



# CITY AND BOROUGH OF SITKA

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

## Meeting Agenda

### City and Borough Assembly

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

*Municipal Administrator: Keith Brady  
Municipal Attorney: Brian Hanson  
Municipal Clerk: Sara Peterson*

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Tuesday, January 22, 2019

6:00 PM

Assembly Chambers

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#### **5:00 PM WORK SESSION: FY18 FINANCIALS**

[19-022](#)

Work Session Materials: FY18 Financials

**Attachments:** [Comprehensive Annual Financial Report CBS FY18 reduced](#)  
[Federal and State Single Audit Reports CBS FY18 reduced](#)

#### **REGULAR MEETING**

**I. CALL TO ORDER**

**II. FLAG SALUTE**

**III. ROLL CALL**

**IV. CORRESPONDENCE/AGENDA CHANGES**

[19-019](#)

Reminders, Calendars and General Correspondence

**Attachments:** [Reminders and Calendars](#)

**V. CEREMONIAL MATTERS**

*none anticipated*

**VI. SPECIAL REPORTS: Government to Government, Municipal Boards/Commissions/Committees, Sitka Community Hospital, Municipal Departments, School District, Students and Guests (five minute time limit)**

**VII. PERSONS TO BE HEARD**

*Public participation on any item off the agenda. All public testimony is not to exceed 3 minutes for any individual, unless the mayor imposes other time constraints at the beginning of the agenda item.*

**VIII. REPORTS**

**a. Mayor, b. Administrator, c. Attorney, d. Liaison Representatives, e. Clerk, f. Other**

**IX. CONSENT AGENDA**

*All matters under Item IX Consent Agenda are considered to be routine and will be enacted by one motion. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.*

- A**     [19-013](#)     Approve the minutes of the January 8, 2019 Assembly meeting  
  
          **Attachments:** [Consent and Minutes](#)
- B**     [19-014](#)     Approve a liquor license renewal application, and duplicate license renewal application (downstairs), for Mean Queen at 205 Harbor Drive  
  
          **Attachments:** [Motion and Memo Mean Queen](#)  
                          [License #2786](#)  
                          [License #5553](#)
- C**     [RES 19-02](#)     Adopting an alternative allocation method for the FY19 Shared Fisheries Business Tax Program and certifying that this allocation method fairly represents the distribution of significant effects of fisheries business activity in FMA 18: Central Southeast Area  
  
          **Attachments:** [Motion and Memo Res 2019-02](#)  
                          [Res 2019-02](#)  
                          [FY19 Shared Fisheries Business Tax Program](#)

**X. BOARD, COMMISSION, COMMITTEE APPOINTMENTS**

- D**     [19-016](#)     Reappoint Daniel Gunn to a three-year term on the Library Commission and appoint Christopher Brewton to a three-year term on the Employment Relations Board (City representative seat)  
  
          **Attachments:** [Motion Appointments](#)  
                          [Gunn Application](#)  
                          [Brewton Application](#)  
                          [Excerpt 2005-30 Collective Bargaining Employment Relations Board](#)

**XI. UNFINISHED BUSINESS:**

- E      [ORD 19-01](#)      Making supplemental appropriations for Fiscal Year 2019 (Harrigan Centennial Hall Staffing and Security Monitoring Video Equipment)

**Attachments:**   [Motion Ord 2019-01](#)  
                         [Ord 2019-01](#)  
                         [Memo Brady Ord 2019-01](#)  
                         [Camera Diagrams and Data Drops](#)  
                         [Memo Kluting HCH Staff Request](#)  
                         [Memo Kluting Security Video Equipment](#)

**XII.      NEW BUSINESS:**

**New Business First Reading**

- F      [ORD 19-02](#)      Making supplemental appropriations for Fiscal Year 2019 (PERS On-Behalf Payments)

**Attachments:**   [Motion Ord 2019-02](#)  
                         [Memo Ord 2019-02](#)  
                         [Ord 2019-02](#)  
                         [Letter from State of Alaska](#)

- G      [ORD 19-03](#)      Making supplemental appropriations for Fiscal Year 2019 (Utility Subsidization)

**Attachments:**   [Motion Ord 2019-03](#)  
                         [Memo Ord 2019-03](#)  
                         [Ord 2019-03](#)

**Additional New Business Items**

- H      [19-021](#)      Rescind the January 8 appointments of Mary Ann Hall and David Lam to the Sitka Community Hospital Board due to administrative errors

**Attachments:**   [Motion and Memo Hospital Board](#)  
                         [Lam Expiring Term Letter 12-06-2018](#)  
                         [Sipe Expiring Term Letter 12-06-2018 \(3\)](#)  
                         [Sitka General Code Hospital Board](#)  
                         [Hospital Board Roster](#)

- I      [19-020](#)      Approve Consents of Assignment of two tidelands leases, seaward of the uplands property located at 204 Siginaka Way, from K&R Enterprises, Inc. to Sitka Tribe of Alaska

**Attachments:** [Motion and Memos Consents of Assignment](#)

[Consent to Assignment 1 of 2](#)

[Consent to Assignment 2 of 2](#)

[K R Tidelands leases](#)

- J      [19-018](#)      Discussion / Direction of the Police Officer Recruitment and Retention Plan

**Attachments:** [Disc Dir Police Officer Recruitment and Retention Plan-January 2019](#)

- K      [19-017](#)      Discussion / Direction to waive late fees levied on utility bills for federal employees affected by the government shutdown

**Attachments:** [Disc Dir waiver of late fees](#)

- L      [19-015](#)      Discussion of the recent ruling in the cruise ship industry lawsuit against the City and Borough of Juneau (CBJ), with respect to passenger fees assessed against the cruise ship industry by CBJ, and the implications for the City and Borough of Sitka with respect to commercial passenger excise tax funds

**Attachments:** [Discussion cruise ship industry lawsuit](#)

**XIII.      PERSONS TO BE HEARD:**

*Public participation on any item on or off the agenda. Not to exceed 3 minutes for any individual.*

**XIV.      EXECUTIVE SESSION**

*not anticipated*

**XV.      ADJOURNMENT**

*Note: Detailed information on these agenda items can be found on the City website at <https://sitka.legistar.com/Calendar.aspx> or by contacting the Municipal Clerk's Office at City Hall, 100 Lincoln Street or 747-1811. A hard copy of the Assembly packet is available at the Sitka Public Library. Assembly meetings are aired live on KCAW FM 104.7 and via video streaming from the City's website. To receive Assembly agenda notifications, sign up with GovDelivery on the City website.*

*Sara Peterson, MMC, Municipal Clerk  
Publish: January 18*





# CITY AND BOROUGH OF SITKA

## Legislation Details

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**File #:** 19-022      **Version:** 1      **Name:**

**Type:** Item      **Status:** AGENDA READY

**File created:** 1/17/2019      **In control:** City and Borough Assembly

**On agenda:** 1/22/2019      **Final action:**

**Title:** Work Session Materials: FY18 Financials

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Comprehensive Annual Financial Report CBS FY18 reduced](#)  
[Federal and State Single Audit Reports CBS FY18 reduced](#)

Date	Ver.	Action By	Action	Result
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# **City and Borough of Sitka, Alaska**

## **Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2018**

**Prepared by**

**John P. Sweeney III  
Chief Financial and Administrative Officer**

**Melissa Haley  
Controller**

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# City and Borough of Sitka, Alaska

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# City and Borough of Sitka, Alaska

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# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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December 31, 2018

To the Honorable Mayor,  
Assembly Members and  
Citizens of the City and Borough of Sitka, Alaska:

The Assembly of the City and Borough of Sitka has elected to issue each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that request, we hereby issue the comprehensive annual financial report of the City and Borough of Sitka, Alaska for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the financial position and performance of the City and Borough of Sitka. Consequently, management assumes full responsibility for the completeness and reliability of all of the information present in this report. To provide a reasonable basis for making these representations, management of the City and Borough of Sitka has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City and Borough of Sitka's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City and Borough of Sitka's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City and Borough of Sitka's financial statements have been audited by BDO USA, LLP, a global accounting network of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City and Borough of Sitka for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit that they will render an unmodified opinion on the City and Borough of Sitka's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City and Borough of Sitka was part of a broader, state and federally mandated "Single Audit" designed to meet the special needs of state and federal grantor agencies. The standards governing Single Audit engagements require the independent



auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of state and federal awards. These Single Audit Reports are included at the end of this Comprehensive Annual Financial Report (CAFR).

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City and Borough of Sitka's MD&A can be found immediately following the report of the independent auditors.

### **Profile of Government**

The City and Borough of Sitka, incorporated in 1971, is located on Baranof and Chicagof Islands which are located along the Inside Passage in Southeast Alaska. Sitka is situated on the west coast of Baranof Island, contained within the largest temperate rain forest in the world. Most of this rain forest is part of the Tongass National Forest. The City and Borough of Sitka currently occupies a land area of 2,894 square miles, a water area of 1,816 square miles and serves a population of approximately 8,689. The City and Borough of Sitka is empowered to levy a property tax on both real and personal properties located within its boundaries. The City and Borough of Sitka also levies a sales tax on sales within the City and Borough, a transient room tax, and an excise tax on tobacco product sales within the City and Borough.

The City and Borough of Sitka has operated under the Assembly-Administrator form of government since 1971. Policy-making and legislative authority are vested in a governing assembly consisting of the Mayor and six other members. The Assembly is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the government's Administrator and Attorney. The administrator is responsible for carrying out the policies and ordinances of the Assembly, for overseeing the day-to-day operations of the government, and for appointing the heads of the various departments. The Assembly is elected on a non-partisan basis. Assembly members serve three-year staggered terms, with two Assembly members elected each year. The Mayor is elected to serve a two-year term. The Mayor and Assembly members are elected at large.

The City and Borough of Sitka provides a full range of services, including police and fire protection; ambulance service; the construction and maintenance of streets and other infrastructure; recreational facilities and cultural events. Other services include electricity, water, waste water treatment, solid waste disposal and recycling, moorage within the harbor system, cold storage facility, and leases within the industrial park. These services represent different departments in the City and Borough of Sitka and therefore have been included as an integral part of the City and Borough of Sitka's financial statements. The City and Borough of Sitka also is financially accountable for a legally separate school district and community hospital, both of which are reported separately within the City and Borough of Sitka's financial statements. Additional information on these legally separate entities can be found in Note 1 in the notes to the financial statements.

The annual budget serves as the foundation for the City and Borough of Sitka's financial planning and control. All departments of the City and Borough of Sitka are required to submit requests for appropriation to the Budget Officer on or before the end of each calendar year. The Budget Officer compiles and presents the draft budget to the Administrator on or before the 15th of March. The

Administrator then presents this proposed budget to the Assembly for review on or before the 15th of April. As set forth in the Home Rule Charter of the City and Borough of Sitka for budget performance, the following dates outline the Charter's requirements: (1) not later than 60 days before the end of the current fiscal year, the Administrator shall submit to the Assembly a budget for the following fiscal year, a capital improvements program and an accompanying explanatory message of both; (2) not later than 15 days before the end of the current fiscal year, a public hearing shall be held on the budget and capital improvements program; (3) the Assembly by ordinance shall adopt a budget (for the next fiscal year) not later than 10 days before the end of the current fiscal year. The appropriated budget is prepared by fund and department (e.g., police). The Administrator may make transfers of appropriations within a department, with the exception of line items for salary and benefits, travel and training, and capital assets. Assembly approval is needed for the above three line items within each department's budget. Transfers of appropriations between departments and/or funds, however, require the approval of the Assembly. Budget-to-actual comparisons are provided in this report for all funds for which an appropriated annual budget has been adopted.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City and Borough of Sitka operates.

**Local economy.** The City and Borough of Sitka's principal economic base is commercial fishing, fish processing, health care, government, tourism, and related businesses.

The estimated population for the City and Borough is 8,689. Sales tax collections have increased by 9% over last fiscal year, transient room taxes have increased by 8%, and excise taxes on tobacco have decreased by 3.2%. Increases in tax receipts have allowed the Municipality to continue to offer the same level of services to its citizens and keep pace with inflation. Of note, this year's increase in sales tax from the prior year is largely a result of a structural change in the tax where the taxable transaction limit was increased.

**Long-term financial planning.** The City and Borough engages in comprehensive long-range fiscal planning for general governmental activities as well as business-type enterprises. The Municipality annually updates a fiscal plan for each business-type enterprise which models cash flows from operations, working capital, long-term debt, and capital expenditures for a minimum 10-year period. These fiscal plans are the basis for recommendations to the Assembly for user fee increases in the various business-type enterprises.

**Cash management policies and practices.** The City and Borough of Sitka utilizes a central treasury to aggregate cash from all funds except the component units listed herein, for cash management and investment purposes. Interest income on investments is allocated monthly to participating funds based on their average equity balance.

The City and Borough of Sitka utilizes professional investment management services in the management of its investment portfolios. The external investment manager adheres to a codified investment policy which sets forth authorized investment types, restrictions on investment credit quality, and other standard safeguards in order to achieve a reasonable rate of return with minimal risk of loss. The City



and Borough also has an independent Investment Advisory Committee which reviews the investment portfolios and investment return on a quarterly basis.

**Risk management.** During FY2018, the Municipality continued a limited risk management program for workers' compensation. Various controls techniques, including employee accident prevention training, have been implemented during the year to minimize accident-related losses. Third-party coverage is currently maintained for individual workers' compensation claims and other potential losses.

**Pension and other postemployment benefits.** The City and Borough of Sitka and the Sitka Community Hospital provide pension benefits for all eligible employees through the State of Alaska Public Employees Retirement System (PERS). The Municipality and Hospital has no obligations in connection with the employee benefits offered through this plan beyond its annual required payment to the pension plan.

The Sitka School District provides pension benefits for all eligible employees through PERS and Teachers Retirement System (TRS). The School District has no obligations in connection with employee benefits offered through this plan beyond its annual required payments to the pension plans.

Additional information on pension arrangements and postemployment benefits can be found in the Required Supplementary Information and in the Notes to the basic financial statements.

#### **Acknowledgments**

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the staff of the Finance Department, especially Melissa Haley, Larry Fitzsimmons, Janet Schwartz, Sally Roesel, and Amber Swedeen. My appreciation is extended to all members of the Finance Department who assisted and contributed to the preparation of this report. We also want to thank you, the members of the City and Borough of Sitka's Assembly, for your interest and support in conducting the financial operations of the City and Borough of Sitka in a responsible and progressive manner.

Respectfully submitted,



John P "Jay" Sweeney III  
Finance Director

# City and Borough of Sitka, Alaska

## Elected Officials

*June 30, 2018*

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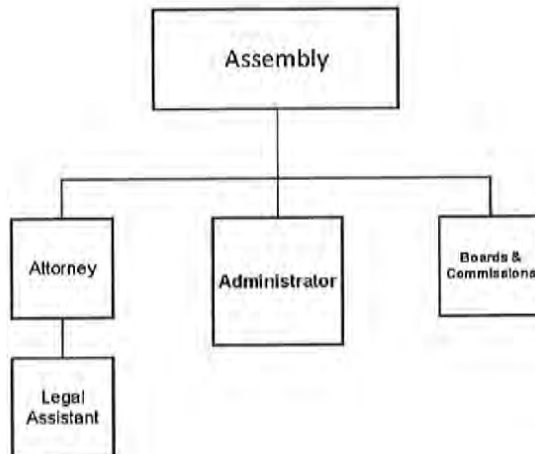
Name	Position
Matthew Hunter	Mayor
Bob Potrzuski	Deputy Mayor
Steven Eisenbeisz	Vice-Deputy Mayor
Benjamin Miyasato	Assembly Member
Kevin Knox	Assembly Member
Aaron Bean	Assembly Member
Richard Wien, M.D.	Assembly Member
Keith Brady	Municipal Administrator

# City and Borough of Sitka, Alaska

## Organization Chart *June 30, 2018*

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Administrator,  
Legal, Boards and  
Commissions

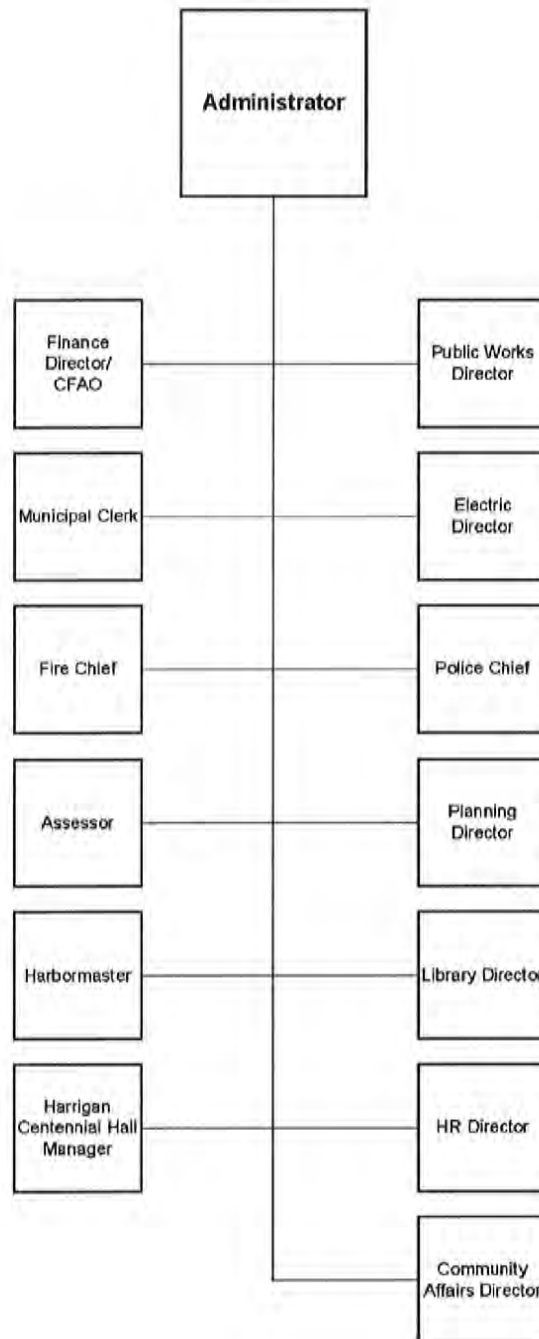


# City and Borough of Sitka, Alaska

## Organization Chart June 30, 2018

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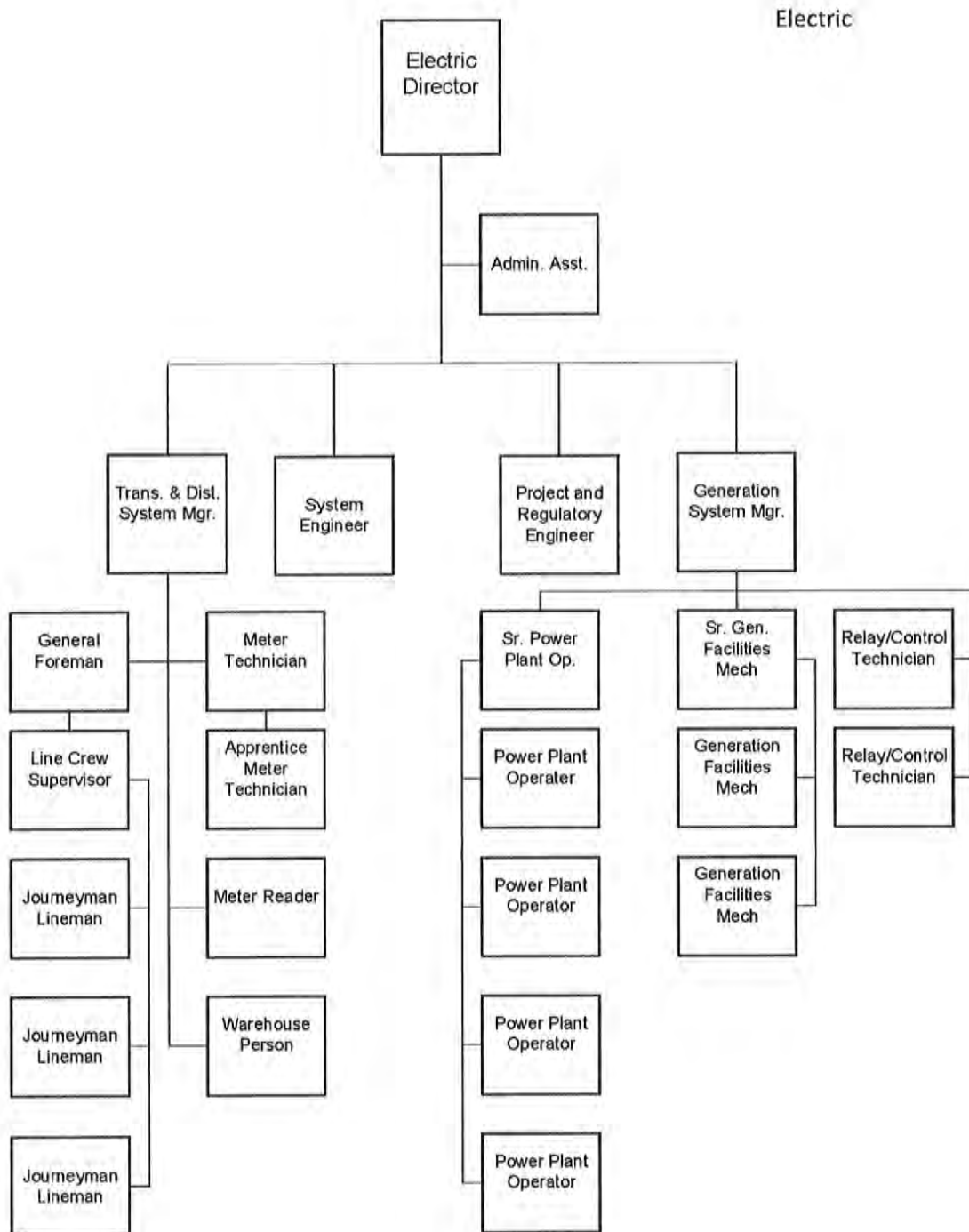
### Departments



# City and Borough of Sitka, Alaska

## Organization Chart

June 30, 2018

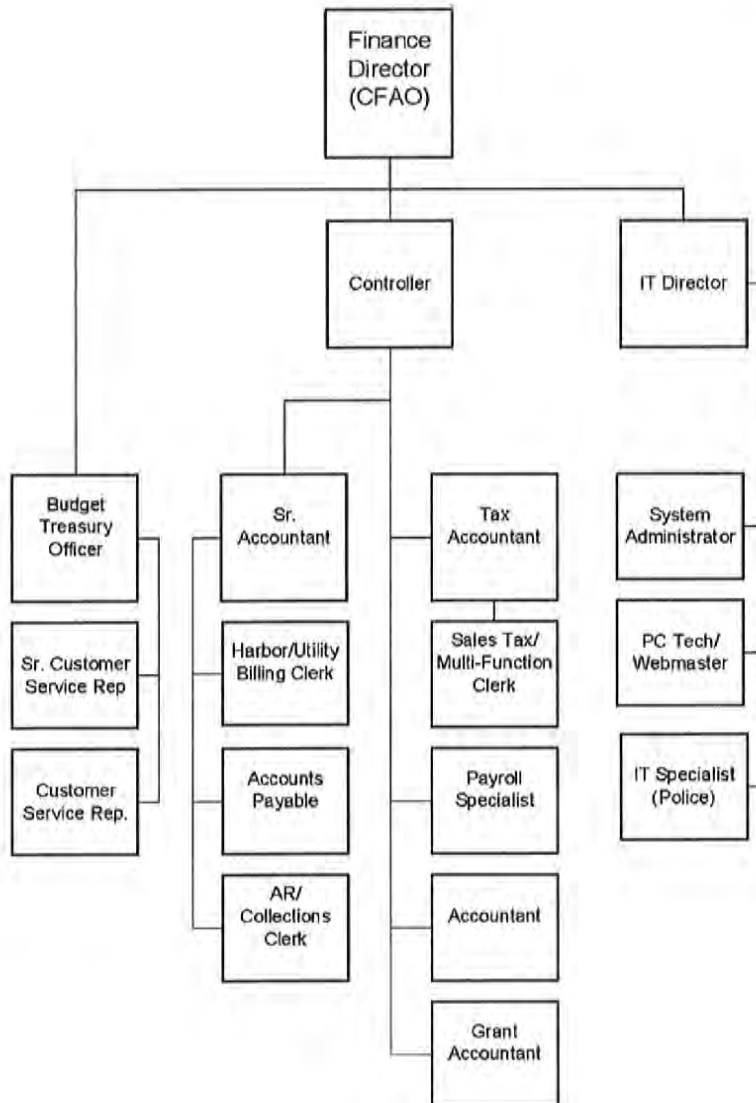


# City and Borough of Sitka, Alaska

## Organization Chart June 30, 2018

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Finance/  
MIS



**Organization Chart**  
*June 30, 2018*

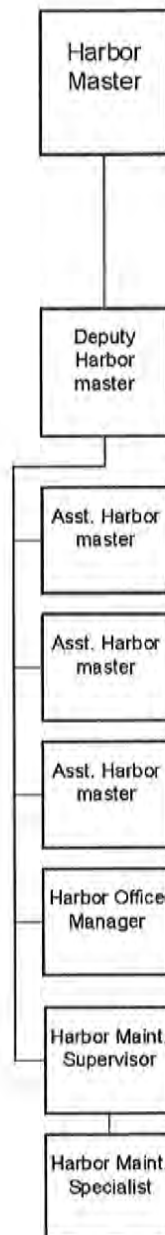


# City and Borough of Sitka, Alaska

## Organization Chart June 30, 2018

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### Harbors



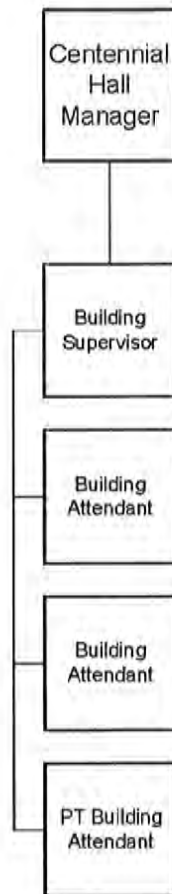


# City and Borough of Sitka, Alaska

## Organization Chart *June 30, 2018*

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HCH

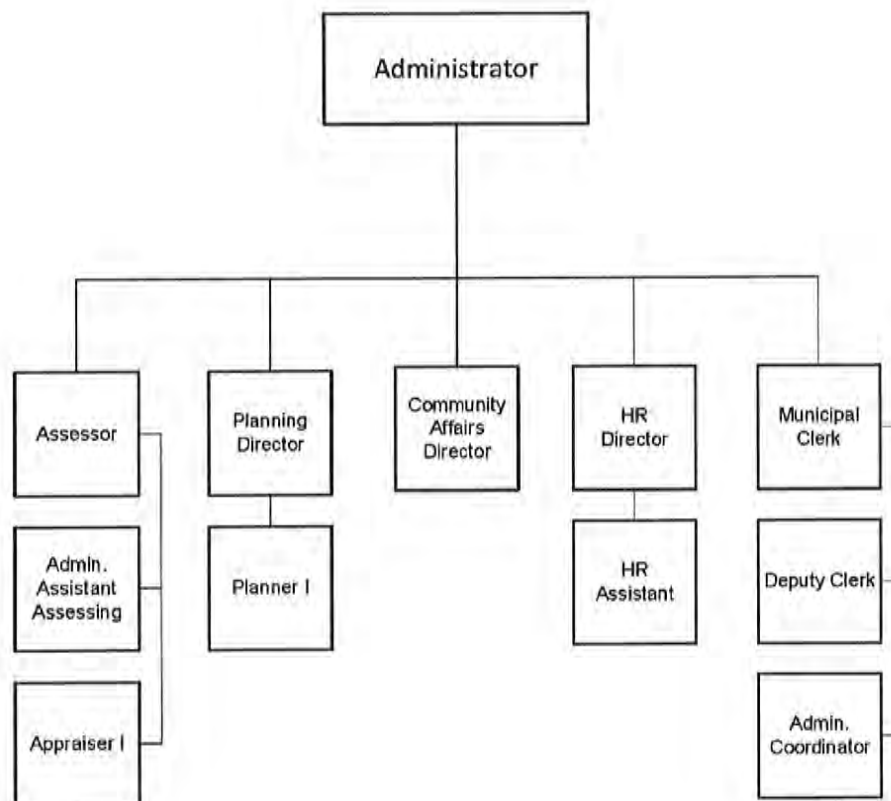


# City and Borough of Sitka, Alaska

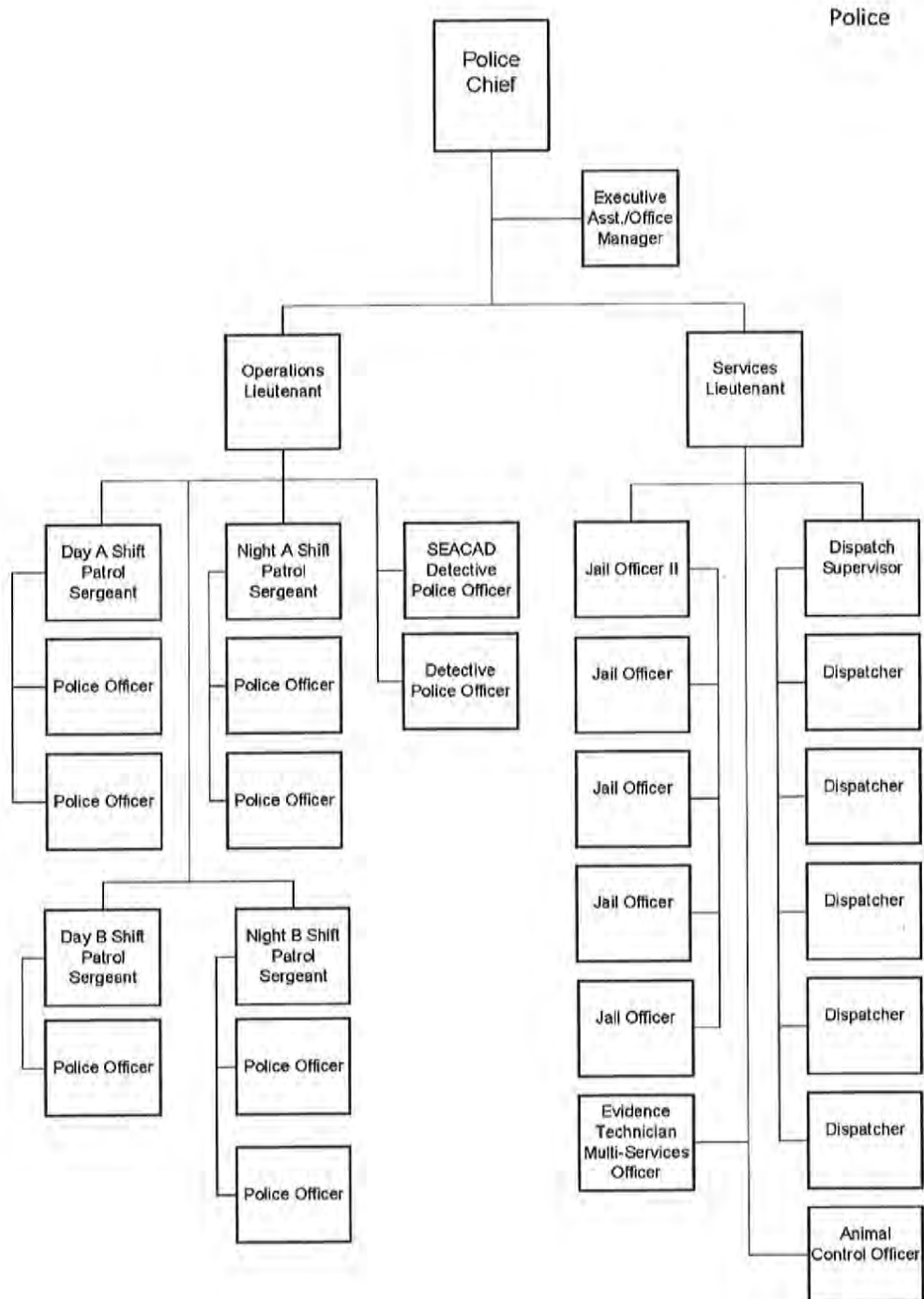
## Organization Chart June 30, 2018

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Planning, Assessing,  
Municipal Clerk, HR,  
Community Affairs



