b>2,012,755</b>                   | <b>2,764,346</b>             | <b>5,329,110</b> | <b>(2,643,685)</b> |
| <b>Recommended Year-End Reserves Per Fund Balance<br/>Policy and 2021 General Government<br/>Transmittal Letter</b> |                     |                                    |                              |                  |                    |
|   | 6,100,000           | 3,500,000 <sup>③</sup>             | 2,900,000                    | -                | 5,700,000          |
| <b>Reserves Shortfall</b>   | <b>(3,897,332)</b>  | <b>(1,487,245)</b>                 | <b>(135,654)</b>             | <b>-</b>         | <b>(8,343,685)</b> |

<sup>①</sup> With the adoption of the 2021 General Government Operating and Capital Budget, beginning General Fund Reserves were projected at \$7,431,724. This was lowered to \$6,780,208 when the City Council returned \$651,516 in CARES Act Funding to the City's Residential Mortgage and Rent Relief Program.

<sup>②</sup> Assumes Suspension of Parking Enforcement for the remainder of 2021 effective the close of business April 16, 2021. Parking Enforcement was similarly suspended in 2020.

<sup>③</sup> The transmittal letter to the 2021 Proposed General Government Operating and Capital Budget did not recommend a specific level of reserves for the Hospital Sales Tax Fund. A recommendation was submitted to engage the services of a consultant to determine how much should be set aside in reserves for emergency repairs and other contingencies and whether or not the City should continue the practice of transferring about \$458,624 annually to the General and Community Grant Funds. The City Manager, Acting Port & Harbors Director and Finance Director recommend a level of not less than \$3.5 million, which is the equivalent of one year's worth of debt service for the KMC Expansion Project (\$2.5 million) and a set aside for emergency repairs and other contingencies (\$1.0 million).

Based on the projections above, General Fund Reserves are estimated to be \$3.9 million less than recommended in the General Government Operating and Capital Budget transmittal letter. Assuming 2022 General Fund expenditures remain at 2021 levels, General Fund Reserves will be exhausted by the end of 2022.

Reserves of the Hospital Sales Tax Fund are below recommended levels by \$1,487,245. If the City is required to replace the failing roof on the hospital's main building in 2021 at a cost of \$1.2 million, Appropriated Reserves of the Hospital Sales Tax Fund will be nearly depleted going into 2022.

Reserves of the Public Works Sales Tax Fund are slightly below the recommended level of \$2,900,000. If the City is unsuccessful in its efforts to secure voter approval of a general obligation bond and is required to rehabilitate/replace the Schoenbar Culvert at a cost of \$2.5 million in 2022, reserves of the Public Works Sales Tax Fund will be nearly exhausted going into 2023.

Appropriated Reserves of the Commercial Passenger Vessel Fund are more than sufficient compared to the cost of capital projects that have been programmed for 2021. Nevertheless, planned expenditures will have to be scaled back to ensure that the financial resources of the CPV Fund are sufficient and available to stabilize the Port Enterprise Fund, which is expected to become insolvent by the end of this year under substantially reduced or no cruise conditions in 2021. The Finance Director and I strongly recommend that any funds directed to the Port Enterprise Fund from the CPV Fund be provided by means of a loan tied to a fixed interest rate with a defined payback schedule.

### **General Government Operating and Capital Budget Mitigation Plan for Substantially Reduced or No Cruise Season Conditions in 2021**

In response to the financial constraints discussed above, the following measures are recommended to mitigate the revenue losses that the City will incur under substantially reduced or no cruise ship conditions in 2021. The plan also attempts to address General Government's two most critical capital projects, replacement of the failing roof on the hospital's main building and rehabilitation/replacement of the Schoenbar Culvert.

#### **1. American Rescue Plan Act of 2021**

On Thursday, March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021. As drafted, the legislation will provide direct funding to the City of Ketchikan in the amount of \$1,718,002.14. This is far less than the \$12.28 million that the City received under the Coronavirus Aid Relief and Economic Security (CARES) Act and does not begin to address the needs of the City. I am recommending that the entire amount be directed to the General Fund as revenue replacement/mitigation.

My office worked with Mayor Sivertsen to advise the Alaska Congressional Delegation of the inadequacy of the proposed funding compared to the losses that the City will sustain over the two years of the pandemic. Although Mayor Sivertsen had requested that special consideration be given to port communities like Ketchikan that have been crippled by the absence of cruise passenger visitation, it does not appear that the delegation was able to garner support to include such a provision in the legislation.

It is anticipated that the State of Alaska will receive \$1,019,259,404.81 under the Biden administration's relief bill. At this time, it is unclear whether Governor Dunleavy intends to distribute any of these financial resources to municipalities to address the effects of the pandemic at the

local level. Mayor Sivertsen has advised both Senator Stedman and Representative Ortiz of the need to allocate a portion of this financial assistance to southeast Alaska's port communities, which have been devastated by the pandemic (see Exhibit D). Should such funding be forthcoming, I am recommending that it be directed to the General and Port Enterprise Funds.

## **2. Labor Mitigation Measures**

At the time the 2021 General Government Operating and Capital Budget was adopted last December, ten positions were identified as vacant or becoming vacant in 2021. If left unfilled, these vacant positions were expected to generate savings of \$800,773 (see Exhibit E). My office intends to leave the positions that are vacant or will become vacant in 2021 unfilled for the remainder of the year and recommend that the City Council authorize my office to proceed with limited layoffs as discussed below.

Of the two Firefighter/EMT positions that were identified at the time the budget was adopted, only one has become vacant. What were thought to be pending retirements and/or separations that would take place in the Fire Department during 2021 have yet to occur, and are now no longer expected to happen this year. Consequently, my office recommends the layoff of one Firefighter/EMT effective the close of business April 16, 2021, or sooner as determined appropriate by the City Council.

As discussed earlier, the City Council may elect to suspend parking enforcement for the remainder of 2021 under substantially reduced or no cruise ship conditions in 2021. While parking enforcement was suspended for most of 2020, the Chief of Police was able to utilize the Parking Enforcement Specialist in undertaking other departmental work. This is no longer the case. If parking enforcement is to be suspended for the remainder of 2021, my office recommends the Parking Enforcement Specialist be laid off effective the close of business April 16, 2021, or sooner as determined appropriate by the City Council.

With the exception of the Fire and Police Departments' remaining employees and Public Works Department essential state licensed positions (Wastewater Division), effective February 18, 2021 my office has implemented a hiring freeze for all General Government full-time equivalent positions that become vacant for the remainder of the 2021 calendar year. The first position that the hiring freeze has been applied to is the Finance Department's vacant Controller position. As with any hiring freeze, there will be exceptions depending on circumstances at the time a vacancy occurs.

Lastly, this analysis assumes that the vacant Port & Harbors Director position will remain open for the remainder of 2021 and that the current acting appointments within the Port & Harbors and Public Works Departments will remain in effect until the end of the year. Under the no cruise scenario, overtime and temporary wages paid to employees of the Port Department will be scaled back similar to what was done in 2020.

The personnel measures discussed above are now estimated to reduce 2021 expenditures in the General Fund and Port Enterprise Fund by \$928,342 and \$409,461 respectively.

