



# CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS  
330 Harbor Drive  
Sitka, AK  
(907)747-1811

## Minutes - Final

### City and Borough Assembly

*Mayor Gary Paxton*  
*Deputy Mayor Steven Eisenbeisz,*  
*Vice Deputy Mayor Kevin Mosher,*  
*Kevin Knox, Dr. Richard Wein, Valorie Nelson, Thor*  
*Christianson*

*Municipal Administrator: John Leach*  
*Municipal Attorney: Brian Hanson*  
*Municipal Clerk: Sara Peterson*

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Thursday, April 2, 2020

6:00 PM

Assembly Chambers

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#### SPECIAL MEETING

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

Members participated by videoconference.

**Telephonic:** 7 - Christianson, Eisenbeisz, Knox, Wein, Paxton, Mosher, and Nelson

IV. PERSONS TO BE HEARD

None.

V. NEW BUSINESS:

A. [20-069](#) Discussion / Direction / Decision of the FY2021 Draft Administrator's Budget with focus on the Enterprise Funds and Internal Service Funds

Municipal Administrator John Leach stated the focus for this meeting was for enterprise and internal service funds. Controller Melissa Haley told of previous budget meetings and future meetings scheduled. She gave the approach to the Enterprise Funds with long-term fiscal models, monitoring performance of debt to equity ratio, and the need to keep up with industry standards.

Nelson wondered how to assist the public to make sure that Sitka's economy stayed healthy. She felt that the numbers were too optimistic. Paxton noted the uncertainties but that the budget needed to move forward for approval. He stated that budget adjustments could be made later. Christianson agreed with Paxton and noted there would most likely be more budget adjustments in the future. He said he was less concerned with the details as he felt the budget could be fluid. Wein's notion was that

the budget needed to be readjusted, was under a deficit currently, and discussions and addressing of the deficit was needed. Mosher agreed with Paxton and Christianson of the importance to pass the budget within the deadline, understanding there would be changes in the future.

Leach stated there were adjustments made for what was known from the COVID-19 emergency. He noted the Harbor Fund rate increase was proposed by the Port and Harbors Commission where there was assumed input from users.

Haley went over the Electric Fund history noting that there were no rate increases in the last two years, but critical infrastructure was needed. She stated finance would be watching the inflation rate closely. Haley stated the fund was stable, however without expansion of usage, additional rate increases may be needed. She showed a decrease in working capital and gave options with the General Fund subsidizing the Electric Fund. She noted the electric department had reprioritized twice in the last few months with regards to capital expenditures.

Nelson stressed the need to keep rates as low as possible while not defaulting on the bonds. Some members felt the rate increase should remain, some decrease, and others to decrease the rate due to COVID-19. Christianson felt there could be possible monies recouped from the federal government if a special rate was determined because of COVID-19. Sweeney stated FEMA funds were directly related to expenditures to mitigate the emergency. He relayed there was lots of conversation surrounding recouping revenue and that details were not yet known. Eisenbeisz felt all capital projects needed to be looked at for life/safety only.

Haley went over the Water Fund noting the context driving the fund was critical infrastructure. She stated there were no rate increases in FY2020, the FY2021 proposed rate increase was 2%, and no new debt was needed for future projects.

Haley stated the Wastewater Fund infrastructure was not fully known, that adequate working capital was important to fund unanticipated repairs if needed. She stated known repairs would be needed in 10-20 years and the rate increase proposed for FY2021 was 2%.

Haley stated the Solid Waste Fund was driven by contractual obligations and the national average was 4.4% as an inflationary rate. She noted this fund had been operating in the red since 2013 and the rate proposed was the same as FY2020 at 5.5%. She told that even with the rate increase(s), the fund would not be positive until 2028-2029.

Haley stated that the Harbor Fund was driven to prepare for significant harbor costs of replacement of Eliason in the future and the rate increase was proposed at 5% over the next three years. Nelson stated concerns of rates and allowing for public comment from harbor users. Mosher was not in support of the 5% increase.

Wein stated the fiscal plan for the harbor system and rate structure was unsustainable. He wondered when it would become a tipping point that it would affect the users but noted that the financial issues needed to be addressed. Christianson stated by raising rates sooner, it allowed a bigger impact in the future. Knox said that the harbor infrastructure may not be sustainable. Eisenbeisz wished to see a zero percent increase.

**A motion was made by Mosher to reduce proposed harbor rate from 5% to 3%**

for FY2021. The motion FAILED by the following vote.