**Organization Chart**  
*June 30, 2018*

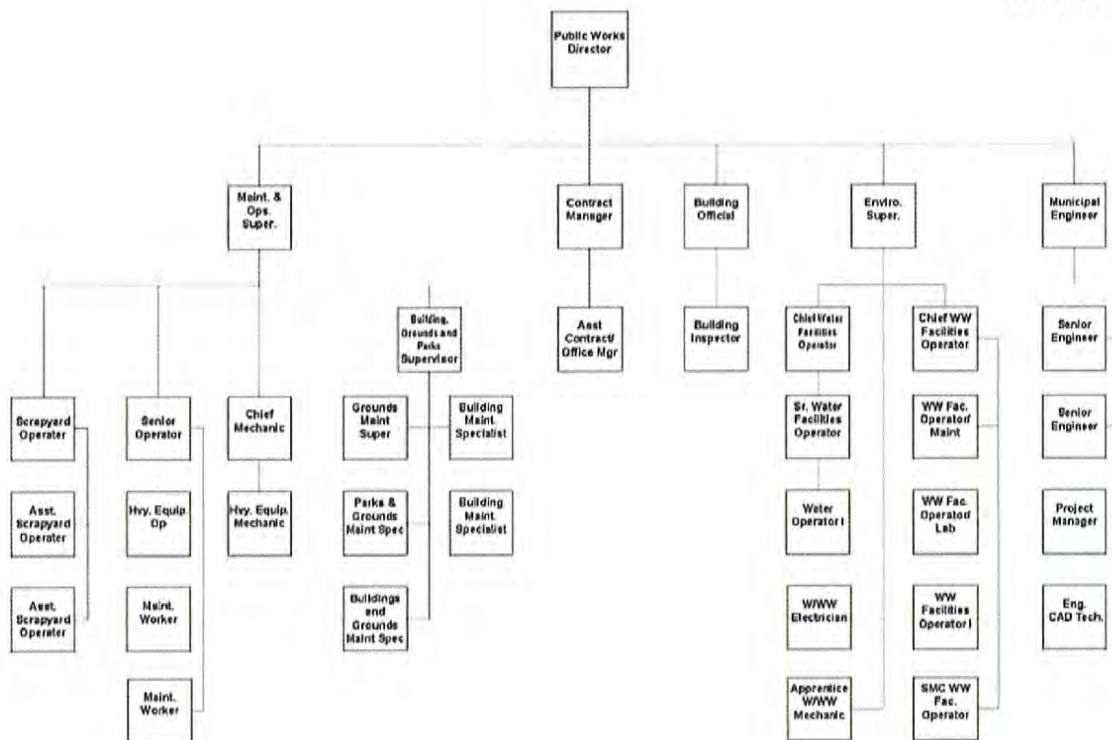


# City and Borough of Sitka, Alaska

## Organization Chart

June 30, 2018

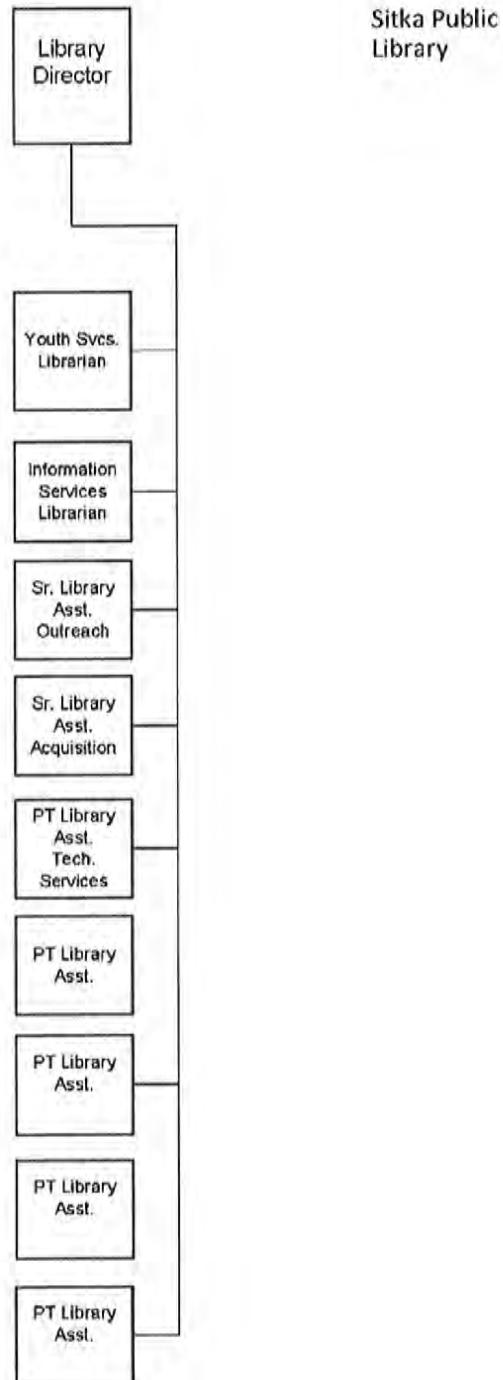
### Public Works



# City and Borough of Sitka, Alaska

## Organization Chart June 30, 2018

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www.bdo.com

3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report**

Honorable Mayor and Borough Assembly  
City and Borough of Sitka, Alaska

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City and Borough's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Sitka School District and Sitka Community Hospital, which represented 30 percent and 70 percent of the assets and deferred outflows of resources, and 46 percent and 54 percent of revenues of the aggregate discretely presented component units, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sitka School District and Sitka Community Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the International BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka, Alaska as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 18 to the financial statements, in 2018 the City and Borough adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 6 through 16, the budgetary comparison information on pages 76 through 81, the Schedules of the Borough's information of Net Pension Liability, Net OPEB Liability and Pension Contributions on pages 82 through 86, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City and Borough of Sitka's basic financial statements. The accompanying combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 31, 2018, on our consideration of City and Borough of Sitka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City and Borough of Sitka's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City and Borough of Sitka's internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
December 31, 2018



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## **Management's Discussion and Analysis**

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City and Borough of Sitka, Alaska  
Management's Discussion and Analysis  
June 30, 2018

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As management of the City and Borough of Sitka (Municipality), we offer the readers of the Municipality's financial statements this overview and analysis of the Municipality's financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page II of this report.

**Financial Highlights**

- The assets and deferred outflows of resources of the Municipality exceeded its liabilities and deferred inflows of resources at the close of the most recent year by **\$364.7** million. Of this amount, **\$42.9** million (unrestricted net position) is legally unreserved and may therefore be used to meet the Municipality's ongoing obligations to citizens and creditors.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was **\$5.4** million. Committed funds of **\$9.1** million, are also available to meet expenditures for the next fiscal year with varying levels of restrictions. The unassigned fund balance for the General Fund represented **23%** of General Fund expenditures. This increases to **62%** when committed funds are included.

**Overview of the Financial Statements**

The management's discussion and analysis serves as an introduction to the Municipality's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements**

The government-wide financial statements report information about the overall finances of the Municipality similar to the business enterprise. These statements combine and consolidate short-term, spendable resources with capital assets and long-term obligations.

The Statement of Net Position presents information on all of the Municipality's assets and deferred outflows less liabilities and deferred inflows, which results in net position. The statement is designed to display the financial position of the Municipality. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Municipality is improving or deteriorating.

The Statement of Activities provides information which shows how the Municipality's net position changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid.

The Statement of Net Position and the Statement of Activities distinguish functions of the Municipality that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The Municipality's governmental activities include administration, public safety, public works, public services and support. The business-type activities of the Municipality

City and Borough of Sitka, Alaska  
Management's Discussion and Analysis  
June 30, 2018

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include the eight enterprise funds: electric, water, waste water treatment, solid waste disposal, harbor, airport terminal building, marine service center and Gary Paxton Industrial Park.

The government-wide financial statements present not only the Municipality itself, which is the primary government, but also its component units: Sitka School District and Sitka Community Hospital for which the Municipality is financially accountable. Financial information for the Sitka School District and Sitka Community Hospital is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 20 through 23 of this report.

#### **Fund financial statements**

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for the specific activities or objectives. The Municipality, like other state and local governments, uses fund accounting to ensure and demonstrate fiscal accountability. All of the funds of the Municipality can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on the short-term view of the Municipality operations. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Municipality maintains 23 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Permanent Fund, and Capital Projects Fund. The other 17 governmental funds are combined and shown as Nonmajor Governmental Funds on the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances. Individual fund information for the 17 nonmajor funds is presented in the Combining Balance Sheet, Nonmajor Governmental Funds, and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance, Nonmajor Governmental Funds.

#### **Proprietary funds**

The Municipality maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Municipality uses enterprise funds to account for the electric, water, waste water treatment, and solid waste disposal utility services provided to the local citizens. The Municipality also uses enterprise funds to account for commercial activity within its harbors, airport terminal building, marine service center (for cold storage), and Gary Paxton Industrial Park. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Municipality's various functions. The Municipality uses internal service funds to account for the activities of its management information

City and Borough of Sitka, Alaska  
Management's Discussion and Analysis  
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systems (MIS), central garage, and building maintenance services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Proprietary funds financial statements provide separate information for the Electric, Solid Waste Disposal, Wastewater, and Harbor Funds, which are considered to be major funds of the Municipality. The remaining four enterprise funds are combined and shown as Nonmajor Enterprise Funds on the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for Proprietary Funds. The basic proprietary fund financial statements can be found on pages 28 through 32.

**Fiduciary funds**

Fiduciary funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Municipality cannot use these assets for its operations. The accounting for fiduciary funds is much like that used in proprietary funds. The basic fiduciary aggregated fund financial statements can be found on pages 33 through 34 of this report.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 through 75 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information to provide information on the Municipalities' Nonmajor funds. Supplementary information can be found following the Notes to Financial Statements beginning on page 89.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Municipality, assets exceeded liabilities by **\$364.7** million at June 30, 2018 compared to **\$367.7** million at June 30, 2017. By far the largest portion of the Municipality's net position of **\$364.7** million reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, etc.) less any related debt used to acquire those assets that is still outstanding. The Municipality uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Municipality's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

City and Borough of Sitka, Alaska  
Management's Discussion and Analysis  
June 30, 2018

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	Net Position June 30, 2018 and 2017 (in millions)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 61.5	\$ 60.0	\$ 51.6	\$ 50.6	\$ 113.1	\$ 110.6
Capital Assets	134.8	137.2	315.2	320.3	450.0	457.5
Total assets	196.3	197.2	366.8	370.9	563.1	568.1
Deferred outflows	2.3	4.4	2.4	3.9	4.7	8.3
Total assets and deferred outflows	\$ 198.6	\$ 201.6	\$ 369.2	\$ 374.8	\$ 567.8	\$ 576.4
Long-term debt outstanding	\$ 33.8	\$ 39.1	\$ 158.3	\$ 161.8	\$ 192.1	\$ 200.9
Other liabilities	2.6	3.2	4.3	4.3	6.9	7.5
Total liabilities	36.4	42.3	162.6	166.1	199.0	208.4
Deferred inflows	2.7	0.2	1.5	0.1	4.2	0.3
Total liabilities and deferred inflows	\$ 39.1	\$ 42.5	\$ 164.1	\$ 166.2	\$ 203.2	\$ 208.7
Net position:						
Net investment in capital assets	\$ 115.9	\$ 115.4	\$ 167.3	\$ 170.0	\$ 283.2	\$ 285.4
Restricted	27.7	27.1	10.7	10.6	38.4	37.7
Unrestricted	15.9	16.6	27.1	28.0	43.0	44.6
Total net position	\$ 159.5	\$ 159.1	\$ 205.1	\$ 208.6	\$ 364.6	\$ 367.7

**Governmental Activities**

Governmental activities increased the Municipality's net position by \$3.2 million. Key elements of this increase are listed below:

- Net pension liability decreased by \$4.2 million, due to an actuarial decrease in unfunded pension liability.
- General governmental debt declined by \$2.8 million, due to the repayment of principal.

The net position for the Municipality's governmental activities is \$159.5 million. A substantial portion (73%) of the net position is invested in capital assets – an increase of \$0.5 million from the prior fiscal year. The Municipality uses these assets to provide services to the citizens. The unrestricted net position of the governmental activities was \$15.9 million as of June 30, 2018. The largest portion of the restricted net position is for the Permanent Fund (\$22.8 million).

**Business-type activities**

Business-type activities decreased the Municipality's net position by \$1.8 million. This compares to a decrease of \$2.1 million for the year ended June 30, 2017. Key elements are listed below:



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- Net capital assets decreased by \$5.0 million due to depreciation expense exceeding the value of new capital assets placed in service.
- Long-term debt outstanding decreased by \$3.5 million due to the amount of long-term debt principal retired in amounts exceeding new loans from the State of Alaska.
- Net pension liability decreased by \$2.4 million, due to an actuarial decrease in unfunded pension liability.

The net position for the Municipality's business-type activities is \$205.1 million, a decrease of \$1.8 million. As with government-wide activities, a substantial portion (81%) of the net position is invested in capital assets. The Municipality uses these assets to provide services to the citizens. The unrestricted net position of the business-type activities is \$27.1 million as of June 30, 2018.

**Changes in Net Position**  
**For Fiscal Years Ending June 30, 2018 and 2017**  
**(in millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 2.5	\$ 2.7	\$ 30.4	\$ 28.5	\$ 32.9	\$ 31.2
Operating grants and contributions	5.5	3.8	0.8	0.7	6.3	4.5
Capital grants and contributions	1.7	6.2	4.8	5.2	6.5	11.4
General revenues:						
Property tax	6.6	6.5	-	-	6.6	6.5
Sales and other taxes	13.9	12.8	-	-	13.9	12.8
Grants and contributions not restricted to specific programs	1.0	-	1.3	1.0	2.3	1.0
Unrestricted investment earnings (loss)	1.9	2.2	0.1	(0.1)	2.0	2.1
Other	-	-	-	0.3	-	0.3
<b>Total revenues</b>	<b>33.1</b>	<b>34.2</b>	<b>37.4</b>	<b>35.6</b>	<b>70.5</b>	<b>69.8</b>

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**Changes in Net Position, continued**  
**For Fiscal Years Ending June 30, 2018 and 2017**  
(in millions)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Expenses:</b>						
Administration	\$ 2.4	\$ 2.7	\$ -	\$ -	\$ 2.4	\$ 2.7
Public safety	6.5	8.1	-	-	6.5	8.1
Public works	5.9	6.7	-	-	5.9	6.7
Public services	3.4	4.0	-	-	3.4	4.0
Support	10.7	10.4	-	-	10.7	10.4
Interest on long-term debt	0.9	0.9	-	-	0.9	0.9
Electric	-	-	22.1	24.1	22.1	24.1
Solid waste disposal	-	-	4.9	4.5	4.9	4.5
Wastewater treatment	-	-	3.2	3.8	3.2	3.8
Harbors	-	-	3.7	3.8	3.7	3.8
Nonmajor business-type	-	-	5.4	3.8	5.4	3.8
<b>Total expenses</b>	<b>29.8</b>	<b>32.8</b>	<b>39.3</b>	<b>40.0</b>	<b>69.1</b>	<b>72.8</b>
 Increase (decrease) in net position before transfers	 3.3	 1.4	 (1.9)	 (4.4)	 1,143	 (3.0)
Transfers in (out)	-	(2.3)	0.1	2.3	-	-
 Increase (decrease) in net position	 3.2	 (0.9)	 (1.8)	 (2.1)	 1.4	 (3.0)
 Net position, beginning of Year, as restated	 156.3	 160.0	 207.0	 210.7	 363.3	 366.5
 Net position, end of year	 \$ 159.5	 \$ 159.1	 \$ 205.2	 \$ 208.6	 \$ 364.7	 \$ 367.7



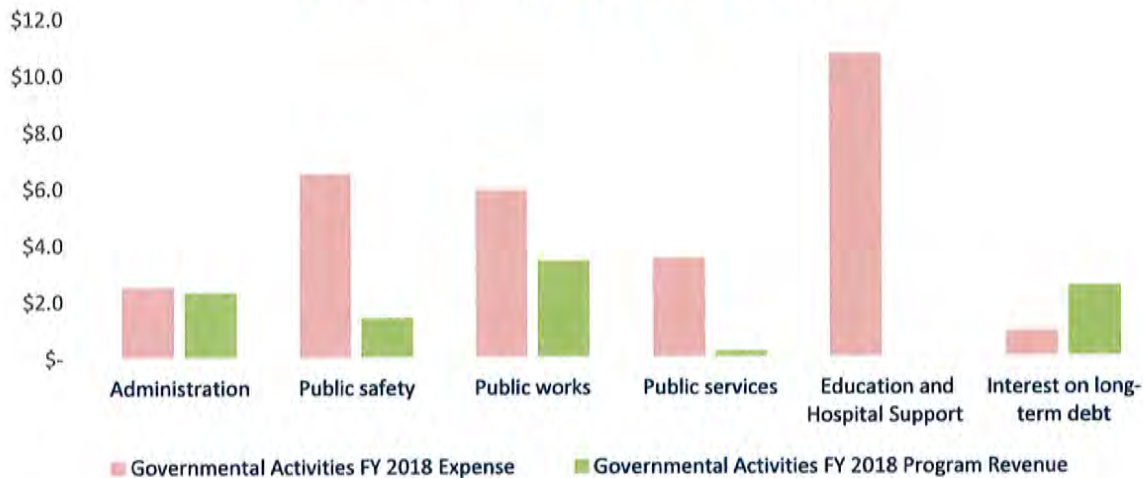
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**Expenses and Program Revenues – Governmental Activities**

The graph shown below compares program expenses with associated revenues. It should be noted that revenue generated through sales, bed, and property taxes are considered general revenues and are therefore not included on this graph.

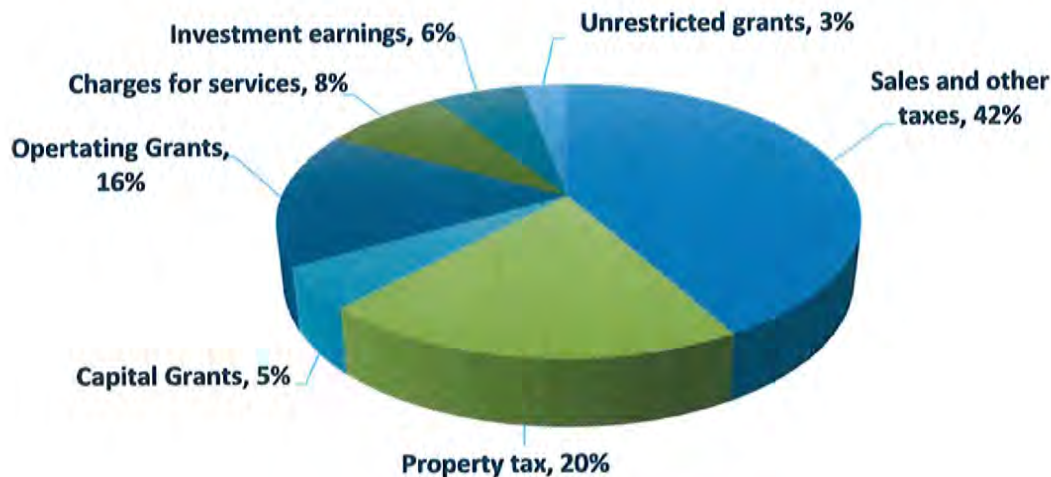
**Governmental Activities FY 2018**



**Revenues and Expenses by Source – Governmental Activities**

The following graphs depict all sources of revenues shown as a percentage of total governmental revenues and functional expenses, also shown as percentage of total expense.

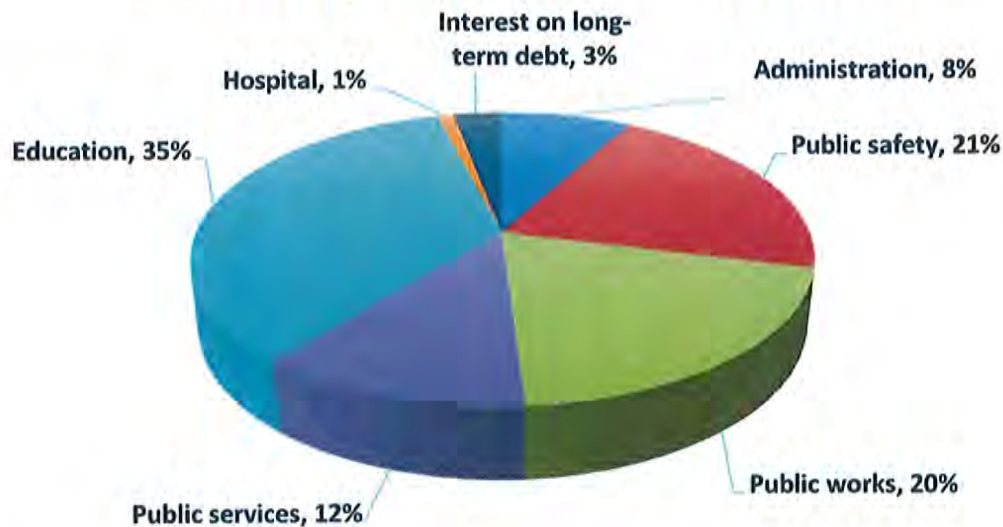
**Governmental Revenue by Source FY 2018**



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**Functional Expenses (Governmental) FY 2018**



**Financial Analysis of the Government's Funds**

As noted earlier, the Municipality uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds**

The focus of the Municipality's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Municipality's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Did the Municipality generate enough revenue to pay for current obligations? What is available for spending at the end of the year?

At the end of the current fiscal year, the Municipality's governmental funds reported combined ending fund balances of \$54.3 million, an increase of \$2.4 million compared to the prior year. A portion of this amount is reserved to indicate it is not available to new spending because it is nonspendable, or has been restricted, committed or assigned (\$0.6, \$25.7, \$18.9, and \$3.7 million respectively). The remainder of fund balance is unassigned (\$5.4 million) and is available for spending at the government's discretion.

The General Fund is the chief operating fund of Municipality. At the end of the current fiscal year, total fund balance was \$15.1 million and unassigned fund balance was \$5.4 million. Total fund balance increased by \$0.9 million from the prior year. Key factors include:

- An increase of \$1.0 million in sales and bed taxes.
- An increase of \$0.6 million in Federal support.

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**Proprietary Funds**

The Municipality's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the eight enterprise funds at the end of the year were \$27.4 million. Other factors concerning the finances of the proprietary funds have already been addressed in the discussion of the Municipality's business-type activities.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget in the General Fund are as follows:

- Per the Sitka Home Rule Charter, encumbered operating appropriations do not lapse at the end of the fiscal year and are added into the following fiscal year's budget through a supplemental budget ordinance. The amount of these encumbered operating appropriations was \$96,811.
- Per the Sitka Home Rule Charter, the Assembly of the City and Borough may make supplemental appropriations by budget ordinance to authorize expenditures of public funds for purposes not anticipated in the original budget, and, may reduce any appropriation except for debt service. During the fiscal year, General Fund appropriations were increased by the net amount of \$1,990,204.

**Capital Assets and Debt Administration**

**Capital assets**

The Municipality's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$450.1 million (net of accumulated depreciation), a decrease of \$7.4 million from the prior year. This investment in capital assets includes land, buildings, machinery and equipment, roads and infrastructure.

**Capital Assets**  
**June 30, 2018 and 2017**  
(in millions, net of depreciation)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Land and improvements	\$ 17.4	\$ 16.3	\$ 23.6	\$ 16.3	\$ 41.0	\$ 32.6
Buildings	80.7	84.7	12.5	14.5	93.2	99.2
Equipment	4.3	5.2	2.1	2.2	6.4	7.4
Infrastructure	30.0	29.7	-	-	30.0	29.7
Electric plant	-	-	215.1	221.5	215.1	221.5
Water plant	-	-	20.8	19.6	20.8	19.6
Wastewater treatment plant	-	-	16.7	14.9	16.7	14.9
Harbors	-	-	22.7	23.8	22.7	23.8
Construction in progress	2.4	1.3	1.8	7.5	4.2	8.8
<b>Total capital assets</b>	<b>\$ 134.8</b>	<b>\$ 137.2</b>	<b>\$ 315.3</b>	<b>\$ 320.3</b>	<b>\$ 450.1</b>	<b>\$ 457.5</b>

City and Borough of Sitka, Alaska  
Management's Discussion and Analysis  
June 30, 2018

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Major additions to capital assets during the current fiscal year included the following:

- Completion of a new dock at the Gary Paxton Industrial Park
- Completion of two wastewater lift stations
- Completion of street reconstruction projects including water, wastewater, paving and storm water improvements

Additional information on the Municipality's capital assets can be found in Note 5 beginning on page 48 of this report.

**Long-term debt**

At the end of the current fiscal year, the Municipality had total debt outstanding of \$192.0 million. Of this amount \$18.0 million was bonded and backed by the full faith and credit of the Municipality. The remaining debt consists of debt secured by equipment, revenue bonds and notes, compensated absences, net pension and OPEB obligations, and landfill closure costs.

**Outstanding Debt**  
**June 30, 2018 and 2017**  
**(in millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
General obligation bonds	\$ 18.0	\$ 20.7	\$ -	\$ -	\$ 18.0	\$ 20.7
Revenue bonds	-	-	116.7	118.9	116.7	118.9
Revenue notes	-	-	6.7	7.0	6.7	7.0
Net pension liability	11.7	15.9	6.6	9.0	18.3	24.9
Net OPEB liability (as restated)	1.9	3.2	1.1	1.9	3.0	5.1
Other debt	2.2	2.5	27.1	26.9	29.3	29.4
Total outstanding debt	\$ 33.8	\$ 42.3	\$ 158.2	\$ 163.7	\$ 192.0	\$ 206.0

Additional information on the Municipality's long-term debt can be found in Note 7 beginning on page 52 of this report.

**Economic Factors and the Next Year's Budget and Rates**

In setting the budgets for FY2019, the Municipality considered a number of issues with Municipality wide impact, among them:



City and Borough of Sitka, Alaska  
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- A sufficient level of funding necessary to meet the needs of Municipality residents, visitors and communities.
- A continued reduction in the historical variance between budget and actual revenues and expenditures.
- Maintenance of the Municipality's financial condition.
- The highest level of local education funding Municipality residents can reasonably afford and sustain.
- A high quality capital and operational maintenance program that ensures the continued use and economic value of Municipality assets.

All of these factors were considered in preparing the Municipality's budget for FY2019.

**Request for information**

This financial report is designed to provide a general overview of the Municipality's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for addition financial information should be addressed to the Finance Director, City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835

## **Basic Financial Statements**

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## City and Borough of Sitka, Alaska

## Statement of Net Position

June 30, 2018

	Primary Government				Total	Sitka School District	Sitka Community Hospital
	Governmental Activities	Business-Type Activities					
Assets and Deferred Outflows of Resources							
Assets							
Equity in central treasury	\$	29,696,556	\$	34,881,796	\$	-	-
Cash and investments		-		-		2,945,634	3,099,823
Receivables (net of allowance)		5,169,290		4,293,998		721,080	3,324,256
Internal balances		1,154,904		(1,154,904)		-	-
Inventories		-		1,678,658		-	332,674
Prepaid items		5		1,089		5,696	172,824
Notes receivable (net of allowance)		1,312,822		87,703		-	-
Special assessments receivable		23,744		61,240		-	-
Water rights		-		46,966		-	-
Restricted assets:							
Equity in central treasury		-		935,057		-	-
Bond covenant accounts		-		10,748,446		-	-
Cash and investments		24,139,952		-		-	108,425
Interest receivable		74,416		-		-	-
Capital assets not being depreciated		13,597,577		6,377,194		-	-
Other capital assets, net of depreciation		121,173,905		308,878,270		249,734	3,666,526
Total Assets		196,343,171		366,835,513		3,922,144	10,704,528
Deferred Outflows of Resources							
Deferred charge on refunding		634,917		1,486,753		-	-
Deferred outflows related to other postemployment benefits		309,824		177,512		404,166	714,205
Deferred outflows related to pensions		1,359,971		754,452		1,433,531	1,992,417
Total Deferred Outflows of Resources		2,304,712		2,418,717		1,837,697	2,706,622
Total Assets and Deferred Outflows of Resources	\$	198,647,883	\$	369,254,230	\$	5,759,841	13,411,150



**City and Borough of Sitka, Alaska**  
**Statement of Net Position, continued**  
**June 30, 2018**

	Primary Government				Sitka School District		Sitka Community Hospital	
	Governmental Activities	Business-Type Activities	Total					
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>								
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ 2,413,598	\$ 1,668,273	\$ 4,081,871	\$ 1,146,209	\$ 2,069,848			
Unearned revenue	10,760	-	10,760	29,230	-			
Accrued interest payable	228,161	2,475,730	2,703,891	-	-			
Liabilities payable from restricted assets - deposits	-	166,437	166,437	-	-			
<b>Noncurrent liabilities</b>								
Due within one year:								
Bonds and notes	2,902,310	3,553,442	6,455,752	-	475,913			
Lease	652,481	-	-	-	81,288			
Compensated absences	-	371,274	1,023,755	145,831	677,746			
Due in more than one year:								
Bonds and notes	15,366,745	137,584,625	152,951,370	-	192,040			
Unamortized bond premium	1,274,611	8,283,042	9,557,653	-	-			
Net pension liability	11,725,701	6,611,928	18,337,629	13,558,684	18,239,157			
Net OPEB liability	1,873,817	1,073,577	2,947,394	1,477,725	2,911,091			
Landfill post-closure liability	-	768,620	768,620	-	-			
<b>Total Liabilities</b>	<b>36,448,184</b>	<b>162,556,948</b>	<b>199,005,132</b>	<b>16,357,679</b>	<b>24,647,083</b>			
<b>Deferred Inflows of Resources</b>								
Property assessments and taxes paid in advance	100	-	100	-	-			
Deferred inflows related to other postemployment benefits	1,080,098	618,826	1,698,924	1,094,759	1,680,630			
Deferred inflows related to pensions	1,618,894	926,341	2,545,235	1,924,962	2,371,900			
<b>Total Deferred Inflows of Resources</b>	<b>2,699,092</b>	<b>1,545,167</b>	<b>4,244,259</b>	<b>3,019,721</b>	<b>4,052,530</b>			
<b>Net Position</b>								
Net investment in capital assets	115,862,733	167,321,108	283,183,841	249,734	3,393,198			
Restricted for:								
Permanent Fund	22,754,520	-	22,754,520	-	-			
Capital projects	5,022,348	-	5,022,348	-	-			
Debt service	5	10,748,446	10,748,451	-	-			
Sitka School District	-	-	-	-	-			
Medical services	-	-	-	-	83,292			
Unrestricted (deficit)	15,861,001	27,082,561	42,943,562	(13,867,293)	(18,764,953)			
<b>Total Net Position (Deficit)</b>	<b>159,500,607</b>	<b>205,152,115</b>	<b>364,652,722</b>	<b>(13,617,559)</b>	<b>(15,288,463)</b>			
<b>Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)</b>	<b>\$ 198,647,883</b>	<b>\$ 369,254,230</b>	<b>\$ 567,902,113</b>	<b>\$ 5,759,841</b>	<b>\$ 13,411,150</b>			

See accompanying notes to financial statements.