## **3. Deferred Capital Spending**

Concurrent with the General Government hiring freeze, department heads were instructed to review 2021 capital spending to determine what could be deferred to later years. As shown in Exhibit F, multiple projects will now be deferred that will accrue savings in the following funds:

| Fund                                   | Savings             |
|--|---------------------|
| General Fund                           | \$ -                |
| Hospital Sales Tax Fund                | -                   |
| Public Works Sales Tax Fund            | 429,000             |
| Wastewater Fund                        | 155,000             |
| Commercial Passenger Vessel (CPV) Fund | 865,000             |
| Port Enterprise Fund                   | -                   |
| Hospital Construction Fund             | 1,099,821           |
| Proposed General Obligation Bond       | 2,100,000           |
| Total                                  | <u>\$ 4,648,821</u> |

No capital project savings were identified in the General Fund. Staff is now projecting that \$1.1 million in unexpended bond proceeds should be available upon close out of the contract awarded to Layton-Dawson for the Ketchikan Medical Center Expansion Project. In theory, these funds could be applied to the Hospital Roof Replacement project, but will likely not be available prior to this fall. If the roof continues to deteriorate to the point it must be addressed in 2021, an alternative funding source will have to be identified, most likely a general obligation bond. Preliminary discussions are also underway with PeaceHealth regarding a possible cost sharing arrangement as a means to expedite replacement of the roof.

The \$429,000 savings that will accrue to the Public Works Sales Tax Fund should be set aside for rehabilitation/replacement of the Schoenbar Culvert pending a determination of a final funding source. The City Council will note that rehabilitation/replacement of the Schoenbar Culvert has been pushed back to 2022. The deferral is based on the interim repairs accomplished last fall. If the repairs hold, it is possible that the project can be delayed and the City can avoid submitting a \$2.25 million bond proposition to the voters this fall. If further erosion takes place, the City may have no alternative than pursuing the bond proposition or try to identify an alternative funding source.

My office recommends that the \$865,000 savings that will accrue to the CPV Fund be set aside for transfer to the Port Enterprise Fund with additional CPV funds as may be necessary, in order to ensure that the fund remains solvent in 2021. Depending on the restart of cruise both in the United States and in Canada, additional transfers may be required in 2022. Initially, my office recommends a transfer not to exceed \$3,143,685. This would allow the Port Enterprise Fund to meet its 2021 obligations while maintaining close to \$2.0 million in reserves. Again, the Finance Director and I strongly recommend that any financial assets transferred to the Port Enterprise Fund from the CPV Fund be provided by means of a loan tied to a fixed interest rate with a defined payback schedule. Financial assets of the CPV Fund have traditionally been targeted for both waterside and uplands capital improvements and should not be "lost" to ensuring the solvency of the Port Enterprise Fund.

Absent the investment of outside resources, the Port Enterprise Fund is currently incapable of funding any major capital initiatives such as the Berth III Mooring Dolphin and Bollards Project, which is currently under design by PND Engineers, Inc.

Should the finances of the Port continue to deteriorate into 2022 and make it necessary to prioritize disbursements in accordance with bond covenants stipulated in Section 7.1 of Ordinance No. 06-1549 that authorized the Berth III debt (see Exhibit G), a separate discussion and/or work session will likely be necessary sometime early next year.

Lastly, the City has also requested intervention by Senator Stedman and Representative Ortiz regarding a reappropriation of the \$1.1 million FY 20 Designated Legislative Grant that was awarded to the City for COVID-19 relief (see Exhibit H). In the absence of CDC direction on the resumption of cruise and given Canada's ban on cruise ships carrying greater than 100 passengers in Canadian waters, it is unlikely that the City can spend the grant for its intended purpose by June 30, 2021. Consequently, the City is seeking reappropriation of the grant for either debt service or Berth IV lease payments.

The table below summarizes the fiscal impacts of the City Council endorsing the measures discussed above; receipt of COVID-19 financial relief as authorized by the American Rescue Plan Act of 2021; and state approval to reprogram the previously awarded designated legislative grant for COVID-19 mitigation.

**General Government Operating and Capital Budget Mitigation Measures for  
Substantially Reduced or No Cruise Season Conditions in 2021**

|   | General Fund     | Hospital<br>Sales Tax<br>Fund | PW Sales<br>Tax Fund | CPV Funds        | Port Fund        |
|---|------------------|-------------------------------|----------------------|------------------|------------------|
| <b>Revised Projected December 31, 2021</b>  |                  |                               |                      |                  |                  |
| <b>Reserves Without Cruise Ships</b>  | 2,202,668        | 2,012,755                     | 2,764,346            | 5,329,110        | (2,643,685)      |
| <b>2021 Budget Mitigation Measures</b>  |                  |                               |                      |                  |                  |
| Biden COVID-19 Relief Bill  | 1,718,002        | -                             | -                    | -                | -                |
| Labor Mitigation Measures   | 928,342          | -                             | -                    | -                | 409,461          |
| Deferred Capital Spending   | -                | -                             | 429,000              | 865,000          | -                |
| Reappropriation of COVID-19 Designated<br>Legislative Grant   | -                | -                             | -                    | -                | 1,100,300        |
| Transfer of CPV Funds to Port Fund  | -                | -                             | -                    | (3,143,685)      | 3,143,685        |
| <b>Revised Projected December 31, 2021</b>  |                  |                               |                      |                  |                  |
| <b>Reserves Post COVID-19 Budget<br/>Mitigation</b>   | <b>4,849,012</b> | <b>2,012,755</b>              | <b>3,193,346</b>     | <b>3,050,425</b> | <b>2,009,761</b> |
| <b>Recommended Year-End Reserves Per<br/>Fund Balance Policy and 2021 General<br/>Government Transmittal Letter</b> |                  |                               |                      |                  |                  |
|   | 6,054,223        | 3,500,000                     | 2,900,000            | -                | 5,700,000        |
| <b>Reserves Shortfall</b>   | (1,205,211)      | (1,487,245)                   | 293,346              | -                | (3,690,239)      |

General Fund reserves under the strategy outlined above are still approximately \$1.2 million below the Fund Balance Policy but still higher than the \$3.4 million year-end balance that the City Council adopted as a target during 2021 budget deliberations. Port reserves go from a \$2.6 million deficit to a \$2.0 million positive balance assuming legislative approval is obtained to

reprogram the COVID-19 mitigation designated legislative grant. The year-end reserves of the Hospital and Public Works Sales Tax Funds do not materially change under the proposed mitigation plan. Both funds could be exhausted within one to two years if the City is forced to replace the failing roof on the hospital's main building or the Schoenbar Culvert on accelerated schedules.

**Financial Impacts on Ketchikan Public Utilities Under Substantially Reduced or No Cruise Conditions in 2021**

While there will likely be negative impacts to KPU revenues under a no cruise season scenario, estimating such operating losses is not as straight forward as projecting the impacts on General Government. At my request, KPU Sales, Marketing & Customer Service Division Manager Kim Simpson has reviewed past due balances for Utility and Telecommunications accounts, in order to provide estimates of potential defaults and lost revenues. Under the analysis that follows, past due is generally considered to be any account that is delinquent by more than thirty days.

**Past-Due Utility Accounts:**

Unpaid utility accounts more than 30 days past due currently total \$276,353, which is 13% of the total monthly dollar receivables for Electric, Water, Wastewater, Solid Waste (all four cycles). In February of 2020, only 9% of dollar receivables were past due more than 30 days.

