

Meeting Agenda

Planning Commission

Chris Spivey, Chair Darrell Windsor, Vice Chair Tamie (Harkins) Parker Song Debra Pohlman Randy Hughey

Tuesday, September 6, 2016

7:00 PM

Del Shirley Room in Allen Hall Sheldon Jackson Campus

- I. CALL TO ORDER AND ROLL CALL
- II. CONSIDERATION OF THE AGENDA
- III. CONSIDERATION OF THE MINUTES
- A PM-10 Approval of the August 16, 2016 meeting minutes.

Attachments: August 16 2016 draft

- IV. THE EVENING BUSINESS
- B MISC Sitka's Economy and the Comprehensive Plan. Activities to include a Comprehensive Plan recap, a presentation on Sitka's economy, and a facilitated discussion of economic opportunities and challenges.

Attachments: Sept 6 Packet small

- V. PLANNING DIRECTOR'S REPORT
- VI. PUBLIC BUSINESS FROM THE FLOOR
- VII. ADJOURNMENT

NOTE: Individuals having concerns or comments on any item are encouraged to provide written comments to the Planning Office or make comments at the Planning Commission meeting. Written comments may be dropped off at the Planning Office in City Hall, emailed to planning@cityofsitka.org, or faxed to (907) 747-6138. Those with questions may call (907) 747-1814.

Publish: August 29 and 31



Legislation Details

File #: PM-10 Version: 1 Name:

Type: Planning Minutes Status: AGENDA READY

File created: 8/22/2016 In control: Planning Commission

On agenda: 9/6/2016 Final action:

Title: Approval of the August 16, 2016 meeting minutes.

Sponsors:

Indexes:

Code sections:

Attachments: August 16 2016 draft

Date Ver. Action By Action Result



Minutes - Draft

Planning Commission

Chris Spivey, Chair Darrell Windsor, Vice Chair Tamie (Harkins) Parker Song Debra Pohlman Randy Hughey

Tuesday, August 16, 2016

7:00 PM

Sealing Cove Business Center

CALL TO ORDER AND ROLL CALL

Chair Spivey called the meeting to order at 7:00 PM.

Present: Spivey, Parker Song, Pohlman, Hughey (phone)

Absent: Windsor (excused)

II. CONSIDERATION OF THE AGENDA

III. CONSIDERATION OF THE MINUTES

A Approval of the August 2, 2016 meeting minutes.

Pohlman/Parker Song moved to APPROVE the August 2, 2016 minutes.

Motion PASSED 4-0.

IV. REPORTS

D

B Planning Regulations and Procedures.

C Annual report submitted by Sheila Finkenbinder for a bed and breakfast conditional use permit at 415 DeArmond Street. No action required.

V. THE EVENING BUSINESS

Public hearing and annual review of an approved conditional use permit for a lodge and commercial dock at Dove Island Lodge. The property is also known as Lot 1 of the Dove Island Resubdivision. The owners of record are Harold and Tracie Lambeth.

Bosak explained the history of the conditional use permit. This is the final required review. Future reviews will only be upon receipt of meritorious complaints. Complaints haven't been received recently. Staff recommend approval of the final review.

Pohlman/Parker Song moved to APPROVE the annual review of the conditional

use permit granted to Duane and Tracie Lambeth for a lodge and commercial dock on Dove Island, in the GI General Island zone. The property is also known as Lot 1 Dove Island Resubdivision. The owners of record are Harold D. and Tracie Lambeth.

Motion PASSED 4-0.

Ε

Public hearing and consideration of a minor subdivision at 211 Shotgun Alley, zoned SFLD Single Family Low Density Residential. The subdivision would result in four lots. The property is also known as Lot 2 of Johnstone Subdivision Replat. The request is filed by Barth Hamberg. The owner of record is Barth Hamberg.

Scarcelli reviewed the request for a four-lot minor subdivision at 211 Shotgun Alley. Scarcelli showed photos of drainage on the parcel, grading, pads, trees, culverts, creek, and flagging. Scarcelli reported that he visited the site after a significant rain event August 7-11, and water runoff was minimal. Staff believes this observation corroborates the drainage assessment and Municipal Engineer's statements regarding drainage. The subdivision complies with Title 21 and Title 22 regulations. Scarcelli reviewed the discussion points of the last hearing, including that the potential harm to the downstream property "really was the result of the downstream property had by their own course of action or by their prior owners that they bought from had constrained the lower drainage ditch." The proposal complies with the Comprehensive Plan by allowing for the public process to work through issues, and by developing more lots for residential development. Staff recommend approval of the preliminary plat with extensive findings. Scarcelli read a letter submitted by the applicant's attorney, Robert S. Spitzfaden.

Pohlman asked how Spitzfaden's letter "jives" with the requirements on the deed when Hamberg purchased the property. Scarcelli stated that covenants are primarily a civil issue, and stated that the Acting Municipal Attorney was available to answer questions.

Brian Hanson, Acting Municipal Attorney, stated that staff have followed code requirements. Hanson stated that it is not the role of the city and this commission to enforce a private document.

Barth Hamberg stated that he had no new information to add. Hamberg stated that his proposal complies with code and is a truly low-density development. Hamberg stated that he believes he has created a model for development, and thanked staff for their work.

Davey Lubin stated that Hamberg and Scarcelli inaccurately pointed out that Lubin and his wife altered their drainage. Lubin stated that the stream has been in its current state for approximately 40 years. Lubin stated that the covenants went along with the sale of the property, and the commission is now considering a development that does not comply with the covenants. Lubin stated that he attempted to pursue mediation through the Administrator, and Lubin reported that Hamberg was not interested in mediation or mitigation.

Spivey stated that Hamberg has met code requirements, and the commission is to follow the code whether or not they agree with the code. Spivey believes that Hamberg has done the job that he has been asked to do. Spivey believes the stream is able to handle the natural flow. Parker Song stated that Hamberg

has followed the code, and this decision is not about opinions. Pohlman stated that she believes it would be ironic to approve a subdivision that doesn't comply with covenants. Pohlman stated that she finds it challenging. Hughey stated that he doesn't believe the development poses significant loss or harm to downhill neighbors.

Pohlman voting against.Parker Song/Pohlman moved to APPROVE the preliminary plat for the Cedars Subdivision, subject to the attached condition of approval, for a 4 lot minor subdivision at 211 Shotgun Alley, zoned Single Family Low Density Residential. The property is currently legally described as Lot 2 of Johnstone Subdivision Replat. The request is filed by Barth Hamberg. The owner of record is Barth Hamberg.

a. Condition of Approval: All subject lots, future sales, and development comply with recorded restrictive covenants of record that state to effect that lots shall not be further subdivided; further, the main stream shall not be filled or otherwise impacted to prevent it from flowing in a free and natural state or would impact natural water levels of such stream; development shall be done with a trained soil scientist, hydrologist, or engineer to prevent soil wasting or erosion to insure no adverse erosion will occur to properties located below said parcel; development shall strive to maintain the natural character of the land with an effort to emphasize the natural landscape with locally appropriate flora; and all of these restrictions and covenants shall run with the land.

Motion PASSED 3-1. Pohlman voting against.

Parker Song/Pohlman moved to adopt the Senior Planner's analysis and APPROVE the findings of fact for the preliminary plat for the Cedars Subdivision, subject to the attached condition of approval, for a 4 lot minor subdivision at 211 Shotgun Alley, zoned Single Family Low Density Residential. The property is currently legally described as Lot 2 of Johnstone Subdivision Replat. The request is filed by Barth Hamberg. The owner of record is Barth Hamberg. It is found that the project:

- a. Complies with all applicable zoning regulations, specifically because minimum lot size and dimensions have been met by providing lots that range from 15,029 square feet to 80,796 and on average exceed the width of 80 feet, which further the intent of the zone for less density;
- b. Complies with subdivision regulations, specifically because those criteria addressed in Section 21.40 have been surpassed and the drainage assessment has been approved by the Municipal Engineer and no further requirements are needed for subdivision;
- c. Does not pose a negative impact to the public's health, safety, or welfare because the proposal as set forth in the application, preliminary plat, recorded covenants, and drainage assessment complies with the subdivision code and it is a reasonable development of a minor subdivision;
- d. Has not caused any apparent direct harm, and further that any potential for harm has been adequately and reasonably addressed in the drainage report, the condition of approval, existing restrictions and covenants, and/or through development standards and permit review;
- e. Has not caused the harm experienced by the downhill property and that any harm experienced by the downhill property is caused by the fact that their own drainage system cannot handle reasonable amounts of flow regardless of development; and
- f. Follows the objectives in the Comprehensive Plan by providing for conflict resolution, orderly development of residential land of adequate size and

access without adversely impacting surrounding land uses.

Motion PASSED 3-1.