## City and Borough of Sitka, Alaska

## Statement of Activities

Year Ended June 30, 2018	Net Revenue (Expense) and Changes in Net Position									
	Program Revenues					Primary Government			Component Units	
	Expenses	Fees, Fines, & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	Sitka School District	Sitka Community Hospital	
<b>Primary Government</b>										
<b>Governmental Activities</b>										
Administration	\$ 2,461,842	\$ 318,388	\$ 1,965,551	\$ -	\$ (177,903)	\$ -	(177,903)			
Public safety	6,463,189	1,138,956	269,860	-	(5,054,373)	-	(5,054,373)			
Public works	5,872,594	927,505	727,697	1,706,983	(2,510,409)	-	(2,510,409)			
Public services	3,453,341	137,626	38,154	-	(3,277,561)	-	(3,277,561)			
Education and hospital support	10,680,672	-	-	-	(10,680,672)	-	(10,680,672)			
Interest on long-term debt	882,935	-	2,473,846	-	1,590,911	-	1,590,911			
<b>Total Governmental Activities</b>	<b>29,814,573</b>	<b>2,522,475</b>	<b>5,475,108</b>	<b>1,706,983</b>	<b>(20,110,007)</b>	<b>-</b>	<b>(20,110,007)</b>			
<b>Business-type Activities</b>										
Electric	22,087,589	17,538,304	706,598	178,140	-	(3,664,547)	(3,664,547)			
Water	2,760,171	2,379,826	12,012	581,959	-	213,626	213,626			
Wastewater treatment	3,216,644	3,201,110	31,653	481,882	-	498,001	498,001			
Solid waste disposal	4,881,503	4,060,430	-	-	-	(821,073)	(821,073)			
Harbor	3,682,860	2,419,711	22,986	368,509	-	(871,654)	(871,654)			
Airport	542,703	392,369	-	50,203	-	(100,131)	(100,131)			
Marine Service Center	94,282	243,788	-	-	-	149,506	149,506			
Gary Paxton Industrial Park	2,013,656	119,911	-	3,117,049	-	1,223,304	1,223,304			
<b>Total Business-type Activities</b>	<b>39,279,408</b>	<b>30,355,449</b>	<b>773,249</b>	<b>4,777,742</b>	<b>-</b>	<b>(3,372,968)</b>	<b>(3,372,968)</b>			
<b>Total Primary Government</b>	<b>\$ 69,093,981</b>	<b>\$ 32,877,924</b>	<b>\$ 6,248,357</b>	<b>\$ 6,484,725</b>	<b>\$ (20,110,007)</b>	<b>\$ (3,372,968)</b>	<b>\$ (23,482,975)</b>			

## City and Borough of Sitka, Alaska

## Statement of Activities, continued

		Net Revenue (Expense) and Changes in Net Position			
		Primary Government			Component Units
		Program Revenues			
		Fees, Fines, & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Year Ended June 30, 2018	Expenses				Sitka Community Hospital
Total Primary Government	\$ 69,093,981	\$ 32,877,924	\$ 6,248,357	\$ 6,484,725	\$ (23,482,975)
Component Units					
Sitka School District	\$ 25,005,449	\$ 468,740	\$ 4,522,131	\$ 150,000	\$ (19,864,578)
Sitka Community Hospital	29,513,223	26,347,213	2,055,692	-	(1,110,318)
Total Component Units	\$ 54,518,672	\$ 26,815,953	\$ 6,577,823	\$ 150,000	\$ (1,110,318)
General Revenues					
Taxes:					
Property		6,647,375	-	-	-
Sales		12,631,709	-	-	-
Commercial passenger excise tax		405,115	-	-	-
Tobacco tax		850,877	-	-	-
Contributions from primary government		-	-	-	6,939,116
Grants and entitlements not restricted		1,016,787	1,279,885	2,296,672	13,430,024
to specific purpose		1,838,439	110,307	1,948,746	68,400
Investment income		-	62,659	62,659	-
Other		(34,841)	94,844	60,003	3,873
Transfers		-	-	-	-
Total General Revenues and Transfers		23,355,461	1,547,695	24,903,156	20,369,140
Change in Net Position		3,245,454	(1,825,273)	1,420,181	504,562
Net Position (Deficit), beginning, as restated (Note 18)		156,255,153	206,977,388	363,232,541	(14,122,121)
Net Position (Deficit), ending		\$ 159,500,607	\$ 205,152,115	\$ 364,652,722	\$ (13,617,559)
					\$ (15,288,463)

See accompanying notes to the financial statements.

## City and Borough of Sitka, Alaska

Governmental Funds  
Balance Sheet

June 30, 2018	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Permanent Fund	School Bond Debt Service Fund		
<b>Assets</b>					
Equity in central treasury	\$ 11,221,184	\$ -	\$ 2,036,596	\$ 11,281,117	\$ 24,538,897
Receivables:					
Accounts	1,212,132	-	-	-	1,212,132
Taxes	3,102,444	-	-	235,436	3,337,880
Allowance for uncollectables	(942,600)	-	-	-	(942,600)
Interest	307,904	-	-	-	307,904
Special assessments	-	-	-	23,744	23,744
Federal and State of Alaska	29,162	-	24,737	999,775	1,053,674
Other	-	-	-	200,300	200,300
Due from other funds	1,206,637	-	-	-	1,206,637
Advances to other funds	150,000	-	-	309,811	459,811
Prepaid items	-	-	-	5	5
Notes receivable	475,913	-	-	1,474,417	1,950,330
Allowance for uncollectable notes	-	-	-	(637,508)	(637,508)
Restricted assets:					
Equity in central treasury	-	-	-	-	-
Cash and investments	-	24,139,952	-	-	24,139,952
Interest receivable	-	74,416	-	-	74,416
<b>Total Assets</b>	<b>\$ 16,762,776</b>	<b>\$ 24,214,368</b>	<b>\$ 2,061,333</b>	<b>\$ 13,887,097</b>	<b>\$ 56,925,574</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 512,356	\$ 4,104	\$ -	\$ 779,074	\$ 1,295,534
Accrued payroll	994,828	-	-	-	994,828
Deposits payable	34,095	-	-	-	34,095
Due to other funds	-	28,647	-	119,372	148,019
Advances from other funds	160,465	-	-	-	160,465
Unearned revenue	760	-	-	10,000	10,760
<b>Total Liabilities</b>	<b>1,702,504</b>	<b>32,751</b>	<b>-</b>	<b>908,446</b>	<b>2,643,701</b>
<b>Deferred Inflows of Resources</b>					
Deferred assessments	-	-	-	23,744	23,744
Property taxes paid in advance	100	-	-	-	100
<b>Total Deferred Inflows of Resources</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>23,744</b>	<b>23,844</b>
<b>Fund Balances</b>					
Nonspendable	625,913	-	-	5	625,918
Restricted	-	22,754,520	2,061,333	865,660	25,681,513
Committed	9,055,629	1,427,097	-	8,389,269	18,871,995
Assigned	-	-	-	3,705,160	3,705,160
Unassigned (deficit)	5,378,630	-	-	(5,187)	5,373,443
<b>Total Fund Balances</b>	<b>15,060,172</b>	<b>24,181,617</b>	<b>2,061,333</b>	<b>12,954,907</b>	<b>54,258,029</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 16,762,776</b>	<b>\$ 24,214,368</b>	<b>\$ 2,061,333</b>	<b>\$ 13,887,097</b>	<b>\$ 56,925,574</b>

See accompanying notes to the basic financial statements.

**City and Borough of Sitka, Alaska**  
**Reconciliation of Governmental Funds Balance Sheet**  
**to Statement of Net Position**

	Governmental Funds	Internal Service Funds	
<i>June 30, 2018</i>			
Total fund balances for governmental funds			\$ 54,258,029
Total net position reported for governmental activities in the Statement of Net Position is different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:			
Land	\$ 11,230,911	\$ -	
Construction in progress	2,323,891	42,775	
Total capital assets not being depreciated	13,554,802	42,775	
Buildings	139,309,951	1,396,652	
Land improvements	7,924,486	24,275	
Infrastructure	50,547,904	32,459	
Equipment	5,839,649	9,741,850	
Accumulated depreciation	(86,692,426)	(6,950,895)	
Total depreciable capital assets, net of depreciation	116,929,564	4,244,341	134,771,482
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of special assessments receivable.			23,744
Bond refundings may result in deferred charges. These items are treated as expenditures in the funds but deferred in the Statement of Net Position and amortized in the Statement of Activities.			634,917
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:			
Bonds and State of Alaska note	(18,269,055)	-	
Unamortized bond premium	(1,274,611)	-	
Net pension liability	(10,838,095)	(887,606)	
Net other postemployment benefits liability	(1,713,311)	(160,506)	
Accrued interest payable	(228,161)	-	
Compensated absences	(599,445)	(53,036)	
Total long term liabilities	(32,922,678)	(1,101,148)	(34,023,826)
Certain changes in net pension and other postemployment liabilities are deferred rather than recognized immediately. These items are amortized over time.			
Deferred inflows related to pensions	(1,481,523)	(137,369)	
Deferred inflows related to other postemployment benefits	(987,579)	(92,519)	
Deferred outflows related to pensions	1,333,432	26,539	
Deferred outflows related to other postemployment benefits	220,534	89,290	
Total deferred pension items	(915,136)	(114,059)	(1,029,195)
Internal service funds are used by the Borough to charge the cost of certain activities, such as information systems, to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position. This is the residual equity not reported above.			4,865,456
<b>Total Net Position of Governmental Activities</b>			<b>\$ 159,500,607</b>

*See accompanying notes to the basic financial statements.*

## City and Borough of Sitka, Alaska

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

	Major Funds				
	General Fund	Permanent Fund	School Bond Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Year Ended June 30, 2018					
Revenues					
Taxes:					
Real and personal property	\$ 6,647,375	\$ -	\$ -	\$ -	\$ 6,647,375
Sales and bed	12,088,012	-	-	543,697	12,631,709
Tobacco	-	-	-	850,877	850,877
State sources	875,828	-	2,473,846	1,602,583	4,952,257
Federal sources	1,908,950	-	-	421,890	2,330,840
Charges for services	1,740,671	-	-	11,263	1,751,934
Interfund services	2,855,203	-	-	-	2,855,203
Fines, forfeitures and penalties	46,773	-	-	-	46,773
Investment income (loss)	142,479	1,628,375	908	60,790	1,832,552
Uses of property	335,686	-	-	-	335,686
Licenses and permits	155,943	-	-	3,210	159,153
Other	238,141	1,000	-	202,051	441,192
Total Revenues	27,035,061	1,629,375	2,474,754	3,696,361	34,835,551
Expenditures					
Current:					
Administration	4,857,082	49,788	-	-	4,906,870
Public safety	6,163,177	-	-	107,891	6,271,068
Public works	3,489,959	-	-	244,455	3,734,414
Public services	1,474,210	-	-	1,296,209	2,770,419
School and Hospital Support	7,294,014	-	-	-	7,294,014
Debt service:					
Principal	22,310	-	2,780,000	-	2,802,310
Interest	10,912	-	871,759	-	882,671
Debt administration	-	-	-	-	-
Refunding bond issuance costs	-	-	-	-	-
Capital outlay	13,999	-	-	3,557,052	3,571,051
Total Expenditures	23,325,663	49,788	3,651,759	5,205,607	32,232,817
Excess of Revenues Over (Under) Expenditures	3,709,398	1,579,587	(1,177,005)	(1,509,246)	2,602,734
Other Financing Sources (Uses)					
Transfers in	1,607,903	57,329	1,316,563	2,973,789	5,955,584
Transfers out	(4,430,278)	(1,375,900)	-	(398,450)	(6,204,628)
Net Other Financing Sources (Uses)	(2,822,375)	(1,318,571)	1,316,563	2,575,339	(249,044)
Net Change in Fund Balances	887,023	261,016	139,558	1,066,093	2,353,690
Fund Balances, beginning	14,173,149	23,920,601	1,921,775	11,888,814	51,904,339
Fund Balances, ending	\$ 15,060,172	\$ 24,181,617	\$ 2,061,333	\$ 12,954,907	\$ 54,258,029

See accompanying notes to the basic financial statements.



**City and Borough of Sitka, Alaska**  
**Reconciliation of Change in Fund Balances of Governmental Funds**  
**to Statement of Activities**  
**Year Ended June 30, 2018**

Net change in fund balances - total governmental funds		\$ 2,353,690
The change in net position reported for governmental activities in the Statement of Activities is different because:		
Governmental funds report capital outlays as expenditures. However on the Statement of Activities, depreciation expense is recognized to allocate the cost of these items over their estimated useful lives.		
Capital outlay	\$ 4,615,979	
Miscellaneous capital asset activities (disposals, etc.)	(128,802)	
Depreciation	<u>(6,508,237)</u>	(2,021,060)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Decrease in deferred special assessments receivable		(5,863)
Debt refundings are reported in revenue and expenditures at the time of the transaction in the fund financial statements. Economic gains or losses are deferred and amortized on the Statement of Net Position and the Statement of Activities. This is the decrease in deferred charge on bonds.		
		(94,571)
The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Repayment of principal	2,802,310	
Decrease in unamortized bond premium	<u>200,036</u>	3,002,346
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest payable	(11,158)	
Increase in compensated absences	(30,525)	
Decrease in net pension liability and related accounts	<u>539,906</u>	498,223
Internal service funds are used by the Borough to charge the cost of certain activities, such as information systems, to individual funds. A portion of the net income of these activities is reported with governmental activities.		
		<u>(487,311)</u>
<b>Change in Net Position of Governmental Activities</b>		<b>\$ 3,245,454</b>

*See accompanying notes to the basic financial statements.*



**City and Borough of Sitka, Alaska**  
**Proprietary Funds**  
**Statement of Net Position**

Year Ended June 30, 2018	Major Enterprise Funds						Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Wastewater	Harbors					
<b>Assets and Deferred Outflows of Resources</b>									
<b>Current Assets</b>									
Equity in central treasury	\$ 15,300,695	\$ -	\$ 6,798,951	\$ 7,256,680	\$ 5,525,470	\$ 34,881,796	\$ 5,157,659		
Receivables:									
Accounts	965,921	258,165	240,506	468,195	271,470	2,204,257	-		
Allowance for uncollectables	(145,481)	(40,714)	(40,974)	(237,099)	(29,866)	(494,134)	-		
Federal and State of Alaska	314,512	-	447,226	1,279,885	542,252	2,583,875	-		
Current portion of notes receivable	-	-	-	-	8,352	-	-		
Inventories	1,390,148	-	69,795	-	218,715	1,678,658	-		
Prepaid expenses	1,089	-	-	-	-	1,089	-		
<b>Total Current Assets</b>	<b>17,826,884</b>	<b>217,451</b>	<b>7,515,504</b>	<b>8,767,661</b>	<b>6,536,393</b>	<b>40,863,893</b>	<b>5,157,659</b>		
<b>Noncurrent Assets</b>									
Restricted Assets:									
Equity in central treasury:									
Landfill postclosure	-	768,620	-	-	-	768,620	-		
Deposits	154,779	11,658	-	-	-	166,437	-		
Bond covenant accounts	10,415,431	-	-	333,015	-	10,748,446	-		
Notes receivable	-	-	42,049	-	37,302	79,351	-		
Special assessments receivable	-	-	61,240	-	-	61,240	-		
Water rights	23,483	-	-	-	23,483	46,966	-		
Capital assets:									
Property, plant and equipment	298,197,687	7,702,807	57,083,203	38,723,870	76,915,618	478,623,185	11,195,235		
Construction in progress	304,646	20,512	573,597	44,305	803,895	1,746,955	42,775		
Less accumulated depreciation	(79,553,866)	(2,725,995)	(39,658,784)	(15,248,526)	(27,927,505)	(165,114,676)	(6,950,896)		
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>218,948,467</b>	<b>4,997,324</b>	<b>17,998,016</b>	<b>23,519,649</b>	<b>49,792,008</b>	<b>315,255,464</b>	<b>4,287,114</b>		
<b>Total Noncurrent Assets</b>	<b>229,542,160</b>	<b>5,777,602</b>	<b>18,101,305</b>	<b>23,852,664</b>	<b>49,852,793</b>	<b>327,126,524</b>	<b>4,287,114</b>		
<b>Total Assets</b>	<b>247,369,044</b>	<b>5,995,053</b>	<b>25,616,809</b>	<b>32,620,325</b>	<b>56,389,186</b>	<b>367,990,417</b>	<b>9,444,773</b>		
<b>Deferred Outflows of Resources</b>									
Deferred charge on refunding	1,486,753	-	-	-	-	1,486,753	-		
Deferred outflows related to other postemployment benefits	117,632	-	28,437	20,651	10,792	177,512	26,539		
Deferred outflows related to pension	482,745	-	156,039	83,180	32,488	754,452	89,290		
<b>Total Deferred Outflows of Resources</b>	<b>2,087,130</b>	<b>-</b>	<b>184,476</b>	<b>103,831</b>	<b>43,280</b>	<b>2,418,717</b>	<b>115,829</b>		
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 249,456,174</b>	<b>\$ 5,995,053</b>	<b>\$ 25,801,285</b>	<b>\$ 32,724,156</b>	<b>\$ 56,432,466</b>	<b>\$ 370,409,134</b>	<b>\$ 9,560,602</b>		

**City and Borough of Sitka, Alaska**  
**Proprietary Funds**  
**Statement of Net Position, continued**

Year Ended June 30, 2018	Major Enterprise Funds						Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Wastewater	Harbors					
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>									
<b>Current Liabilities</b>									
Accounts payable and accrued liabilities	\$ 496,141	\$ 638,666	\$ 275,597	\$ 178,443	\$ -		\$ 79,426	\$ 1,668,273	\$ 89,141
Interest payable	2,324,367	-	67,275	50,704	-		33,384	2,475,730	-
Due to other funds	-	1,005,558	-	-	-		-	1,005,558	53,060
Current portion:									
Revenue bonds	2,175,000	-	-	155,000	-		-	2,330,000	-
Notes payable	349,252	115,798	311,581	45,348	-		401,463	1,223,442	-
Compensated absences	262,174	-	52,519	38,335	-		18,246	371,274	53,036
Payable from restricted assets - deposits	154,779	11,658	-	-	-		-	166,437	-
<b>Total Current Liabilities</b>	<b>5,761,713</b>	<b>1,771,680</b>	<b>706,972</b>	<b>467,830</b>	<b>-</b>		<b>532,519</b>	<b>9,240,714</b>	<b>195,237</b>
<b>Noncurrent Liabilities</b>									
Advances from other funds	-	-	-	-	-		149,346	149,346	150,000
Revenue bonds	111,230,000	-	-	3,115,000	-		-	114,345,000	-
Unamortized bond premiums	7,822,181	-	-	460,861	-		-	8,283,042	-
Notes payable	8,732,895	1,157,975	6,820,938	453,482	-		6,074,335	23,239,625	-
Net other postemployment benefits liability	711,433	-	171,984	124,891	-		65,269	1,073,577	160,506
Net pension liability	4,307,659	-	1,210,251	749,484	-		344,534	6,611,928	887,606
Landfill post-closure liability	-	768,620	-	-	-		-	768,620	-
<b>Total Noncurrent Liabilities</b>	<b>132,804,168</b>	<b>1,926,595</b>	<b>8,203,173</b>	<b>4,903,718</b>	<b>-</b>		<b>6,633,484</b>	<b>154,471,138</b>	<b>1,198,112</b>
<b>Total Liabilities</b>	<b>138,565,881</b>	<b>3,698,275</b>	<b>8,910,145</b>	<b>5,371,548</b>	<b>-</b>		<b>7,166,003</b>	<b>163,711,852</b>	<b>1,393,349</b>
<b>Deferred Inflows of Resources</b>									
Deferred Inflows of Resources related to other postemployment benefits	410,081	-	99,134	71,989	-		37,622	618,826	92,519
Deferred Inflows of Resources related to pensions	613,039	-	150,081	107,544	-		55,677	926,341	137,369
<b>Total Deferred Inflows of Resources</b>	<b>1,023,120</b>	<b>-</b>	<b>249,215</b>	<b>179,533</b>	<b>-</b>		<b>93,299</b>	<b>1,545,167</b>	<b>229,888</b>
<b>Net Position</b>									
Net investment in capital assets	90,125,892	3,723,551	10,865,497	19,289,958	-		43,316,210	167,321,108	4,287,114
Restricted for debt service	10,415,431	-	-	333,015	-		-	10,748,446	-
Unrestricted (deficit)	9,325,850	(1,426,773)	5,776,428	7,550,102	-		5,856,954	27,082,561	3,650,251
<b>Total Net Position</b>	<b>109,867,173</b>	<b>2,296,778</b>	<b>16,641,925</b>	<b>27,173,075</b>	<b>-</b>		<b>49,173,164</b>	<b>205,152,115</b>	<b>7,937,365</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 249,456,174</b>	<b>\$ 5,995,053</b>	<b>\$ 25,801,285</b>	<b>\$ 32,724,156</b>	<b>\$ -</b>		<b>\$ 56,432,466</b>	<b>\$ -</b>	<b>\$ 9,560,602</b>
<b>Net Position of Business-Type Activities</b>							<b>\$ 205,152,115</b>		

See accompanying notes to the basic financial statements.

## City and Borough of Sitka, Alaska

## Proprietary Funds

## Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2018	Major Enterprise Funds					Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Wastewater	Harbors				
Operating Revenues								
Charges for service	\$ 17,019,096	\$ 4,046,216	\$ 2,966,276	\$ 2,306,579	\$	\$ 3,084,852	\$ 29,423,019	\$ 2,967,039
Other operating revenues	519,208	14,214	234,834	113,132		51,042	932,430	34,445
Total Operating Revenues	17,538,304	4,060,430	3,201,110	2,419,711		3,135,894	30,355,449	3,001,484
Operating Expenses								
Wages and benefits	4,419,587	-	1,053,359	875,986		385,198	6,734,130	1,015,883
Travel and training	31,955	924	7,471	4,219		8,479	53,048	9,172
Utilities	124,164	35,051	211,203	475,513		194,763	1,040,694	207,390
Repair and maintenance	317,090	4,532	180,309	89,599		239,265	830,795	227,565
Contracted/purchased services	1,818,872	3,638,772	181,550	162,011		471,913	6,273,118	649,120
Interdepartmental services	1,367,748	646,358	583,568	445,466		690,210	3,733,350	369,968
Other	402,016	423,990	75,765	180,565		59,216	1,141,552	1,002
Depreciation and amortization	7,811,129	174,301	872,630	1,372,226		1,819,447	12,049,733	704,157
Total Operating Expenses	16,292,561	4,923,928	3,165,855	3,605,585		3,868,491	31,856,420	3,184,257
Income (Loss) from Operations	1,245,743	(863,498)	35,255	(1,185,874)		(732,597)	(1,500,971)	(182,773)
Nonoperating Revenues (Expenses)								
Investment income (loss)	20,324	2,894	12,259	48,563		26,269	110,309	12,104
Interest expense	(6,082,567)	(20,865)	(92,781)	(125,233)		(100,855)	(6,422,301)	(11,797)
Raw fish tax	-	-	-	1,279,885		-	1,279,885	-
State PERS relief	130,935	-	31,653	22,986		12,012	197,586	29,540
Other federal sources	575,663	-	-	-		-	575,663	-
Gain on sale of capital assets	-	-	-	-		-	-	3,101
Loss on impairment	-	-	-	-		(1,492,379)	(1,492,379)	-
Other revenues	-	-	-	-		62,659	62,659	-
Net Nonoperating Revenues (Expenses)	(5,355,645)	(17,971)	(48,869)	1,226,201		(1,492,294)	(5,688,578)	32,948
Income (Loss) Before Contributions and Transfers	\$ (4,109,902)	\$ (881,469)	\$ (13,614)	\$ 40,327		\$ (2,224,891)	\$ (7,189,549)	\$ (149,825)
Capital contributions	\$ 178,140	\$ -	\$ 481,882	\$ 368,509		\$ 3,749,211	\$ 4,777,742	\$ -
Transfers in	100,000	-	-	57,539.00		11,574	169,113	214,203
Transfers out	-	-	(45,000)	-		(29,269)	(74,269)	(60,000)
Change in Net Position	(3,831,762)	(881,469)	423,268	466,375		1,506,625	(2,316,963)	4,378
Net Position, beginning as restated (Note 18)	113,698,935	3,178,247	16,218,657	26,706,700		47,666,539		7,932,987
Net Position, ending	\$ 109,867,173	\$ 2,296,778	\$ 16,641,925	\$ 27,173,075		\$ 49,173,164		\$ 7,937,365
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds								
Change in Net Position of Business-type Activities						491,690		
						\$	(1,825,273)	

See accompanying notes to the basic financial statements.