As shown in the table below, the past due dollar amount has increased each month since November 2020, and now totals \$276,353, an increase of 53% over November's past due utility balances.

**Residential, Commercial, Industrial Active Accounts Balances 30+ Days Past Due**

| <b>February 2021</b> | <b>January 2021</b> | <b>December 2020</b> | <b>November 2020</b> |
|----------------------|---------------------|----------------------|----------------------|
| \$276,353            | \$228,167           | \$190,672            | \$181,031            |

\*\$83,674 in past due was excluded from the February 2021 past-due amount. These dollars are attributed to large commercial accounts whose payment was delayed, but is forthcoming. Including this number would have artificially inflated the February 2021 dollar figure.

The number of individual utility accounts at least one month past due is 11.2% of all customers, or 878 accounts. This is 277 more past-due accounts than in February 2020, which is a 46% increase.

**Number of Utility Accounts at Least One Month Past Due (all 4 cycles)**

| <b>2021</b> | <b>Total</b>  | <b>% Customers Past Due</b> |
|-------------|---------------|-----------------------------|
| 878         | 7856 Accounts | 11.2% Customers             |

**Past Due Telecommunications Accounts:**

Unpaid Telecommunications accounts have not increased at the same rate as the utility accounts. The account balances more than 30 days past due has remained at the same approximate dollar amount since April 2020. The current past due dollar amount due to KPU Telecommunications is \$74,861, or 7.7% of Telecommunications monthly dollar receivables.

The number of past-due Telecommunications accounts is 350 accounts, or 9% of the total Telecommunication customer accounts.

## Telecom Accounts 30 or more days Past Due

(Net of Carrier and Government Accounts)

|              |           |                             |
|--------------|-----------|-----------------------------|
| <b>2021</b>  | <b>\$</b> | <b>% Customers Past Due</b> |
| 350 Accounts | \$74,861  | 9%                          |

## Dollar Summary for KPU Receivables More than 30 Days Past Due:

The total unpaid dollar liability as of 2/23/2021 is \$364,727.

## Recap of Financials for 30+ Days Past Due

|  |                  |
|--|------------------|
| <b>Electric + Utilities</b>  | \$276,353        |
| <b>Telecommunications</b> (excluding federal, state, and carrier accounts) | \$74,861         |
| <b>Total Liability</b>   | <b>\$364,727</b> |

## Potential Default Accounts:

There are accounts for both Utility and/or Telecommunications where customers have not made payment for more than 90 days, some as long as 365 days. Some accounts have been closed by the account holder, but many are still active. The State of Alaska Legislature had, until recently, emergency legislation in place to prevent disconnect for non-pay of any customer of a certified utility for power, phone, or internet. The legislation stated that customers had to sign a form declaring their inability to pay, and once the emergency was over, customers are required to set up payment arrangements for the past due amounts. In exchange, they will not be charged for late fees, and will not be disconnected. If the payment arrangements are not kept, the customer can be disconnected, and late-fees apply. This legislation expired on February 15<sup>th</sup>, which means that the protection from disconnect and late fees no longer exists, unless the customer sets-up and keeps payment arrangements. KPU has 900 customers who completed the required COVID-19 forms.

It is expected that not all of the 900 customers will be able to pay their obligations, which will result in default of the accounts. Below is an estimation of the default amounts for both Utility and Telecommunications accounts. Ultimately, payment of the balances is the responsibility of customers, and if arrangements are not made, the balances will be sent to the local credit bureau, however, every attempt to work with customers will be made in order to avoid default.

## Recap of Estimated Default

|                             |                  |
|-----------------------------|------------------|
| <b>Electric + Utilities</b> | \$135,902        |
| <b>Telecommunications</b>   | \$36,871         |
| <b>Total Liability</b>      | <b>\$172,773</b> |

## Revenue Shortfall:

Without a 2021 cruise season, it will be difficult for residents and businesses to continue with the same services. Some residents may choose to leave the community and some businesses may close. Some seasonal businesses will not return. Telecommunication customers began to pare back services and/or disconnect in 2020. Using current customer data, service reductions by category were compiled to create an estimate of revenue loss for 2021.

Estimates of customers who would potentially opt to seal their electric meter, in order to reduce their utility expenses were compiled by analyzing current account status by customer. Not all businesses can seal meters, since water is required for sprinkler systems. For many accounts, the sealing of a meter causes the charges to default back to the property owners, who then become responsible for any future charges. These estimates have been projected over 10 months for 2021.

**2021 Revenue Shortfall Summary (10 Months)**

|                             |                  |
|-----------------------------|------------------|
| <b>Electric + Utilities</b> | <b>\$432,900</b> |
| Residential                 | \$313,200        |
| Commercial                  | \$119,700        |
| <b>Telecommunications</b>   | <b>\$503,634</b> |
| Regulated                   | \$209,265        |
| Non Regulated               | \$294,369        |

When the solid waste and wastewater accounts are factored out, the projected shortfalls for electric and water are \$240,000 and \$67,115 respectively.

In conjunction with the information provided by the Sales, Marketing & Customer Service Division Manager, Finance Director Michelle Johansen has prepared a financial analysis of the projected revenue impacts that Ketchikan Public Utilities will experience if there is no cruise ship season in 2021. As the KPU divisions are funded from a combined operating fund, the balance of this discussion will directed to the KPU Enterprise Fund.

As indicated in the table below, Ms. Johansen is projecting that the KPU Enterprise Fund could sustain a revenue loss of up to \$810,749 should there be no cruise activity in Ketchikan in 2021.

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**Projected Ketchikan Public Utilities Revenue Impacts Under  
Substantially Reduced or No Cruise Conditions in 2021**

| 2021 Budget   | Sales,<br>Marketing & |                     |                    |                    |                  |                  | Ketchikan<br>Public<br>Utilities Fund |
|---|-----------------------|---------------------|--------------------|--------------------|------------------|------------------|---------------------------------------|
|   | General<br>Manager    | Customer<br>Service | Electric           | Telecom            | Water            | Other            |                                       |
| <b>Beginning Reserves 1/1/2021</b>  |                       |                     |                    |                    |                  |                  | <b>17,281,458</b>                     |
| <b>Revenues</b>   |                       |                     |                    |                    |                  |                  |                                       |
| Operating Revenue   | -                     | -                   | 18,747,600         | 18,547,000         | 4,461,450        | 124,000          | 41,880,050                            |
| Non-Operating Revenue   | -                     | -                   | -                  | -                  | 7,848,677        | -                | 7,848,677                             |
| <b>Expenditures/Expenses</b>  |                       |                     |                    |                    |                  |                  |                                       |
| Personnel Services and Benefits   | (327,282)             | (2,168,999)         | (6,546,301)        | (6,078,902)        | (1,781,456)      | -                | (16,902,940)                          |
| Supplies  | (3,040)               | (100,400)           | (8,121,500)        | (849,000)          | (304,511)        | -                | (9,378,451)                           |
| Contract/Purchased Services   | (6,975)               | (772,980)           | (1,419,595)        | (6,297,455)        | (507,925)        | -                | (9,004,930)                           |
| Minor Capital Outlay  | (20,000)              | (7,250)             | (32,500)           | (18,000)           | (3,000)          | -                | (80,750)                              |
| Interdepartmental Charges   | (4,650)               | (27,430)            | (1,338,610)        | (1,052,930)        | (452,516)        | -                | (2,876,136)                           |
| Payment in Lieu of Taxes  | -                     | -                   | (381,993)          | (206,358)          | (197,649)        | -                | (786,000)                             |
| Debt Service  | -                     | -                   | (1,139,450)        | (1,172,259)        | (607,746)        | -                | (2,919,455)                           |
| Allocation of Overhead to Operating Utilities                                   | 341,947               | 3,077,059           | (971,010)          | (2,307,817)        | (140,179)        | -                | -                                     |
| Major Capital Outlay  | -                     | -                   | (4,031,000)        | (2,175,000)        | (8,745,377)      | -                | (14,951,377)                          |
| Transfer to KPU Facilities and Infrastructure                                   | -                     | -                   | -                  | -                  | -                | (250,000)        | (250,000)                             |
| <b>2021 Operating Deficit by Division</b>                                       | <b>(20,000)</b>       | <b>-</b>            | <b>(5,234,359)</b> | <b>(1,610,721)</b> | <b>(430,232)</b> | <b>(126,000)</b> | <b>(7,421,312)</b>                    |
| <b>Projected December 31, 2021 Reserves</b>                                     |                       |                     |                    |                    |                  |                  | <b>9,860,146</b>                      |
| <b>Projected Revenues Included in the 2021 Budget That Will Not Be Realized</b> |                       |                     |                    |                    |                  |                  |                                       |
| Unpaid Receivables *  | -                     | -                   | (240,000)          | (503,634)          | (67,115)         | -                | (810,749)                             |
| <b>Revised Projected December 31, 2021 Reserves Without Cruise Ships</b>        |                       |                     |                    |                    |                  |                  | <b><u>9,049,397</u></b>               |