F

Public hearing and consideration of a variance request for 216 Lakeview Drive, in the R-1 zone. The request is for the reduction in the northwesterly side setback from 5 feet to 1 foot for the construction of a garage to replace an existing carport. The property is also known as Lot 51 Lakeview Heights Subdivision. The request is filed by Ida Eliason. The owner of record is Ida Eliason.

Spivey recused himself and sat in the audience.

Pierson explained the request. The foundation of the proposed garage would be 3 feet from the property line, with eaves 1 foot from the property line. Staff recommend a modified variance to allow the structure to come to 3 feet of the property line.

Ida Eliason passed out aerial photos. Eliason stated that she wants to park one car, keep her hot water heater outside, and have some storage. Eliason stated that there is ample space between the carport and her neighbor's home. Bosak suggested narrowing the garage.

Pohlman asked about building on the existing footprint. Bosak stated that if an item is not an exact replacement, that is an opportunity to bring properties into code compliance. Light, space, and air are considerations for zoning setbacks.

Parker Song stated the inclination is to grant the request because her neighboring property will not have adverse impacts to life, space, and air. Pohlman stated her hesitation to go against code, and the neighbor has the right to expand in Eliason's direction.

Parker Song/Hughey moved to adopt and APPROVE the required findings for major structures or expansions as discussed in the staff report.

Required Findings for Variances Involving Major Structures or Expansions. Before any variance is granted, it shall be shown:

- a) That there are special circumstances to the intended use that do not apply generally to the other properties, specifically, the narrow lot dimensions;
- b) The variance is necessary for the preservation and enjoyment of a substantial property right of use possessed by other properties but are denied to this parcel, specifically, the ability to adequately protect a vehicle from rain;
- c) That the granting of such a variance will not be materially detrimental to the public welfare or injurious to the property, nearby parcels, or public infrastructure, specifically, by replacing a deteriorating structure; and
- d) That the granting of such the modified side setback variance from 5 feet to 3 feet will not adversely affect the Comprehensive Plan: specifically, the variance is in line with Comprehensive Plan 2.4.1, which states, "To guide the orderly and efficient use of private and public land in a manner that maintains a small-town atmosphere, encourages a rural lifestyle, recognizes the natural environment, and enhances the quality of life for present and future generations without infringing on the rights of private landowners, by replacing an existing structure while not encroaching further on setbacks."

Motion PASSED 3-0.

Hughey/Parker Song moved to APPROVE a modified variance request for 216 Lakeview Drive. The variance is for the reduction in the northwesterly side setback from 5 feet to 3 feet for the replacement of a carport with a garage. The property is also known as Lot 51 Lakeview Heights Subdivision. The request is filed by Ida Eliason. The owner of record is Ida Eliason.

Motion PASSED 3-0.

G

Public hearing and consideration of a minor subdivision and easement change request for 204 Jeff Davis Street, in the R-2 zone. The property is also known as Lot 17 Sheldon Jackson Campus Subdivision. The request is filed by Randy Hitchcock. The owner of record is Randy Hitchcock.

Item was PULLED from the agenda.

Н

Public hearing and consideration of a minor subdivision request filed for tidelands adjacent to 1 Lincoln Street, as required for the tideland lease process. The property is also known as a portion of ATS 15, and is in the Waterfront District. The request is filed by Petro Marine Services. The owner of record is the City and Borough of Sitka.

Bosak explained the request. The applicant seeks to lease tidelands on which to build a replacement fuel dock. Staff recommend approval of the final plat. Spivey asked why this would be a 50 year lease. Bosak stated that the Attorney's office determined that 50 was the right length to support investment in new infrastructure.

Jerry Jacobs represented Petro Marine, and stated that he had nothing additional to add.

No public comment.

Spivey stated that it is straight-forward.

Pohlman/Parker Song moved to adopt and APPROVE the findings as discussed in the staff report.

- 1) That the proposed minor subdivision complies with the Comprehensive Plan and Sitka General Code by delineating an area for a prospective tideland lease; and
- 2) That the subdivision would not be injurious to public health, safety, and welfare.

Motion PASSED 4-0.

Pohlman/Parker Song moved to APPROVE the final plat of the minor subdivision for tidelands adjacent to 1 Lincoln Street. The property is also known a portion of ATS 15. The request is filed by Petro Marine Services. The owner of record is the City and Borough of Sitka.

Motion PASSED 4-0.

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Public hearing and discussion of easement concerns and a lease renewal at 323 Seward Street filed by the White Elephant Shop. The renewal would be for 30 years. The property is also known as all of lot 7 and a

fractional part of lots 8, C-9, and C-10 of Block 8, U.S. Survey 1474 Tract A. The owner of record is the City and Borough of Sitka.

Pierson explained the history of the lease and easement concerns. Staff believes that White Elephant has adequately addressed easement issues.

Karen Grussendorf represented the board of White Elephant Shop, and stated that the board believes that they have done their job in remedying the easement concerns.

No public comment.

Spivey stated that he believes the White Elephant Shop has done their due diligence.

Parker Song/Pohlman moved to RECOMMEND that the access easement concerns at 323 Seward Street have been adequately addressed.

Motion PASSED 4-0.

Public hearing and consideration of a zoning map amendment filed by Lynne Brandon for 663-800 Alice Loop. The properties are also known as Lots 1-5 of Alice and Charcoal Island and Alice Island Planned Unit Development Phase 1, and Lots 1-16 of Ethel Staton Subdivision.

Scarcelli passed out a zoning map of 663-800 Alice Loop, and shared photos of homes, plats, Sealing Cove Business Center, and the general neighborhood. The proposal is to rezone 663-800 Alice Loop from Waterfront District to R-1 Residential. Alice and Charcoal Island has residential and commercial development. Surrounding land uses are vacant, residential, public facilities, municipal harbor, and commercial. A variety of commercial and public facility uses are in the area, including AT&T, Trani boat business in development, heated storage bays, Department of Transportation, municipal water treatment, and Sealing Cove Business Center. Waterfront District allows various uses that generate impacts to a higher and greater degree than residential districts, and residential owners in the Waterfront District must be aware of those potential uses. Property owners should have become aware of the Waterfront zoning when they purchased their properties. A group of property owners in the residential community support the proposed zoning map amendment, while Shee Atika opposes the proposal. The application had standing and was ripe. Residential property owners purchased their homes with strict covenants in place, which favors residential zoning. Adjacent commercial development could negatively impact residential property values. Scarcelli referred to the Griswold case. The rezoning would be inconsistent with the comprehensive plan because it would reduce the amount of available Waterfront zoned land, which is already limited. Only approximately 53 acres of Waterfront District land exists in Sitka. This proposed rezoning would remove approximately 9 acres or 18% of all Waterfront District land, or 90% of all vacant and developable Waterfront District land. Rezoning this parcel would set a precedent that all Waterfront land could be open to rezoning. The proposed rezoning would benefit private property owners but not the community at large. The Griswold case concluded that 7.22 acres does not constitute spot zoning, but this request is to rezone 8.97 acres. An argument in favor of the zoning amendment is that the covenants support the zoning amendment due to the potential impacts to property values. An argument against the zoning

J

amendment is that 2/3 of the spot zoning factors of the Griswold case support denial, and that the proposed amendment would remove 18% of Waterfront District zoned land. Overall, staff recommend against the zoning map amendment. Bosak stated that waterfront in other communities has co-aligned with residential uses, creating unique neighborhoods.

Lynne Brandon stated that she represents a group of community members. Brandon stated that she disagrees with the Senior Planner's analysis. Brandon stated that she has been involved with land use planning for years but municipal code regarding Waterfront District is confusing. Brandon stated that they were given approximately 18 legal documents when they purchased the property. Brandon stated that the residential properties are already essentially removed from Waterfront zoning as they are developed as residential properties with strict covenants. Brandon stated that the neighborhood is quiet and friendly, and potential commercial development at 800 Alice Loop would not be harmonious with the neighborhood. Brandon stated that public health and safety are not protected without the rezoning. Brandon asked if commissioners went through the Comprehensive Plan citations in the staff report. Brandon stated that she was part of the Comprehensive Plan development, and waterfront access was intended to be protected along the road system, not necessarily in the Waterfront District. Brandon cited the following Comprehensive Plan sections as supporting her request: 2.4.5, 2.4.21, 2.4.22, 2.4.23, 2.4.24, and 2.6.2. Brandon stated that the Coastal Management Program no longer exists. Brandon cited the Comprehensive Plan as stating that leapfrog development should be discouraged, and that neighborhood associations should be encouraged. Brandon asked the Commission to maintain the neighborhood character.

Pohlman stated that a tasteful set of apartments would not be permitted in R-1, and that higher density residential had been intended for 800 Alice Loop in previous discussions. Brandon stated that representatives had requested Shee Atika to place identical covenants on 800 Alice Loop, but right now they have no reassurances. Pohlman asked if residents are equally uncomfortable with higher density residential development as with commercial development. Brandon stated that Shee Atika has not been willing to make any commitments. Spivey asked if Brandon explained the various zoning designations when she requested feedback from neighbors. Brandon stated that she shared municipal code with neighbors.