**City and Borough of Sitka, Alaska**  
**Proprietary Funds**  
**Statement of Cash Flows**

Year Ended June 30, 2018	Major Enterprise Funds						
	Electric Utility	Solid Waste Disposal	Wastewater	Harbors	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from (for) Operating Activities</b>							
Receipts from customers and users	\$ 17,387,629	\$ 4,023,803	\$ 3,400,050	\$ 1,928,917	\$ 5,636,991	\$ 32,377,390	\$ 3,001,484
Payments to suppliers	(2,481,728)	(3,527,923)	(432,698)	(1,049,176)	(1,476,556)	(8,968,081)	(1,420,372)
Payments for interfund services used	(1,367,748)	(646,358)	(583,568)	(445,466)	(690,210)	(3,733,350)	(369,968)
Payments to employees	(4,493,367)	-	(1,064,428)	(909,083)	(394,831)	(6,861,709)	(1,021,857)
Net cash flows from (for) operating activities	9,044,786	(150,478)	1,319,356	(474,808)	3,075,394	12,814,250	189,287
<b>Cash Flows from (for) Noncapital Financing Activities</b>							
Other federal sources	575,663	-	-	-	-	575,663	-
Raw fish tax received	-	-	-	1,279,885	-	1,279,885	-
Repayment of due to other funds	-	-	-	-	-	-	-
Receipts (repayment) of advances	-	643,574	-	(100,000)	-	543,574	(48,294)
Transfers to other funds	-	-	(45,000)	-	(17,695)	(62,695)	(60,000)
Transfers from other funds	100,000	-	-	57,539	-	157,539	214,203
Notes receivable payments	-	-	9,428	-	-	9,428	-
Net cash flows from (for) noncapital financing activities	675,663	643,574	(35,572)	1,237,424	(17,695)	2,503,394	105,909
<b>Cash Flows for Capital and Related Financing Activities</b>							
Capital expenditures	(1,864,077)	(20,512)	(1,667,165)	(272,576)	(4,680,866)	(8,505,196)	(271,707)
Interest paid	(6,104,692)	(20,865)	(92,781)	(155,958)	(100,855)	(6,475,151)	(11,795)
Payments on bonds and notes payable	(2,450,690)	(115,798)	(327,148)	(195,348)	(683,711)	(3,772,695)	-
Government grants and loans for construction received	178,140	-	1,358,277	368,509	4,342,408	6,247,334	-
Receipts (repayment) of advances	-	-	-	-	(729,599)	(729,599)	-
Special assessments received	-	-	6,496	-	-	6,496	-
Net cash flows for capital and related financing activities	(10,241,319)	(157,175)	(722,321)	(255,373)	(1,852,623)	(13,228,811)	(283,502)
<b>Cash Flows From Investing Activities</b>							
Interest received	(138,983)	2,893	12,262	42,977	26,269	(54,582)	12,106
Net Increase (Decrease) in Cash and Cash Equivalents	(659,853)	338,814	573,725	550,220	1,231,345	2,034,251	23,800
Cash and Cash Equivalents, beginning	16,115,327	441,464	6,225,226	6,706,460	4,294,125	33,782,602	5,133,859
Cash and Cash Equivalents, ending	\$ 15,455,474	\$ 780,278	\$ 6,798,951	\$ 7,256,680	\$ 5,525,470	\$ 35,816,853	\$ 5,157,659

## City and Borough of Sitka, Alaska

## Proprietary Funds

## Statement of Cash Flows, continued

Year Ended June 30, 2018	Major Enterprise Funds						Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
	Electric Utility	Solid Waste Disposal	Wastewater	Harbors					
Reconciliation of Loss from Operations to Net Cash Flows from (for) Operating Activities									
Income (Loss) from operations	\$ 1,245,743	\$ (863,498)	\$ 35,255	\$ (1,185,874)	\$ (732,597)	\$ (1,500,971)	\$ (182,773)		
Adjustments to reconcile loss from operations to net cash flows from (for) operating activities:									
Depreciation and amortization	7,811,129	174,301	872,630	1,372,226	1,819,447	12,049,733	704,157		
State PERS relief	130,935	-	31,653	22,986	12,012	197,586	29,540		
Other	-	-	-	-	62,659	62,659	-		
(Increase) decrease in assets and deferred outflows:									
Accounts receivable (net)	(181,177)	(34,018)	198,940	(490,794)	2,438,438	1,931,389	-		
Inventory	(30,776)	-	(1,379)	-	14,463	(17,692)	-		
Prepaid expenses	16,945	-	-	-	8,050	24,995	1,079		
Deferred outflows of resources related to OPEB	45,181	-	10,922	7,931	4,145	68,179	10,193		
Deferred outflows of resources related to pensions	893,121	-	215,906	156,787	81,938	1,347,752	201,498		
Increase (decrease) in liabilities and deferred inflows:									
Accounts payable and accrued liabilities	226,200	233,923	224,979	(137,269)	(525,433)	22,400	(327,202)		
Compensated absences	19,549	-	11,493	(16,712)	(1,071)	13,259	15,082		
Net other postemployment benefit liability	(520,120)	-	(125,736)	(91,307)	(47,717)	(784,880)	(117,345)		
Net pension liability	(1,599,718)	-	(386,721)	(280,830)	(146,763)	(2,414,032)	(360,913)		
Deferred inflows of resources related to OPEB	410,081	-	99,134	71,989	37,622	618,826	92,519		
Deferred inflows of resources related to pensions	547,191	-	132,280	96,059	50,201	825,731	123,452		
Deposits	30,502	(2,609)	-	-	-	27,893	-		
Landfill post-closure liability	-	341,423	-	-	-	341,423	-		
Net Cash Flows from (for) Operating Activities	\$ 9,044,786	\$ (150,478)	\$ 1,319,356	\$ (474,808)	\$ 3,075,394	\$ 12,814,250	\$ 189,287		
Cash on Statement of Net Position									
Equity in central treasury	\$ 15,300,695	-	\$ 6,798,951	\$ 7,256,680	\$ 5,525,470	\$ 34,881,796	\$ 5,157,659		
Landfill post closure	-	768,620	-	-	-	768,620	-		
Deposits	154,779	11,658	-	-	-	166,437	-		
Cash and Cash Equivalents, ending	\$ 15,455,474	\$ 780,278	\$ 6,798,951	\$ 7,256,680	\$ 5,525,470	\$ 35,816,853	\$ 5,157,659		
Capital expenditures included in accounts payable	\$ 328,562	-	\$ 251,547	\$ 157,602	\$ 361,836	\$ 1,099,547	\$ -		

**City and Borough of Sitka, Alaska**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**

<i>Year Ended June 30, 2018</i>	Rowe Trust Fund	Sitka Cemetery Agency Fund	Totals
<b>Assets</b>			
Restricted equity in central treasury	\$ 208,841	\$ 100,454	\$ 309,295
<b>Liabilities and Net Position</b>			
<b>Liabilities</b>			
Due to Sitka Cemetery Association	\$ -	\$ 100,454	\$ 100,454
<b>Net Position - held in trust for library acquisitions</b>	<b>208,841</b>	<b>-</b>	<b>208,841</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 208,841</b>	<b>\$ 100,454</b>	<b>\$ 309,295</b>

*See accompanying notes to the basic financial statements.*

**City and Borough of Sitka, Alaska**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**

<i>Year Ended June 30, 2018</i>	Rowe Trust Fund
<b>Additions - investment income</b>	<b>\$ 751</b>
<b>Net Position, beginning</b>	<b>208,090</b>
<b>Net Position, ending</b>	<b>\$ 208,841</b>

*See accompanying notes to the basic financial statements.*



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

June 30, 2018

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### 1. Summary of Significant Accounting Policies

#### *Reporting Entity*

The City and Borough of Sitka, Alaska (City and Borough) is governed by an elected assembly under a home rule charter. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government. The City and Borough has no blended component units.

*Discretely presented component units.* The Sitka School District (District) is responsible for elementary and secondary education within the government's jurisdiction. The members of the District's governing board are elected by the voters. However, the District is fiscally dependent upon the City and Borough because the City and Borough's Assembly approves the District's budget. The City and Borough provides operating support from real and personal property tax assessments and other sources. The funds are used for the operation of the school system. The City and Borough is also responsible for repayment of all bonds, the proceeds of which were used for school construction.

Sitka Community Hospital (Hospital) is responsible for hospital services within the City and Borough. Its governing board is appointed by the Assembly of the City and Borough. The Assembly approves the Hospital's budget. The City and Borough provides operating and capital support to the Hospital.

Complete financial statements of each of the individual component units may be obtained at the entity's administrative offices.

Sitka School District	Sitka Community Hospital
P.O. Box 179	209 Moller Drive
Sitka, Alaska 99835	Sitka, Alaska 99835

#### *Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, charges for services, interest and grant revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when received by the government.

The City and Borough reports the following major governmental funds:

The *General Fund* is the City and Borough's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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The *Permanent Fund* was established by a vote of the people of Sitka. The principal of the fund cannot be used other than by the consent of the voters. The purpose of the fund is to provide operating income to the General Fund through the transfer of investment earnings.

The *School Bond Debt Service Fund* is used to account for debt service payments on school bonds and to accumulate the 10% dedicated sales taxes for these payments.

The City and Borough reports the following major proprietary funds:

The *Electric Utility Enterprise Fund* records the activities of the City and Borough's electric generation and distribution activities.

The *Solid Waste Disposal Enterprise Fund* records the activities of the City and Borough's solid waste collection and disposal activities.

The *Wastewater Enterprise Fund* records the activities of the City and Borough's wastewater collection and treatment activities. The Wastewater Enterprise Fund does not meet the major funds criteria, but is presented as major for consistency purposes.

The *Harbors Enterprise Fund* records the activities of the City and Borough's Harbor System.

Additionally, the government reports the following fund types:

*Internal service funds* account for management information systems, central garage and building maintenance services provided to other departments of the government on a cost reimbursement basis.

The *Rowe Trust Fund* is used to account for resources legally held in trust for use by the Library Board to purchase children's books and computer equipment to increase children's enjoyment of reading.

The *Sitka Cemetery Agency Fund* is used to account for resources held for the Sitka Cemetery Association.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the various proprietary funds and the General Fund for administrative services. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods and services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenues include all taxes and investment income.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City and Borough's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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### *Assets, Liabilities and Net Position or Equity*

#### *Deposits and Investments*

Equity in central treasury represents a fund's equity in cash and investments of the central treasury of the City and Borough. For funds with a negative equity in central treasury, the amount is shown as an interfund payable to the General Fund. Interest income on investments is allocated monthly to participating funds based on their average monthly balance.

For purposes of the statement of cash flows for the proprietary funds, the City and Borough has defined cash and cash equivalents as the equity maintained in the central treasury since the various funds use the central treasury essentially as a demand deposit account.

Sitka General Code 4.28.060 authorizes the City and Borough to invest in the following securities:

1. United States government obligations, United States government agency obligations, and United States government instrumentality obligations, which have a liquid market with a readily determinable market value;
2. Certificates of deposit and other evidences of deposits at financial institutions, bankers' acceptances, and commercial paper, rated in the highest tier by a nationally recognized rating agency;
3. Investment-grade obligations of state and local governments and public authorities;
4. Repurchase agreements whose underlying purchased securities consist of United States Treasury securities;
5. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities;
6. Local government investment pools, either state-administered or through joint powers statutes and other intergovernmental agreement legislation.

In addition, Sitka General Code 4.28.110 allows the Permanent Fund to invest in mutual funds which are invested in corporate equity securities.

Investments are stated at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. All of the City and Borough's investments have established market values. As a result, fair value and market value are the same.

#### *Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and property tax receivables, including those for the Hospital, are shown net of an allowance for uncollectible accounts in the government-wide statement of net position. Trade accounts receivable of the primary government in excess of 120 days comprise the trade accounts receivable allowance for uncollectible accounts.



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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Property tax is considered an enforceable lien at the January 1 assessment date. Mill levies are set prior to June 30 to finance the period July 1 through June 30 of the following year. Receivables are recognized and revenues are recorded when taxpayer liability is calculated and billed on July 1. Property tax bills are due 60 days after billing date, which normally makes them due August 30. A limit on property tax of six tenths of one percent (.006) of the assessed valuation of property is currently in effect. Levying of property tax in excess of the limit is allowed only if ratified by a majority of the voters.

### ***Inventory and Prepaid Items***

Inventories are valued at cost using the average cost method. Enterprise Fund inventories consist of items used in maintaining and upgrading the electric and water systems. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

### ***Restricted Assets***

Certain resources set aside for the repayment of the Electric and Harbor Funds revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Additionally, unspent bond proceeds are restricted based on the purpose of the bonds.

Certain resources are set aside to cover the postclosure landfill costs in the Solid Waste Fund for the eventual closure and monitoring of the landfill.

Deposits are taken in the Electric, Water, Solid Waste and Harbor Funds. The amount is a deposit against an open account.

Permanent Fund assets are classified as restricted due to the statutory limitations placed on the fund by the Sitka General Code.

Capital Project Fund assets are classified as restricted because their use is limited by bond covenant or grant agreement to the construction of capital assets.

### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 or in the case of infrastructure, \$10,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City and Borough did not capitalize any interest during 2018.

## City and Borough of Sitka, Alaska

### Notes to Financial Statements

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The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Utility plant in service	25-65
Buildings	20-50
Equipment	3-20
Land improvements	15-50
Infrastructure	5-40
Harbor	7-40

#### ***Compensated Absences***

It is the City and Borough's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. It is the government's policy to pay any amounts for unused sick leave when employees separate from service with the City and Borough at \$1 per hour of unused sick leave. All vacation pay and sick leave is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### ***Long-Term Obligations***

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### ***Deferred Outflows/Inflows of Resources***

A deferred outflow of resources represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. A deferred inflow of resources represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. Deferred outflows of resources consist of deferred charges on debt refunding as well as certain pension and OPEB related accounts. Deferred inflows of resources consist of property taxes received in advance and long-term payments due (assessments) as well as certain pension and OPEB related accounts.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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### ***Pensions and Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***Fund Balance***

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balance based on constraints imposed on the use of these resources.

*Nonspendable fund balance* includes amounts that cannot be spent due to either being (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* includes resources with constraints imposed by either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* amounts can only be used for specific purposes pursuant to constraints imposed by formal ordinances of the Assembly on or before the end of the fiscal year. Assembly action taken after the end of the fiscal year results in an assigned (see below) amount. Those committed resources cannot be used for any other purpose unless the Assembly removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* reflects the resources constrained by an "intent" to be used for specific purposes, but are neither restricted nor committed. The Assembly or Finance Director has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts - except negative balances - reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. The General Fund assigned resources are constrained by either an Assembly resolution or ordinance adopted after the fiscal year end or by the Finance Director.

*Unassigned fund balance* resources are the residual classification for resources not classified as nonspendable, restricted, committed or assigned in the General Fund. It is also used to report a negative balance in other governmental funds when the totals of nonspendable, restricted, committed and assigned are greater than the fund balance of the governmental fund.

When both constrained and unconstrained resources are available for use, it is the City and Borough's policy to use funds from the strongest constraint first with the least constrained funds used last. The order of priority in the use of assets is nonspendable, restricted, committed, assigned and then unassigned.



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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### 2. Stewardship, Compliance, and Accountability

#### *Budgetary Information*

The annual budget is adopted on the modified accrual basis plus encumbrances and capital additions for all funds except the debt service and capital project funds. The Capital Projects Fund adopts individual project-length budgets and many special revenue funds are controlled by grant agreements which may include more than one fiscal year. Appropriations lapse at year-end to the extent they have not been expended or encumbered except for capital items and the Capital Project Funds, which lapse at project completion, or when the capital item is acquired, or if the project is abandoned. Special revenue fund appropriations lapse when the terms of the grant have been met and all authorized expenditures have been made; otherwise, special revenue fund appropriations lapse at the end of the fiscal year. There are sixteen special revenue funds that adopt annual budgets.

No later than sixty days before the end of the current fiscal year, the City and Borough Administrator presents to the City and Borough Assembly a proposed operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means to finance them. Public hearings are conducted not less than one week before the final adoption of the budget to obtain taxpayer comments. No later than June 20<sup>th</sup> of the current fiscal year, the budget is legally adopted by ordinance of the City and Borough Assembly.

Annual budgeted expenditures are adopted at the department level within the General Fund and at the fund level for Enterprise and Internal Service Funds. The level at which expenditures cannot legally exceed appropriations is the fund level for the General Fund, the fund level for the Enterprise and Internal Service Funds, and the project level in Capital Projects Fund. The only exception to this rule is amounts appropriated for salaries and benefits, travel and the acquisition of capital assets by a fund. The City and Borough Assembly must approve increases and decreases to these budget line items even if the legal level of budget authority is the fund level.

The City and Borough Administrator is authorized to transfer budgeted amounts within a department or fund depending on the legal level of control. The City and Borough Assembly is authorized to transfer unencumbered balances between departments and between funds. The annual budget is amended as required by the City and Borough Assembly through the passage of supplemental appropriation ordinances.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as constraints of fund balance only to the extent they meet the criteria as outlined above.

The operating budgets for the District and Hospital are approved by their respective boards. The Hospital budget is then submitted to the Assembly for approval; the District budget is not approved by the Assembly. The Assembly determines the amount of funding to be made available from local sources for school and hospital purposes during its budget approval process.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### 3. Deposits and Investments

As of June 30, 2018, the City and Borough had the following investments:

<i>Investment Type</i>	<i>Credit Rating</i>	<i>Fair Value</i>
Investments subject to custodial credit risk:		
Corporate securities	A1 to AAA	\$ 8,502,036
Municipal securities	AA3 or AAA	597,028
Certificates of deposit	unrated	11,654,121
U.S. Treasury securities	AAA	26,252,532
External investment pool	unrated	2,665,995
Exchange traded funds	unrated	15,869,083
U.S. Agency securities	unrated or AAA	23,946,807
Money market funds	unrated	2,820,195

#### Total Fair Value of Investments

**Subject to Custodial Credit Risk** \$ 92,307,797

#### Interest Rate Risk

The City and Borough does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The pooled investments cannot have a weighted average maturity in excess of five (5) years, while the bonds in the Permanent Fund cannot have a weighted average maturity in excess of ten (10) years. The City and Borough's investment policy mandates that the investment portfolio be structured to minimize the need to sell securities prior to maturity and that operating funds be invested primarily in shorter-term securities, money market mutual funds and similar investment pools.

As of June 30, 2018, investments subject to interest rate risk had the following maturities:

#### Pooled investments

<i>Investment type</i>	<i>Less Than 1 Year</i>	<i>1-2 years</i>	<i>2-5 years</i>	<i>&gt;5 years</i>
Corporate securities	\$ -	\$ 993,751	\$ 2,959,551	\$ 4,548,735
Municipal securities	-	254,405	324,623	-
Certificates of deposit	987,596	-	482,860	-
U.S. Treasury securities	9,482,771	7,935,624	1,958,046	1,807,896
U.S. Agency securities	5,801,172	6,076,459	5,351,236	4,728,221
<b>Total Investments</b>				
<b>Subject to Interest Rate Risk</b>	<b>\$ 16,271,539</b>	<b>\$ 15,260,239</b>	<b>\$ 11,076,316</b>	<b>\$ 11,084,852</b>

## City and Borough of Sitka, Alaska

### Notes to Financial Statements

#### *Permanent fund*

<i>Investment type</i>	<i>Less Than 1 Year</i>		<i>1-2 years</i>		<i>2-5 years</i>		<i>&gt;5 years</i>	
Certificates of deposit	\$	-	\$	-	\$	483,697	\$	-
U.S. Treasury securities		222,170		789,758		2,245,641		1,810,626
U.S Agency securities		-		907,683		637,086		444,951
<b>Total Investments</b>								
<b>Subject to Interest</b>								
<b>Rate Risk</b>	\$	222,170	\$	1,697,441	\$	3,366,424	\$	2,255,577

#### *Credit Risk*

The City and Borough's investment policy limits investment in corporate debt securities to those rated AA or better by a nationally recognized statistical rating organization. Debt securities of state and local governmental entities must have a similar rating. Short term commercial promissory notes must have a rating of A1/P1 or better. The long-term credit rating of the issuing organization must be A- or better. Real Estate Mortgage Investment Conduit securities are limited to the Government National Mortgage Association and the Federal Home Loan Mortgage Association. The investment policy does not require these securities to have any minimum rating. The City and Borough's investments complied with its policy at June 30, 2018.

#### *Concentration of Credit Risk*

The City and Borough's investment policy states that one of the general objectives of investing will be to diversify the portfolio so that potential losses on individual securities will be minimized. The policy does not limit the investment in any one security to a percentage of the total portfolio.

#### *Custodial Credit Risk - Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the City and Borough's deposits may not be returned to it. It is the City and Borough's policy to mitigate this risk by requiring that all demand deposits be fully collateralized by securities held in the City and Borough's name by an agent of the financial institution holding the demand deposits. Of the bank balance at June 30, 2018, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and \$8,401,204 was subject to a collateral agreement.

#### *Custodial Credit Risk - Investments*

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of outside parties. All of the City and Borough's investments subject to custodial credit risk are held by the City and Borough's agent in its name.

The City and Borough's investment policy allows the Permanent Fund to invest in mutual funds which are invested in corporate equity securities in addition to all of the investments described above. The investment policy requires that the equity securities within the mutual funds be broadly diversified across all sectors. The investment mix within the Permanent Fund's portfolio has a benchmark percentage of 35% to be invested in fixed income securities and cash, and, must fall within a range of 25% to 45% of the market value of the portfolio. The investment mix also has a benchmark percentage of 65% to be invested in equity securities, and, must fall within a range of 55% to 75% of the market value of the portfolio. At June 30, 2018, the Permanent Fund's portfolio contained 66% equity securities and 34% cash and fixed income securities.

## City and Borough of Sitka, Alaska

### Notes to Financial Statements

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The City and Borough participates in two external investment pools. One pool is registered with the Securities and Exchange Commission, the other is not. All of the participants of the unregistered pool are municipalities within the State of Alaska. The funds in that pool are managed by the trust department of a large bank. A share price of \$1 is maintained for both pools, giving the City and Borough one share for every dollar invested in the pools. As a result, the fair value of the pools is the same as the value of the pool shares.

#### *Fair Value Measurement*

The Borough categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Borough has the following recurring fair value measurements as of June 30, 2018:

- U.S. government agency securities of \$23,946,807 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- U.S. treasury securities of \$26,252,532 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- Corporate securities of \$8,502,036 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- Municipal securities of \$597,028 are valued using information for market sources, integrated relative credit information, observed market movements, and sector news into the evaluated pricing applications and models (Level 2 inputs)
- Exchange traded funds of International and U.S. equities of \$15,869,083 are valued using quoted market prices (Level 1 inputs)

The Borough has investments in money market funds and certificates of deposits totaling \$14,474,316 that are not held at fair value, but instead recorded at amortized cost, as of June 30, 2018. The Borough's investment in AMLIP of \$2,665,995 is measured at net asset value, as of June 30, 2018. Management believes that these values approximate fair value.

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## City and Borough of Sitka, Alaska

### Notes to Financial Statements

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A reconciliation of cash and investments as shown in the basic financial statements for the primary government follows:

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Cash on hand	\$ 2,100
Carrying amount of deposits	8,371,812
Carrying amount of credit card clearing deposits	29,393
Carrying amount of investments	92,307,797

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<b>Total Cash and Investments</b>	<b>\$ 100,711,102</b>
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**Reported in the Statement of Net Position**

Equity in central treasury	\$ 64,578,352
Equity in central treasury - restricted	935,057
Bond covenant accounts	10,748,446
Cash and investments - restricted	24,139,952
Reported in the Fiduciary Funds	309,295

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<b>Total Cash and Investments</b>	<b>\$ 100,711,102</b>
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At June 30, 2018, the Sitka School District's cash and investments included operating bank accounts and sweep accounts. The carrying amount of deposits was \$2,945,634. Amounts are insured at each financial institution by the Federal Deposit Insurance Corporation up to legal maximum. District policy requires any amount in excess of the U.S. Federal Deposit Insurance Corporation (FDIC) limit be collateralized.

At June 30, 2018, Sitka Community Hospital's cash and cash equivalents include deposits in checking and savings accounts. The Hospital has concentrated its credit risk for cash by maintaining deposits in two financial institutions, which may at times exceed amounts covered by insurance provided by the FDIC. At June 30, 2018, the Hospital had bank deposits of \$3,097,019 in excess of FDIC insurance.

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# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### 4. Receivables

Receivables as of year-end for the City and Borough's individual major funds, and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	School Bond Debt Service Fund	Non-Major Governmental	Total Government al Funds
Accounts	\$ 1,212,132	\$ -	\$ -	\$ 1,212,132
Taxes	3,102,444	-	235,436	3,337,880
Interest	307,904	-	-	307,904
Special assessments	-	-	23,744	23,744
Federal and State of Alaska	29,162	24,737	999,775	1,053,674
Other	-	-	200,300	200,300
Notes	475,913	-	1,474,417	1,950,330
Total receivables	5,127,555	24,737	2,933,672	8,085,964
Less allowance for doubtful accounts and notes	(942,600)	-	(637,508)	(1,580,108)
<b>Net Total Receivables</b>	<b>\$ 4,184,955</b>	<b>\$ 24,737</b>	<b>\$ 2,296,164</b>	<b>\$ 6,505,856</b>

	Electric Utility	Solid Waste Disposal	Waste- water Utility	Harbors	Non-Major Enterprise	Total Enterprise Funds
Special assessments	\$ -	\$ -	\$ 61,240	\$ -	\$ -	\$ 61,240
Federal & State	314,512	-	447,226	1,279,885	542,252	2,583,875
Accounts	965,921	258,165	240,506	468,195	271,470	2,204,257
Notes	-	-	42,049	-	45,654	87,703
Total receivables	1,280,433	258,165	791,021	1,748,080	859,376	4,937,075
Less allowance for doubtful accounts	(145,481)	(40,714)	(40,974)	(237,099)	(29,866)	(494,134)
<b>Net Total Receivables</b>	<b>\$ 1,134,952</b>	<b>\$ 217,451</b>	<b>\$ 750,047</b>	<b>\$ 1,510,981</b>	<b>\$ 829,510</b>	<b>\$ 4,442,941</b>

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# City and Borough of Sitka, Alaska

## Notes to Financial Statements

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds report unearned revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

<i>Description</i>	<i>Deferred Inflows</i>
Special assessments not yet due	\$ 23,744
Property taxes received in advance	100
<b>Totals for Governmental Funds</b>	<b>\$ 23,844</b>

### 5. Capital Assets

<i>Governmental Activities</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deletions and Adjustments</i>	<i>Ending Balance</i>
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,230,911	\$ -	-	\$ 11,230,911
Construction in progress	1,334,187	4,724,274	(3,691,795)	2,366,666
<b>Total capital assets not being depreciated</b>	<b>12,565,098</b>	<b>4,724,274</b>	<b>(3,691,795)</b>	<b>13,597,577</b>
<i>Capital assets being depreciated:</i>				
Buildings	140,545,662	160,941	-	140,706,603
Land improvements	6,548,384	1,400,377	-	7,948,761
Infrastructure	48,644,522	1,948,523	(12,682)	50,580,363
Equipment	15,972,183	345,366	(736,050)	15,581,499
<b>Total capital assets being depreciated</b>	<b>211,710,751</b>	<b>3,855,207</b>	<b>(748,732)</b>	<b>214,817,226</b>
<i>Less accumulated depreciation for:</i>				
Buildings	(55,861,290)	(4,105,988)	-	(59,967,278)
Land improvements	(1,480,287)	(339,037)	-	(1,819,324)
Infrastructure	(18,926,799)	(1,694,790)	317	(20,621,272)
Equipment	(10,785,589)	(1,072,579)	622,721	(11,235,447)
<b>Total accumulated depreciation</b>	<b>(87,053,965)</b>	<b>(7,212,394)</b>	<b>623,038</b>	<b>(93,643,321)</b>
<b>Total capital assets being depreciated, net</b>	<b>124,656,786</b>	<b>(3,357,187)</b>	<b>(125,694)</b>	<b>121,173,905</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 137,221,884</b>	<b>\$ 1,367,087</b>	<b>\$ (3,817,489)</b>	<b>\$ 134,771,482</b>



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,630,239	\$ -	\$ -	\$ 4,630,239
Construction in progress	7,489,999	8,748,079	(14,491,123)	1,746,955
<b>Total capital assets not being depreciated</b>	<b>12,120,238</b>	<b>8,748,079</b>	<b>(14,491,123)</b>	<b>6,377,194</b>
<i>Capital assets being depreciated:</i>				
Buildings	24,559,105	8,703	-	24,567,808
Land improvements	14,831,110	7,754,867	-	22,585,977
Equipment	6,373,567	301,597	-	6,675,164
Harbors	36,470,871	228,340	-	36,699,211
Electric plant	291,354,564	1,286,739	(7,465)	292,633,838
Water plant	34,057,333	2,166,190	(6,335)	36,217,188
Wastewater treatment plant	52,098,158	2,515,602	-	54,613,760
<b>Total capital assets being depreciated</b>	<b>459,744,708</b>	<b>14,262,038</b>	<b>(13,800)</b>	<b>473,992,946</b>
<i>Less accumulated depreciation for:</i>				
Buildings	(10,015,814)	(612,468)	2	(10,628,280)
Land improvements	(3,156,745)	(443,621)	-	(3,600,366)
Equipment	(4,228,476)	(307,207)	-	(4,535,683)
Harbors	(12,658,546)	(1,333,793)	-	(13,992,339)
Electric plant	(69,885,037)	(7,630,154)	-	(77,515,191)
Water plant	(14,468,454)	(983,362)	-	(15,451,816)
Wastewater treatment plant	(37,159,494)	(739,128)	-	(37,898,622)
<b>Total accumulated depreciation</b>	<b>(151,572,566)</b>	<b>(12,049,733)</b>	<b>2</b>	<b>(163,622,297)</b>
<b>Net book value before impairment</b>	<b>308,172,142</b>	<b>2,212,305</b>	<b>(13,798)</b>	<b>310,370,649</b>
<b>Less impairment loss - building</b>	<b>-</b>	<b>-</b>	<b>(1,492,379)</b>	<b>(1,492,379)</b>
<b>Total capital assets being depreciated, net</b>	<b>308,172,142</b>	<b>2,212,305</b>	<b>(1,506,177)</b>	<b>308,878,270</b>
<b>Business-type Activities Capital Assets, net</b>	<b>\$ 320,292,380</b>	<b>\$ 10,960,384</b>	<b>\$ (15,997,300)</b>	<b>\$ 315,255,464</b>

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# City and Borough of Sitka, Alaska

## Notes to Financial Statements

Depreciation expense was charged to functions/programs of the primary government as follows:

### Governmental Activities:

Administration	\$ 85,105
Public safety	256,684
Public works	2,055,380
Public services	724,410
Support	3,386,658
Capital assets held by internal service funds	704,157

<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 7,212,394</b>
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### Business-type Activities:

Electric	\$ 7,811,129
Water	1,283,444
Wastewater treatment	872,630
Solid waste disposal	174,301
Harbor	1,372,226
Airport terminal building	170,299
Marine service center	31,906
Gary Paxton Industrial Park	333,798

<b>Total Depreciation Expense - Business-type Activities</b>	<b>\$ 12,049,733</b>
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## 6. Interfund Receivables, Payables and Transfers

<i>Receivable Fund</i>	<i>Payable Fund</i>	<i>Amount</i>
Due to/from other funds:		
General Fund	Nonmajor governmental funds	\$ 119,372
General Fund	Permanent Fund	28,647
General Fund	Internal Service Fund	53,060
General Fund	Solid Waste Fund	1,005,558
<b>Total Due To/From Other Funds</b>		<b>\$ 1,206,637</b>
Advances from/to other funds:		
General Fund	Internal service fund	150,000
Nonmajor governmental fund	Nonmajor enterprise funds	149,346
Nonmajor governmental fund	General Fund	160,465
<b>Total Advances From/To Other Funds</b>		<b>\$ 459,811</b>

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

Amounts due between the General Fund and nonmajor governmental funds result from negative equity in the central treasury because expenditures are made prior to the receipt of revenue, as in the case of funds that account for the activity of reimbursable grants for both capital and noncapital expenditures. Some grants require cash matches. Transfers are made from the General Fund at the conclusion of the project to meet the match requirements. Until the transfer is made, the fund has a negative equity in the central treasury.

The Southeast Alaska Economic Development Fund, a nonmajor governmental fund, was established with federal monies, to promote economic development. This fund advanced amounts to other funds for expansion projects.

The School Bonds Debt Service Fund, a major governmental fund, receives a portion of taxes collected specifically for school bond debt service from the General Fund, payable after year-end.

Several years ago the Central Garage Internal Service Fund constructed a public service building. Part of the funding for the project was an advance from the General Fund. The advance is being repaid in \$50,000 annual payments.

### Interfund Transfers

Transfers are used to move general and other fund revenues for the purchase and construction of capital assets to the nonmajor governmental and internal service funds. Funds are also transferred from the General Fund to the School Bond Debt Service Fund to cover debt payments. In addition, funds are transferred to the General Fund each year from the Permanent Fund for general support.

Transfers To:	Transfers From:		
	General Fund	Permanent Fund	Nonmajor Governmental Funds
General Fund	\$ -	\$ 1,375,900	\$ 232,000
Permanent Fund	57,329	-	-
School Bond Debt Service Fund	1,316,563	-	-
Nonmajor Governmental Funds	2,944,865	-	-
Electric Fund	-	-	100,000
Harbor Fund	42,021	-	15,173
Nonmajor Enterprise Funds	-	-	11,574
Internal Service Funds	69,500	-	39,703
<b>Total Transfers Out</b>	<b>\$ 4,430,278</b>	<b>\$ 1,375,900</b>	<b>\$ 398,450</b>

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

Transfers To:	Transfers From:			Total
	Wastewater Fund	Nonmajor Enterprise Funds	Internal Service Funds	
General Fund	\$ -	\$ -	\$ -	\$ 1,607,903
School Bond Debt Service Fund	-	-	-	1,316,563
Permanent Fund	-	-	-	57,329
Nonmajor Governmental Funds	-	28,924	-	2,973,789
Electric Fund	-	-	-	100,000
Harbor Fund	-	345	-	57,539
Nonmajor Enterprise Funds	-	-	-	11,574
Internal Service Funds	45,000	-	60,000	214,203
<b>Total Transfers Out</b>	<b>\$ 45,000</b>	<b>\$ 29,269</b>	<b>\$ 60,000</b>	<b>\$ 6,338,900</b>

### 7. Long-term Debt

#### General Obligation Bonds

The City and Borough issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued only for governmental activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City and Borough. All of the bonds outstanding are held by the Alaska Municipal Bond Bank Authority. The State of Alaska agency purchases bonds from municipalities within the State, while simultaneously selling its own bonds to third parties in order to fund the bond purchases.