Appropriated Reserves of the KPU Enterprise Fund are projected to decrease to \$9,049,397.

**Ketchikan Public Utilities Operating and Capital Budget Mitigation Plan for Substantially Reduced or No Cruise Season Conditions in 2021**

In response to the projected decrease of Appropriated Reserves of the KPU Enterprise Fund that will occur under substantially reduced or no cruise ship conditions in 2021, the following measures are recommended to mitigate projected revenue losses.

**1. American Rescue Plan Act of 2021**

As was discussed earlier in this report, on Thursday, March 11, 2021, President Biden signed into law the \$1.9 trillion American Rescue Plan Act of 2021. As drafted, the legislation will provide direct funding to the City of Ketchikan in the amount of \$1,718,002.14. This is far less than the \$12.28 million that the City received under the Coronavirus Aid Relief and Economic Security (CARES) Act and does not begin to address the needs of the City. I have previously recommended that the entire amount be directed to the General Fund as revenue replacement/mitigation. If the City Council concurs, nothing will be available to offset projected revenue losses that may be incurred by KPU if there is little to no cruise ship activity in 2021.

It is anticipated that the State of Alaska will receive \$1,019,259,404.81 under the Biden administration’s relief bill. As I previously noted, it is unclear whether Governor Dunleavy intends to distribute any of these financial resources to municipalities to address the effects of the pandemic at the local level. Mayor Sivertsen has advised both Senator Stedman and Representative Ortiz of the need to allocate a portion of this financial assistance to southeast Alaska’s port communities, which have been devastated by the pandemic (see Exhibit D). Should such funding be forthcoming, I previously recommended that any financial assistance should be first directed to the General and Port Enterprise Funds. If there are funds left over, a portion could be directed to KPU for revenue replacement purposes.

**2. Labor Mitigation Measures**

As of the date of this report, Ketchikan Public Utilities has ten open positions:

- Secretary I (1) – Electric
- Accounting Technician (1) – Telecommunications
- Journeyman Lineman (1) – Electric
- Journeyman Lineman Apprentice (1) - Electric
- Journeyman Power Plant Mechanic (1) - Electric
- Relief Electric System Dispatcher/Journeyman Power Plant Mechanic (1) – Electric
- Plant Manager (1) – Telecommunications
- Outside Plant Foreman (1) – Telecommunications
- Journeyman Combination Technician (1) – Telecommunications
- Water System Operator Trainee (1) - Water

Effective February 18, 2021 my office advised the division managers that no offers of employment could be extended without the express authorization of my office. Of the ten positions that are currently open, two (Electric Division Secretary I and Telecommunications Division Accounting Technician) will remain vacant for the remainder of the year. When combined with other personnel reductions realized through decreases in inter-fund transfers, KPU can expect to realize savings of \$253,195. While my office has not implemented an actual hiring freeze for the remaining positions, I anticipate that significant additional savings will accrue as recruitment efforts continue. If suitable candidates are identified as the year progresses, each potential hire will be reviewed against the “essential” needs of the division prior to authorizing offers of employment.

**3. Deferred Capital Spending**

Concurrent with the hiring restrictions, division managers were instructed to review 2021 capital spending to determine what could be deferred to later years. As shown in Exhibit I, multiple projects will now be deferred that will accrue savings by the following divisions:

| Division                            | Savings   |
|-------------------------------------|-----------|
| Administration                      | \$20,000  |
| Sales, Marketing & Customer Service | 0         |
| Electric                            | 605,000   |
| Telecommunications                  | 100,000   |
| Water                               | 100,000   |
| Total                               | \$825,000 |

The table below summarizes the fiscal impacts of the City Council endorsing the measures recommended above.

**Ketchikan Public Utilities Operating and Capital Budget Mitigation Measures for Substantially Reduced or No Cruise Season Conditions in 2021**

|   | <b>Sales,<br/>Marketing<br/>&amp;<br/>Customer</b> |                 |                 |                |                | <b>Ketchikan Public</b>  |
|---|--|-----------------|-----------------|----------------|----------------|--------------------------|
|   | <b>General</b>                                     | <b>Customer</b> | <b>Electric</b> | <b>Telecom</b> | <b>Water</b>   | <b>Utilities Fund</b>    |
|   | <b>Manager</b>                                     | <b>Service</b>  |                 |                |                |                          |
| <b>Revised Projected December 31,<br/>2021 Reserves Without Cruise<br/>Ships</b>            |  |                 |                 |                |                | <b>9,049,397</b>         |
| <b>Possible Expenditures/Expenses Included in the 2021 Budget That Will Not Be Realized</b> |  |                 |                 |                |                |                          |
| Savings re: General Gov't Hiring Freeze & Acting Port Director                              | -  | -               | -               | -              | 26,444         | 26,444                   |
| Savings re: General Gov't Labor Mitigation Measures   | -  | -               | 37,411          | 29,776         | 9,162          | 76,349                   |
| Labor Mitigation Measures   | -  | -               | 78,385          | 72,017         | -              | 150,402                  |
| Deferral of Major Capital Outlay  | 20,000   | -               | 605,000         | 100,000        | 100,000        | 825,000                  |
| <b>Expected Savings Total</b>   | <b>20,000</b>                                      | <b>-</b>        | <b>720,796</b>  | <b>201,793</b> | <b>135,606</b> | <b>1,078,195</b>         |
| <b>Revised Projected December 31,<br/>2021 Reserves Post COVID-19<br/>Budget Mitigation</b> |  |                 |                 |                |                | <b><u>10,127,592</u></b> |

Appropriated Reserves of the KPU Enterprise Fund under the strategy outlined above will be \$267,446 more than what was projected at the time the 2021 KPU Operating and Capital Budget was adopted last December. Given that a number of the open positions will remain vacant for an extended period, reserves are likely to increase accordingly. Similarly, some of the remaining capital projects programmed for 2021 will not be expended in their entirety, which will also further increase the level of reserves in the KPU Enterprise Fund.