Steve Atkinson joined via teleconference to give public comment. Atkinson stated that he does not view 800 Alice Loop as waterfront. Atkinson stated that covenants are more restrictive than R-1 zoning, so the request would make the zoning consistent with covenants. Atkinson stated a preference for R-1 but that he is not opposed to R-2.

Jerry Helem of 749 Alice Loop stated concern that he might encounter difficulties with building a dock if the zoning is changed. Helem stated that he has proposed a 10 by 40 foot dock. Bosak stated that up to 300 linear foot personal use docks are permitted in R-1 and R-2. Docks that exceed this size would require a conditional use permit. Helem stated that the Corps permit has been granted with a 5 year timeline to build, and he believes that it should be grandfathered in. Helem stated that the neighborhood is not affordable housing, and he does not want to see another Paxton Manor in 800 Alice Loop. Scarcelli stated that a building permit and substantial construction would have

to be done to vest his interest in the dock.

Richard Doland stated that he owns one of the lots. Doland stated that the covenants are substantial, and the idea is to protect the interests of property owners. Doland stated that property is hard to come by, and this is a good location for residential development. Doland stated that he believes it would be a mistake to allow commercial and industrial development at 800 Alice Loop.

Spivey stated that he is torn. He does not want to handcuff the current landowner of 800 Alice Loop. Hughey stated that the covenants set up the reasonable expectation that the neighborhood would be residential, and 800 Alice Loop should be reasonably residential. Hughey stated support for higher density residential development. Pohlman stated that one portion of the border of the property is waterfront. Spivey stated that he did not feel confident in making a decision on the request, and asked about the legal ramifications of changing the zoning on owners that object. Scarcelli stated that with Shee Atika's objection, approval would require the affirmative vote of 5 Assembly members. Bosak stated that the Waterfront District is defined as being in close proximity to the waterfront, not necessarily on the waterfront. Spivey stated that he would prefer that all landowners would be in agreement. Hughey stated that he preferred to postpone the item to see if harm would be done to 800 Alice Loop by rezoning to R-2. Bosak stated that it would require asking the applicant to amend the application.

Hughey/Parker Song moved to RECOMMEND denial of the zoning map amendment filed by Lynne Brandon for 663 800 Alice Loop. The properties are also known as Lots 1 5 of Alice and Charcoal Island and Alice Island Planned Unit Development Phase 1, and Lots 1 16 of Ethel Staton Subdivision.

Motion PASSED 4-0.

Pohlman/Parker Song moved to APPROVE the findings as discussed in the staff report.

1. That the granting of such zoning map amendment would adversely affect the Comprehensive Plan, and it is inconsistent with Comprehensive Plan Sections 2.4.12, 2.4.13, 2.5.10, and 2.6.1 by not providing lands adequate for all intended and desired uses such as residential, commercial, and water-dependent uses. 2. The zoning map change as proposed would not be in line with providing waterfront dependent uses that are identified in the Comprehensive Plan and also the intent of the WD zoning district specified in Section 22.16.100(A). 3. The zoning map change may result in adverse effects on public health, safety, and welfare by impacting the ability of lands near the water front and Sealing Cove Harbor to be able to be developed for commercial, industrial, or other marine business type uses that benefit the community as a whole and not just private property interests.

Motion PASSED 4-0.

Κ

Public hearing and consideration of a variance request for the reduction of the rear setback from 10 feet to 3 feet for the construction of a partially covered porch at 1935 Dodge Circle, in the R-1 residential zone. The property is also known as Lot 1 Alder Way Subdivision. The request is filed by Kris and Erica Pearson. The owners of record are Kristopher and Erica Pearson.

Pierson described the request. The applicant seeks to build a partially covered rear deck within 3 feet of the rear property line. The rear yard is approximately on the same plane as the second story of the downhill property. The property is bounded by Dodge Circle on the front and access easements on both sides. Staff recommend a modified variance to 5 feet to minimally impact the downhill neighbor.

Kris Pearson explained the request using the photo on the projector. Kris stated that the sun does not go uphill from the house, so he does not believe that the proposed deck would block light access to the downhill property. Pohlman asked where the roofline would align with the downhill property. Kris showed on the as-built that there is not a structure downhill from the requested roofline. Kris stated that they want to maximize the use of their property. Kris offered to reduce the eaves by 1 foot.

Pohlman/Parker Song moved to APPROVE findings as discussed in the staff report.

Required Findings for Variances.

- 1. Required Findings for Variances Involving Major Structures or Expansions. Before any variance is granted, it shall be shown:
- a) That there are special circumstances to the intended use that do not apply generally to the other properties, specifically, that geography has created a significant elevation differential between the two adjacent properties;
- b) The variance is necessary for the preservation and enjoyment of a substantial property right of use possessed by other properties but are denied to this parcel, specifically, the ability to create outdoor living space that is protected from rain;
- c) That the granting of such a variance will not be materially detrimental to the public welfare or injurious to the property, nearby parcels, or public infrastructure, specifically, that a fence provides screening; and
- d) That the granting of such the modified rear setback variance from 10 feet to 4 feet will not adversely affect the Comprehensive Plan: specifically, the variance is in line with Comprehensive Plan 2.4.1 which states, "To guide the orderly and efficient use of private and public land in a manner which maintains a small-town atmosphere, encourages a rural lifestyle, recognizes the natural environment, and enhances the quality of life for present and future generations," by allowing for the development of outdoor living space while not adversely impacting neighbors.

Motion PASSED 4-0.

Pohlman/Parker Song moved to APPROVE a modified variance request for 1935 Dodge Circle. The variance is for the reduction in the rear setback from 10 feet to 4 feet for the construction of a partially covered deck. The property is also known as Lot 1 Alder Way Subdivision. The request is filed by Kris and Erica Pearson. The owners of record are Kris and Erica Pearson.

Motion PASSED 4-0.

VI. PLANNING DIRECTOR'S REPORT

Bosak stated that the next Comprehensive Plan meeting will be on September 6 at Sheldon Jackson campus, regarding economics. Short-term rentals on boats will be on the September 20 agenda. Pierson reported that an

administrative variance was granted for a side setback at 613 Lake Street. Scarcelli gave information on a landslide memorial ceremony on August 18. Bosak stated that in the aftermath of the landslide, hazard mapping has been supported and a critical areas ordinance is in progress.

VII. PUBLIC BUSINESS FROM THE FLOOR

VIII	Δ	D.	IO	IIR	NI	1EN	JT

Pohlman/ Parker Song moved to ADJOURN at 9:35 PM.
Motion PASSED 4-0.
ATTEST:

Samantha Pierson, Planner I



Legislation Details

File #: MISC 16- Version: 1 Name:

01.12

Type: P&Z Miscellaneous Status: AGENDA READY

File created: 8/22/2016 In control: Planning Commission

On agenda: 9/6/2016 Final action:

Title: Sitka's Economy and the Comprehensive Plan. Activities to include a Comprehensive Plan recap, a

presentation on Sitka's economy, and a facilitated discussion of economic opportunities and

challenges.

Sponsors:

Indexes:

Code sections:

Attachments: Sept 6 Packet small

Date Ver. Action By Action Result



City and Borough of Sitka

Planning Commission Meeting Comprehensive Plan Work Session

Evening Topic: Sitka's Economy, Now + Future

WHEN: Tuesday, September 6, 2016, 7:00-9:30 pm

WHERE: Del Shirley Room in Allen Hall on Sheldon Jackson Campus

7:00 pm	1. Call to Order and Roll Call 2. Consideration of the Agenda 3. Approval of August 16, 2016 Planning Commission Comprehensive Plan Meeting Minutes
7:10 pm	 4. Overview - Sitka 2030 Comprehensive Plan Purpose, Process, Key Tasks, Where We Are in Schedule Questions
7:30 pm	 5. Presentation on Sitka's Economy 5 Surprising Things about the Economy Sitka's Current Demographics and Economy How to Sustain and Grow the Economy Sitka's Assets and Competitive Advantages
8:15 pm	6. Facilitated Discussion on Realistic Economic Opportunities and Challenges in Sitka – with 2 breaks to post your ideas

7. Summarize Tonight's Conversation and Next Steps

9:15 pm

9:30 pm

8. Adjourn



Sitka 2030 COMPREHENSIVE PLAN

What Is a Comprehensive Plan?

The Sitka Comprehensive Plan will look 10-20 years into the future to affirm community goals and aspirations.

It will set the stage and guide future community growth, land use, housing development, transportation and infrastructure investment, recreation, public services, and more. It will be grounded in the economic opportunities and challenges of today.

The Sitka Charter says that Sitka's Comprehensive Plan "shall serve as a guide to all future assembly action concerning land use and development regulations, urban renewal programs and expenditures for capital improvements."