General obligation bonds currently outstanding are as follows:

Governmental Activities	Interest Rates	Outstanding Amount
School renovation and additions:		
\$5,690,000, 2011 Series Two School bonds, final payment due June 1, 2031	2.000% to 4.325%	\$ 4,070,000
\$12,755,000 2012 Series Two bonds refinancing portion of 2005 Series B School Bonds and refinancing the balance of 2004 Series A School Bonds final payment due September 1, 2024	4.000% to 5.000%	8,035,000
\$6,095,000 2015 Series One bonds refinancing portion of 2005 Series A and 2008 Series Two School bonds, final payment due October 1, 2027	2.000% to 5.000%	5,050,000
\$1,630,000 2016 Series Three and Four bonds refinancing balance of 2007 Series A School bonds, final payment due December 1, 2018	2.000% to 4.000%	810,000
<b>Total General Obligation Bonds</b>		<b>\$ 17,965,000</b>

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

<i>Year Ending June 30.</i>	Principal	Interest
2019	\$ 2,880,000	\$ 750,440
2020	2,155,000	641,115
2021	1,850,000	547,540
2022	1,940,000	462,115
2023	2,025,000	374,315
2024-2028	5,985,000	826,019
2029-2031	1,130,000	99,214
	<b>\$ 17,965,000</b>	<b>\$ 3,700,758</b>

In addition, governmental activities reports three State of Alaska, Department of Environmental Conservation Loans for stormwater improvements and sewer replacement projects.

	Interest Rates	Outstanding Amount
\$195,000, note payable for stormwater improvements, #783011	1.5%	\$ 97,500
\$69,622, note payable for stormwater improvements, #783401	1.5%	52,216
\$740,000, note payable for Baranof Street Sewer Replacement, governmental portion of \$183,097, #783091	1.5%	154,139
<b>Total State of Alaska, Department of Environmental Conservation Loans</b>		<b>\$ 304,055</b>

Annual debt service requirements to maturity are as follows:

<i>Year Ending June 30,</i>	Principal	Interest
2019	\$ 22,310	\$ 4,561
2020	22,310	4,226
2021	22,310	3,892
2022	22,310	3,560
2023	22,310	3,226
2024-2028	111,550	11,092
2029-2033	62,800	4,188
2034-2035	18,155	409
	<b>\$ 304,055</b>	<b>\$ 35,153</b>

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### Revenue Bonds

The City and Borough issues bonds where it pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

Business-type Activities	Interest rates	Outstanding Amount
\$3,955,000, 2013 Series One Harbor bonds, final payment due February 1, 2033	2.000% to 5.000%	\$ 3,270,000
\$25,880,000, 2010 Series B Four Refunding Electric Serial bonds, final payment due July 1, 2031	2.000% to 5.000%	13,115,000
\$35,530,000, 2013 Series One Electric bonds, final payment due February 1, 2047	3.800% to 5.000%	35,530,000
\$25,615,000, 2013 Series Three Electric bonds, final payment due August 1, 2048	4.500% to 5.000%	25,615,000
\$22,000,000, 2010 Series B Recovery Zone Economic Development Electric Serial bonds, final payment due July 1, 2031	5.200% to 7.000%	22,000,000
\$820,000, 2010 Series B Four Build America Electric Serial bonds, final payment due July 1, 2031	5.200% to 7.000%	820,000
\$16,325,000, 2014 Series Three Electric bonds, final payment due October 1, 2044	5.000%	16,325,000
<b>Total Revenue Bonds</b>		<b>\$ 116,675,000</b>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 2,330,000	\$ 5,889,055
2020	2,425,000	5,781,305
2021	2,545,000	5,670,705
2022	2,650,000	5,560,983
2023	2,750,000	5,447,061
2024-2028	15,355,000	24,998,149
2029-2033	17,815,000	20,111,851
2034-2038	19,725,000	15,540,163
2039-2043	25,210,000	10,035,250
2044-2048	23,770,000	3,347,125
2049	2,100,000	52,500
	<b>\$ 116,675,000</b>	<b>\$ 102,434,146</b>



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

The provisions of bond ordinances for issues by the Electric and Water Utilities require maintenance of stipulated cash deposits in renewal and replacement, bond redemption and bond refunding accounts. Furthermore, electric and water rates are required to be maintained at a level which will produce a minimum annual unpledged surplus of \$50,000 before depreciation, and operating income before depreciation equal to at least 1.25 times the aggregate amount required each year for revenue bond debt service. All such requirements were met for the year ended June 30, 2018.

### Revenue Note

The City and Borough issued a note to the State of Alaska - Alaska Energy Authority where it pledges income derived from the acquired or constructed assets to pay debt service. The revenue note outstanding at year end is as follows:

	Interest rate	Outstanding Amount
\$15,000,000, 1982 Alaska Energy Authority note secured by a second lien on the revenues of the electric and water supply system, final payment due January 1, 2033		
	4%	\$ 6,707,055

Annual debt service requirements to maturity for the revenue note are as follows:

Year Ending June 30,	Principal	Interest
2019	\$ 349,252	\$ 264,824
2020	363,361	250,714
2021	378,041	236,035
2022	393,314	220,762
2023	409,204	204,872
2024-2028	2,307,767	762,613
2029-2033	2,506,116	257,225
	\$ 6,707,055	\$ 2,197,045

In connection with the borrowing evidenced by the 1982 revenue note payable, the City and Borough has agreed to set electric and water rates at the greater of the requirements pursuant to the 1992 revenue bond covenants or as required to produce a minimum operating income before depreciation equal to at least 1.00 times the aggregate amount required each year for revenue bond debt service plus revenue note principal and interest. The rate requirement has been met for the year ended June 30, 2018.



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### State of Alaska, Department of Environmental Conservation Loan Program

The City and Borough borrowed funds from the State of Alaska to upgrade water and waste water distribution systems.

	Interest Rate	Outstanding Amount
Completed projects:		
\$400,000, note payable for corrosion control of municipal water #783031	1.5%	\$ 41,365
\$565,000, note payable for water upgrades on Sawmill Creek Road #783061	1.5%	255,327
\$1,000,000, note payable for harbor water distribution system upgrades #783071	1.5%	498,830
\$1,310,000, note payable for waste water treatment plant upgrades #783051	1.5%	562,674
\$987,157, note payable for I and I #783011	1.5%	492,692
\$2,400,000, note payable for Kimsham landfill closure #783081	1.5%	1,273,773
\$3,170,000, note payable for Whitcomb Heights Subdivision water tank #783211	1.5%	1,743,350
\$1,000,000, note payable for Japonski Island water distribution main #783151	1.5%	424,804
\$1,400,000, note payable for sewer system upgrades #783101	1.5%	671,245
\$483,000, note payable for SMC Road/HPR water line replacement #783311	1.5%	218,365
\$308,000, note payable for HPR/SMC Road Sewer Replacement #783241	1.5%	190,522
\$617,000, note payable for water tank protection, #783341	1.5%	46,275
\$859,103, note payable for Monastery Street Sewer Main replacement, #783401	1.5%	349,448
\$782,000, note payable for Monastery Street Water Main replacement, #783441	1.5%	500,558
\$1,455,081, note payable for SMC Road Sewer Upgrade, Phase III #783281	1.5%	120,094
\$740,000, project for Baranof Street Sewer Replacement - #783091	1.5%	262,794
\$685,000, project for Baranof Street Water System replacement - #783501	1.5%	77,817
\$1,740,000, project for Japonski Island Sewer Lift Stations - #783391	1.5%	1,161,847
\$1,520,000 project for UV Disinfection Facility - #783431	1.5%	1,360,000
\$297,791 project for Monastery & Baranof Street water mains #783301	1.5%	282,901
\$316,211 project for Monastery & Baranof Street sewer mains #783411	1.5%	300,400
\$58,362 project for Hollywood Way water main #783521	1.5%	55,444
\$214,600 project for Hollywood Way water main #783511	1.5%	203,870
Total notes payable for completed projects		\$ 11,094,395

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

	Interest Rate	Outstanding Amount
Uncompleted projects in draw down phase:		
\$1,352,100, for DeGroff Street Water Improvements - #783111	1.5%	\$ 627,555
\$1,352,100, for DeGroff Street Sewer Improvements - #783121	1.5%	621,675
\$3,113,000, for Temporary Filtration at Indian River - #783381	1.5%	2,375,092
\$812,000, for Jeff Davis Street Water Main Replacement - #783371	1.5%	737,690
\$1,379,170, Channel, Lake and Monastery Lift Station Upgrades - #783361	1.5%	1,782,435
\$502,500, for Crescent Lift Station - #783161	1.5%	482,588
\$2,550,000 for UV disinfection - #783481	1.5%	34,582
Total draw on notes yet to be finalized		6,661,617
Total State Department of Environmental Conservation Loans		\$ 17,756,012
Annual debt service requirements to maturity for notes payable on completed projects are as follows:		
<i>Year Ending June 30,</i>	Principal	Interest
2019	\$ 874,190	\$ 166,415
2020	875,190	153,304
2021	855,523	140,177
2022	856,555	127,341
2023	857,604	114,495
2024-2028	4,138,193	380,316
2029-2033	2,122,980	120,464
2034-2038	514,160	14,229
	\$ 11,094,395	\$ 1,216,741

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# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### Changes in Long-term Liabilities

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One year</b>
Bonds payable:					
General obligation bonds	\$ 20,745,000	\$ -	\$ 2,780,000	\$ 17,965,000	\$ 2,880,000
Issuance premiums	1,474,647	-	200,036	1,274,611	-
<b>Total bonds payable</b>	<b>22,219,647</b>	<b>-</b>	<b>2,980,036</b>	<b>19,239,611</b>	<b>2,880,000</b>
State of Alaska notes	326,365	-	22,310	304,055	22,310
Compensated absences (net)	606,874	45,607	-	652,481	652,481
Net OPEB liability	3,243,740	-	1,369,923	1,873,817	-
Net pension liability	15,939,132	-	4,213,431	11,725,701	-
<b>Governmental Activity Long-term Liabilities</b>	<b>\$ 42,335,758</b>	<b>\$ 45,607</b>	<b>\$ 8,585,700</b>	<b>\$ 33,795,665</b>	<b>\$ 3,554,791</b>
<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One year</b>
Bonds payable:					
Revenue bonds	\$ 118,940,000	\$ -	\$ 2,265,000	\$ 116,675,000	\$ 2,330,000
Issuance premiums	8,633,243	-	350,201	8,283,042	-
<b>Total bonds payable</b>	<b>127,573,243</b>	<b>-</b>	<b>2,615,201</b>	<b>124,958,042</b>	<b>2,330,000</b>
Notes Payable:					
Revenue notes	7,042,745	-	335,690	6,707,055	349,252
State of Alaska notes	17,408,643	1,469,593	1,122,224	17,756,012	874,190
<b>Total notes payable</b>	<b>24,451,388</b>	<b>1,469,593</b>	<b>1,457,914</b>	<b>24,463,067</b>	<b>1,223,442</b>
Compensated absences (net)	358,015	31,043	17,786	371,272	371,272
Landfill post-closure liability	427,197	341,423	-	768,620	-
Net OPEB liability	1,858,457	-	784,880	1,073,577	-
Net pension liability	9,025,958	-	2,414,030	6,611,928	-
<b>Business-type Activity Long-term Liabilities</b>	<b>\$ 163,694,258</b>	<b>\$ 1,842,059</b>	<b>\$ 7,289,811</b>	<b>\$ 158,246,506</b>	<b>\$ 3,924,714</b>
<b>Entity Combined Long-term Liabilities</b>	<b>\$ 206,030,016</b>	<b>\$ 1,887,666</b>	<b>\$15,875,511</b>	<b>\$ 192,042,171</b>	<b>\$ 7,479,505</b>

For governmental activities, compensated absences are generally liquidated by the General Fund.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### 8. Authorized, Unissued Bonds

As of June 30, 2018, the City and Borough had no authorized but unissued bonds.

### 9. Restricted Assets

The balance of the restricted assets accounts in the enterprise funds at June 30, 2018 are as follows:

Landfill post-closure	\$	768,620
Customer deposits:		
Electric utility		154,779
Solid waste disposal		11,658
Investment with bond trustee pursuant to revenue bond covenants		10,748,446
<b>Total Restricted Assets</b>	<b>\$</b>	<b>11,683,503</b>

### 10. Fund Balances

Fund balances, reported in the City and Borough's individual major funds and nonmajor funds in the aggregate on the governmental funds balance sheet are subject to the following constraints:

	General Fund	Permanent Fund	School Bond Debt Service Fund	Nonmajor Funds	Totals
<b>Nonspendable:</b>					
Prepaid items	\$ -	\$ -	\$ -	\$ 5	\$ 5
Long-term notes receivable	475,913	-	-	-	475,913
Advances receivable	150,000	-	-	-	150,000
<b>Total nonspendable</b>	<b>625,913</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>625,918</b>
<b>Restricted:</b>					
Library building	-	-	-	258,517	258,517
Commercial passenger tax	-	-	-	607,143	607,143
Home rule charter	-	22,754,520	-	-	22,754,520
Debt service	-	-	2,061,333	-	2,061,333
<b>Total restricted</b>	<b>-</b>	<b>22,754,520</b>	<b>2,061,333</b>	<b>865,660</b>	<b>25,681,513</b>
<b>Committed:</b>					
Working capital reserve	6,015,352	-	-	-	6,015,352
Emergency reserve	2,000,000	-	-	-	2,000,000
E911 Surcharge	527,614	-	-	-	527,614
SRS Title III	512,663	-	-	-	512,663

## City and Borough of Sitka, Alaska

### Notes to Financial Statements

	General Fund	Permanent Fund	School Bond Debt Service Fund	Nonmajor Funds	Totals
Home rule charter	\$ -	\$ 1,427,097	\$ -	\$ -	\$ 1,427,097
SE economic development	-	-	-	3,366,921	3,366,921
Capital projects	-	-	-	5,022,348	5,022,348
<b>Total committed</b>	<b>9,055,629</b>	<b>1,427,097</b>	<b>-</b>	<b>8,389,269</b>	<b>18,871,995</b>
Assigned:					
Gary Paxton Park	-	-	-	611,873	611,873
Utility Cost Subsidization	-	-	-	395,725	395,725
LID revolving	-	-	-	1,103,617	1,103,617
LID guarantee	-	-	-	272,613	272,613
Raw water sales	-	-	-	801,697	801,697
Visitor enhancement	-	-	-	354,385	354,385
Other small funds	-	-	-	165,250	165,250
<b>Total assigned</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,705,160</b>	<b>3,705,160</b>
<b>Unassigned (deficit)</b>	<b>5,378,630</b>	<b>-</b>	<b>-</b>	<b>(5,187)</b>	<b>5,373,443</b>
<b>Total Fund Balances</b>	<b>\$15,060,172</b>	<b>\$ 24,181,617</b>	<b>\$ 2,061,333</b>	<b>\$ 12,954,907</b>	<b>\$ 54,258,029</b>

## 12. Risk Management

The City and Borough is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City and Borough carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The City and Borough has not accrued a liability for claims and judgments at June 30, 2018 because the amount of potential claims at year end was determined to be immaterial. The City and Borough made no claim payments during fiscal year 2018.

Effective January 1, 1989, the City and Borough was self-insured with respect to unemployment claims made by former employees. The City and Borough of Sitka accounts for claims on a pay-as-you-go basis as it is immaterial.

## 13. Retirement Plans

### (a) Defined Benefit (DB) Pension Plan

#### General Information About the Plan

The Borough participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in a comprehensive annual financial report that includes financial statements and other required supplemental information. That report is available via the internet at <http://doa.alaska.gov/dr/pers>. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and post-employment health care benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the Plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

### ***Historical Context and Special Funding Situation***

In April 2008, the Alaska Legislature passed legislation converting the previously existing PERS plan from an agent-multiple employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded "on-behalf" contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows of resources, and disclosures on this basis.

The Borough recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

### ***Employee Contribution Rates***

Regular employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.50% of their annual covered salary.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### *Employer and Other Contribution Rates*

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

**Employer Effective Rate:** This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

**ARM Board Adopted Rate:** This is the rate formally adopted by the Alaska Retirement Management Board. This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. Effective July 1, 2015, the Legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25 year term which ends in 2039. This change results in lower ARM Board Rates than previously adopted.

**On-behalf Contribution Rate:** This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. In the governmental fund financial statements, on-behalf contribution amounts have been recognized as additional revenues and expenditures. In the enterprise fund and government-wide financial statements, the on-behalf amounts reflect revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

**GASB Rate:** This is the rate used to determine the long-term pension and healthcare liability for plan accounting purposes in accordance with generally accepted accounting principles as established by GASB. Certain actuarial methods and assumptions for this rate calculation are mandated by GASB. Additionally, the GASB Rate disregards all future Medicare Part D payments. For FY18, the rate uses an 8% pension discount rate and a 4.30% healthcare discount rate.

The GASB Rate and the ARM Board Adopted Rate differ significantly as a direct result of variances in the actuarial methods and assumptions used.

Contribution rates for the year ended June 30, 2018 were determined in the June 30, 2015 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate	GASB Rate
Pension	17.12%	21.90%	3.01 %	29.07%
Other postemployment benefits (see Note 13(c))	4.88%	3.11%	0.00 %	66.85%
<b>Total Contribution Rates</b>	<b>22.00%</b>	<b>25.01%</b>	<b>3.01 %</b>	<b>95.92%</b>



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

In 2018, the Borough was credited with the following contributions to the pension plan.

	Measurement Period Borough FY17	Borough FY18
Employer contributions (including DBUL)	\$ 1,274,776	\$ 1,450,093
Nonemployer contributions (on-behalf)	495,834	363,351
<b>Total Contributions</b>	<b>\$ 1,770,610</b>	<b>\$ 1,813,444</b>

In addition, employee contributions to the Plan totaled \$334,812 during the Borough's fiscal year.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.***

At June 30, 2018, the Borough reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2018
Borough proportionate share of NPL	\$ 18,337,629
State's proportionate share of NPL associated with the Borough	6,834,300
<b>Total Net Pension Liability</b>	<b>\$ 25,171,929</b>

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net pension liability as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, including the State, actuarially determined. At the June 30, 2018 measurement date, the Borough's proportion was 0.35473 percent, which was a decrease of -0.09190 from its proportion measured as of June 30, 2017.

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## City and Borough of Sitka, Alaska

### Notes to Financial Statements

For the year ended June 30, 2018, the Borough recognized pension expense of \$789,685 and on-behalf revenue of \$542,449 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (329,692)
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	491,879	-
Changes in proportion and differences between Borough contributions and proportionate share of contributions	172,451	(2,215,543)
Borough contributions subsequent to the measurement date	1,450,093	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to Pensions</b>	<b>\$ 2,114,423</b>	<b>\$ (2,545,235)</b>

The \$1,450,093 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

*Year Ending June 30,*

2019	\$ (2,338,471)
2020	512,196
2021	229,932
2022	(284,562)

#### **Actuarial Assumptions**

The total pension liability for the measurement period ended June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

## City and Borough of Sitka, Alaska

### Notes to Financial Statements

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Actuarial cost method	Entry age normal; level dollar normal percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for peace officer/ firefighter Graded by age and service, from 8.55% to 4.34% for all others
Allocation methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

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## City and Borough of Sitka, Alaska

### Notes to Financial Statements

#### *Discount Rate*

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Discount Rate Sensitivity*

The following presents the Borough's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the Borough's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net pension liability	0.35473%	\$ 24,088,160	\$ 18,337,623	\$ 13,481,516

#### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

#### *(b) Defined Contribution (DC) Pension Plan*

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Alaska Retirement Management Board may also amend contribution requirements. Included in the Plan are individual pension accounts, retiree medical insurance plan and a separate Health Reimbursement Arrangement account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above. <http://doa.alaska.gov/drb/pers>.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that the Borough contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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### ***Benefit Terms***

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional+ 25% per year thereafter for full vesting at five years of service.

### ***Employee Contribution Rate***

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

### ***Employer Contribution Rate***

For the year ended June 30, 2018, the Borough was required to contribute 5% of covered salary into the Plan.

The Borough and employee contributions to PERS for pensions for the year ended June 30, 2018 were \$309,597 and \$495,354, respectively. The Borough contribution amount was recognized as pension expense/expenditures.

### ***(c) Defined Other Postemployment Benefit (OPEB) Plan***

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple employer plan, the Borough participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plans are administered by the State of Alaska, Department of Administration.

### ***Employer Contribution Rate***

The Borough is required to contribute 4.88% of covered payroll into the OPEB plan. Employees do not contribute.

In 2018, the Borough was credited with the following contributions to the OPEB plan.

	Measurement Period Borough FY17	Borough FY18
<b>Total Employer Contributions</b>	<b>\$ 674,516</b>	<b>\$ 484,965</b>



# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Plans***

At June 30, 2018, the Borough reported a liability for its proportionate share of the net OPEB liability (NOL) that reflected a reduction for State OPEB support provided to the Borough. The amount recognized by the Borough for its proportional share, the related State proportion, and the total were as follows:

	2018
Borough's proportionate share of NOL - ARHCT	\$ 2,996,375
Borough's proportionate share of NOL - RMP	28,464
Borough's proportionate share of NOL - ODD	(77,445)
Total Borough proportionate share of NOL	2,947,394
State's proportionate share of the NOL associated with the Borough	1,117,195
<b>Total Net OPEB Liability</b>	<b>\$ 4,064,589</b>

The total OPEB liabilities for the June 30, 2018 measurement date were determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 to calculate the net OPEB liabilities as of that date. The Borough's proportion of the net OPEB liabilities were based on a projection of the Borough's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating entities, actuarially determined.

	June 30, 2017 Measurement Date Employer Proportion	June 30, 2018 Measurement Date Employer Proportion	Change
Borough's proportionate share of the net OPEB liability			
ARHCT	0.44679%	0.35470%	(0.09209)%
RMP	0.55422%	0.54581%	(0.00841)%
ODD	0.55422%	0.54581%	(0.00841)%

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# City and Borough of Sitka, Alaska

## Notes to Financial Statements

As a result of its requirement to contribute to the Plan, the Borough recognized OPEB expense of \$222,240 and on-behalf revenue of \$175,541 for support provided by the State. At June 30, 2018, the Borough reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Related to OPEB Plans	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (164,092)
Changes in assumptions	-	-
Changes in benefits	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(957,007)
Changes in proportion and differences between Borough contributions and proportionate share of contributions	2,371	(557,825)
Borough contributions subsequent to the measurement date	484,965	-
<b>Total Deferred Outflows and Deferred Inflows of Resources Related to OPEB Plans</b>	<b>\$ 487,336</b>	<b>\$ (1,698,924)</b>

The \$484,965 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

*Year Ending June 30,*

2019	\$ (649,755)
2020	(567,674)
2021	(239,354)
2022	(239,354)
2023	(102)
Thereafter	(314)

### Actuarial Assumptions

The total OPEB liability for the measurement period ended June 30, 2018 (Borough fiscal year 2018) was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2018. The actuarial assumptions used in the June 30, 2017 actuarial valuation (latest available) were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board to better reflect expected future experience.

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

Actuarial cost method	Entry age normal; level percentage of payroll
Amortization method	Level dollar, closed
Inflation	3.12%
Salary increases	Graded by service from 9.66% to 4.92% for peace officer/ firefighter Graded by service from 8.55% to 4.34% for all others
Allocation methodology	Amounts for FY17 were allocated to employers based on the projected present value of contributions for FY2019-FY2039. The liability is expected to go to zero at 2039.
Investment return / Discount rate	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Healthcare cost trend rates	Pre-65 medical; 8.8% grading down to 4.4% Post-65 medical; 5.8% grading down to 4.0% Prescription drug; 5.4% grading down to 4.0%
Mortality	Pre-termination - Based on the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officers/firefighters, 50% of the time for all others. Post-termination - 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of postretirement healthcare plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table (note that the rates shown below exclude the inflation component):

<i>Asset Class</i>	<i>Target Allocation</i>	<i>Long-Term Expected Real Rate of Return</i>
Broad domestic equity	26%	8.83%
Global ex-U.S. equity	22%	7.79%
Intermediate Treasuries	13%	1.29%
Opportunistic	5%	4.76%
Real assets	17%	4.94%
Absolute return	7%	4.76%
Private equity	9%	12.02%
Cash equivalents	1%	0.63%

# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### Discount Rate

The discount rate used to measure the total OPEB liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

### Discount Rate Sensitivity

The following presents the Borough's proportionate share of the net OPEB liability calculated using the discount rate of 8.00%, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	Proportional Share	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Borough's proportionate share of the net OPEB liability				
ARHCT	0.35470%	\$ 6,412,559	\$ 2,996,375	\$ 122,897
RMP	0.54581%	\$ 133,348	\$ 28,464	\$ (53,435)
ODD	0.54581%	\$ (69,913)	\$ (77,445)	\$ (83,602)

### Healthcare Cost Trend Rates Sensitivity

The following presents the Borough's proportionate share of the net OPEB liability calculated using the healthcare cost trend rate, as well as what the Borough's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Proportional Share	1% Decrease	Current Rate	1% Increase
Borough's proportionate share of the net OPEB liability				
ARHCT	0.35470%	\$ (332,381)	\$ 2,996,375	\$ 6,998,340
RMP	0.54581%	\$ (70,459)	\$ 28,464	\$ 161,004
ODD	0.54581%	\$ -	\$ (77,445)	\$ -

### OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

## City and Borough of Sitka, Alaska

### Notes to Financial Statements

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#### *(d) Defined Contribution OPEB Plans*

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and post-employment health care benefits.

#### *Employer Contribution Rates*

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2018 were as follows:

	Other Tier IV	Police/Fire Tier IV
Retiree medical plan	1.03%	1.03%
Occupational death and disability benefits	0.16%	0.43%
<b>Total Contribution Rates</b>	<b>1.19%</b>	<b>1.46%</b>

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. AS 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of *all employees of all employers* in the plan". As of July 1, 2017, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates \$2,084 per year for each full-time employee, and \$1.34 per hour for part-time employees.

#### *Annual Postemployment Healthcare Cost*

In 2018, the Borough contributed \$181,232 in DC OPEB costs. These amounts have been recognized as expense/expenditures.

#### **14. Landfill Closure and Postclosure Care Cost**

State and federal laws and regulations require the government to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure.

Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each financial statement date.

The City and Borough has recognized a liability for the estimated costs of postclosure care of \$768,620 as of June 30, 2018. The Kimsham landfill was closed during fiscal year 2007 and is now a recreation facility consisting of three ball fields and a soccer/football field. The current postclosure liability as of June 30, 2018 is \$500,620. A new landfill has been permitted by the State of Alaska and is accepting only the sludge from the Wastewater Treatment Plant at this time. The current estimate of closure and postclosure monitoring is \$268,000, with an estimated

## City and Borough of Sitka, Alaska

### Notes to Financial Statements

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remaining useful life of 4 years. Actual postclosure costs may be higher because of inflation, changes in technology, or changes in regulations. Estimates will be revised as necessary to accurately reflect future outlays.

#### 15. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Alaska. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Municipal Attorney the resolution of these matters will not have an adverse material effect on the financial condition of the government.

The City and Borough's sewage treatment plant provides for primary treatment of waste. The City and Borough was operating under a five year exemption, which expired in August 1994, from Environmental Protection Agency (EPA) regulations requires secondary treatment for sewage discharged into marine waters. The City and Borough is currently under a temporary EPA permit and anticipates finalizing a permanent five year exemption permit in the near future. The cost of upgrading the plant to secondary treatment at the expiration of the exemption, if necessary, would be approximately \$10 million. The cost of treating storm water is not presently estimable.

Other Federal and State regulations, compliance with which will require significant expenditures by the City and Borough, including the Americans with Disabilities Act, have a cost of compliance that is not currently known.

#### 16. Subsequent Events

The City and Borough has entered into raw water export sales contracts with private entities. Revenue under these contracts is not guaranteed and is dependent on the amount of raw water exported. Revenue earned under the contracts will be accounted for in the bulk water special revenue fund.

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# City and Borough of Sitka, Alaska

## Notes to Financial Statements

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### 17. New Accounting Pronouncements

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, and actual impacts have not yet been determined.

**GASB 83 - *Certain Asset Retirement Obligations*** - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses accounting and financial reporting for certain asset retirement obligations that are legally enforceable liabilities associated with the retirement of a tangible capital asset.

**GASB 84 - *Fiduciary Activities*** - Effective for year-end June 30, 2020, with earlier application encouraged - This statement addresses criteria for identifying and reporting fiduciary activities.

**GASB 87 - *Leases*** - Effective for year-end June 30, 2021, with earlier application encouraged - This statement addresses accounting and financial reporting for certain lease assets and liabilities for leases that previously were classified as operating leases. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

**GASB 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*** - Effective for year-end June 30, 2019, with earlier application encouraged - This statement addresses note disclosures related to debt, clarifies which liabilities to include when disclosing information related to debt, and defines debt for the purpose of disclosure. It requires additional essential information related to debt be disclosed in the notes, as well as information for direct borrowings and direct placements.

**GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*** - Effective for year-end June 30, 2021, with earlier application encouraged - This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

**GASB 90 - *Majority Equity Interests*** - an amendment of GASB Statements No. 14 and No. 61 - Effective for year-end June 30, 2020, with earlier application encouraged - This statement addresses accounting and financial reporting for a majority equity interest in a legally separate organization. It provides a definition of a majority equity interest and provides guidance for further presentation as either an investment or a component unit, based on specific criteria.

