



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: Mayor Eisenbeisz, Assembly Members Ystad, and Carlson

Date: July 9, 2024

Subject: Supplemental Appropriations for Convention and Visitor Bureau Services

Background

The Sponsors intend to fund three aspects of the Convention and Visitor Bureau Services (CVBS) Contract between the City and Borough of Sitka and the Greater Sitka Chamber of Commerce.

The Assembly asked for additional detail following the presentation of the initial Visit Sitka FY25 budget at the annual work session on March 26, 2024. This revised budget was presented to the assembly with math errors. The third version is enclosed in the packet tonight having been submitted to the clerk's office on June 7, 2024.

This year initiated the consideration of using Commercial Passenger Vessel (CPV) funds to cover a portion of this contract. Accessing CPV funds will increase expenditure tracking to meet the reporting needs of this funding source. This has prompted a closer look at financial procedures of the Contractor and expenditures related to cruise tourism.

Analysis

It is written in the contract that the Contractor shall receive a minimum of \$300,000 annually following the calendar year to provide Convention and Visitor Bureau Services for the municipality. The annual work session between the contractor and the Assembly in March of each year is intended to determine the funding for the next contract term (calendar year) and "specific projects" (fiscal year). Specific project funding is available more quickly compared to the annual funding.

Please note that the Contractor's current use of "supplemental budget" requests is outside language not present in the contract. Exhibit B of the contract refers to "annual contract amount" and "specific projects" only. The amount of "supplemental budget" request has grown significantly over the years. Although this has always been granted with Assembly approval, the Sponsors find this practice to be incongruent with the intent

of the contract due to “specific projects” funds being available sooner, and off cycle, from the base contract that the requested funds are intended to supplement. This practice unnecessary confuses the situation.

The “supplemental budget” request for the current budget is \$275,000. The base budget is \$300,000.

The Sponsors do not wish to fund any of the proposed Special Projects suggested at the bottom of the Contractor’s included budget.

Sponsors request the Contractor track and report services and supplies provided direct to cruise visitors starting in July 2024 as stated in the Analysis of Use of CPV Funds section of the enclosed Budget Details materials. Sponsors acknowledge the estimate of around \$140,000 as plausible funding to be potentially covered by CPV funds at a later date.

Fiscal Note

This ordinance funds three different items from the Visitor Enhancement Fund per the current Convention and Visitor Bureau Services contract.

1. \$300,000 to the Greater Sitka Chamber of Commerce to fund base operations from January 1, 2025 through December 31, 2025 (calendar year 2025).
2. \$275,000 to fund special projects between July 1, 2024 and June 30, 2025 (CBS fiscal year 2025).
3. \$10,000 for the CBS to directly contract an independent financial firm to review use of CBS funds in alignment with Section 10 of the Convention and Visitor Bureau Services contract.

It is intended that the expenditures from the Visitor Enhancement Fund can be partially refunded from the Commercial Passenger Vessel Fund when the annual allocations are made similar to the process with other CBS funds. Sponsors request that the Contractor work with the CBS Finance Department to ensure tracking and reporting follows CBS content and format requirements.

Encl: Visit Sitka FY25 Budget, Revision 2, dated June 7 2024
CVBS Contract
Ordinance 2024-20