For a Comprehensive
Plan to be useful it
needs to tackle the
issues that matter to
residents and be written
to reflect the
community values and
local conditions.

Comprehensive Plans are 'big-picture' documents that are the legal basis for zoning. It is not unusual after a Comprehensive Plan is done for the community to adopt zoning and other code changes to help the desired vision in the plan happen.

The Planning Commission will prepare the Plan and recommend it for formal adoption by the Assembly.

Working Schedule

Land Use

 Planning Commission has been working on this critical topic since April. This is an Element of Comp Plan.

Other Topics

- Work Session 1st Tuesday of the month through spring
- Meetings + Conversations

Community Ideas +
Outreach

- Meeting in diverse locations Town Meetings
- E-Updates Opinion Surveys Meetings in a Box +More

Draft and Final Plan

• April - May/June 2017

Presentation and Discussion on Sitka's Economy

Why Review The Economy?

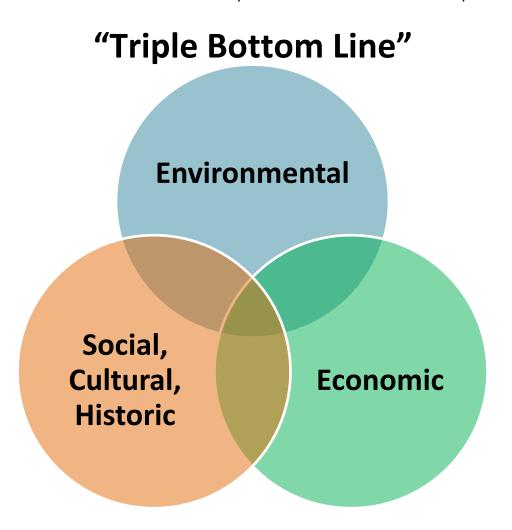
The strength and challenges of both Sitka's economy and of the borough's financial situation underpin the Comprehensive Plan.

It is hard to make realistic decisions about the future without having a basic understanding of:

- What makes the local economy tick
- Where opportunities lie
- What challenges must be solved, and
- Does the borough have revenue to support community services, facilities, and infrastructure

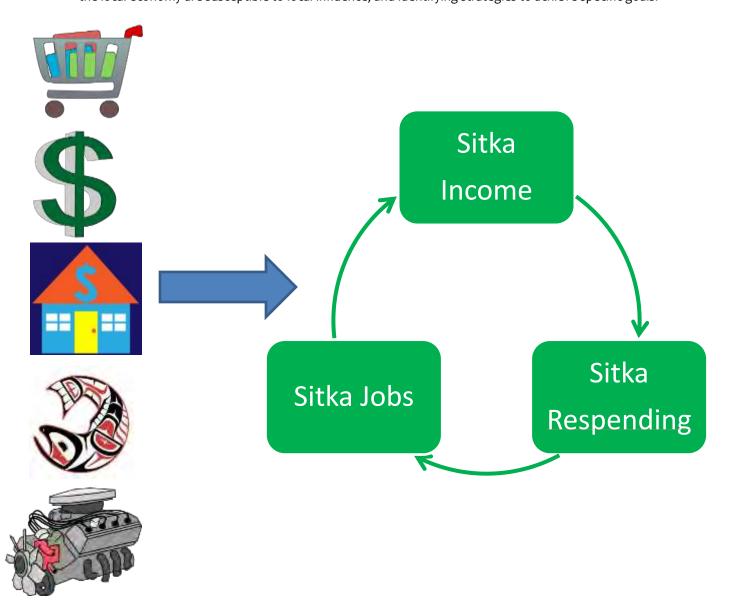
The goal of this part of tonight's meeting is to get a common understanding of the basics.

In addition, we'll want to consider the economic implications of elements in the Comprehensive Plan.



Ways to Sustain and Grow Sitka's Economy

Economic development planning is about understanding conditions in the local economy, understanding which forces shaping the local economy are susceptible to local influence, and identifying strategies to achieve specific goals.



Make the Sitka economy stronger and more resilient by:

- 1. <u>Support Local Businesses</u> Through individual and group purchases, good word-of-mouth, business-friendly local regulations and policies, etc.)
- 2. **Bring Money into Town** By manufacturing or adding value to local resources; by selling local products and services to those that live outside of Sitka (online, visitors, mail); by bringing in funding from outside of Sitka that supports businesses and jobs.
- 3. Have more Goods and Services Available for Purchase (& Barter) in Town Keep money recirculating around town (and delay it from "leaking out" as long as possible) this supports local businesses and employment.

A few words about Basic and Support Industries, Multipliers, and Building on Assets and Strengths.

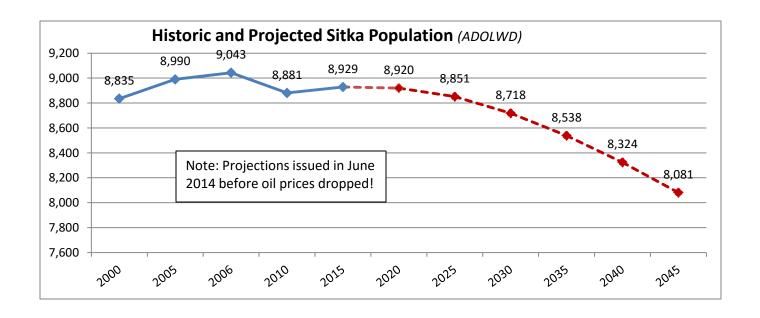
Current Sitka Economy

POPULATION

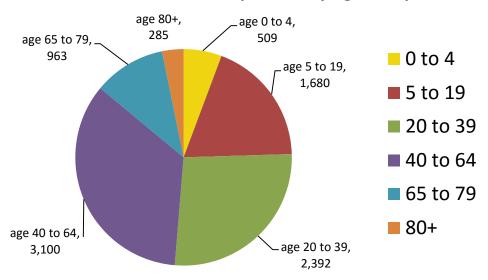
- Based on historic rates of births, deaths, and in/out migration, the state projects the Sitka population will drop 1% in the next 10 years and 4% BY 2035. BUT, we'll discuss some concerns about this...
- Projection for Southeast as a whole over the next 10 years are that it's population will increase 3% (by 1,877 residents), and within 20 year be about flat with a total increase of 260 resdients.
- The number of Sitka residents age 65 or older is projected to grow by 50% over 10 years. The number of seniors will go from 14% of Sitka's population today to 21% of the population in 10 years (2025) to 23% by 2035. This is from 1,248 folks today to 1,882 in 2025 and 2,000 in 2035.
- Compared to today, the number of Sitkans who are under 19 is projected to fall by 143 or -7% in 10 years, and -18% in 20 years. This is from 2,189 (25% of population) today to 2,046 in 2025 (23% of total) and to 1,799 in 2035 (21% of total).

State Projections for Sitka Youth and Seniors

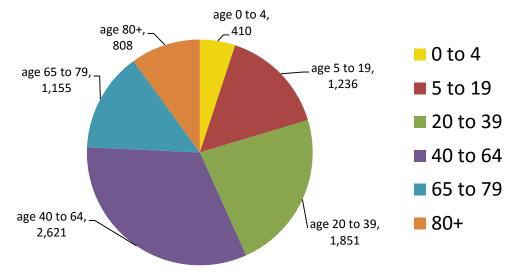
YEAR	2015	2025	2035
Under age 19 (# and % of total)	2,189 / 25%	2,046 / 23%	1,799 / 21%
Over age 65 (# and % of total)	1,248 / 14%	1,882 / 21%	2,000 / 23%



Year 2015 - Sitka Population by Age Groups

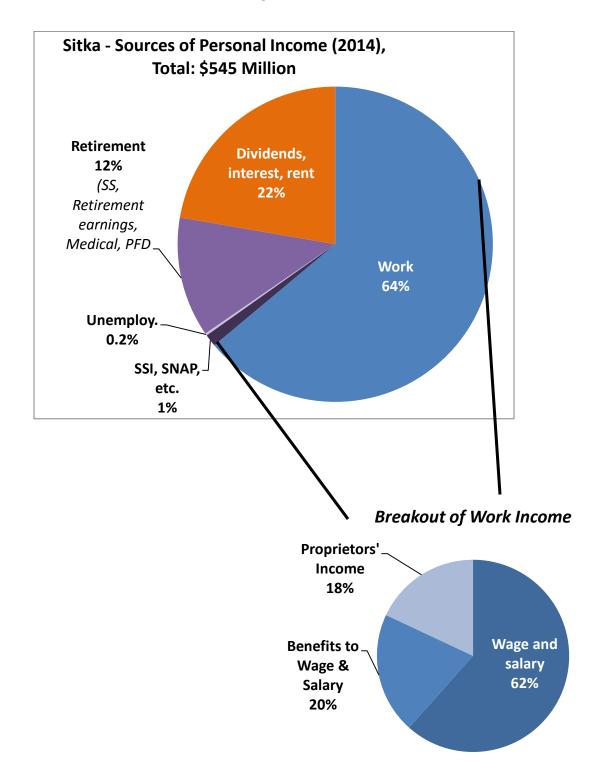


Year 2045 Sitka Population by Age Groups



COMMUNITY INCOME

- 4th highest per capita income in state
- 35% of personal income coming to Sitka is not from work



		Sources of Personal Income (% of Total)								
	Work*	Work* SSI Unemployment Retirem		Work* SSI Unemployment Reti		Retirement	Dividends, Interest and Rent			
Alaska	67%	2%	0.3%	14%	17%					
Juneau	67%	2%	0.2%	11%	20%					
Ketchikan	65%	2%	0.3%	15%	18%					
Sitka	64%	1%	0.2%	12%	22%					

Source: BEA, CA30 Economic Profile, Personal Income

^{*}This is net earnings by place of residence, which is slightly less than earnings by place of work.