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# City and Borough of Sitka, Alaska

## Notes to Financial Statements

### 18. Change in Accounting Principle

As discussed in Note 13 to the financial statements, the Borough participates in the Alaska Public Employees Retirement System (PERS) plan. In 2018 the City adopted the provisions of GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits other than pensions*, which, among other accounting and reporting criteria, requires the Borough to recognize its proportional share of the Net Other Postemployment Benefits Liability (and related deferred inflow/outflow accounts), as of the beginning of the Borough's fiscal year. As a result of the implementation of this statement, the Borough has recorded an opening balance adjustment to reflect opening balance OPEB liabilities and related accounts and to decrease opening net position as follows:

	Electric Fund	Water Fund	Waste- water Fund	Harbor Fund	Internal Service Funds
OPEB liability, beginning of year	\$ 1,231,553	\$ 112,986	\$ 297,720	\$ 216,198	\$ 277,851
Deferred outflows of resources	162,813	14,937	39,359	28,582	36,732
Effect of change in accounting principle	1,068,740	98,049	258,361	187,616	241,119
Net position, before restatement	114,767,675	24,745,145	16,477,018	26,894,316	8,174,106
Net position, as restated	\$ 113,698,935	\$ 24,647,096	\$ 16,218,657	\$ 26,706,700	\$ 7,932,987

	Governmental Activities	Business-Type Activities	Total
OPEB liability, beginning of year	\$ 3,243,740	\$ 1,858,457	\$ 5,102,197
Deferred outflows of resources	428,823	245,691	674,514
Effect of change in accounting principle	2,814,917	1,612,766	4,427,683
Net position, before restatement	159,070,070	208,590,154	367,660,224
Net position, as restated	\$ 156,255,153	\$ 206,977,388	\$ 363,232,541

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## **Required Supplementary Information**

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## City and Borough of Sitka, Alaska

## General Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Taxes:				
Property taxes	\$ 6,680,600	\$ 6,680,600	\$ 6,647,375	\$ (33,225)
Sales taxes	11,541,150	11,541,150	12,088,013	546,863
Total taxes	18,221,750	18,221,750	18,735,388	513,638
State sources:				
Community Assistance	495,137	495,137	595,992	100,855
State PERS relief	-	207,685	207,833	148
State grants	38,250	77,472	15,587	(61,885)
Other	70,600	70,600	56,416	(14,184)
Total state sources	603,987	850,894	875,828	24,934
Federal sources:				
National Forest receipts	-	517,718	613,224	95,506
Payment in lieu of taxes	566,200	566,200	1,206,982	640,782
Federal grants	112,000	163,944	88,744	(75,200)
Total federal sources	678,200	1,247,862	1,908,950	661,088
Charges for services:				
State jail contract	300,000	300,000	391,194	91,194
Ambulance fees	330,000	330,000	342,108	12,108
E911 surcharges	201,600	201,600	185,590	(16,010)
Jobbing	330,000	330,000	752,179	422,179
Other	89,630	89,630	69,599	(20,031)
Total charges for services	1,251,230	1,251,230	1,740,670	489,440
Interfund services	2,855,203	2,855,203	2,855,203	-
Fines, forfeitures and penalties	144,200	144,200	46,773	(97,427)
Investment income	350,000	350,000	142,479	(207,521)
Uses of Property	274,200	274,200	335,686	61,486
Licenses and permits	277,200	277,200	155,943	(121,257)
Other	269,700	282,200	238,141	(44,059)
Total Revenues	\$ 24,925,670	\$ 25,754,739	\$ 27,035,061	\$ 1,280,322

## City and Borough of Sitka, Alaska

## General Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Expenditures</b>				
Administration:				
Administration/Assembly:				
Wages and benefits	\$ 703,670	\$ 729,354	\$ 728,223	\$ 1,131
Travel and training	21,285	23,455	20,434	3,021
Other	155,406	190,396	280,948	(90,552)
Total administration/assembly	880,361	943,205	1,029,605	(86,400)
Legal:				
Wages and benefits	278,761	286,966	279,029	7,937
Travel and training	2,200	2,200	2,094	106
Other	69,672	69,672	(57,201)	126,873
Total legal	350,633	358,838	223,922	134,916
Municipal clerk:				
Wages and benefits	265,998	266,159	272,641	(6,482)
Travel and training	10,550	10,550	9,188	1,362
Other	112,480	124,480	121,776	2,704
Total municipal clerk	389,028	401,189	403,605	(2,416)
Finance:				
Wages and benefits	1,373,813	1,431,360	1,461,110	(29,750)
Travel and training	6,000	11,110	11,350	(240)
Other	274,754	327,413	319,241	8,172
Total finance	1,654,567	1,769,883	1,791,701	(21,818)
Assessing:				
Wages and benefits	308,548	322,353	318,129	4,224
Travel and training	5,100	5,100	1,655	3,445
Other	104,319	56,328	55,119	1,209
Total assessing	417,967	383,781	374,903	8,878

## City and Borough of Sitka, Alaska

## General Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Planning:				
Wages and benefits	\$ 183,710	\$ 189,165	\$ 186,360	\$ 2,805
Travel and training	3,000	3,000	2,921	79
Other	76,659	104,571	55,976	48,595
Total planning	263,369	296,736	245,257	51,479
General office - other	834,406	592,649	461,193	131,456
Total administration	4,790,331	4,746,281	4,530,186	216,095
Public safety:				
Police:				
Wages and benefits	3,372,385	3,504,054	3,454,756	49,298
Travel and training	50,500	50,500	63,379	(12,879)
Other	904,883	808,184	798,568	9,616
Total police	4,327,768	4,362,738	4,316,703	46,035
Fire:				
Wages and benefits	1,035,059	1,071,196	1,006,858	64,338
Travel and training	24,000	24,000	21,101	2,899
Other	524,614	532,160	485,909	46,251
Total fire	1,583,673	1,627,356	1,513,868	113,488
Ambulance:				
Wages and benefits	144,280	150,562	161,089	(10,527)
Travel and training	16,500	16,500	8,833	7,667
Other	132,136	133,081	116,286	16,795
Total ambulance	292,916	300,143	286,208	13,935
Search and rescue:				
Wages and benefits	5,765	5,765	6,139	(374)
Travel and training	4,000	10,722	6,545	4,177
Other	26,716	29,255	33,718	(4,463)
Total search and rescue	36,481	45,742	46,402	(660)
Total public safety	6,240,838	6,335,979	6,163,181	172,798



## City and Borough of Sitka, Alaska

## General Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Public works:				
Administration:				
Wages and benefits	\$ 531,642	\$ 556,974	\$ 548,166	\$ 8,808
Travel and training	6,000	6,000	661	5,339
Other	119,869	119,869	114,123	5,746
Total administration	657,511	682,843	662,950	19,893
Engineering:				
Wages and benefits	964,771	988,968	867,509	121,459
Travel and training	5,000	5,000	1,666	3,334
Other	30,503	35,903	32,480	3,423
Total engineering	1,000,274	1,029,871	901,655	128,216
Streets:				
Wages and benefits	580,629	598,798	512,475	86,323
Travel and training	3,000	3,000	552	2,448
Other	873,057	909,937	641,169	268,768
Total streets	1,456,686	1,511,735	1,154,196	357,539
Recreation:				
Wages and benefits	330,150	342,852	283,322	59,530
Travel and training	542	542	1,298	(756)
Other	304,148	314,076	251,027	63,049
Total recreation	634,840	657,470	535,647	121,823
Building officials:				
Wages and benefits	193,047	200,547	196,231	4,316
Travel and training	14,000	11,000	10,633	367
Other	25,327	25,327	28,640	(3,313)
Total building officials	232,374	236,874	235,504	1,370
Total public works	3,981,685	4,118,793	3,489,952	628,841
Public services:				
Library:				
Wages and benefits	549,856	572,679	536,234	36,445
Travel and training	1,800	1,800	4,856	(3,056)
Other	309,264	304,065	299,051	5,014
Total library	860,920	878,544	840,141	38,403

## City and Borough of Sitka, Alaska

## General Fund

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, continued

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Harrigan Centennial Hall:				
Wages and benefits	\$ 328,783	\$ 344,708	\$ 386,043	\$ (41,335)
Other	150,012	150,012	174,012	(24,000)
Total Harrigan Centennial Hall	478,795	494,720	560,055	(65,335)
Senior Citizen Center - other	85,725	85,725	78,113	7,612
Contingency	-	-	(4,097)	4,097
Total public services	1,425,440	1,458,989	1,474,212	(15,223)
Support:				
Municipal grants to local organizations	285,200	376,366	326,899	49,467
Sitka School District	6,728,292	6,987,151	6,987,151	-
Sitka Community Hospital	150,671	306,863	306,863	-
Total Support	7,164,163	7,670,380	7,620,913	49,467
Debt service:				
Principal	53,342	53,342	22,310	31,032
Interest	8,462	8,462	10,912	(2,450)
Total debt service	61,804	61,804	33,222	28,582
Equipment acquisition	-	15,000	13,999	1,001
Total Expenditures	23,664,261	24,407,226	23,325,665	1,081,561
Excess of Revenues Over Expenditures	1,261,409	1,347,513	3,709,398	2,361,885
Other Financing Sources (Uses)				
Transfers in	1,492,286	1,492,286	1,607,903	115,617
Transfers out	(3,099,474)	(4,274,474)	(4,430,278)	(155,804)
Net Other Financing Sources (Uses)	(1,607,188)	(2,782,188)	(2,822,375)	(40,187)
Net Change in Fund Balance	\$ (345,779)	\$ (1,434,675)	\$ 2,321,698	
Fund Balance, beginning			14,173,149	
Fund Balance, ending			\$ 15,060,172	

See accompanying notes to Required Supplementary Information.

## City and Borough of Sitka, Alaska

## Major Governmental Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

School Bond Debt Service Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 1,949,792	\$ 1,949,792	\$ 2,474,754	\$ 524,962
Expenditures	3,862,584	3,862,584	3,651,759	210,825
Net Transfers	1,186,000	1,186,000	1,316,563	130,563
Change in Fund Balance	\$ (726,792)	\$ (726,792)	139,558	\$ 866,350
Fund Balance, beginning			1,921,775	
Fund Balance, ending			<u>\$ 2,061,333</u>	

Permanent Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 595,000	\$ 652,329	\$ 1,629,375	\$ 977,046
Total Revenues	595,000	652,329	1,629,375	977,046
Expenditures	-	47,000	49,788	(2,788)
Total Expenditures	-	47,000	49,788	(2,788)
Net Transfers	1,433,229	(1,375,900)	(1,318,571)	57,329
Change in Fund Balance	\$ 2,028,229	\$ (770,571)	261,016	\$ 1,031,587
Fund Balance, beginning			23,920,601	
Fund Balance, ending			<u>\$ 24,181,617</u>	

## City and Borough of Sitka, Alaska

Public Employees Retirement System (PERS) Pension Plan  
Schedule of the Borough's Information on the Net Pension Liability

Years Ended June 30,	Borough's Proportion of the Net Pension Liability	Borough's Proportionate Share of the Net Pension Liability	State of Alaska Proportionate Share of the Net Pension Liability	Total Net Pension Liability	Borough's Covered Payroll	Borough's		Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
						Proportionate Share of the Net Pension Liability as a Percentage of Payroll	Share of the Net Pension Liability as a Percentage of Payroll	
2009	*	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*	*
2015	0.26956%	\$ 12,572,647	\$ 10,755,597	\$ 23,328,244	\$ 12,031,717	104.50%	104.50%	62.37%
2016	0.36213%	17,563,590	4,706,852	22,270,442	10,552,272	166.44%	166.44%	63.96%
2017	0.44663%	24,965,090	3,149,104	28,114,194	11,292,193	221.08%	221.08%	59.55%
2017	0.35473%	18,337,623	6,834,306	25,171,929	11,056,175	165.86%	165.86%	63.37%

\* Data for these years is not available.

See accompanying notes to Required Supplementary Information.

**City and Borough of Sitka, Alaska**  
**Public Employees Retirement System (PERS) Pension Plan**  
**Schedule of the Borough's Contributions**

<i>Years Ended June 30,</i>	Contractually Required Contribution	Contributions Relative to the Contractually Required Contribution	Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
2009	*	*	*	*	*
2010	*	*	*	*	*
2011	*	*	*	*	*
2012	*	*	*	*	*
2013	*	*	*	*	*
2014	*	*	*	*	*
2015	1,123,981	1,123,981	-	12,031,717	9.34%
2016	1,142,815	1,142,815	-	10,552,272	10.83%
2017	1,274,776	1,274,776	-	10,552,272	12.08%
2018	\$ 1,450,093	\$ 1,450,093	\$ -	\$ 11,056,175	13.12%

\* Data for these years is not available.

See accompanying notes to Required Supplementary Information.

## City and Borough of Sitka, Alaska

## Public Employees Retirement System (PERS) OPEB Plan

## Schedule of the Borough's Information on the Net OPEB Liability

Years Ended June 30,	Borough's Proportion of the Net OPEB Liability	Borough's Proportionate Share of the Net OPEB Liability	State of Alaska Proportionate Share of the Net OPEB Liability	Total Net OPEB Liability	Borough's Covered Payroll	Borough's Proportionate Share of the Net OPEB Liability as a Percentage of Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2009	*	*	*	*	*	*	*
2010	*	*	*	*	*	*	*
2011	*	*	*	*	*	*	*
2012	*	*	*	*	*	*	*
2013	*	*	*	*	*	*	*
2014	*	*	*	*	*	*	*
2015	*	*	*	*	*	*	*
2016	*	*	*	*	*	*	*
2017	*	*	*	*	*	*	*
2018	35.47%	\$ 2,947,394	\$ 1,117,195	\$ 4,064,589	\$ 11,292,193	26.10%	89.91%

\* Data for these years is not available.

See accompanying notes to Required Supplementary Information.



**City and Borough of Sitka, Alaska**  
**Public Employees Retirement System (PERS) OPEB Plan**  
**Schedule of the Borough's Contributions**

Years Ended June 30,	Contributions			Contribution Deficiency (Excess)	Borough's Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Relative to the Contractually Required Contribution			
2009	*	*	*	*	*	*
2010	*	*	*	*	*	*
2011	*	*	*	*	*	*
2012	*	*	*	*	*	*
2013	*	*	*	*	*	*
2014	*	*	*	*	*	*
2015	*	*	*	*	*	*
2016	*	*	*	*	*	*
2017	*	*	*	*	*	*
2018	\$ 484,965	\$ 484,965	\$	\$	\$ 11,056,175	4.39%

\* Data for these years is not available.

See accompanying notes to Required Supplementary Information.

## City and Borough of Sitka, Alaska

### Notes to Required Supplementary Information June 30, 2018

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#### **1. Budgetary Comparison Schedule - General Fund**

The budgetary comparison schedule is presented on the modified accrual basis of accounting. Included on the budgetary schedule is a GAAP to Budget Basis adjustment. For 2018, the PERS on-behalf was not included in the budget, however it is required on a GAAP basis.

#### **2. Public Employees Retirement System Pension Plan - Schedule of the Borough's Information on the Net Pension Liability**

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

There were no changes in the allocation methodology.

#### **3. Public Employees Retirement System Pension Plan - Schedule of the Borough's Contributions**

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow on the Statement of Net Position.

#### **4. Public Employees Retirement System OPEB Plan - Schedule of the Borough's Information on the Net OPEB Liability**

This table is presented based on the Plan measurement date. For June 30, 2018, the Plan measurement date is June 30, 2017.

There were no changes in benefit terms from the prior measurement period.

There were no changes in assumptions from the prior measurement period.

There were no changes in the allocation methodology.

#### **5. Public Employees Retirement System OPEB Plan - Schedule of the Borough's Information on the Net OPEB Liability**

This table is based on the Borough's contributions for each fiscal year presented. These contributions have been reported as a deferred outflow on the Statement of Net Position.

All the pension and OPBEB tables are intended to present 10 years of information. Additional years' information will be added to the schedules as it becomes available.

## Supplementary Information

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**City and Borough of Sitka, Alaska**  
**Proprietary Funds - Electric Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 17,000,264	\$ 17,000,264	\$ 17,538,304	\$ 538,040
Non-operating revenues	821,000	908,642	726,922	(181,720)
<b>Total Revenues</b>	<b>17,821,264</b>	<b>17,908,906</b>	<b>18,265,226</b>	<b>356,320</b>
<b>Expenses</b>				
Operating expenses	17,279,073	17,374,610	16,292,561	1,082,049
Non-operating expenses	6,087,123	6,087,123	6,082,567	4,556
<b>Total Expenses</b>	<b>23,366,196</b>	<b>23,461,733</b>	<b>22,375,128</b>	<b>1,086,605</b>
Capital Contributions	-	-	178,140	178,140
Net Transfers	-	-	100,000	100,000
<b>Change in Net Position</b>	<b>\$ (5,544,932)</b>	<b>\$ (5,552,827)</b>	<b>(3,831,762)</b>	<b>\$ 1,721,065</b>
<b>Net Position, beginning</b>			<b>113,698,935</b>	
<b>Net Position, ending</b>			<b>\$ 109,867,173</b>	

Note: Depreciation and Amortization are not budgeted and are included in actual amount.

**City and Borough of Sitka, Alaska**  
**Proprietary Funds - Solid Waste Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 3,806,970	\$ 4,237,970	\$ 4,060,430	\$ (177,540)
Non-operating revenues	10,000	10,000	2,894	(7,106)
<b>Total Revenues</b>	<b>3,816,970</b>	<b>4,247,970</b>	<b>4,063,324</b>	<b>(184,646)</b>
<b>Expenses</b>				
Operating expenses	3,659,726	4,582,526	4,923,928	(341,402)
Non-operating expenses	20,844	20,844	20,865	(21)
<b>Total Expenses</b>	<b>3,680,570</b>	<b>4,603,370</b>	<b>4,944,793</b>	<b>(341,423)</b>
<b>Change in Net Position</b>	<b>\$ 136,400</b>	<b>\$ (355,400)</b>	<b>(881,469)</b>	<b>\$ (526,069)</b>
<b>Net Position, beginning</b>			<b>3,178,247</b>	
<b>Net Position, ending</b>			<b>\$ 2,296,778</b>	

Note: Depreciation and Amortization are not budgeted and are included in actual amount.

**City and Borough of Sitka, Alaska**  
**Proprietary Funds - Wastewater Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 3,260,000	\$ 3,260,800	\$ 2,966,276	\$ (294,524)
Non-operating revenues	125,000	146,187	234,834	88,647
<b>Total Revenues</b>	<b>3,385,000</b>	<b>3,406,987</b>	<b>3,201,110</b>	<b>(205,877)</b>
<b>Expenses</b>				
Operating expenses	3,458,015	3,458,015	3,165,855	292,160
Non-operating expenses	63,126	63,126	48,869	14,257
<b>Total Expenses</b>	<b>3,521,141</b>	<b>3,521,141</b>	<b>3,214,724</b>	<b>306,417</b>
Capital Contributions	250,000	250,000	481,882	231,882
Net Transfers	(45,000)	(45,000)	(45,000)	-
<b>Change in Net Position</b>	<b>\$ 68,859</b>	<b>\$ 90,846</b>	<b>423,268</b>	<b>\$ 332,422</b>
Net Position, beginning			16,218,657	
Net Position, ending			<u>\$ 16,641,925</u>	

Note: Depreciation and Amortization are not budgeted and are included in actual amount.



**City and Borough of Sitka, Alaska**  
**Proprietary Funds - Harbor Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 2,418,247	\$ 2,418,247	\$ 2,419,711	\$ 1,464
Non-operating revenues	1,073,380	1,088,765	1,351,434	262,669
<b>Total Revenues</b>	<b>3,491,627</b>	<b>3,507,012</b>	<b>3,771,145</b>	<b>264,133</b>
<b>Expenses</b>				
Operating expenses	3,712,235	3,703,431	3,605,585	97,846
Non-operating expenses	167,063	167,063	125,233	41,830
<b>Total Expenses</b>	<b>3,879,298</b>	<b>3,870,494</b>	<b>3,730,818</b>	<b>139,676</b>
Capital Contributions	-	-	368,509	368,509
Net Transfers	54,990	72,490	57,539	(14,951)
<b>Change in Net Position</b>	<b>\$ (332,681)</b>	<b>\$ (290,992)</b>	<b>466,375</b>	<b>\$ 757,367</b>
Net Position, beginning			26,706,700	
Net Position, ending			<u>\$ 27,173,075</u>	

Note: Depreciation and Amortization are not budgeted and are included in actual amount.

## City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

## Combining Balance Sheet

		Police Dept and Forfeitures	State Homeland Security Grant	Library Building	Library Donation	SE Economic Development	Gary Paxton Park Contingency	Sitka Tobacco Tax	Commercial Passenger Excise Tax	LID Revolving
<b>June 30, 2018</b>										
<b>Assets</b>										
Equity in central treasury		\$ 28,355	\$ 63,440	\$ 16,980	\$ 241,537	\$ 2,220,201	\$ 611,873	\$ 101,288	\$ 607,143	\$ 1,103,617
Receivables:										
Taxes		-	-	-	-	-	-	61,228	-	-
Special assessments		-	-	-	-	-	-	-	-	-
Federal and State of Alaska		31,159	145	-	-	-	-	-	-	23,744
Other		-	-	-	-	-	-	-	-	-
Advances to other funds		-	-	-	-	309,811	-	-	-	-
Prepaid items		5	-	-	-	-	-	-	-	-
Notes receivable		-	-	-	-	1,474,417	-	-	-	-
Allowance uncollectable notes		-	-	-	-	(637,508)	-	-	-	-
<b>Total Assets</b>		\$ 59,519	\$ 63,585	\$ 16,980	\$ 241,537	\$ 3,366,921	\$ 611,873	\$ 162,516	\$ 607,143	\$ 1,127,361
<b>Liabilities</b>										
Accounts payable		\$ 6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,171	\$ -	\$ -
Unearned revenue		-	-	-	-	-	-	-	-	-
Due to other funds		50,600	68,772	-	-	-	-	-	-	-
<b>Total Liabilities</b>		50,606	68,772	-	-	-	-	64,171	-	-
<b>Deferred Inflows of Resources</b>										
Deferred assessments		-	-	-	-	-	-	-	-	23,744
<b>Fund Balances (Deficit)</b>										
Nonspendable		5	-	-	-	-	-	-	-	-
Restricted		-	-	16,980	241,537	-	-	-	607,143	-
Committed		-	-	-	-	3,366,921	-	-	-	-
Assigned		8,908	-	-	-	-	611,873	98,345	-	1,103,617
Unassigned (deficit)		-	(5,187)	-	-	-	-	-	-	-
<b>Total Fund Balances (Deficit)</b>		8,913	(5,187)	16,980	241,537	3,366,921	611,873	98,345	607,143	1,103,617
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>		\$ 59,519	\$ 63,585	\$ 16,980	\$ 241,537	\$ 3,366,921	\$ 611,873	\$ 162,516	\$ 607,143	\$ 1,127,361

**City and Borough of Sitka, Alaska**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet, continued**

June 30, 2018	LID	Guaranty	Raw Water Sales	Fisheries Enhancement	Pet Adoption	Bed Tax	Student Travel Fund	Utility Subsidization Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total								
<b>Assets</b>																			
Equity in central treasury	\$	272,613	\$	811,397	\$	313	\$	52,899	\$	180,186	\$	4,785	\$	395,725	\$	4,568,765	\$	11,281,117	
Receivables:																			
Taxes	-	-	-	-	-	-	-	-	-	174,208	-	-	-	-	-	-	-	235,436	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,744	-
Federal and State of Alaska	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	968,471	-	999,775	-
Other	-	-	-	300	-	-	-	-	-	-	-	-	-	-	-	200,000	-	200,300	-
Advances to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	309,811	-
Prepaid items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
Notes receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,474,417	-
Allowance uncollectable notes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(637,508)	-
<b>Total Assets</b>	\$	272,613	\$	811,697	\$	313	\$	52,899	\$	354,394	\$	4,785	\$	395,725	\$	5,737,236	\$	13,887,097	
<b>Liabilities</b>																			
Accounts payable	\$	-	\$	-	\$	-	\$	-	\$	9	\$	-	\$	-	\$	714,888	\$	779,074	-
Unearned revenue	-	-	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	-
Due to other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	119,372	-
<b>Total Liabilities</b>	-	-	-	10,000	-	-	-	-	-	9	-	-	-	-	-	714,888	-	908,446	-
<b>Deferred Inflows of Resources</b>																			
Deferred assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,744	-
<b>Fund Balances (Deficit)</b>																			
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5	-
Restricted	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	865,660	-
Committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,022,348	-	8,389,269	-
Assigned	272,613	-	801,697	-	313	52,899	354,385	4,785	395,725	-	-	-	-	-	-	-	-	3,705,160	-
Unassigned (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,187)	-
<b>Total Fund Balances (Deficit)</b>	272,613	-	801,697	-	313	52,899	354,385	4,785	395,725	-	-	-	-	-	-	5,022,348	-	12,954,907	-
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)</b>	\$	272,613	\$	811,697	\$	313	\$	52,899	\$	354,394	\$	4,785	\$	395,725	\$	5,737,236	\$	13,887,097	

## City and Borough of Sitka, Alaska

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2018	Special Revenue Funds							Commercial Passenger Excise Tax
	Police Dept and Forfeitures	State Homeland Security Grant	Library Building	Library Donation	SE Economic Development	Gary Paxton Park Contingency	Sitka Tobacco Tax	
<b>Revenues</b>								
Bed taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tobacco taxes	-	-	-	-	-	-	850,877	-
State sources	3,382	-	-	-	-	-	-	405,115
Federal sources	105,631	3,362	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Investment income (loss)	(108)	-	60	851	55,293	1,779	(1,605)	(383)
Licenses and permits	-	-	-	-	-	-	1,010	-
Other	-	-	-	2,051	-	-	-	-
<b>Total Revenues</b>	<b>108,905</b>	<b>3,362</b>	<b>60</b>	<b>2,902</b>	<b>55,293</b>	<b>1,779</b>	<b>850,282</b>	<b>404,732</b>
<b>Expenditures</b>								
Public safety	104,529	3,362	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	201,950
Public services	-	-	-	-	-	-	855,680	-
Debt service:	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Debt administration	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>104,529</b>	<b>3,362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>855,680</b>	<b>201,950</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,376</b>	<b>-</b>	<b>60</b>	<b>2,902</b>	<b>55,293</b>	<b>1,779</b>	<b>(5,398)</b>	<b>202,782</b>
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	-	-	-	-	28,924	-	-
Transfers out	-	-	-	-	(39,703)	(11,574)	-	(15,170)
Premium on refunding bonds issued	-	-	-	-	-	-	-	-
Refunding bonds issued	-	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39,703)</b>	<b>17,350</b>	<b>-</b>	<b>(15,170)</b>
<b>Net Change in Fund Balances</b>	<b>4,376</b>	<b>-</b>	<b>60</b>	<b>2,902</b>	<b>15,590</b>	<b>19,129</b>	<b>(5,398)</b>	<b>187,612</b>
<b>Fund Balances (Deficit), beginning</b>	<b>4,537</b>	<b>(5,187)</b>	<b>16,920</b>	<b>238,635</b>	<b>3,351,331</b>	<b>592,744</b>	<b>103,743</b>	<b>419,531</b>
<b>Fund Balances (Deficit), ending</b>	<b>\$ 8,913</b>	<b>\$ (5,187)</b>	<b>\$ 16,980</b>	<b>\$ 241,537</b>	<b>\$ 3,366,921</b>	<b>\$ 611,873</b>	<b>\$ 98,345</b>	<b>\$ 607,143</b>

## City and Borough of Sitka, Alaska

Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances, continued

Year Ended June 30, 2018	Special Revenue Funds										Total Nonmajor Governmental Funds
	LID Revolving	LID Guaranty	Raw Water Sales	Fisheries Enhancement	Pet Adoption	Bed Tax	Student Travel Fund	Utility Subsidization Fund	Capital Projects Fund		
Revenues											
Bed taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 543,697	\$ -	\$ -	\$ -	\$ 543,697	
Tobacco taxes	-	-	-	-	-	-	-	-	-	850,877	
State sources	-	-	-	-	-	-	-	-	1,194,086	1,602,583	
Federal sources	-	-	-	-	-	-	-	-	312,897	421,890	
Charges for services	5,863	-	5,400	-	-	-	-	-	-	11,263	
Investment income (loss)	5,288	1,037	4,187	(33)	925	(2,822)	55	(4,275)	541	60,790	
Licenses and permits	-	-	-	-	-	-	2,200	-	-	3,210	
Other	-	-	-	-	-	-	-	-	200,000	202,051	
Total Revenues	11,151	1,037	9,587	(33)	925	540,875	2,255	(4,275)	1,707,524	3,696,361	
Expenditures											
Public safety	-	-	-	-	-	-	-	-	-	107,891	
Public works	505	-	-	42,000	-	-	-	-	-	244,455	
Public services	-	-	-	-	-	440,529	-	-	-	1,296,209	
Debt service:											
Principal	-	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	-	
Debt administration	-	-	-	-	-	-	-	-	-	-	
Capital outlay	-	-	-	-	-	-	-	-	3,557,052	3,557,052	
Total Expenditures	505	-	-	42,000	-	440,529	-	-	3,557,052	5,205,607	
Excess of Revenues Over (Under) Expenditures	10,646	1,037	9,587	(42,033)	925	100,346	2,255	(4,275)	(1,849,528)	(1,509,246)	
Other Financing Sources (Uses)											
Transfers in	-	-	-	42,021	5,269	-	-	400,000	2,497,575	2,973,789	
Transfers out	(21,841)	(5,409)	(106,300)	-	-	(50,000)	-	-	(148,453)	(398,450)	
Premium on refunding bonds issued	-	-	-	-	-	-	-	-	-	-	
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-	
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-	
Net Other Financing Sources (Uses)	(21,841)	(5,409)	(106,300)	42,021	5,269	(50,000)	-	400,000	2,349,122	2,575,339	
Net Change in Fund Balances	(11,195)	(4,372)	(96,713)	(12)	6,194	50,346	2,255	395,725	499,594	1,066,093	
Fund Balances (Deficit), beginning	1,114,812	276,985	898,410	325	46,705	304,039	2,530	-	4,522,754	11,888,814	
Fund Balances (Deficit), ending	\$ 1,103,617	\$ 272,613	\$ 801,697	\$ 313	\$ 52,899	\$ 354,385	\$ 4,785	\$ 395,725	\$ 5,022,348	\$ 12,954,907	

# City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

#### Police Department and Forfeitures Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 61,000	\$ 137,164	\$ 108,905	\$ (28,259)
Expenditures	61,000	143,864	104,529	39,335
Net Transfers	-	-	-	-
Net Change in Fund Balance	\$ -	\$ (6,700)	4,376	\$ 11,076
Fund Balance, beginning			4,537	
Fund Balance, ending			\$ 8,913	

#### Homeland Security Grant Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 335,000	\$ 335,000	\$ 3,362	\$ (331,638)
Expenditures	335,000	335,000	3,362	331,638
Net Transfers	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance, beginning			(5,187)	
Fund Balance, ending			\$ (5,187)	



# City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

#### Library Building Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 1,700	\$ 1,700	\$ 60	\$ (1,640)
Expenditures	-	-	-	-
Net Transfers	-	-	-	-
Net Change in Fund Balance	\$ 1,700	\$ 1,700	60	\$ (1,640)
Fund Balance, beginning			16,920	
Fund Balance, ending			\$ 16,980	