While I believe that the mitigation plan as presented positions KPU to deal with the immediate fiscal impacts that could occur under substantially reduced or no cruise conditions in southeast Alaska in 2021, it does not come close to maintaining reserves at a level consistent with the fund balance policy adopted by the City Council in 2013. At that time it was recommended that reserves of the KPU Enterprise Fund be maintained at a level equal to “three months of operations, or 25% of the Fund, plus amounts consistent with the City’s capital improvement plan as it applies to public utilities infrastructure replacement and major maintenance”. For 2021, the recommended minimum level of reserves for the KPU Enterprise Fund should be \$17.5 million. Neither the adopted budget for 2021 nor the COVID-19 mitigation plan come close to maintaining reserves at the recommended level. The inability of KPU to fully fund and maintain reserves at the recommended level clearly demonstrates the need for each of the operating divisions of the utility to become self-sufficient.

## **Conclusion**

If the greater Ketchikan community is to again experience substantially reduced or no cruise conditions in southeast Alaska in 2021, staff believes the financial mitigation plans discussed above for General Government and KPU are appropriate responses to what is sure to be a continued economic decline within the tourism sector. My office looks forward to working with the City Council to finalize the plans and subsequently adjust them as the need arises throughout the remaining months of the year.

A motion has been prepared for City Council consideration.

## **RECOMMENDATION**

It is recommended the City Council adopt the motion authorizing the City Manager/General Manager to proceed with the General Government and KPU Operating and Capital Budget mitigation plans for substantially reduced or no cruise season conditions in 2021 as detailed in staff's report dated March 10, 2021 and/or as modified by the City Council.

**Recommended Motion:** I move the City Council authorize the City Manager/General Manager to proceed with the General Government and KPU Operating and Capital Budget mitigation plans for substantially reduced or no cruise season conditions in 2021 as detailed in staff's report dated March 10, 2021 and/or as modified by the City Council.



Government  
of Canada

**Exhibit A**  
Gouvernement  
du Canada

[Canada.ca](#) > [Transport Canada](#)

# Government of Canada announces one-year ban for pleasure craft and cruise vessels

From: [Transport Canada](#)

## News release

February 4, 2021      Ottawa      Transport Canada

The Government of Canada continues to monitor the evolving COVID-19 pandemic and the impact it is having on the marine and tourism sectors. Keeping Canadians and transportation workers safe and healthy are top priorities for Transport Canada.

Today, the Minister of Transport, the Honourable Omar Alghabra, announced two new Interim Orders, which prohibit pleasure craft in Canadian Arctic waters and cruise vessels in all Canadian waters until February 28, 2022. This means:

- Adventure-seeking pleasure craft are still prohibited from entering Arctic waters.
- Passenger vessels carrying more than 12 people are still prohibited from entering Arctic coastal waters, including Nunatsiavut, Nunavik, and the Labrador Coast.
- Cruise vessels carrying more than 100 people are still prohibited from operating in Canadian waters.

Pleasure craft used by local Arctic residents will not be affected by these measures.

With these prohibitions in place, public health authorities will be able to continue focusing on the most pressing issues, including the vaccine rollout and new COVID-19 variants.

To limit the spread of COVID-19, the Government of Canada continues to advise Canadian citizens and permanent residents to avoid all travel on cruise ships outside Canada until further notice.

Essential passenger vessels, such as ferries and water taxis, should continue to follow local public health guidance and protocols, and follow mitigation measures to reduce the spread of COVID-19 and prevent future outbreaks. These could include: reducing the number of passengers, ensuring physical distancing, the wearing of masks, and enhanced cleaning and hygiene measures.

Cruise vessels in Canadian waters pose a risk to our health care systems. The Government of Canada will continue to evaluate the situation and make changes as necessary to ensure the health and safety of all Canadians. Should the COVID-19 pandemic sufficiently improve to allow the resumption of these activities, the Minister of Transport has the ability to rescind the Interim Orders.

## Quotes

“As Canadians continue to do their part to reduce the spread of COVID-19, our government continues to work hard to ensure Canada’s transportation system remains safe. Temporary prohibitions to cruise vessels and pleasure craft are essential to continue to protect the most vulnerable among our communities and avoid overwhelming our health care systems. This is the right and responsible thing to do.”

*The Honourable Omar Alghabra*  
*Minister of Transport*

## Quick facts

- The temporary measures for pleasure craft and cruise ships, were scheduled to end on February 28, 2021.
- Those who do not comply with the pleasure craft prohibition could be subject to penalties: \$5,000 per day for individuals and \$25,000 per day for groups or corporations.
- In Canada’s Arctic waters, these restrictions do not apply to craft used by local communities for essential transportation, subsistence fishing, harvesting and hunting.
- Those who do not comply with the passenger vessel prohibition could be liable on summary conviction to a fine of up to \$1 million or to imprisonment for a term of up to 18 months, or to both.
- There is no national ban for smaller cruise ships certified to carry 100 or fewer people. They must follow provincial, territorial, local and regional health authority protocols for timelines and processes

around their operations.

## Associated links

- [COVID-19 measures, updates, and guidance issued by Transport Canada](#)
- [COVID-19 guidance posters for marine transportation](#)
- [Coronavirus disease \(COVID-19\): Canada's response](#)

## Contacts

### Allison St-Jean

Press Secretary

Office of the Honourable Omar Alghabra

Minister of Transport, Ottawa

[allison.st-jean@tc.gc.ca](mailto:allison.st-jean@tc.gc.ca)

### Media Relations

Transport Canada, Ottawa

613-993-0055

[media@tc.gc.ca](mailto:media@tc.gc.ca)

Search for related information by keyword: [Water transport](#) | [Transport Canada](#) | [Ottawa](#) | [Coronavirus \(COVID-19\)](#) | [general public](#) | [news releases](#) | [Hon. Omar Alghabra](#)

**Date modified:**

2021-02-04

## Exhibit B

# Canada Just Killed This Year's Alaska Cruise Season



**Suzanne Rowan Kelleher** Forbes Staff  
Travel

*I write about travel trends and news you can use.*



A Canadian ban on cruising is a death blow to Alaska cruises this year. GETTY

1 of 4 free articles

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Today Canada extended its cruise ban through February 2022, effectively putting the kibosh on both the upcoming Alaska cruise season and popular “leaf-peeping” sailings from New England up to the Maritime provinces in the fall.

The country's Minister of Transport, Omar Alhabra, announced [an interim extension of Canada's current no sail order](#) on cruise ships carrying more than 100 people. The order also prohibits passenger vessels carrying more than 12 people from entering Arctic coastal waters.

Alhabra said that the government's decision was necessary given the gravity of the Covid-19 pandemic. “Temporary prohibitions to cruise vessels and pleasure craft are essential to continue to protect the most vulnerable among our communities and avoid overwhelming our health care systems. This is the right and responsible thing to do.”

[In a statement](#), the Northwest and Canada branch of Cruise Lines International Association said it was “surprised by the length of the extension of the order,” which had been scheduled to end at the end of this month.