Per Capita Personal Income										
	2000	2005	2010	2011	2012	2013	2014			
Alaska	\$31,481	\$38,521	\$47,773	\$50,552	\$52,269	\$51,259	\$54,012			
1. Haines Borough	\$34,142	\$38,846	\$63,700	\$72,439	\$74,754	\$74,742	\$78,115			
2. Skagway Municipality	(NA)	(NA)	\$62,490	\$68,600	\$70,096	\$74,312	\$77,937			
3. Denali Borough	\$38,981	\$41,918	\$54,717	\$58,210	\$58,082	\$57,079	\$64,631			
4. Sitka City and Borough	\$30,577	\$36,763	\$48,685	\$53,877	\$54,986	\$57,225	\$61,204			
5. Anchorage Municipality	\$35,502	\$43,907	\$54,969	\$57,427	\$59 , 575	\$58,001	\$61,134			
6. Bristol Bay Borough	\$36,092	\$40,906	\$47,341	\$48,862	\$52,623	\$56,600	\$59,603			
7. Petersburg Borough	(NA)	(NA)	\$45,132	\$47,542	\$50,923	\$55,272	\$58,426			
8. Ketchikan Gateway Borough	\$36,697	\$42,010	\$51,807	\$54,088	\$56,342	\$55,730	\$57,876			
9. Juneau City and Borough	\$37,550	\$41,202	\$50,409	\$53,130	\$56,162	\$54,855	\$57,033			
10. Valdez-Cordova CA	\$32,192	\$38,859	\$47,845	\$51,029	\$55,072	\$52,559	\$56,571			
11. Yukon-Koyukuk CA	\$20,695	\$30,008	\$43,150	\$48,733	\$52,686	\$52,370	\$54,323			
12. Kodiak Island Borough	\$28,806	\$35,424	\$46,597	\$49,433	\$52,751	\$50,697	\$53,792			
13. Aleutians West CA	\$21,003	\$31,427	\$40,431	\$44,977	\$49,244	\$50,081	\$53,010			
14. Fairbanks North Star Borough	\$29,346	\$37,135	\$46,592	\$50,769	\$50,997	\$49,079	\$51,792			
15. Kenai Peninsula Borough	\$29,542	\$34,010	\$42,555	\$45,341	\$47,731	\$48,012	\$50,760			
16. Dillingham CA	\$28,212	\$32,407	\$40,700	\$43,926	\$45,598	\$46,947	\$50,212			
17. Hoonah-Angoon CA	(NA)	(NA)	\$36,613	\$41,022	\$42,981	\$45,863	\$49,585			
18. Lake and Peninsula Borough	\$22,886	\$27,059	\$38,320	\$42,372	\$46,067	\$44,087	\$46,787			
19. Yakutat City and Borough	\$29,237	\$34,320	\$37,566	\$43,213	\$43,300	\$44,877	\$45,364			
20. Northwest Arctic Borough	\$24,577	\$28,385	\$39,924	\$40,085	\$41,740	\$42,014	\$44,965			
21. Matanuska-Susitna Borough	\$26,676	\$34,711	\$39,209	\$41,779	\$42,789	\$42,683	\$44,820			
22. Nome CA	\$22,814	\$29,484	\$38,561	\$40,279	\$42,088	\$41,559	\$44,413			
23. Wrangell City and Borough	(NA)	(NA)	\$35,983	\$39,094	\$39,936	\$39,855	\$43,230			
24. Southeast Fairbanks CA	\$23,651	\$33,087	\$37,343	\$39,457	\$37,988	\$37,692	\$39,605			
25. Prince of Wales-Hyder CA	(NA)	(NA)	\$32,356	\$33,536	\$34,723	\$35,940	\$37,684			
26. Bethel CA	\$21,036	\$27,490	\$33,125	\$35,572	\$36,331	\$35,243	\$37,075			
27. Aleutians East Borough	\$21,760	\$28,292	\$30,621	\$33,378	\$33,000	\$35,272	\$36,946			
28. North Slope Borough	\$28,292	\$22,283	\$30,321	\$31,206	\$32,361	\$32,340	\$34,061			
29. Wade Hampton CA	\$15,298	\$19,369	\$24,992	\$26,821	\$27,588	\$26,491	\$28,762			
			iomic Statist							
All	All dollars are current dollars (not inflation-adjusted)									

INCOME DISTRIBUTION

- 17% bring in over half of all personal income into town
- Approximately one-third of Sitkans are low income and struggling.

Based on 2014 Individual Income tax returns filed by those living in 99835:

There were 1500 Sitka tax filers (32% of total) who made under \$25,000.

- 83% of these low income Sitkans are single and 9% are filing head of household returns (unmarried with dependents).
- The total income from this one-third of all tax filers was only about 6% of all Sitka adjusted gross income.

There were 130 Sitkans (3% of total) who made \$200,000 or more. These Sitkans accounted for 22% of all income coming to the community.

• Over half the <u>total</u> personal income in Sitka was from the 790 wealthiest tax filers who made at least \$100,000. These tax filers were 17% of all Sitka tax filers.

Income Distribution in Sitka based on Personal Tax Returns Filed, 2014							
	Adjusted gross	% of	Number	% of			
	income amount	total	of	all			
	(AGI)	income	returns	returns			
TOTAL	\$303,677,000	100%	4,650	100%			
\$1 under \$25,000	\$17,706,000	6%	1,500	32%			
\$25,000 under \$50,000	\$41,428,000	14%	1,140	25%			
\$50,000 under \$75,000	\$45,412,000	15%	730	16%			
\$75,000 under \$100,000	\$42,288,000	14%	490	11%			
\$100,000 under \$200,000	\$88,717,000	29%	660	14%			
\$200,000 or more	\$68,126,000	22%	130	3%			
Source: IRS 2014 Tax Returns							

Percent Qualifying for Free or Reduced Fee School Lunch									
	2016	2015	2014	2013	2012	2011	2010	2005	2001
Sitka School District Total	35%	34%	33%	34%	34%	33%	27%	24%	26%
Baranof Elementary	42%	33%	33%	34%	28%	28%	25%	35%	26%
Blatchley Middle School	37%	33%	32%	33%	34%	35%	24%	19%	26%
Keet Gooshi Heen Elementary	37%	37%	34%	37%	38%	36%	31%	28%	34%
Pacific High School	69%	49%	67%	71%	79%	85%	61%	33%	34%
Sitka High School	24%	30%	29%	28%	27%	24%	22%	18%	16%
Mt. Edgecumbe High School									
Total	74%	74%	64%	64%	61%	53%	40%	56%	56%

Poverty Indicators

	Sitka		Alas	ka	June	au	Ketchikan		Wrangell		Petersburg	
Poverty status for individuals, imputed	20.5%		23.6%		20.7%		19.7%		18.4%		21.6%	
	%	MOE	%	MOE	%	MOE	%	MOE	%	MOE	%	MOE
Households (HH), all below poverty	7.2%	1.8%	8.5%	0.3%	5.5%	1.2%	8.9%	1.5%	8.8%	3.2%	7.5%	2.6%
HH AK Natives Below poverty	26.7%	12.1%	33.7%	1.6%	30.6%	10.8%	31.6%	7.8%	35.1%	17.1%	11.7%	6.8%
HH receiving SNAP	31.4%	12.6%	36.5%	1.6%	40.9%	9.9%	29%	6.3%	31.0%	14.1%	18.0%	8.7%
			Sour	ce US (Census AC	S Surve	y 2010-20	14				

The Work World - The Big 6 (wage and salary workers and self-employed combined)

- 1. (at least 26% of all, 32% private) The Ocean
 - Manufacturing, seafood processing, commercial fishing, boat building and boat repair, scientific & technical services, marinas, water transportation, water sightseeing, boat dealers, fishing lodges, charters, fishing guides, AMSEA ... don't have USCG enlisted in here yet
- 2. (12%)Health care & education (private)
- 3. (12%) Local governments (CBS, STA, SCH, SSD)
- 4. (9%) Retail
- 5. (8%) Accommodations & food services
- 6. (5%) Construction

Sitka's "Blue Jobs" - MARITIME

WORKFORCE (average annual	employment + small business owners)
All	5,892
Private Sector	4,716
Maritime Employment	924
Commercial Fishing small biz owners	608
Maritime Total*	1,532

almost 1 in 3 private sector jobs (32%) are related to ocean

EARNINGS (total annual wage	(total annual wages + income of small business owners)				
All	\$272,155,438				
Private Sector	\$209,590,354				
Maritime Wages	\$44,961,802				
Commercial Fishing small biz owners	\$46,182,000				
Maritime Total*	\$91,143,802				

43% of all private sector earnings are linked to the ocean

^{*}Does <u>not</u> include USCG or harbor staff...