**Yes:** - Mosher, Nelson

**No:** - Christianson, Eisenbeisz, Knox, Wein, Paxton

Haley told of changes of the Harbor Fund working capital, the proposed increase amount, capital projects and noted the inflationary costs for the Crescent Harbor project was higher than anticipated. Knox warned that delaying projects created high inflationary costs.

Haley reported on the Airport Terminal Fund noting the impact that would be likely with the slowed travel related to COVID-19. She felt that working capital would be negative going forward and there were projects that were needed.

Haley addressed the Marine Service Center Fund with the crane costs taken out as a previous directive from the Assembly. She stated the fund was losing money on an annual basis and at some point, there would have to be decisions on what to do. Christianson told the goal would be to no longer have this infrastructure.

Haley informed the Information Technology Fund existed to provide services to all city government. She showed the breakdown of departments. Sweeney stated the costs were allocated.

Haley stated the Central Garage Sinking Fund was for vehicle replacement and there was a guide supplied for details. She stated former Interim Municipal Administrator Hugh Bevan vetoed some vehicles that were previously on the list.

Haley went over the Building Maintenance Fund by giving a breakdown based on time, effort, and expense that it took to maintain each building or fund. Leach relayed the city/state building contract needed to be finalized by June and that communication would continue and the city would maintain its portion of the building.

**B**     [ORD 20-11](#)

Temporarily amending Title 15 "Public Utilities" of the Sitka General Code by modifying Chapter 15.01 "Electric Utility Policies", Section 15.01.020 "Electrical Rates" which will temporarily extend the lower seasonal electric rate from April to June in 2020 only

Christianson explained the reasoning of the ordinance as a way to provide relief for citizens due to the COVID-19 pandemic. Wein noted this was for residential which averaged a savings of \$112 for the duration yet was approximately \$1 million decrease to the Electric Fund and wondered how that money would be recouped. Knox clarified it was for residential, small general services, and boats. Mosher stated while the intent was notable, he had concerns with the loss of revenue to the fund. Nelson stated she was in favor for first reading, felt that residential may not be the answer, that business owners were in danger of not being able to pay sales tax and bills. Christianson told of the thought process of helping people who were hurting right now and that there could be an extension of summer rates into the fall. He wondered if the lobbyists could research funding for lost revenues for Sitka. Paxton would like to see this on an as needed basis and noted the need for the Electric Fund to be stable.

Municipal Administrator John Leach relayed Senate Bill 241 passed through the Legislature to suspend disconnecting services of non-payment for utilities. He relayed that penalties for late payment and non-payments were suspended. Eisenbeisz agreed for the need to reduce the costs for citizens in the short-term, however, had concerns

with the long-term impacts and the possible need to transfer money from the General Fund to the Electric Fund to subsidize and what that meant for General Fund cuts. Knox suggested tasking lobbyists on opportunities to obtain monies. Christianson and Mosher agreed. Wein noted the drivers of the General Fund was tax revenue and felt that those revenues would also decline. He stated the need to think about the health of the General Fund.

**A motion was made by Knox that this ordinance be APPROVED on FIRST READING. The motion PASSED by the following vote.**

**Yes:** 6 - Christianson, Eisenbeisz, Knox, Paxton, Mosher, and Nelson

**No:** 1 - Wein

## VI. PERSONS TO BE HEARD:

Comments from Assembly members and staff:

Knox - Gave an update on the city seal process. He wondered if it were possible to release testing numbers with regards to COVID-19. He relayed that Ketchikan was not going to accept cruise ships this season and wondered if there had been conversations surrounding cruise ships coming into Sitka. He gave suggestions for masks and those that should be reserved for health care providers.

Nelson - Read an email from Camille Ferguson regarding concerns surrounding travel/tourism industry in Sitka. She told of the work session on April 9 to discuss economic impacts related to COVID-19. She stated her concerns with the property tax deadline and of the public comment process during the pandemic.

Mosher - Was in support of the work session and told his concern for Sitka's economy.

Leach - Told of three bills that have been signed that the lobbyist firm had summarized and highlighted what Sitka could be potential candidates for. He noted his discussions with Camille Ferguson and relayed that a fourth bill would be coming with potential economic stimulus.

Christianson - Wondered how to assist citizens in applying for various programs for economic assistance and gave encouragement for getting through this pandemic.

Paxton - Thanked Sitkans with all the volunteer efforts.

## VII. EXECUTIVE SESSION

None.

## VIII. ADJOURNMENT

**A motion was made by Christianson to ADJOURN. Hearing no objections, the meeting ADJOURNED at 8:02 p.m.**

**ATTEST:** \_\_\_\_\_  
**Melissa Henshaw, CMC**  
**Deputy Clerk**