The statement pointed out the economic hardship this decision will bring. In 2019, the Canadian

economic activity in Canada, which was a 33% jump from 2016.

“Two years without cruising in Canada will have potentially irreversible consequences for families throughout the country,” said CLIA. “We stand ready to work with Canadian health and transportation officials to operationalize a path forward.”

Canada has no governance over Alaska, of course, but it does control Canadian territorial waters.

And there’s another pesky legal issue known as the Passenger Vessel Services Act. Most big-ship cruise lines register their ships in foreign countries. By law, foreign-flagged ships cannot embark and disembark passengers at two different U.S. ports without stopping at a foreign port in between. Normally, Alaska-bound ships departing from Seattle might spend a day in Vancouver or Victoria to satisfy the requirement.

The upshot of Canada’s extension of its no sail order is that Princess Cruises, Holland America, Disney Cruise Line, Royal Caribbean and other lines that normally operate Alaska cruises cannot sail to the 49th State if they cannot make at least one stop in Canada.

---

~~Airlines of Alaska remaining for cruise enthusiasts~~

1 of 4 free articles

Minister of Transport has the ability to rescind the Interim Orders.”

## READ MORE

- [This Company Is Rolling Out Covid Test Vending Machines In Airports, Hotels, Subways And More](#)
- [How The Pandemic Created A New Hotel Giant In Less Than A Year](#)
- [U.S. Hotels Tell Joe Biden: Let Us Be Vaccination Centers](#)

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**Suzanne Rowan Kelleher**

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# Exhibit C

**"UNAPPROVED"** February 4, 2021

**Discussion Regarding the 2021 General Government Operating and Capital Budget and the 2021 KPU Operating and Capital Budget for a Potential No Cruise Season – Councilmember Bradberry**

Councilmember Bradberry said after the news today we now need to prepare for a no cruise season. She said before this announcement today she felt the City should stay ahead of expenses, and we need to get our budget under control which will require hard decisions. She thanked staff for the additional information that was provided tonight, but felt this needs to go to a special meeting and would like to defer this until then.

Mayor Sivertsen felt this should wait until March to see if there will be any CARES Act funding packages allocated to municipalities.

Manager Amylon said from what he is hearing the Biden Administration is hoping to know by March 15, 2021 timeline whether they will get the COVID-19 package through. He said it is his understanding that package contains assistance to states and municipalities, and we may be able to use as revenue replacement. He didn't know if it would be structured like the CARES Act, where the Council will have to have a discussion on how funds would need to be disbursed and to what programs. He said the biggest concern right now is the Port as we will be in a deficit situation if there is no cruise season. He said the bond covenants that were put in place at the time Berth III was constructed will have to be dealt with. He indicated when Council schedules a special meeting the finance director and himself will bring forward a more detailed explanation, and perhaps a way we can partially address that and the parameters under which we are going to have to operate if there is a federal bailout package or not. He indicated he met with his staff today and directed them to start reviewing their capital expenditures similar to the exercise we went through last spring where they need to start carving out capital projects and their operating budgets.

Mayor Sivertsen asked staff to circulate to Councilmembers prior to the meeting so they can review.

Councilmember Flora suggested moving the utility increase ordinances to that special meeting so they can be reviewed all at once.

Mayor Sivertsen said in answer to Councilmember Flora those ordinances are not necessarily a decline in revenue, they are additional cost incurred by one of our wholesale providers increase to us. He said we also have the continue deficit not because of COVID but we have utilities that have been operating in the red.

Councilmember Bradberry asked if Council could request a total hiring freeze from this point forward including the 10 positions discussed during budget deliberations. She indicated we need to make sure we have the funds for the staff we currently have.

Manager Amylon said the 10 positions that staff identified during budget deliberations, will be kept vacant at this time. He said a hiring freeze is either premature or the Council needs to give him guidance. He said he has lost two dispatchers, about to offer a job to a lineman (we are down several) and there will be three sergeants retiring in the spring. He asked Council for parameters, but would advise against the Council on a total hiring freeze.

Mayor Sivertsen concluded staff will work on the budget, and when we get the information we need in order to move forward we will schedule a special meeting. No objections were heard.

[Clerks' Note – No action was taken from the Council regarding a hiring freeze.]



## Exhibit D

Robert Sivertsen, Mayor  
334 Front Street  
Ketchikan, AK 99901

(907) 228-5603 phone  
(907) 225-5075 fax

March 9, 2021

Senator Bert Stedman  
Legislative Information Office  
1900 First Ave., Suite 310  
Ketchikan, AK 99901  
*Via email*

**RE: American Rescue Plan Act of 2021 Relief Funding for Port Communities**

Dear Senator Stedman,

This week, President Biden will sign into law the American Rescue Plan Act of 2021 to address the ongoing health and economic impacts of the COVID-19 pandemic. As legislators begin discussing the use of these funds in Alaska, the City of Ketchikan would like to once again express to your office the importance of this relief bill for the City and community and to encourage additional relief consideration for port communities like Ketchikan.

As Ketchikan faces a second season in which cruise visitation will be nonexistent, the federal relief provisions offered by the bill will be immensely beneficial to local businesses and individuals that will have endured 31 months of lost revenue and look to a full resumption in 2022. As you aware, the City received \$12.2 million in CARES Act funds, which was crucial in offering aid to individual and businesses but could not be used for municipal revenue replacement. Under a second year of decreased revenues without appreciable tourism, the City of Ketchikan stands to see revenue losses in excess of \$33 million. To the best of our understanding, the State of Alaska could receive \$1.019 billion in discretionary funds as part of the passed stimulus package. The City of Ketchikan stands to receive \$1,718,002 directly from the U.S. Department of the Treasury to address these budget shortfalls. While the first wave of the State's relief funding focused on businesses and individuals, the State's efforts and attention must now be turned to the ongoing fiscal impacts the pandemic has imposed upon Alaska's municipalities.

When use of the State's allotment of the American Rescue Plan relief funds is discussed, port communities such as Ketchikan require special consideration. The \$1.7 million the City will receive directly from the federal government is welcome but is extremely inadequate in addressing our losses. No amount of expenditure reductions can adequately address the lost revenues that the City has sustained, and the development of new revenue streams is equally improbable given the community's economic difficulties. Not only has the City's General Fund, which supports first responders and critical Public Works operations among other services, been impacted by decreased sales tax revenues stretching two fiscal years, but more staggering are the revenue losses sustained by the Port of Ketchikan, which are in excess of \$11 million annually without cruise. The ability of the City to continue basic operations and meet debt service obligations is directly tied to cruise passenger visitation and its resulting revenues. Without this key element there is no alternative mechanism that would allow the City to continue its operations as programmed. The City's reserves are quickly being depleted and more drastic measures,

such as employee layoffs and reduced services, are imminent without further significant municipal relief. If left to its own revenue streams, the Port of Ketchikan will become insolvent by the end of this year.

The City of Ketchikan's financial future is uncertain and we look to the State of Alaska as our last option to stabilize what has become a financial tailspin for us and all tourism communities that rely on cruise passenger visitation. The City of Ketchikan asks your office to prioritize the financial effects the pandemic has waged on Alaska's cruise port communities when state lawmakers consider how to best direct the State's portion of American Rescue Plan relief funds.