BUSINESSES

- Approx 1300 small businesses in Sitka.
- Most are commercial fishermen, in professional/technical services, offer art/recreation/entertainment services, or are in construction.
- They earn about over \$76 million in income.

Sitka's Business Owners							
	2016 Number	2014 Small Business Own					
	of state biz	Number of					
	licenses in Sitka	Establishments	Income				
Agriculture, Forestry, Fishing and Hunting	84	627	\$47,393,000				
Construction	104	90	\$4,840,000				
Manufacturing	48	20	\$768,000				
Wholesale trade	104	10	\$272,000				
Retail trade	124	60	\$1,312,000				
Transportation and Warehousing	83	32	\$1,745,000				
Utilities	1						
Information	14	9	\$244,000				
Finance and Insurance	7	9	\$456,000				
Real Estate, Rental and Leasing	191	73	\$6,735,000				
Professional, Scientific and Technical Services	101	111	\$5,117,000				
Management of companies and enterprises	5						
Administrative, Support, Waste Management							
and Remediation Services	47	41	\$689,000				
Educational Services	43	37	\$720,000				
Health Care and Social Assistance	55	49	\$1,816,000				
Arts, Entertainment and Recreation	123	69	\$1,262,000				
Accommodation and Food Services	95	38	\$1,178,000				
Services	113	51	\$1,883,000				
Other	2						
Grand Totals	1,240	1,326	\$76,430,000				

COMMERCE

- Retail Trade and Construction sales drive commerce in town.
- Gross business sales in town are up 30% over five years, primarily due to construction sales.
 - Significant construction activity has been Blue Lake Dam, Library, Alice Loop subdivision on Japonski, Harrigan Hall will keep this up.
 - Worrisome was manufacturing on downward trend, dropped 29% between 2011 and 2015, but up last year.
- Last year, total gross sales in Sitka dropped 2%.

		(Gross Bus	iness Sale	s in Sitka				
	2011	2012	2013	2014	2015	5 Year Ch	ange	1 Year Change	
Agriculture, Forestry, Fishing	\$1,886,260	\$5,933,107	\$3,676,800	\$4,354,707	\$3,601,207	\$1,714,947	91%	(\$753,500)	-17%
Construction	86,964,824	86,689,548	91,354,782	157,611,922	141,721,383	\$54,756,559	63%	(\$15,890,539)	-10%
Manufacturing	17,266,204	14,436,992	13,495,858	11,721,581	12,173,509	(\$5,092,695)	-29%	\$451,928	4%
Transportation & Public Utilities	20,799,846	19,040,347	18,653,208	18,475,455	18,932,722	(\$1,867,124)	-9%	\$457,267	2%
Wholesale Trade	15,832,946	21,443,717	18,266,103	20,061,339	21,112,181	\$5,279,235	33%	\$1,050,842	5%
Retail Trade	127,078,920	138,148,838	137,469,327	147,432,458	147,117,219	\$20,038,299	16%	(\$315,239)	0%
Finance, Insurance, & Real Estate	21,265,902	21,992,145	22,787,879	24,564,111	22,925,923	\$1,660,021	8%	(\$1,638,188)	-7%
Services	55,370,501	56,793,564	62,679,023	71,868,610	76,340,561	\$20,970,060	38%	\$4,471,951	6%
Government - Local	19,993,792	25,899,020	26,735,836	30,718,246	33,554,572	\$13,560,780	68%	\$2,836,326	9%
TOTALS	\$366,459,195	\$390,377,278	\$395,118,816	\$486,808,429	\$477,479,277	\$111,020,082	30%	(\$9,329,152)	-2%
			Sourc	e: FY 15 Sitka C	FAR		•		

NON-RESIDENT WORKERS

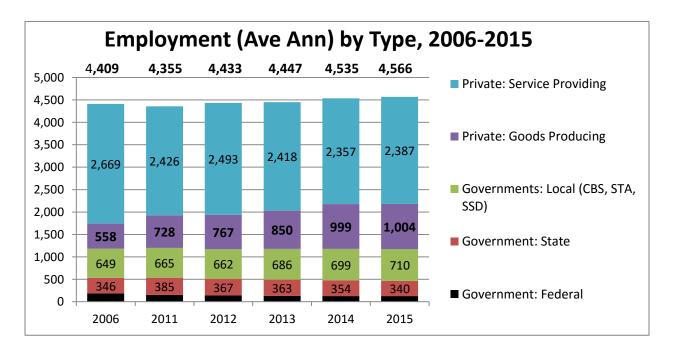
- 21% of workforce in Alaska is non-residents (2014).
- 30% of Sitka workforce is non-resident and 5% are non-local Alaskans.
- Who are these people? Are there some that could be convinced to relocate to Sitka? Why aren't they living here?

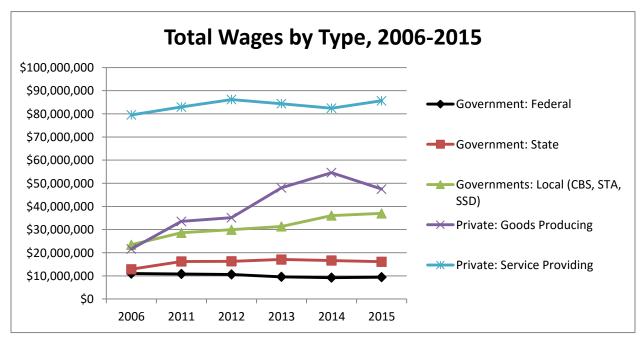
	Workfor	rce Break	do	wn by Re	esidency, 20	14	
	SIT	KA		Alaska	Ketchikan	Petersburg	Juneau
Local	65%	3,796		67%	64%	50%	74%
Non-Local Residents	5%	324		13%	10%	7%	8%
Non-Residents	30%	1,733		21%	26%	43%	18%
Total	100%	5,853					

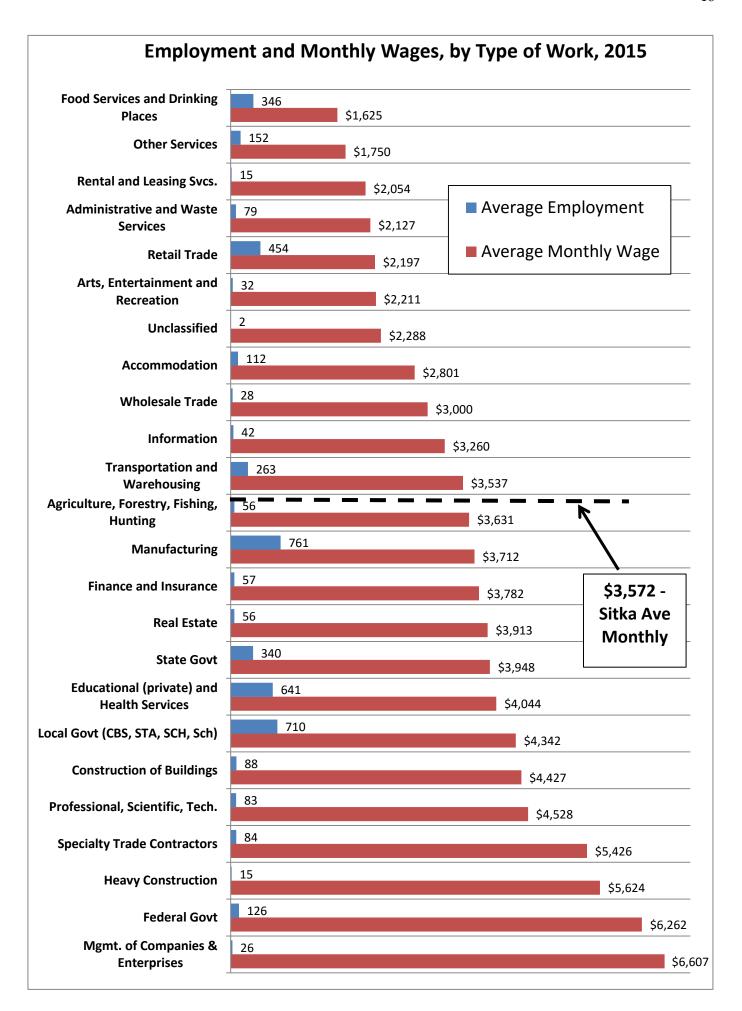
	Non-resident Workers in the Private Sector in Sitka, 2014					
NAICS	Industry	Workers	Wages			
31-33	Manufacturing	514	\$7,447,051			
23	Construction	155	\$6,178,353			
72	Accommodation and Food	243	\$3,089,315			
48-49	Transportation and Warehousing	184	\$3,003,321			
62	Health Care and Social Assistance	94	\$2,964,930			
56	Administrative and Support and Waste Management and Remediation Services	60	\$1,113,297			
44-45	Retail Trade	91	\$979,740			
11	Agriculture, Forestry, Fishing and Hunting	44	\$777,321			
54	Professional, Scientific, and Technical Services	31	\$769,112			
	Other	31	\$640,324			
71	Arts, Entertainment and Recreation	30	\$513,557			
81	Other Services	29	\$329,341			
61	Education	82	\$276,015			
42	Wholesale Trade	3	\$25,866			
Grand To	tal	1,591	\$28,107,543			