#### Library Donation Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 6,000	\$ 6,000	\$ 2,902	\$ (3,098)
Expenditures	-	-	-	-
Net Transfers	-	-	-	-
Net Change in Fund Balance	\$ 6,000	\$ 6,000	2,902	\$ (3,098)
Fund Balance, beginning			238,635	
Fund Balance, ending			\$ 241,537	

# City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

#### Southeast Alaska Economic Development Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 37,500	\$ 37,500	\$ 55,293	\$ 17,793
Expenditures	-	-	-	-
Net Transfers	(37,500)	(37,500)	(39,703)	(2,203)
Net Change in Fund Balance	\$ -	\$ -	15,590	\$ 15,590
Fund Balance, beginning			3,351,331	
Fund Balance, ending			\$ 3,366,921	

#### Gary Paxton Industrial Park Contingency Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 18,000	\$ 18,000	\$ 1,779	\$ (16,221)
Expenditures	-	-	-	-
Net Transfers	(18,000)	(18,000)	17,350	35,350
Net Change in Fund Balance	\$ -	\$ -	19,129	\$ 19,129
Fund Balance, beginning			592,744	
Fund Balance, ending			\$ 611,873	

## City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

## Sitka Tobacco Tax Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 886,500	\$ 886,500	\$ 850,282	\$ (36,218)
Expenditures	886,500	886,500	855,680	30,820
Net Transfers	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	(5,398)	\$ (5,398)
Fund Balance, beginning			103,743	
Fund Balance, ending			\$ 98,345	

## Commercial Passenger Excise Tax Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 273,100	\$ 273,100	\$ 404,732	\$ 131,632
Expenditures	251,200	316,200	201,950	114,250
Net Transfers	(15,000)	(17,500)	(15,170)	2,330
Net Change in Fund Balance	\$ 6,900	\$ (60,600)	187,612	\$ 248,212
Fund Balance, beginning			419,531	
Fund Balance, ending			\$ 607,143	

# City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

#### Local Improvement District Revolving Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 28,200	\$ 28,200	\$ 11,151	\$ (17,049)
Expenditures	500	500	505	(5)
Net Transfers	(28,200)	(28,200)	(21,841)	6,359
Net Change in Fund Balance	\$ (500)	\$ (500)	(11,195)	\$ (10,695)
Fund Balance, beginning			1,114,812	
Fund Balance, ending			<u>\$ 1,103,617</u>	

#### Local Improvement District Guaranty Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	6,200	6,200	1,037	(5,163)
Expenditures	\$ -	\$ -	\$ -	\$ -
Net Transfers	(6,200)	(6,200)	(5,409)	791
Net Change in Fund Balance	\$ -	\$ -	(4,372)	\$ (4,372)
Fund Balance, beginning			276,985	
Fund Balance, ending			<u>\$ 272,613</u>	

## City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Raw Water Sales Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 21,500	\$ 21,500	\$ 9,587	\$ (11,913)
Expenditures	-	-	-	-
Net Transfers	(56,300)	(156,300)	(106,300)	50,000
Net Change in Fund Balance	<u>\$ (34,800)</u>	<u>\$ (134,800)</u>	<u>(96,713)</u>	<u>\$ 38,087</u>
Fund Balance, beginning			<u>898,410</u>	
Fund Balance, ending			<u>\$ 801,697</u>	

Fisheries Enhancement Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ -	\$ -	\$ (33)	\$ (33)
Expenditures	46,459	46,459	42,000	4,459
Net Transfers	46,655	46,655	42,021	(4,634)
Net Change in Fund Balance	<u>\$ 196</u>	<u>\$ 196</u>	<u>(12)</u>	<u>\$ (208)</u>
Fund Balance, beginning			<u>325</u>	
Fund Balance, ending			<u>\$ 313</u>	

## City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Pet Adoption Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 1,000	\$ 1,000	\$ 925	\$ (75)
Expenditures	1,000	1,000	-	1,000
Net Transfers	-	-	5,269	5,269
Net Change in Fund Balance	\$ -	\$ -	6,194	\$ 6,194
Fund Balance, beginning			46,705	
Fund Balance, ending			<u>\$ 52,899</u>	

Bed Tax/Visitor Enhancement Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 484,000.00	\$ 484,000.00	\$ 540,875.00	\$ 56,875.00
Expenditures	458,912	468,912	440,529	28,383
Net Transfers	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balance	\$ (24,912)	\$ (34,912)	50,346	\$ 85,258
Fund Balance, beginning			304,039	
Fund Balance, ending			<u>\$ 354,385</u>	



## City and Borough of Sitka, Alaska

## Nonmajor Governmental Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Student Travel Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ 2,500	\$ 2,500	\$ 2,255	\$ (245)
Expenditures	2,500	2,500	-	2,500
Net Transfers	-	-	-	-
Net Change in Fund Balance	-	-	2,255	\$ 2,255
Fund Balance, beginning			2,530	
Fund Balance, ending			<u>\$ 4,785</u>	

Utility Subsidization Special Revenue Fund

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ -	\$ -	\$ (4,275)	\$ (4,275)
Expenditures	-	-	-	-
Net Transfers	-	-	400,000	400,000
Net Change in Fund Balance	\$ -	\$ -	395,725	\$ 395,725
Fund Balance, beginning			-	
Fund Balance, ending			<u>\$ 395,725</u>	

## City and Borough of Sitka, Alaska

## Capital Projects Funds

## Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
Revenues	\$ -	\$ 1,990,364	\$ 1,707,524	\$ (282,840)
Expenditures	1,300,000	3,855,038	3,557,052	297,986
Net Transfers	1,300,000	1,375,000	2,349,122	974,122
Net Change in Fund Balance	\$ -	\$ (489,674)	499,594	\$ 989,268
Fund Balance, beginning			4,522,754	
Fund Balance, ending			\$ 5,022,348	

**City and Borough of Sitka, Alaska**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Position**

June 30, 2018	Water	Gary Paxton Industrial Park	Airport	Marine Service Center	Total Nonmajor Enterprise
<b>Assets</b>					
<b>Current Assets</b>					
Equity in central treasury	\$ 1,759,803	\$ 931,089	\$ 880,339	\$ 1,954,239	\$ 5,525,470
Receivables:					
Trade accounts receivable and other	180,403	40,769	25,902	24,396	271,470
Allowance for uncollectables	(29,866)	-	-	-	(29,866)
Federal and State of Alaska	438,886	60,155	43,211	-	542,252
Current portion of note receivable	-	8,352	-	-	8,352
Inventories	218,715	-	-	-	218,715
<b>Total Current Assets</b>	<b>2,567,941</b>	<b>1,040,365</b>	<b>949,452</b>	<b>1,978,635</b>	<b>6,536,393</b>
<b>Noncurrent Assets</b>					
Bond covenant accounts	-	-	-	-	-
Notes receivable	-	37,302	-	-	37,302
Special assessments receivable	-	-	-	-	-
Water rights	23,483	-	-	-	23,483
Capital assets:					
Property, plant and equipment	45,279,796	22,922,448	5,206,982	3,506,392	76,915,618
Construction in progress	491,879	24,241	287,775	-	803,895
Less accumulated depreciation	(16,484,900)	(5,159,249)	(3,045,608)	(3,237,748)	(27,927,505)
<b>Total capital assets, net of accumulated depreciation</b>	<b>29,286,775</b>	<b>17,787,440</b>	<b>2,449,149</b>	<b>268,644</b>	<b>49,792,008</b>
<b>Total Noncurrent Assets</b>	<b>29,310,258</b>	<b>17,824,742</b>	<b>2,449,149</b>	<b>268,644</b>	<b>49,852,793</b>
<b>Total Assets</b>	<b>31,878,199</b>	<b>18,865,107</b>	<b>3,398,601</b>	<b>2,247,279</b>	<b>56,389,186</b>
<b>Deferred Outflows of Resources</b>					
Deferred Outflows of Resources related to OPEB	10,792	-	-	-	10,792
Deferred Outflows of Resources related to pensions	32,488	-	-	-	32,488
<b>Total Deferred Outflows of Resources</b>	<b>43,280</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,280</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 31,921,479</b>	<b>\$ 18,865,107</b>	<b>\$ 3,398,601</b>	<b>\$ 2,247,279</b>	<b>\$ 56,432,466</b>
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	\$ 46,026	\$ 13,535	\$ 19,865	\$ -	\$ 79,426
Interest payable	33,384	-	-	-	33,384
Unearned revenue	-	-	-	-	-
Due to other funds	-	-	-	-	-
Current portion:					
Revenue bonds	-	-	-	-	-
Notes payable	401,463	-	-	-	401,463
Compensated absences	18,246	-	-	-	18,246
Payable from restricted assets - deposits	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>499,119</b>	<b>13,535</b>	<b>19,865</b>	<b>-</b>	<b>532,519</b>
<b>Noncurrent Liabilities</b>					
Advances from other funds	-	149,346	-	-	149,346
Revenue bonds	-	-	-	-	-
Unamortized bond premiums	-	-	-	-	-
Notes payable	6,074,335	-	-	-	6,074,335
Net other postemployment benefits liability	65,269	-	-	-	65,269
Net pension liability	344,534	-	-	-	344,534
<b>Total Noncurrent Liabilities</b>	<b>6,484,138</b>	<b>149,346</b>	<b>-</b>	<b>-</b>	<b>6,633,484</b>
<b>Total Liabilities</b>	<b>6,983,257</b>	<b>162,881</b>	<b>19,865</b>	<b>-</b>	<b>7,166,003</b>
<b>Deferred Inflows of Resources</b>					
Deferred Inflows of Resources related to OPEB	37,622	-	-	-	37,622
Deferred Inflows of Resources related to pensions	55,677	-	-	-	55,677
<b>Net Position</b>					
Net investment in capital assets	22,810,977	17,787,440	2,449,149	268,644	43,316,210
Restricted for debt service	-	-	-	-	-
Unrestricted	2,033,946	914,786	929,587	1,978,635	5,856,954
<b>Total Net Position</b>	<b>24,844,923</b>	<b>18,702,226</b>	<b>3,378,736</b>	<b>2,247,279</b>	<b>49,173,164</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 31,921,479</b>	<b>\$ 18,865,107</b>	<b>\$ 3,398,601</b>	<b>\$ 2,247,279</b>	<b>\$ 56,432,466</b>

## City and Borough of Sitka, Alaska

Nonmajor Enterprise Funds  
Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2017	Water	Gary Paxton Industrial Park	Airport	Marine Service Center	Total Nonmajor Enterprise
<b>Operating Revenues</b>					
Charges for service	\$ 2,328,784	\$ 119,911	\$ 392,369	\$ 243,788	\$ 3,084,852
Other operating revenues	51,042	-	-	-	51,042
<b>Total Operating Revenues</b>	<b>2,379,826</b>	<b>119,911</b>	<b>392,369</b>	<b>243,788</b>	<b>3,135,894</b>
<b>Operating Expenses</b>					
Wages and benefits	385,198	-	-	-	385,198
Travel and training	8,479	-	-	-	8,479
Utilities	91,711	36,297	93,800	(27,045)	194,763
Repair and maintenance	95,959	6,125	74,046	63,135	239,265
Contracted/purchased services	259,963	107,592	99,253	5,105	471,913
Interdepartmental services	521,013	36,520	110,274	22,403	690,210
Other	55,916	1,232	2,068	-	59,216
Depreciation and amortization	1,283,444	333,798	170,299	31,906	1,819,447
<b>Total Operating Expenses</b>	<b>2,701,683</b>	<b>521,564</b>	<b>549,740</b>	<b>95,504</b>	<b>3,868,491</b>
<b>Income (Loss) from Operations</b>	<b>(321,857)</b>	<b>(401,653)</b>	<b>(157,371)</b>	<b>148,284</b>	<b>(732,597)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Investment income (loss)	20,096	(3,795)	4,137	5,831	26,269
Interest expense	(94,383)	(6,472)	-	-	(100,855)
Raw fish tax	-	-	-	-	-
State PERS relief	12,012	-	-	-	12,012
Loss on Impairment	-	(1,492,379)	-	-	(1,492,379)
Other	-	650	62,009	-	62,659
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(62,275)</b>	<b>(1,501,996)</b>	<b>66,146</b>	<b>5,831</b>	<b>(1,492,294)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(384,132)</b>	<b>(1,903,649)</b>	<b>(91,225)</b>	<b>154,115</b>	<b>(2,224,891)</b>
Capital contributions	581,959	3,117,049	50,203	-	3,749,211
Transfers in	-	11,574	-	-	11,574
Transfers out	-	(29,269)	-	-	(29,269)
<b>Change in Net Position</b>	<b>197,827</b>	<b>1,195,705</b>	<b>(41,022)</b>	<b>154,115</b>	<b>1,506,625</b>
<b>Net Position, beginning, as restated (Note 18)</b>	<b>24,647,096</b>	<b>17,506,521</b>	<b>3,419,758</b>	<b>2,093,164</b>	<b>47,666,539</b>
<b>Net Position, ending</b>	<b>\$ 24,844,923</b>	<b>\$ 18,702,226</b>	<b>\$ 3,378,736</b>	<b>\$ 2,247,279</b>	<b>\$ 49,173,164</b>

**City and Borough of Sitka, Alaska**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**

	Water	Gary Paxton Industrial Park	Airport	Marine Service Center	Total Nonmajor Enterprise Funds
<i>Year Ended June 30, 2018</i>					
<b>Cash Flows from Operating Activities</b>					
Receipts from customers and users	\$ 2,491,410	\$ 2,536,779	\$ 389,410	\$ 219,392	\$ 5,636,991
Payments to suppliers	(502,714)	(681,651)	(250,996)	(41,195)	(1,476,556)
Payments for interfund services used	(521,013)	(36,520)	(110,274)	(22,403)	(690,210)
Payments to employees	(394,831)	-	-	-	(394,831)
<b>Net cash flows from operating activities</b>	<b>1,072,852</b>	<b>1,818,608</b>	<b>28,140</b>	<b>155,794</b>	<b>3,075,394</b>
<b>Cash Flows for Capital and Related Financing Activities</b>					
Capital expenditures	(1,378,590)	(3,197,224)	(105,052)	-	(4,680,866)
Interest paid	(94,383)	(6,472)	-	-	(100,855)
Payments on bonds and notes payable	(633,929)	(49,782)	-	-	(683,711)
Government grants and loans for construction received	1,175,156	3,117,049	50,203	-	4,342,408
Receipts (repayment) of advances	-	(729,599)	-	-	(729,599)
Transfers to other funds	-	(17,695)	-	-	(17,695)
<b>Net cash flows for capital and related financing activities</b>	<b>(931,746)</b>	<b>(883,723)</b>	<b>(54,849)</b>	<b>-</b>	<b>(1,870,318)</b>
<b>Cash Flows From Investing Activities - Interest received (loss)</b>	<b>20,095</b>	<b>(3,796)</b>	<b>4,139</b>	<b>5,831</b>	<b>26,269</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>161,201</b>	<b>931,089</b>	<b>(22,570)</b>	<b>161,625</b>	<b>1,231,345</b>
<b>Cash and Cash Equivalents, beginning</b>	<b>1,598,602</b>	<b>-</b>	<b>902,909</b>	<b>1,792,614</b>	<b>4,294,125</b>
<b>Cash and Cash Equivalents, ending</b>	<b>\$ 1,759,803</b>	<b>\$ 931,089</b>	<b>\$ 880,339</b>	<b>\$ 1,954,239</b>	<b>\$ 5,525,470</b>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Flows from Operating Activities</b>					
Income (loss) from operations	\$ (321,857)	\$ (401,653)	\$ (157,371)	\$ 148,284	\$ (732,597)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:					
Depreciation and amortization	1,283,444	333,798	170,299	31,906	1,819,447
State PERS relief	12,012	-	-	-	12,012
Other	-	650	62,009	-	62,659
(Increase) decrease in assets and deferred outflows:					
Accounts receivable (net)	111,584	2,416,218	(64,968)	(24,396)	2,438,438
Inventory	14,463	-	-	-	14,463
Prepaid expenses	-	-	8,050	-	8,050
Deferred outflow of resources related to other postemployment ben	4,145	-	-	-	4,145
Deferred outflow of resources related to pensions	81,938	-	-	-	81,938
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable and accrued liabilities	(5,149)	(530,405)	10,121	-	(525,433)
Compensated absences	(1,071)	-	-	-	(1,071)
Net other postemployment benefit liability	(47,717)	-	-	-	(47,717)
Net pension liability	(146,763)	-	-	-	(146,763)
Deferred inflows of resources related to other postemployment ben	37,622	-	-	-	37,622
Deferred inflows related to pensions	50,201	-	-	-	50,201
<b>Net Cash Flows from Operating Activities</b>	<b>\$ 1,072,852</b>	<b>\$ 1,818,608</b>	<b>\$ 28,140</b>	<b>\$ 155,794</b>	<b>\$ 3,075,394</b>

**City and Borough of Sitka, Alaska**  
**Water Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 2,395,580	\$ 2,395,580	\$ 2,379,826	\$ (15,754)
Non-operating revenues	48,500	56,540	32,108	(24,432)
<b>Total Revenues</b>	<b>2,444,080</b>	<b>2,452,120</b>	<b>2,411,934</b>	<b>(40,186)</b>
<b>Expenses</b>				
Operating expenses	2,900,771	2,973,605	2,701,683	271,922
Non-operating expenses	79,449	79,449	94,383	(14,934)
<b>Total Expenses</b>	<b>2,980,220</b>	<b>3,053,054</b>	<b>2,796,066</b>	<b>256,988</b>
Capital contributions	-	-	581,959	581,959
<b>Change in Net Position</b>	<b>\$ (536,140)</b>	<b>\$ (600,934)</b>	<b>197,827</b>	<b>\$ 798,761</b>
Net Position, beginning			<u>24,647,096</u>	
Net Position, ending			<u>\$ 24,844,923</u>	

Note: Depreciation and amortization are not budgeted but are included in at actual amount.



**City and Borough of Sitka, Alaska**  
**Gary Paxton Industrial Park Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 234,124	\$ 234,124	\$ 119,911	\$ (114,213)
Non-operating revenues	20,000	20,000	(3,145)	(23,145)
<b>Total Revenues</b>	<b>254,124</b>	<b>254,124</b>	<b>116,766</b>	<b>(137,358)</b>
<b>Expenses</b>				
Operating expenses	590,738	590,738	521,564	69,174
Non-operating expenses	1,498,851	1,498,851	1,498,851	-
<b>Total Expenses</b>	<b>2,089,589</b>	<b>2,089,589</b>	<b>2,020,415</b>	<b>69,174</b>
Capital contributions	-	-	3,117,049	3,117,049
Net transfers	18,000	18,000	(17,695)	(35,695)
<b>Change in Net Position</b>	<b>\$ (1,817,465)</b>	<b>\$ (1,817,465)</b>	<b>1,195,705</b>	<b>\$ 3,013,170</b>
<b>Net Position, beginning</b>			<b>17,506,521</b>	
<b>Net Position, ending</b>			<b>\$ 18,702,226</b>	

Note: Depreciation and amortization are not budgeted and are included at actual amounts.

**City and Borough of Sitka, Alaska**  
**Airport Terminal Fund Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 394,203	\$ 394,203	\$ 392,369	\$ (1,834)
Non-operating revenues	330,000	330,000	66,146	(263,854)
<b>Total Revenues</b>	<b>724,203</b>	<b>724,203</b>	<b>458,515</b>	<b>(265,688)</b>
<b>Expenses</b>				
Operating expenses	524,499	612,304	549,740	62,564
Non-operating expenses	-	-	-	-
<b>Total Expenses</b>	<b>524,499</b>	<b>612,304</b>	<b>549,740</b>	<b>62,564</b>
Capital contributions	-	-	50,203	50,203
Net transfers	-	-	-	-
<b>Change in Net Position</b>	<b>\$ 199,704</b>	<b>\$ 111,899</b>	<b>(41,022)</b>	<b>\$ (152,921)</b>
<b>Net Position, beginning</b>			<b>3,419,758</b>	
<b>Net Position, ending</b>			<b>\$ 3,378,736</b>	

**City and Borough of Sitka, Alaska**  
**Marine Service Center Enterprise Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Budget and Actual**

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 243,878	\$ 243,878	\$ 243,788	\$ (90)
Non-operating revenues	36,000	36,000	5,831	(30,169)
<b>Total Revenues</b>	<b>279,878</b>	<b>279,878</b>	<b>249,619</b>	<b>(30,259)</b>
<b>Expenses</b>				
Operating expenses	180,624	192,624	95,504	97,120
Non-operating expenses	-	-	-	-
<b>Total Expenses</b>	<b>180,624</b>	<b>192,624</b>	<b>95,504</b>	<b>97,120</b>
Capital contributions	-	-	-	-
Net transfers	-	-	-	-
<b>Change in Net Position</b>	<b>\$ 99,254</b>	<b>\$ 87,254</b>	<b>154,115</b>	<b>\$ 66,861</b>
<b>Net Position, beginning</b>			<b>2,093,164</b>	
<b>Net Position, ending</b>			<b>\$ 2,247,279</b>	

**City and Borough of Sitka, Alaska**  
**Internal Service Funds**  
**Combining Statement of Net Position**

<i>June 30, 2018</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
<b>Assets and Deferred Outflows of Resources</b>				
<b>Current Assets</b>				
Equity in central treasury	\$ -	\$ 3,630,592	\$ 1,527,067	\$ 5,157,659
<b>Noncurrent Assets</b>				
Capital assets:				
Property, plant and equipment	2,455,140	8,707,637	32,458	11,195,235
Construction in progress	-	42,775	-	42,775
Less accumulated depreciation	(1,778,521)	(5,146,517)	(25,858)	(6,950,896)
<b>Total capital assets, net of Accumulated depreciation</b>	<b>676,619</b>	<b>3,603,895</b>	<b>6,600</b>	<b>4,287,114</b>
<b>Total Noncurrent Assets</b>	<b>676,619</b>	<b>3,603,895</b>	<b>6,600</b>	<b>4,287,114</b>
<b>Total Assets</b>	<b>676,619</b>	<b>7,234,487</b>	<b>1,533,667</b>	<b>9,444,773</b>
<b>Deferred Outflows of Resources</b>				
Deferred Outflows of Resources related to other postemployment benefits	12,015	5,287	9,237	26,539
Deferred Outflows of Resources related to pensions	50,597	13,194	25,499	89,290
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 739,231</b>	<b>7,252,968</b>	<b>\$ 1,568,403</b>	<b>\$ 9,560,602</b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 1,444	\$ 76,124	\$ 11,573	\$ 89,141
Due to other funds	53,060	-	-	53,060
Compensated absences	15,722	14,824	22,490	53,036
<b>Total Current Liabilities</b>	<b>70,226</b>	<b>90,948</b>	<b>34,063</b>	<b>195,237</b>
<b>Noncurrent Liabilities</b>				
Advances from other funds	-	150,000	-	150,000
Net other postemployment benefits liability	72,668	31,972	55,866	160,506
Net pension liability	445,527	157,092	284,987	887,606
<b>Total Noncurrent Liabilities</b>	<b>518,195</b>	<b>339,064</b>	<b>340,853</b>	<b>1,198,112</b>
<b>Total Liabilities</b>	<b>588,421</b>	<b>430,012</b>	<b>374,916</b>	<b>1,393,349</b>
<b>Deferred Inflows of Resources</b>				
Deferred Inflows of Resources related to other postemployment benefits	41,887	18,429	32,203	92,519
Deferred Inflows of Resources related to pensions	62,680	27,143	47,546	137,369
<b>Net Position</b>				
Net investment in capital assets	676,619	3,603,895	6,600	4,287,114
Unrestricted (deficit)	(630,376)	3,173,489	1,107,138	3,650,251
<b>Total Net Position</b>	<b>46,243</b>	<b>6,777,384</b>	<b>1,113,738</b>	<b>7,937,365</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 739,231</b>	<b>\$ 7,252,968</b>	<b>\$ 1,568,403</b>	<b>\$ 9,560,602</b>

## City and Borough of Sitka, Alaska

## Internal Service Funds

## Combining Statement of Revenues, Expenses and Changes in Net Position

<i>Year Ended June 30, 2018</i>	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
<b>Operating Revenues</b>				
Charges for service	\$ 1,175,598	\$ 1,330,875	\$ 460,566	\$ 2,967,039
Other operating revenues	218	34,227	-	34,445
<b>Total Operating Revenues</b>	<b>1,175,816</b>	<b>1,365,102</b>	<b>460,566</b>	<b>3,001,484</b>
<b>Operating Expenses</b>				
Wages and benefits	429,975	206,873	379,035	1,015,883
Travel and training	5,835	-	3,337	9,172
Utilities	169,616	37,294	480	207,390
Repair and maintenance	149,440	69,899	8,226	227,565
Contracted/purchased services	193,872	285,578	169,670	649,120
Interdepartmental services	111,502	121,635	136,831	369,968
Other	77	631	294	1,002
Depreciation and amortization	198,458	504,819	880	704,157
<b>Total Operating Expenses</b>	<b>1,258,775</b>	<b>1,226,729</b>	<b>698,753</b>	<b>3,184,257</b>
<b>Income (Loss) from Operations</b>	<b>(82,959)</b>	<b>138,373</b>	<b>(238,187)</b>	<b>(182,773)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income (loss)	(1,987)	7,876	6,215	12,104
Interest expense	(1,797)	(10,000)	-	(11,797)
State PERS relief	13,373	5,885	10,282	29,540
Gain (loss) on sale of capital assets	-	3,101	-	3,101
<b>Net Nonoperating Revenues (Expenses)</b>	<b>9,589</b>	<b>6,862</b>	<b>16,497</b>	<b>32,948</b>
<b>Income (Loss) Before Transfers</b>	<b>(73,370)</b>	<b>145,235</b>	<b>(221,690)</b>	<b>(149,825)</b>
Transfers in	-	174,500	39,703	214,203
Transfers out	-	-	(60,000)	(60,000)
<b>Change in Net Position</b>	<b>(73,370)</b>	<b>319,735</b>	<b>(241,987)</b>	<b>4,378</b>
<b>Net Position, beginning, as restated (Note 18)</b>	<b>119,613</b>	<b>6,457,649</b>	<b>1,355,725</b>	<b>7,932,987</b>
<b>Net Position, ending</b>	<b>\$ 46,243</b>	<b>\$ 6,777,384</b>	<b>\$ 1,113,738</b>	<b>\$ 7,937,365</b>

## City and Borough of Sitka, Alaska

Internal Service Funds  
Combining Statement of Cash Flows

Year Ended June 30, 2018	Management Information Systems	Central Garage	Building Maintenance	Total Internal Service Funds
<b>Cash Flows from (for) Operating Activities</b>				
Receipts from customers and users	\$ 1,175,816	\$ 1,365,102.00	\$ 460,566	\$ 3,001,484
Payments to suppliers	(521,674)	(702,563)	(196,135)	(1,420,372)
Payments for interfund services used	(111,502)	(121,635)	(136,831)	(369,968)
Payments to employees	(438,778)	(205,712)	(377,367)	(1,021,857)
<b>Net cash flows from (for) operating activities</b>	<b>103,862</b>	<b>335,192</b>	<b>(249,767)</b>	<b>189,287</b>
<b>Cash Flows from (for) Noncapital Financing Activities</b>				
Repayment of advances	1,706	(50,000)	-	(48,294)
Transfers from other funds	-	174,500	(20,297)	154,203
<b>Net cash flows from (for) noncapital financing activities</b>	<b>1,706</b>	<b>124,500</b>	<b>(20,297)</b>	<b>105,909</b>
<b>Cash Flows for Capital and Related Financing Activities</b>				
Capital expenditures	-	(271,707)	-	(271,707)
Interest paid	(1,795)	(10,000)	-	(11,795)
<b>Net cash flows for capital and related financing activities</b>	<b>(1,795)</b>	<b>(281,707)</b>	<b>-</b>	<b>(283,502)</b>
<b>Cash Flows from (for) Investing Activities</b>				
Interest received (loss)	(1,986)	7,875	6,217	12,106
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>101,787</b>	<b>185,860</b>	<b>(263,847)</b>	<b>23,800</b>
<b>Cash and Cash Equivalents, beginning</b>	<b>(101,787)</b>	<b>3,444,732</b>	<b>1,790,914</b>	<b>5,133,859</b>
<b>Cash and Cash Equivalents, ending</b>	<b>\$ -</b>	<b>\$ 3,630,592.00</b>	<b>\$ 1,527,067</b>	<b>\$ 5,157,659</b>
<b>Reconciliation of Income (Loss) from Operations to Net Cash Flows from (for) Operating Activities</b>				
Income (loss) from operations	\$ (82,959)	\$ 138,373	\$ (238,187)	\$ (182,773)
Adjustments to reconcile income (loss) from operations to net cash flows from (for) operating activities:				
Depreciation and amortization	198,458	504,819	880	704,157
State PERS relief	13,373	5,885	10,282	29,540
(Increase) decrease in assets and deferred outflows:				
Prepaid expenses	1,079	-	-	1,079
Deferred outflows of resources related to other postemployment benefits	4,615	2,030	3,548	10,193
Deferred outflows of resources related to pensions	91,226	40,138	70,134	201,498
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued liabilities	(3,913)	(309,161)	(14,128)	(327,202)
Compensated absences	729	5,356	8,997	15,082
Net other postemployment liability	(53,126)	(23,375)	(40,844)	(117,345)
Net pension liability	(163,399)	(71,893)	(125,621)	(360,913)
Deferred inflows of resources related to other postemployment liabilities	41,887	18,429	32,203	92,519
Deferred inflows of resources related to pensions	55,892	24,591	42,969	123,452
<b>Net Cash Flows from (for) Operating Activities</b>	<b>\$ 103,862</b>	<b>\$ 335,192</b>	<b>\$ (249,767)</b>	<b>\$ 189,287</b>



**City and Borough of Sitka, Alaska**  
**Management Information Systems Internal Service Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
 Budget and Actual

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 1,170,001	\$ 1,170,001	\$ 1,175,816	\$ 5,815
Non-operating revenues	500	9,452	11,386	1,934
<b>Total Revenues</b>	<b>1,170,501</b>	<b>1,179,453</b>	<b>1,187,202</b>	<b>7,749</b>
<b>Expenses</b>				
Operating expenses	1,238,783	1,287,399	1,258,775	28,624
Non-operating expenses	993	993	1,797	(804)
<b>Total Expenses</b>	<b>1,239,776</b>	<b>1,288,392</b>	<b>1,260,572</b>	<b>27,820</b>
<b>Change in Net Position</b>	<b>\$ (69,275)</b>	<b>\$ (108,939)</b>	<b>(73,370)</b>	<b>\$ 35,569</b>
<b>Net Position, beginning</b>			<u>119,613</u>	
<b>Net Position, ending</b>			<u>\$ 46,243</u>	