Should you have any questions on this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, reading "Robert Sivertsen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert Sivertsen  
Mayor

Cc: Ketchikan City Council  
Karl R. Amylon, City Manager  
Lacey Simpson, Assistant City Manager  
Michelle Johansen, City Finance Director  
Ray Matiashowski



## Exhibit D

Robert Sivertsen, Mayor  
334 Front Street  
Ketchikan, AK 99901

(907) 228-5603 phone  
(907) 225-5075 fax

March 9, 2021

Representative Dan Ortiz  
Legislative Information Office  
1900 First Ave., Suite 310  
Ketchikan, AK 99901  
*Via email*

**RE: American Rescue Plan Act of 2021 Relief Funding for Port Communities**

Dear Representative Ortiz,

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Should you have any questions on this matter, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, reading "Robert Sivertsen". The signature is fluid and cursive, with the first name "Robert" written in a larger, more prominent script than the last name "Sivertsen".

Robert Sivertsen  
Mayor

Cc: Ketchikan City Council  
Karl R. Amylon, City Manager  
Lacey Simpson, Assistant City Manager  
Michelle Johansen, City Finance Director  
Ray Matiasowski

# Exhibit E

## City of Ketchikan Savings Generated from Implementing a Layoff Strategy of Vacant Positions for Addressing the Budgetary Shortfall Projected for the General Fund

| Department               | Position                         | Retire-<br>ment | Projected<br>Wages | Projected<br>Benefits | Total<br>Compensation | Adjustment for<br>Unemployment<br>Claims | Subtotal       | IDC %  | Adjustment for<br>Interdepartmental<br>Charges | Net<br>Savings |
|--------------------------|----------------------------------|-----------------|--------------------|-----------------------|-----------------------|--|----------------|--------|--|----------------|
| Fire                     | Firefighter/EMT                  | PERS -IV v      | 65689              | 39112                 | 104801                | 0  | 104,801        | NA     | -  | 104,801        |
|                          | Firefighter/EMT                  | PERS -IV v      | 65689              | 33134                 | 98823                 | 0  | 98,823         | NA     | -  | 98,823         |
| Police                   | Police Officer                   | PERS -IV v      | 34092              | 21637                 | 55729                 | 0  | 55,729         | NA     | -  | 55,729         |
|                          | Police Officer                   | PERS -IV v      | 39775              | 25243                 | 65018                 | 0  | 65,018         | NA     | -  | 65,018         |
|                          | Police Officer                   | PERS -IV v      | 39775              | 25243                 | 65018                 | 0  | 65,018         | NA     | -  | 65,018         |
| Museum                   | Program Assistant - Vacant       | Union v         | 29812              | 24340                 | 54152                 | 0  | 54,152         | NA     | -  | 54,152         |
| PW - Engineering         | Senior Project Engineer - Vacant | PERS -IV v      | 115650             | 74211                 | 189861                | 0  | 189,861        | 43.16% | (81,944)                                       | 107,917        |
|                          | Engineering Technician - Vacant  | Union v         | 54538              | 35689                 | 90227                 | 0  | 90,227         | 43.16% | (38,942)                                       | 51,285         |
| PW - Building Inspection | Building Inspector - Vacant      | Union v         | 67808              | 40070                 | 107878                | 0  | 107,878        | NA     | -  | 107,878        |
| PW - Streets             | Maintenance Technician - Vacant  | Union v         | 52569              | 37583                 | 90152                 | 0  | 90,152         | NA     | -  | 90,152         |
| <b>Totals</b>            |                                  |                 | <u>565,397</u>     | <u>356,262</u>        | <u>921,659</u>        | <u>-</u>                                 | <u>921,659</u> |        | <u>(120,886)</u>                               | <u>800,773</u> |





**City of Ketchikan, Alaska**  
**2021 - 2025 Capital Improvement Program**  
**2021 Capital Budget**  
**Proposed Reductions to Offset Loss of Cruiseship Season**

| Department/Division/Project             | 2021 Adopted Project Budget | 2021 Revised Appropriation | Net Savings by Funding Source |                  |                        |                  |          | Port Fund          | Other              | Total Net Savings |
|---|-----------------------------|----------------------------|-------------------------------|------------------|------------------------|------------------|----------|--------------------|--------------------|-------------------|
|   |                             |                            | General Fund                  | Public Wks Sales | Solid Waste Service Fd | Wastewater Fund  | Grants   |                    |                    |                   |
| <b>Public Works (continued)</b>         |                             |                            |                               |                  |                        |                  |          |                    |                    |                   |
| Wastewater                              |                             |                            |                               |                  |                        |                  |          |                    |                    |                   |
| Sewer Main & Manhole Repair/Replacement | 75,000                      | 75,000                     |                               |                  |                        |                  |          |                    |                    |                   |
| Upgrade Sewer Laterals                  | 30,000                      | 30,000                     |                               |                  |                        |                  |          |                    |                    |                   |
| Large Pump Station Upgrades             | 150,000                     | 150,000                    |                               |                  |                        | (25,000)         |          |                    | (25,000)           |                   |
| Small Pump Station Upgrades             | 50,000                      | 25,000                     |                               |                  |                        | (30,000)         |          |                    | (30,000)           |                   |
| WWTP Equipment Replacement              | 60,000                      | 30,000                     |                               |                  |                        |                  |          |                    |                    |                   |
| Water Meters - Business and Commercial  | 756,178                     | 756,178                    |                               |                  |                        |                  |          |                    |                    |                   |
| CCTV Camera Van                         | 180,000                     | 180,000                    |                               |                  |                        |                  |          |                    |                    |                   |
| Schoenbar Road Sewer Replacement        | 3,918,353                   | 3,918,353                  |                               |                  |                        | (100,000)        |          |                    | (100,000)          |                   |
| SCADA & Controls System Upgrade         | 100,000                     |                            |                               |                  |                        |                  |          |                    |                    |                   |
| <b>Port and Harbors</b>                 |                             |                            |                               |                  |                        |                  |          |                    |                    |                   |
| Harbors                                 |                             |                            |                               |                  |                        |                  |          |                    |                    |                   |
| Bar Harbor South Pumpout Station        | 64,970                      | 64,970                     |                               |                  |                        |                  |          |                    |                    |                   |
| Thomas Basin Float No. 4 Rehabilitation | 1,201                       | 1,201                      |                               |                  |                        |                  |          |                    |                    |                   |
| Bar Harbor South Float 8 Electrical     | 214,171                     | 214,171                    |                               |                  |                        |                  |          |                    |                    |                   |
| Pink Salmon-Net Racks                   | 1,200                       | 1,200                      |                               |                  |                        |                  |          |                    |                    |                   |
| Port                                    |                             |                            |                               |                  |                        |                  |          |                    |                    |                   |
| COVID-19 Port Related Projects          | 500,000                     | 500,000                    |                               |                  |                        |                  |          |                    |                    |                   |
| Berth I Guard Shack & Security Cameras  | 19,000                      | 19,000                     |                               |                  |                        |                  |          |                    |                    |                   |
| <b>TOTAL</b>                            | <b>12,653,251</b>           | <b>8,004,430</b>           | <b>0</b>                      | <b>(429,000)</b> | <b>0</b>               | <b>(155,000)</b> | <b>0</b> | <b>(4,064,821)</b> | <b>(4,648,821)</b> |                   |

**Other Column Legend:**

- (1) Major Capital Improvements Fund
- (2) Hospital Construction Fund
- (3) Hospital Sales Tax Fund
- (4) Community Facilities Development Fund
- (5) Transient Sales Tax Fund
- (6) Cemetery Development Fund
- (7) Proposed Wastewater Bonds
- (8) Harbor Construction Fund
- (9) CPV Funds
- (10) Proposed GO Bonds

# Exhibit G

CITY OF KETCHIKAN, ALASKA

PORT REVENUE BONDS, 2006

ORDINANCE NO. 06-1549

AN ORDINANCE of the City of Ketchikan, Alaska, authorizing the issuance of Port Revenue Bonds of the City in the aggregate principal amount of not to exceed \$38,500,000 to finance capital improvements to the City's port facilities and related transportation and access improvements; providing for the date, terms and covenants of said bonds; and providing for the sale of the bonds.