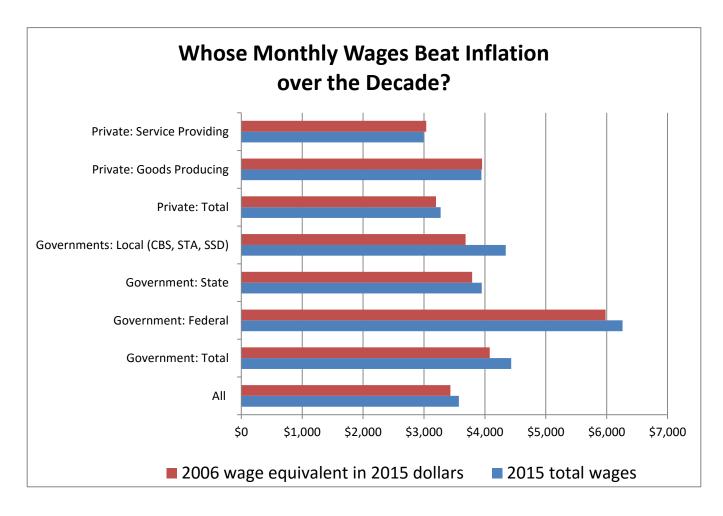
WAGE AND SALARY WORKERS

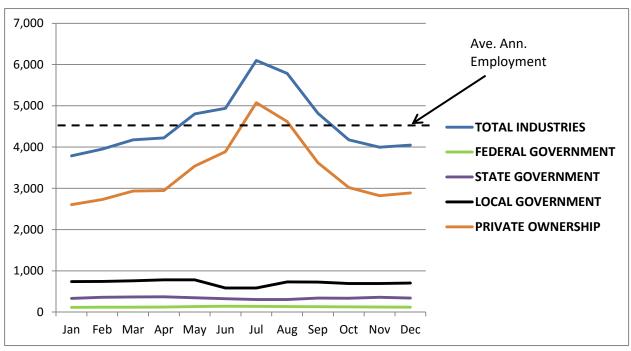
- Three-quarters (74%) of all work is private sector.
- The number of goods-producing jobs has almost doubled in 10 years.
- Service providing jobs are slightly down during the decade.
- The total number of jobs over the last decade has increased by 157 or 4%.
- During this period the population was down by 114 people or 1%
- Wages have generally kept pace or exceeded inflation over the decade. This is in contrast to many places or types of work that have experienced some decreased buying power over the decade.











COST OF LIVING – (Rent and Food)

(March) 2016 Rental Market Survey - Rental Costs and Vacancy Rates, All Units								
	Average Rent		Median Rent		Number of Units		N D ((0/)	
Survey Area	Contract	Adjusted	Contract	Adjusted	Surveyed	Vacant	Vacancy Rate (%)	
Kodiak Island	\$1,288	\$1,448	\$1,250	\$1,419	363	29	8.0%	
Valdez-Cordova	\$1,189	\$1,365	\$1,100	\$1,300	237	14	5.9%	
Juneau Borough	\$1,185	\$1,333	\$1,100	\$1,253	1,062	35	3.3%	
Anchorage	\$1,135	\$1,259	\$1,075	\$1,214	8,215	311	3.8%	
Sitka	\$979	\$1,230	\$900	\$1,163	276	23	8.3%	
Matanuska Susitna	\$1,076	\$1,224	\$900	\$1,072	1,134	41	3.6%	
Fairbanks North Star	\$1,049	\$1,199	\$1,000	\$1,115	2,955	330	11.2%	
Ketchikan Gateway	\$990	\$1,122	\$984	\$1,094	389	36	9.3%	
Kenai Peninsula	\$888	\$1,059	\$850	\$992	1,001	88	8.8%	
Wrangell-Petersburg	\$700	\$888	\$700	\$865	134	13	9.7%	
Survey Total	\$1,100	\$1,238	\$1,050	\$1,175	16,025	931	5.8%	

^{*}Adjusted Rent includes utility estimates not included in contract rent. Source: 2016 Alaska Rental Market Survey. Survey implementation and data collection conducted by the Alaska Department of Labor and Workforce Development, Research and Analysis Section. Analysis by the Alaska Housing Finance Corporation.

Cooperative Extension Service Food Cost Survey / University of Alaska Fairbanks / June 2015

Community	Family of 4, children 6-11 y
Cordova	\$262.00
Ketchikan	\$221.40
Sitka	\$214.40
Haines	\$206.60
Delta	\$203.40
Homer	\$196.30
Kenai	\$185.20
Fairbanks	\$175.80
Matsu	\$173.50
Anchorage	\$167.20
Portland, OR	\$154.50
USDA Alaska	\$178.40
USDA Hawaii	\$259.80
USDA US Average	\$149.70

City and Borough of Sitka Fiscal Reality cover letter from Borough's FY 17 Budget



City and Borough of Sitka

100 Lincoln Street Sitka, Alaska 99835

Coast Guard City, USA

May 12, 2016

Mayor, Assembly Members, and Fellow Citizens of the City and Borough of Sitka

In accordance with the provisions of Article XI, Section 11.02 of the Home Rule Charter of the City and Borough of Sitka, the Fiscal Year 2016 Consolidated Operating Budget of the City and Borough of Sitka and Sitka Community Hospital are hereby presented for your approval.

Introduction

The FY2017 budget continues to provide for all essential government services, although some will be reduced in scope and/or frequency. The Municipality faces increased challenges in regards to escalating costs, aging infrastructure, and deferred maintenance, especially of our municipal road system. Providing the historic level of governmental services the residents of Sitka are used to receiving will become extremely difficult in FY2018 and beyond.

The fiscal challenges the Municipality faces are multiple, but they have one key shared characteristic – declining financial assistance at the Federal and State level, when combined with tepid growth in local tax receipts, is increasingly insufficient to meet the costs of government. Many governmental costs, such as debt service and collectively bargained labor, are either fixed or negotiated for systematic increase. Thus, as revenue streams decline and a portion of outlays is fixed, the pool of costs which are controllable declines, force difficult decisions to be made in regards to municipal services.

It is becoming increasingly clear that revenue streams and financial support, that we have relied on in the past from the Federal Government and State of Alaska, are rapidly drying up. We currently provide a vast array of services to our citizens, to some degree funded by Federal and State support. We will be unable to provide all of these services in the future. For FY2017, the Municipality has planned for the elimination of four and one half full-time positions from the work force, a 3% reduction. In addition, controllable costs have been reduced by an additional 2% through scale backs in the frequency and scope of municipal services such as snow plowing, storm drain maintenance, and janitorial services.

In FY2016, the Assembly appointed a Citizens' Taskforce to independently review the fiscal condition and future outlook for the Municipality. The Taskforce completed its review this spring, providing multiple recommendations to the Assembly with profound and far-reaching ramifications. These recommendations have been termed the "Grand Bargain", as the comprehensive package of recommendations include increase of property taxes, the elimination of sales taxes on groceries, a commitment to increase dedicated spending for maintenance and

repair of public infrastructure, and commitments to sustained reductions in spending in both the Municipality and the Sitka School District phased over three years. The reductions in the Municipal work force and controllable costs, planned for FY2017, are the direct result of decisions made by the Assembly to achieve the first round of phased spending cuts.

Downsizing our unsustainably large and complex government will be challenging and painful. Every service we offer has its own constituency. We must work with the community to arrive at the proper combination and level of services that benefit the greatest proportion of the population. To achieve a more lean and streamlined government, the Municipality will continue to seek efficiencies in all operations. For example, all vacancies will continue to be examined to determine if incremental efficiencies can be gained by external contracting, scaling back scopes of duties, and conversion of full time positions to part time or left unfilled. Inevitably, though, the quality, scope, and frequency of Municipal service will be diminished.

The FY2017 budget includes no new taxes. Acting on the recommendations of the Citizens' Taskforce, however, the community will most likely engage in a robust public discourse in FY2017 as to the potential of raising the local millage rate as well as considering other excise taxes.

Our budget does propose service fee increases in our harbors, electric, water, wastewater utilities. We have adopted a policy of considering annual user fee increases that are in line with master plans previously approved by the Assembly. If such increases are unachievable due to the state of the local economy, we will propose an annual user fee increase consistent with the annual rate of inflation.

In order to decrease the need for a large user fee increase in the Electric Fund, \$1,650,000 is transferred from the General Fund to the Electric Fund Rate Stabilization Fund to meet rate covenant requirements. This will result in the Municipality being able to keep the annual user electric fee increase to a modest 5%. Other fee increases that are contained in the FY2017 budget are 1% inflationary fee increases in water and wastewater, and, a 5.0% increase in harbor moorage rates.

The FY2017 budget contains no significant expenditure other than programmatic spending increases due to collective bargaining agreements and other similar arrangements. Federal revenue sources continue to be uncertain. At this time, there is no renewal of the Secure Rural Schools Act by the Federal Government for Federal FY2017. The Federal Payment in Lieu of Taxes (PILT) program was renewed for Federal FY2016 and will be received in the Municipality's FY2017. Its reauthorization for additional years is not guaranteed, however.

The financial pressures faced by the Sitka School District are severe and will have a direct impact on the Municipality. With over 70% of the total expenditures of the School District being in the form of wages and benefits, these pressures, coupled with revenue streams which are not increasing, will cause the District to adopt an unbalanced, deficit budget for FY2017, drawing significant funds from reserve working capital. Such budgetary solutions are clearly not sustainable.

A critical infrastructure issue is the condition of Municipal roads and streets. We will, once again, not be able to afford all street repairs which are scheduled and necessary for FY2017. The recommendations of the Citizens' Taskforce focus on increasing funding for these critical deferred repairs; however, obtaining the necessary funding will be largely dependent on obtaining new revenue streams. To fund proposed street repairs, we are planning for the transfer of the entire balance of the Public Infrastructure Sinking Fund to the General Fund again in FY2017.

Our three collective bargaining agreements are currently being negotiated. Our non-represented employees will receive a 1.5% cost of living increase in the FY2017 budget.

In summary, our Municipal budget, as in past years, continues to adequately provide for basic and special services to the citizens of Sitka. Public safety needs are provided for, as well as public works and the provision of basic utilities and the operation of public harbors. We will continue to provide for the other governmental services including our Municipal library and Harrigan Centennial Hall. While some service levels will be reduced, no major municipal service areas are planned to be eliminated.

Capital Improvement Program

The 2016-2019 Capital Improvement Program has been developed to address the pressing infrastructure and service needs of our community. Maximum effort has been made to identify Federal and State sources of revenue in order to finance these projects. Individual capital improvement projects have already been described in detail in many of the previous discussions of individual Departments/Funds.

The 2016-2019 Capital Improvement Program is shown in its entirety at the Capital Improvements Tab, and, individual projects for each fund are shown in the respective capital sections for that fund. These budgets clearly show the amount, and source, of all of the working capital to be expended in each project including grant revenue, loan proceeds, transfers from the General Fund or Proprietary Funds, or expenditures of reserve working capital in each fund (from previous years grant advances or transfers from other funds).

Outlook

The key challenge facing the City and Borough of Sitka is to provide an appropriate level of service to our community and do so in a sustainable way. Our current course is unsustainable although significant progress has been achieved in the last few months in recognizing what needs to be done and what paths we will need to take to get there.

There is reason to be concerned, but there is equal opportunity for optimism. We believe by summer 2018, there will be 200,000 cruise ship visitors to Sitka, more than doubling the number in 2013. Commercial fishing remains strong and vibrant, and health care and government sectors also continue to contribute to a diversified economy. We remain hopeful that bulk water will also become a revenue generating commodity.

Our Municipal government continues to provide a comprehensive array of services to our community. The financial condition of the Municipality remains in good shape, with a solid level of combined reserve working capital. With these strong assets, combined with a dedicated workforce, we will continue to provide the best possible service to our citizens and to carefully manage the resources they give us to do the job.

Respectfully Submitted,

Mark Gorman

Administrator

John P. (Jay) Sweeney III

Chief Financial and Administrative Officer

Building on Assets + Strengths/Advantages

See next page

Discussing Sitka's Realistic Economic Opportunities and Challenges

Facilitated Discussion

Natural **Economic/Infrastructure** Quality and easy access to Airport, Daily Jet Service outdoor activities including Sawmill Cove Industrial Park People's Words on walking, hiking, kayaking, GigE Bandwidth (fiber) beaches, parks, playgrounds, **Sitka Assets + Strengths** 2 barge lines camping, hot springs, etc **UAS/SSSC** Hydro power **HUB** Zone Recreational use areas in town (and out of town, accessible by Short drive times Amenities of larger community Hot springs nearby Education (arts, higher, cultural, secondary including MEHS) Weather is mild all year Walkability of community, very bike and walk friendly Fresh water supply and the Local ownership of businesses has created year-round involvement in the community from the business sector ability to generate our own Infrastructure for hosting larger events/conferences power Accessible by boat and plane (delta now flying into Sitka in the summer) Fish, fishing industry Deep water ocean, Deep water dock Unmatched beauty Existing annual events (Alaska Day, Summer Music fest, 4th of July, etc) Natural resources: bulk water, fish, timber (????) Very strong local arts scene Sustainable power Sitka Fine Arts Camp Our natural resources including Strong entrepreneurial population the beauty surrounding us, Diverse industries: seafood, tourism/visitor industry, SEARHC/health care, Government fresh water, fish, 4 banks, 1 credit union; We have access to capital excess hydroelectric capacity Strong local food community (Sitka local food network, Sitka food co-op, etc) Awesome beauty A public transit system to help hold down cost of living Natural resources We're a regional educational and health care powerhouse - two hospitals, MEHS, SSD, Fine Arts Camp, SSSC, Quality of life SSMF Access to subsistence resources No big-box stores means most stores have local ownership and local foods We're still a real community (not a show town for the cruise ship visitors). Seafood Medical community Forest products Health care, 2 hospitals Minerals Fishing fleet Rock Tourism infrastructure Natural beauty Arts appreciation and instruction Wildlife Our 100+ non-profits are a tremendous asset. Ocean Our relatively inexpensive hydroelectric power is an asset, as is the potential for selling bulk water from Blue Lake. Fresh Water Our outdoor recreation opportunities (trails, fishing, boating) are a secure, long-term asset. We will always have a Clean environment tourism economy, unless access to Baranof Island goes away. Commercial fishing is a mainstay of our economy and will also likely always be so.

bikeable and bronze walkable community).

No big-box stores means most stores have local ownership

Quality of life also means a simplified transportation network that includes non-motorized facilities (we are a silver

We are also a Tree City and a beautiful downtown with trees and landscaping, greenspace and parks is important.

Social/Cultural/Human

Sitka has a very strong ability to stand together in a crisis. When it comes to the mundane aspects of running city government, the interest wanes.

Summer farmers market

1st the people very generous and caring.

Resilient community

Engaged citizenry

Rich pre and post contact history

Willingness to include newcomers to community

Care for the seniors and elders living here. Caring people.

Tolerance of diversity

Willingness to pitch in in case of an emergency – an emergency everyone can clearly "see" (Not the long term emergency fiscal situations, etc.—takes a long time to "see" those—blinded by economic self-interest.)

Non-Profit agencies willing to work-with or without city support -- to better the community and make Sitka a safe, healthful, and culturally rich place to live—also to expand economic opportunity

Nonprofit and health agencies that provide a tier of the services and safety nets that might otherwise be the concern of a municipal or county government

Our creative and resourceful people, our rich cultures and history

Lots of community-involved residents (volunteerism)

Sitka Health Summit has helped community focus on health and wellness

There are lots of smart, creative, talented people living in Sitka.

It is a culturally and economically diverse community.

People put aside political differences when faced with a crisis, i.e. the landslide.

Sitkans are generous with their time, talents and money.

I think that the community has a high value for recreation and quality of life and has provided for these ideals well. These are also Sitka's key assets.

Quality of life includes access to subsistence resources and local foods, culture and art, and a variety of healthy activities.

A community that appreciates itself

Autonomy, to some degree

An intellectual and artistic outpost

Sitka is resilient.

Sitka is a very diverse community, and it showed its resilience after the closure of the pulp mill. I think this can be attributed to its diverse economy and many employment opportunities in fishing

Sitka resident are here to stay and don't run off at the first sign of economic adversity.

Citizen support, knowledge, and civility should help this process.

History and culture

Art

Community Events

Yes, there IS overlap among these categories of Sitka "capital"