Passed June 1, 2006

Prepared by:

PRESTON GATES & ELLIS LLP  
Seattle, Washington

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS

Section 1.1. Definitions ..... 1

ARTICLE II FINDINGS

Section 2.1. Best Interests of the City ..... 6  
Section 2.2. Declaration as to Obligations ..... 6

ARTICLE III AUTHORIZATION, ISSUANCE AND PREPAYMENT OF BONDS

Section 3.1. Authorization of Bonds ..... 6  
Section 3.2. Payment, Registration and Transfer ..... 7  
Section 3.3. Extraordinary Optional Redemption ..... 10  
Section 3.4. Additional Redemption Provisions..... 10  
Section 3.5. Notice of Redemption; Payment of Redeemed Bonds ..... 10

ARTICLE IV FORM OF BOND AND GENERAL TERMS

Section 4.1. Form of Bond..... 11  
Section 4.2. Execution and Authentication of Bonds..... 15  
Section 4.3. Lost or Destroyed Bonds ..... 15

ARTICLE V BOND FUND AND DEFEASANCE

Section 5.1. Bond Fund; Debt Service Account..... 15  
Section 5.2. Reserve Account..... 16  
Section 5.3. Lien of Bonds ..... 18  
Section 5.4. Defeasance..... 18

ARTICLE VI DISPOSITION OF BOND PROCEEDS

Section 6.1. Project Fund..... 18  
Section 6.2. Disposition of Bond Proceeds ..... 19

ARTICLE VII BOND COVENANTS

Section 7.1. Port Revenue Fund ..... 19  
Section 7.2. Rate Stabilization Fund ..... 20  
Section 7.3. General Covenants..... 20  
Section 7.4. Future Parity Bonds ..... 22  
Section 7.5. Junior Lien Obligations ..... 24  
Section 7.6. Tax Covenants; Special Designation..... 25  
Section 7.7. Repair and Replacement Fund..... 26

ARTICLE VIII MISCELLANEOUS

Section 8.1. Ordinance a Contract ..... 26  
Section 8.2. Benefits of Ordinance Limited ..... 26  
Section 8.3. Sale of the Bonds; Ongoing Disclosure..... 26  
Section 8.4. General Authorization; Prior Acts ..... 27  
Section 8.5. Amendments..... 27

Section 8.6. Severability ..... 28  
Section 8.7. Effective Date ..... 28

ORDINANCE NO. 06-1549

AN ORDINANCE of the City of Ketchikan, Alaska, authorizing the issuance of port revenue bonds of the City in the aggregate principal amount of not to exceed \$38,500,000 to finance capital improvements to the City's port facilities and related transportation and access improvements; providing for the date, terms and covenants of said bonds; and providing for the sale of the bonds.

WHEREAS, the City of Ketchikan, Alaska (the "City"), owns and operates dock and wharf facilities within the City to serve commercial ships (the "Port Facilities"); and

WHEREAS, pursuant to provisions of Title 13 of the Ketchikan Municipal Code ("KMC"), the City has established an enterprise fund designated as the Ketchikan Port Fund into which are deposited fees for the use of the Port Facilities, including passenger wharfage fees established pursuant to Chapter 13.10 KMC; and

WHEREAS, at an election held on April 11, 2006, the voters of the City approved the issuance of port revenue bonds in an amount of not to exceed \$38,500,000 for the purpose of providing funds to acquire, construct and equip improvements to the Port Facilities and related transportation and access improvements, as provided in Resolution No. 06-2164 adopted by the City Council on January 24, 2006 (collectively, the "Improvements"); and

WHEREAS, the City deems it necessary and advisable to issue its port revenue bonds in the principal amount of not to exceed \$38,500,000 (the "Bonds") to finance a portion of the cost of the Improvements; and

WHEREAS, the Council wishes to delegate to the City's Finance Director authority to negotiate the sale of the Bonds either to the Alaska Municipal Bond Bank Authority (the "Authority") or to RBC Capital Markets as underwriter, with the final sale terms to be approved by subsequent resolution of the Council, as provided herein;

NOW, THEREFORE, be it ordained by the Council of the City of Ketchikan, Alaska, as follows:

ARTICLE I  
DEFINITIONS

Section 1.1. Definitions. As used in this ordinance, the following terms shall have the following meanings:

“Annual Debt Service” means, for any Fiscal Year the sum of:

- (i) all interest due in such year on all outstanding Parity Bonds, excluding interest to be paid from the proceeds of Parity Bonds,
- (ii) the principal of all Serial Bonds due in such year, and
- (iii) the Sinking Fund Requirement, if any, for such year.

If the interest rate on any series of Parity Bonds is other than a fixed rate, the amount of interest deemed to be payable on such series of Parity Bonds shall be calculated on the assumption that the interest rate on those bonds would be equal to the rate that is the greater of (A) the average of the BMA Municipal Swap Index (the “BMA Index”), formerly the PSA Municipal Swap Index (7-day high grade market index of tax-exempt variable rate debt obligations produced by Municipal Market Data) during the twelve calendar months preceding the date of calculation or (B) the BMA Index on the date of calculation, or if the BMA Index is not available for such period, another similar rate or index selected by the City; provided, however, that if the interest on any such series of variable rate Parity Bonds is included in gross income for federal income tax purposes, then such Parity Bonds shall be assumed to bear interest at an interest rate equal to the average One Month USD LIBOR Rate during the twelve months preceding the date of calculation, or if the One Month USD LIBOR Rate is not available for such period, another similar rate or index selected by the City; and provided further, however, that for purposes of determining actual compliance in any past calendar year with the rate covenant set forth in Section 7.3 of this ordinance, the actual amount of interest paid on such series of Parity Bonds shall be used.

“Bond Bank” means the Alaska Municipal Bond Bank, a public corporation and instrumentality of the State of Alaska, created pursuant to the provisions of Chapter 85, Title 44, Alaska Statutes, as amended.

“Bond Bank Bonds” means a series of bonds issued by the Bond Bank to provide funds to lend to the City in accordance with a Loan Agreement.

“Bond Fund” means the Port Revenue Bond Fund established pursuant to Section 5.1 of this ordinance to pay and secure the payment of all Parity Bonds.

“Bond Insurance Policy” means any municipal bond insurance policy that may be issued to insure the payment when due of the principal of and interest on the Bonds or the Bond Bank Bonds.

“Bond Insurer” means the issuer of the Bond Insurance Policy, if any, or any successor thereto or assignee thereof.

“Bond Register” means the registration records for the Bonds maintained by the Registrar.