**City and Borough of Sitka, Alaska**  
**Building Maintenance Internal Service Fund**  
**Schedule of Revenues, Expenses and changes Net Position**  
 Budget and Actual

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 644,355	\$ 644,355	\$ 460,566	\$ (183,789)
Non-operating revenues	33,600	40,482	16,497	(23,985)
<b>Total Revenues</b>	<b>677,955</b>	<b>684,837</b>	<b>477,063</b>	<b>(207,774)</b>
<b>Expenses</b>				
Operating expenses	926,931	1,043,077	698,753	344,324
<b>Total Expenses</b>	<b>926,931</b>	<b>1,043,077</b>	<b>698,753</b>	<b>344,324</b>
Net transfers	(22,500)	(22,500)	(20,297)	2,203
<b>Change in Net Position</b>	<b>\$ (271,476)</b>	<b>\$ (380,740)</b>	<b>(241,987)</b>	<b>\$ 138,753</b>
Net Position, beginning			1,355,725	
Net Position, ending			<u>\$ 1,113,738</u>	

**City and Borough of Sitka, Alaska**  
**Central Garage Internal Service Fund**  
**Schedule of Revenues, Expenses and Changes Net Position**  
 Budget and Actual, continued

<i>Year Ended June 30, 2018</i>	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Operating revenues	\$ 1,662,338	\$ 1,662,338	\$ 1,365,102	\$ (297,236)
Non-operating revenues	68,000	71,938	16,862	(55,076)
<b>Total Revenues</b>	<b>1,730,338</b>	<b>1,734,276</b>	<b>1,381,964</b>	<b>(352,312)</b>
<b>Expenses</b>				
Operating expenses	1,306,639	1,167,493	1,226,729	(59,236)
Non-operating expenses	10,000	10,000	10,000	-
<b>Total Expenses</b>	<b>1,316,639</b>	<b>1,177,493</b>	<b>1,236,729</b>	<b>(59,236)</b>
Net transfers	174,500	174,500	174,500	-
<b>Change in Net Position</b>	<b>\$ 588,199</b>	<b>\$ 731,283</b>	<b>319,735</b>	<b>\$ (411,548)</b>
Net Position, beginning			<u>6,457,649</u>	
Net Position, ending			<u>\$ 6,777,384</u>	

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## Statistical Section

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Table 1

## City and Borough of Sitka, Alaska

## Net Position by Component

## Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year				
	2014	2015	2016	2017	2018
Governmental activities:					
Invested in capital assets, net of related debt	\$ 86,125,410	\$ 94,765,479	\$ 111,067,134	\$ 115,405,541	\$ 115,862,733
Restricted	25,924,835	32,149,739	27,567,141	27,067,460	27,776,873
Unrestricted	37,352,229	22,669,294	21,354,757	16,597,067	15,861,001
Total governmental activities net assets	149,402,474	149,584,512	159,989,032	159,070,068	159,500,607
Business-type activities:					
Invested in capital assets, net of related debt	156,196,702	164,836,448	171,259,337	170,051,853	167,321,108
Restricted	8,992,528	10,445,096	10,470,409	10,583,555	10,748,446
Unrestricted	25,943,451	33,109,400	28,987,128	27,954,746	27,082,561
Total business-type activities net assets	191,132,681	208,390,944	210,716,874	208,590,154	205,152,115
Primary government:					
Invested in capital assets, net of related debt	242,322,112	259,601,927	285,457,394	285,457,394	283,183,841
Restricted	34,917,363	42,594,835	37,651,015	37,651,015	38,525,319
Unrestricted	63,295,680	55,778,694	44,551,813	44,551,813	42,943,562
Total Primary Government Net Assets	\$ 340,535,155	\$ 357,975,456	\$ 370,705,906	\$ 367,660,222	\$ 364,652,722
	Fiscal Year				
	2009	2010	2011	2012	2013
Governmental activities:					
Invested in capital assets, net of related debt	\$ 74,535,296	\$ 77,625,556	\$ 84,221,307	\$ 69,758,706	\$ 81,140,841
Restricted	25,807,768	24,564,026	33,185,178	28,065,049	28,969,693
Unrestricted	20,598,517	25,166,380	31,105,881	31,751,885	28,940,773
Total governmental activities net assets	120,941,581	127,355,962	148,512,366	129,575,640	139,051,307
Business-type activities:					
Invested in capital assets, net of related debt	92,657,290	96,906,077	89,514,065	89,725,575	103,467,052
Restricted	7,280,721	7,047,685	7,917,319	3,495,431	7,359,839
Unrestricted	21,170,279	22,938,329	47,488,067	48,724,671	50,906,747
Total business-type activities net assets	121,108,290	126,892,091	144,919,451	141,945,677	161,733,638
Primary government:					
Invested in capital assets, net of related debt	167,192,586	174,531,633	173,735,372	159,484,281	184,607,893
Restricted	33,088,489	31,611,711	41,102,497	31,560,480	36,329,532
Unrestricted	41,768,796	48,104,709	78,593,948	80,476,556	79,847,520
Total Primary Government Net Assets	\$ 242,049,871	\$ 254,248,053	\$ 293,431,817	\$ 271,521,317	\$ 300,784,945



Table 2

**City and Borough of Sitka, Alaska**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year				
	2014	2015	2016	2017	2018
General Fund:					
Nonspendable	\$ 394,229	\$ 1,825,359	\$ 1,657,883	\$ 988,403	\$ 625,913
Restricted	-	-	-	-	-
Committed	7,762,442	8,295,203	8,460,152	9,206,808	9,055,629
Assigned	-	-	-	-	-
Unassigned	8,234,138	4,889,171	4,420,827	3,977,938	5,378,630
<b>Total General Fund</b>	<b>\$ 16,390,809</b>	<b>\$ 15,009,733</b>	<b>\$ 14,538,862</b>	<b>\$ 14,173,149</b>	<b>\$ 15,060,172</b>
All Other Governmental Funds:					
Nonspendable	2,883,234	56,681	69,015	5	5
Restricted	25,924,835	26,207,854	24,863,608	25,141,562	25,681,513
Committed	11,544,459	15,111,535	11,404,858	9,249,985	9,816,366
Assigned	2,434,379	2,387,729	3,580,527	3,344,825	3,705,160
Unassigned	(4,686)	(4,785)	(5,167)	(5,187)	(5,187)
<b>Total all other governmental funds</b>	<b>\$ 42,782,221</b>	<b>\$ 43,759,014</b>	<b>\$ 39,912,841</b>	<b>\$ 37,731,190</b>	<b>\$ 39,197,857</b>
	Fiscal Year				
	2009	2010	2011	2012	2013
General Fund:					
Nonspendable	\$ 3,903,247	\$ 4,288,190	\$ 3,935,798	\$ 225	\$ 49,486
Restricted	2,602,648	2,760,462	2,087,478	522,444	520,742
Committed	226,501	229,579	1,205,833	9,987,028	7,904,460
Assigned	-	-	-	-	-
Unassigned	2,004,500	3,229,470	4,332,784	3,075,401	5,843,192
<b>Total General Fund</b>	<b>\$ 8,736,896</b>	<b>\$ 10,507,701</b>	<b>\$ 11,561,893</b>	<b>\$ 13,585,098</b>	<b>\$ 14,317,880</b>
All other governmental funds:					
Nonspendable	14,160,361	2,721,071	1,758,633	1,855,781	2,743,313
Restricted	20,814,274	24,561,265	43,700,167	29,036,455	28,343,985
Committed	4,119	784	312,039	8,933,726	6,727,368
Assigned	6,297,154	13,734,819	2,584,104	3,016,000	2,391,820
Unassigned	-	-	(52,986)	(35,725)	(8,870)
<b>Total all other governmental funds</b>	<b>\$ 41,275,908</b>	<b>\$ 41,017,939</b>	<b>\$ 48,301,957</b>	<b>\$ 42,806,237</b>	<b>\$ 40,197,616</b>

Table 3

## City and Borough of Sitka, Alaska

Changes in Net Position  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities</b>										
Administration	\$ 1,758,063	\$ 1,709,426	\$ 1,762,495	\$ 1,620,189	\$ 1,962,059	\$ 2,258,018	\$ 2,078,240	\$ 2,388,505	\$ 2,715,896	\$ 2,461,842
Public safety	6,591,077	6,345,657	6,625,688	6,655,486	6,984,741	7,944,883	6,958,386	7,788,950	8,094,841	6,461,189
Public works	4,523,661	4,692,515	4,479,567	5,101,445	4,955,993	4,112,134	4,661,945	6,341,667	6,722,139	5,871,594
Public services	2,194,283	2,126,070	2,210,011	2,340,805	2,348,593	2,405,606	3,727,612	3,722,086	3,996,515	3,453,341
Education and Hospital Support	9,149,431	9,830,856	9,070,397	9,141,153	9,179,685	9,123,989	9,384,188	10,783,487	10,392,966	10,680,672
Interest on long term debt	1,540,287	1,475,884	1,420,066	1,329,359	1,277,594	1,768,837	1,082,227	1,054,818	809,906	882,935
<b>Total governmental activities</b>	<b>25,756,802</b>	<b>26,181,010</b>	<b>25,568,224</b>	<b>26,188,437</b>	<b>26,708,665</b>	<b>26,213,547</b>	<b>27,892,518</b>	<b>31,279,513</b>	<b>32,732,263</b>	<b>29,814,573</b>
<b>Business-type Activities</b>										
Electric Utility	12,368,552	11,672,652	15,810,783	12,990,060	10,414,718	10,110,246	11,144,214	19,484,534	24,097,768	22,087,589
Water Utility	-	-	-	1,873,635	2,092,017	2,182,462	2,370,055	2,274,676	2,577,678	2,760,171
Waste water treatment	3,252,387	3,354,495	3,679,257	3,495,140	3,553,613	3,793,239	3,679,915	3,809,003	3,754,464	3,216,644
Solid waste disposal	2,938,042	3,114,822	3,077,032	3,131,311	3,262,793	3,464,859	3,444,737	3,882,003	4,514,678	4,881,503
Harbor	2,378,228	2,325,372	2,512,984	2,569,234	2,414,632	3,123,702	2,682,945	3,118,718	3,829,841	3,682,660
Other nonmajor business-type activities	3,298,547	1,400,040	3,156,084	1,624,293	1,151,598	1,404,174	1,693,904	1,467,365	1,221,382	2,650,641
<b>Total Business-type Activities</b>	<b>24,235,756</b>	<b>23,067,381</b>	<b>28,236,140</b>	<b>25,683,673</b>	<b>22,891,381</b>	<b>24,078,682</b>	<b>24,865,770</b>	<b>34,236,301</b>	<b>40,000,011</b>	<b>39,279,408</b>
<b>Total Primary Government Expenses</b>	<b>\$ 49,992,558</b>	<b>\$ 48,248,391</b>	<b>\$ 53,804,354</b>	<b>\$ 51,872,110</b>	<b>\$ 49,600,046</b>	<b>\$ 50,292,229</b>	<b>\$ 52,758,288</b>	<b>\$ 65,515,814</b>	<b>\$ 72,732,274</b>	<b>\$ 69,093,981</b>
<b>Program Revenues</b>										
<b>Governmental activities</b>										
Charges for services:										
Administration	\$ 836,056	\$ 505,174	\$ 420,194	\$ 713,129	\$ 327,245	\$ 302,118	\$ 377,681	\$ 330,066	\$ 595,703	\$ 318,388
Public safety	717,543	745,285	737,414	763,278	719,486	1,343,199	1,409,655	1,112,805	1,052,231	1,138,956
Public works	838,119	925,240	730,766	855,816	988,231	847,466	1,051,272	1,928,131	908,526	927,505
Public services	112,414	108,340	178,638	248,229	200,883	213,219	252,960	161,542	107,807	137,626
Operating grants and contributions	4,563,651	5,503,356	4,962,723	6,012,861	5,919,832	6,940,816	5,673,970	5,303,311	3,853,366	5,475,108
Capital grants and contributions	3,317,782	3,667,956	2,794,677	856,161	4,767,602	5,043,768	9,807,793	14,352,444	6,216,233	1,706,983
<b>Total Governmental Activities</b>	<b>10,385,565</b>	<b>11,455,331</b>	<b>9,824,412</b>	<b>9,449,474</b>	<b>12,993,199</b>	<b>14,685,686</b>	<b>18,574,352</b>	<b>23,468,299</b>	<b>12,733,866</b>	<b>9,704,566</b>
<b>Business-type Activities</b>										
Charges for services:										
Electric Utility	12,893,113	11,947,812	12,973,046	11,611,319	12,077,554	14,375,992	14,623,321	14,251,478	15,846,375	17,538,304
Water Utility	-	-	-	1,383,411	1,564,830	1,890,385	2,093,700	2,237,501	2,279,025	2,379,826
Waste water treatment	1,789,429	1,895,122	2,070,832	2,296,085	2,434,569	2,874,795	2,908,839	3,069,962	3,093,130	3,201,110
Solid waste disposal	2,926,079	2,997,497	3,291,086	3,101,602	2,988,758	3,088,777	3,067,855	3,252,472	4,013,653	4,060,430
Harbor	1,698,769	1,598,503	2,003,013	1,529,481	1,912,463	2,696,840	2,756,944	2,376,000	2,414,704	2,419,711
Other nonmajor business-type activities	1,178,091	958,986	971,501	934,857	1,259,824	1,389,285	973,890	879,756	830,846	756,068
Operating grants and contributions	1,660,737.00	1,701,350.00	1,490,571	2,322,441	2,411,944	1,157,936	881,120	901,570	773,493	773,249
Capital grants and contributions	1,296,997	5,874,475	24,470,807	5,237,360	16,815,385	24,285,814	15,250,445	6,844,390	5,184,520	4,727,242
<b>Total Business-type Activities</b>	<b>23,373,215</b>	<b>26,473,744</b>	<b>47,272,856</b>	<b>28,416,636</b>	<b>43,467,927</b>	<b>51,759,824</b>	<b>42,053,614</b>	<b>33,813,129</b>	<b>34,449,748</b>	<b>35,986,440</b>
<b>Total Primary Government Program Revenues</b>	<b>33,758,780</b>	<b>37,929,075</b>	<b>57,097,268</b>	<b>37,866,110</b>	<b>56,455,026</b>	<b>66,445,510</b>	<b>60,627,966</b>	<b>57,281,428</b>	<b>47,183,614</b>	<b>45,611,006</b>
<b>Net Revenue (Expense)</b>	<b>(15,371,237)</b>	<b>(14,725,679)</b>	<b>(15,743,802)</b>	<b>(16,738,963)</b>	<b>(13,713,566)</b>	<b>(11,527,861)</b>	<b>(9,310,166)</b>	<b>(8,111,214)</b>	<b>(19,998,397)</b>	<b>(10,110,007)</b>
Governmental activities	(862,541)	4,406,361	19,036,716	2,732,963	20,571,546	27,681,142	17,187,844	(423,172)	(5,550,263)	(3,272,968)
Business-type activities	(14,508,696)	(19,132,040)	(34,780,518)	(19,471,926)	(34,285,112)	(39,109,003)	(26,498,010)	(7,688,042)	(14,448,134)	(6,837,039)
<b>Total Primary Government (Net Expense)</b>	<b>\$ (16,233,778)</b>	<b>\$ (10,319,316)</b>	<b>\$ 3,292,914</b>	<b>\$ (14,006,000)</b>	<b>\$ 6,857,980</b>	<b>\$ 16,153,281</b>	<b>\$ 7,877,678</b>	<b>\$ (8,534,386)</b>	<b>\$ (25,548,660)</b>	<b>\$ (23,482,975)</b>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities</b>										
Taxes										
Property taxes	\$ 5,882,368	\$ 5,926,046	\$ 6,003,008	\$ 6,069,078	\$ 6,095,358	\$ 6,187,719	\$ 6,245,146	\$ 6,202,972	\$ 6,454,150	\$ 6,647,375
Sales and other taxes	9,850,321	8,950,243	9,727,879	9,544,100	9,583,108	10,466,361	10,983,577	11,712,840	12,779,601	13,887,701
Unrestricted grants and contributions	1,891,506	427,908	443,682	470,436	460,478	489,792	-	-	-	1,016,787
Investment earnings (loss)	(1,969,320)	3,649,352	4,348,650	2,266,133	2,564,594	3,453,061	116,824	(153,969)	815,593	(47,061)
Debt principal reimbursement	1,191,500	1,252,000	1,253,000	1,252,000	1,252,000	1,252,000	1,252,000	1,252,000	1,371,375	1,885,500
Other	2,130,615	1,070,480	17,274	-	1,280,350	15,796	1,557,740	113,329	14	-
Transfers	(160,766)	(143,969)	(2,998,622)	(1,316,642)	84,587	14,299	(2,727,192)	(611,438)	(2,260,336)	(34,841)
<b>Total Governmental Activities</b>	<b>19,018,224</b>	<b>21,140,060</b>	<b>18,788,821</b>	<b>18,285,105</b>	<b>21,340,675</b>	<b>21,879,028</b>	<b>17,428,095</b>	<b>18,515,734</b>	<b>19,160,397</b>	<b>23,355,461</b>
<b>Business-type Activities</b>										
Unrestricted grants and contributions	-	-	-	-	-	1,227,772	1,009,033	879,793	953,324	1,279,885
Investment earnings	1,397,612	1,139,012	799,620	1,413,015	469,791	504,428	559,400	1,115,858	(120,678)	110,307
Other	457,566	94,457	(160,100)	-	3,672,00	-	43,664	142,013	330,561	62,659
Transfers	160,766	143,969	2,998,622	1,316,642	(84,587)	(14,299)	2,727,192	611,438	2,260,336	94,841
<b>Total Business-type Activities</b>	<b>1,915,944</b>	<b>1,377,438</b>	<b>3,629,192</b>	<b>2,729,657</b>	<b>388,876</b>	<b>1,717,901</b>	<b>4,339,289</b>	<b>2,749,101</b>	<b>3,423,543</b>	<b>1,547,695</b>
<b>Total Primary Government</b>	<b>20,934,168</b>	<b>22,517,498</b>	<b>22,418,013</b>	<b>21,014,762</b>	<b>21,729,551</b>	<b>23,596,929</b>	<b>21,767,384</b>	<b>21,264,835</b>	<b>22,583,940</b>	<b>24,903,156</b>
<b>Change in Net Position</b>	<b>3,646,987</b>	<b>6,414,381</b>	<b>3,045,019</b>	<b>1,546,142</b>	<b>7,625,109</b>	<b>10,351,167</b>	<b>8,109,929</b>	<b>10,404,520</b>	<b>(808,000)</b>	<b>3,245,454</b>
Governmental activities	3,646,987	6,414,381	3,045,019	1,546,142	7,625,109	10,351,167	8,109,929	10,404,520	(808,000)	3,245,454
Business-type activities	1,053,493	5,783,001	22,665,908	5,462,620	20,960,432	29,399,043	21,527,133	2,329,930	(2,126,770)	(1,803,273)
<b>Total Primary Government</b>	<b>\$ 4,700,390</b>	<b>\$ 12,198,182</b>	<b>\$ 25,710,927</b>	<b>\$ 7,008,762</b>	<b>\$ 28,585,531</b>	<b>\$ 39,750,210</b>	<b>\$ 29,637,062</b>	<b>\$ 12,734,450</b>	<b>\$ (2,964,770)</b>	<b>\$ 1,442,181</b>

\* Electric and Water Utilities reported as one entity until split apart in FY12

## City and Borough of Sitka, Alaska

## Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Taxes	\$ 15,732,689	\$ 14,876,289	\$ 15,019,382	\$ 15,199,048	\$ 15,543,311	\$ 16,351,095	\$ 17,071,383	\$ 17,697,462	\$ 18,924,241	\$ 20,129,961
State sources	7,828,757	6,700,449	5,095,182	5,807,654	9,207,616	9,384,209	15,088,635	17,218,068	8,810,809	4,952,257
Federal sources	3,241,857	4,313,422	2,505,769	2,251,970	2,132,222	2,560,281	3,057,734	2,813,097	1,525,182	2,330,840
Charges for services	1,546,658	1,682,329	1,633,186	1,711,974	1,839,516	2,029,484	2,150,939	2,748,192	1,643,371	1,751,934
Interfund services	2,393,157	2,219,501	2,380,298	2,659,323	2,693,860	3,584,990	2,807,749	2,870,628	2,750,429	2,855,203
Fines and forfeitures	139,373	122,422	138,697	125,112	103,541	97,102	118,679	85,245	71,293	46,773
Investment income	(1,601,383)	3,507,550	4,624,136	2,166,885	2,262,808	4,630,602	1,291,529	953,584	2,208,869	1,832,552
Uses of property	936,532	600,545	579,670	834,309	788,961	408,565	329,537	226,643	265,557	335,686
Licenses and permits	140,879	131,963	140,371	223,422	177,221	130,901	195,824	203,736	268,025	159,153
Other	1,042,588	691,865	514,866	645,879	1,023,994	971,084	827,062	387,895	419,254	441,192
<b>Total Revenues</b>	<b>31,401,107</b>	<b>34,846,335</b>	<b>32,631,557</b>	<b>31,625,576</b>	<b>35,773,050</b>	<b>40,148,313</b>	<b>42,939,071</b>	<b>45,204,550</b>	<b>36,887,030</b>	<b>34,835,551</b>
<b>Expenditures</b>										
Administration	3,890,049	3,771,014	3,871,834	4,082,610	4,632,192	5,202,321	5,439,736	4,750,036	4,863,965	4,906,870
Public safety	6,329,311	6,412,581	6,427,515	6,402,097	6,552,240	6,688,198	7,773,703	6,969,696	6,515,650	6,271,068
Public works	3,774,964	3,891,905	3,835,904	4,194,363	3,746,518	3,635,207	4,259,577	4,605,859	4,322,411	3,734,414
Public services	1,938,102	1,854,978	1,876,970	2,026,506	1,792,692	1,890,050	2,391,723	2,219,095	3,291,844	2,770,419
Support	7,564,011	7,809,145	7,121,245	6,893,481	6,402,944	7,067,034	6,896,830	7,650,465	7,177,703	7,294,014
Capital outlay	6,244,449	5,807,256	2,845,124	7,710,853	10,112,520	7,086,919	11,168,536	19,139,373	7,287,549	3,571,051
Debt service:										
Principal	1,920,626	1,921,186	1,949,750	2,269,750	2,449,860	2,398,231	2,483,231	2,578,831	2,717,310	2,802,310
Interest and fiscal charges	1,675,888	1,530,218	1,450,183	1,375,318	1,317,335	1,353,487	1,209,446	1,126,007	979,104	882,671
<b>Total Expenditures</b>	<b>33,337,400</b>	<b>32,998,283</b>	<b>29,378,525</b>	<b>34,954,978</b>	<b>37,006,301</b>	<b>35,321,447</b>	<b>41,622,782</b>	<b>49,039,362</b>	<b>37,155,536</b>	<b>32,232,817</b>
<b>Excess (Deficit) of Revenues Over (Under) Expenditures</b>	<b>(1,936,293)</b>	<b>1,848,052</b>	<b>3,253,032</b>	<b>(3,329,402)</b>	<b>(1,233,251)</b>	<b>4,826,866</b>	<b>1,316,289</b>	<b>(3,834,812)</b>	<b>(268,506)</b>	<b>2,602,734</b>
<b>Other Financing Sources (Uses)</b>										
Proceeds from sale of assets	-	-	-	-	-	-	1,052,256	22,334	-	-
Issuance of bonds - par	7,150,000	-	5,690,000	12,755,000	-	-	6,095,000	-	1,630,000	-
Issuance of bonds - premium	121,482	-	30,239	2,074,582	-	-	836,234	-	52,463	-
Payment to refund bonds	-	-	-	(14,829,582)	-	-	(6,876,762)	-	(1,662,944)	-
Transfers in	10,510,579	3,083,574	4,232,927	4,037,358	6,021,580	3,165,070	8,509,199	7,685,336	7,690,538	5,955,584
Transfers out	(10,554,140)	(3,418,790)	(4,867,988)	(4,180,470)	(6,184,461)	(3,333,862)	(11,336,499)	(8,189,902)	(9,988,915)	(6,204,628)
<b>Net Other Financing Sources (Uses)</b>	<b>7,227,921</b>	<b>(335,216)</b>	<b>5,085,178</b>	<b>(143,112)</b>	<b>(162,881)</b>	<b>(168,792)</b>	<b>(1,720,572)</b>	<b>(482,232)</b>	<b>(2,278,858)</b>	<b>(249,044)</b>
<b>Net change in fund balances</b>	<b>\$ 5,291,628</b>	<b>\$ 1,512,836</b>	<b>\$ 8,338,210</b>	<b>\$ (3,472,514)</b>	<b>\$ (1,396,132)</b>	<b>\$ 4,658,074</b>	<b>\$ (404,283)</b>	<b>\$ (4,317,044)</b>	<b>\$ (2,547,364)</b>	<b>\$ 2,353,690</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>13.3%</b>	<b>12.7%</b>	<b>12.8%</b>	<b>13.4%</b>	<b>14.0%</b>	<b>13.3%</b>	<b>12.1%</b>	<b>12.4%</b>	<b>12.4%</b>	<b>12.9%</b>

Table 5

**City and Borough of Sitka, Alaska**  
**Assessed Value and Estimated Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

Fiscal Year	Residential Property	Commercial Property	Personal Property	Less Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2009	\$ 729,075,200	\$ 230,930,000	\$ 51,609,680	\$ 70,150,000	\$ 941,464,880	0.006	\$ 1,178,401,100	79.89%
2010	729,201,100	239,476,200	52,244,615	67,347,130	953,574,785	0.006	1,122,803,600	84.93%
2011	671,727,505	305,317,150	77,029,224	69,000,750	985,073,129	0.006	1,152,462,400	85.48%
2012	760,785,518	175,868,354	141,113,024	86,836,658	990,930,238	0.006	1,151,376,900	86.06%
2013	772,425,015	189,487,200	146,333,667	107,179,098	1,001,066,784	0.006	1,162,987,200	86.08%
2014	785,165,365	205,160,659	153,247,454	112,286,978	1,031,286,500	0.006	1,195,055,878	86.30%
2015	761,395,448	189,935,700	148,629,600	14,587,081	1,085,373,667	0.006	1,195,498,800	90.79%
2016	682,904,400	292,673,300	60,709,500	77,348,300	958,938,900	0.006	1,245,005,400	77.02%
2017	751,808,201	322,203,499	57,307,441	81,338,900	1,049,980,241	0.006	1,318,435,400	79.64%
2018	869,636,600	262,276,100	57,532,700	103,355,100	1,086,090,300	0.006	1,284,593,700	84.55%

Property values are assessed at full and true value as of January 1st of the assessment year. On average (excluding tax exemptions), the City and Borough of Sitka assesses property at about 90% of its estimated full and true value, as demonstrated by the use of standardized ratio study results.

Table 6

**City and Borough of Sitka, Alaska**  
**Property Tax Rates**  
**Direct and Overlapping Governments**  
**Last Ten Fiscal Years**

Fiscal Year	Property Tax Mill Levies (per \$1,000 Assessed Valuation)
2009	6.00
2010	6.00
2011	6.00
2012	6.00
2013	6.00
2014	6.00
2015	6.00
2016	6.00
2017	6.00
2018	6.00

Property tax rates are set in the charter and may not be changed except by affirmative vote of a majority of voters

There are no overlapping property tax rates.

Table 7

**City and Borough of Sitka, Alaska**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
*(accrual basis of accounting)*

Fiscal Year		Property Tax		Sales Tax		Bed Tax		Total
2009	\$	5,882,368	\$	9,514,013	\$	336,308	\$	15,732,689
2010		5,926,046		8,646,598		303,655		14,876,299
2011		6,003,008		8,708,484		307,890		15,019,382
2012		6,069,078		8,804,619		325,351		15,199,048
2013		6,095,558		9,093,595		354,158		15,543,311
2014		6,187,719		9,785,829		377,547		16,351,095
2015		6,245,146		9,678,727		411,916		16,335,789
2016		6,202,972		10,531,237		472,900		17,207,109
2017		6,454,150		11,087,495		503,439		18,045,084
2018		6,647,375		12,631,709		543,697		19,822,781



Table 8

## City and Borough of Sitka, Alaska

Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	2017			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
SCOJO, LLC	\$ 10,270,300	1	0.95%			
Harbor Enterprises Inc. (dba Petro Marine)	7,702,700	2	0.71%	\$ 7,623,316	4	0.81%
Silver Bay Seafoods	6,476,500	3	0.60%	8,356,733	3	0.89%
The North West Company (INTL), Inc	6,148,900	4	0.57%	4,957,147	8	0.53%
Seafood Producers Cooperative	6,043,500	5	0.56%	7,156,556	6	0.76%
North Pacific Seafoods	5,872,900	6	0.54%	9,548,369	2	1.01%
Hames Corporation	5,762,200	7	0.53%	7,482,100	5	0.79%
AK Preservation Sawmill Ltd	5,178,600	8	0.48%			
Halibut Point Marine Services, LLC	5,062,300	9	0.47%			
Martin Revocable Trust	4,025,000	10	0.37%	4,528,500	9	0.48%
Sheldon Jackson College				18,625,000	1	1.98%
EMMI				5,140,000	7	0.55%
Shee Atika Holdings				4,329,000	10	0.46%
Totals	<u>\$ 62,542,900</u>		<u>5.76%</u>	<u>\$ 77,746,721</u>		<u>8.26%</u>

Table 9

**City and Borough of Sitka, Alaska**  
**Property Tax Levies and Collection**  
**Last Ten Fiscal Years**

Fiscal Year	Total Tax Levy for Fiscal Year	Collections within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Amount	Percentage of Levy
		Amount Collected	Percentage of Levy			
2009	\$ 5,735,000	\$ 5,689,030	99%	\$ 57,230	\$ 5,746,260	100.20%
2010	5,768,331	5,735,962	99%	57,230	5,793,192	100.43%
2011	5,799,400	5,753,039	99%	45,970	5,799,009	99.99%
2012	5,904,617	5,874,918	99%	46,361	5,921,279	100.28%
2013	5,957,735	5,893,452	99%	29,699	5,923,151	99.42%
2014	5,901,738	5,842,721	99%	64,826	5,907,547	100.10%
2015	6,283,300	6,146,746	98%	38,488	6,185,234	98.44%
2016	6,194,742	6,145,132	99%	29,616	6,174,748	99.68%
2017	6,337,187	6,300,105	99%	32,806	6,332,911	99.93%
2018	6,438,071	6,300,105	98%	3,313	6,303,418	97.91%

## City and Borough of Sitka, Alaska

## Sales Tax Receipts by Industry

## Last Ten Fiscal Years

Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture, Forestry and Fishing	\$ 32,933	\$ 28,445	\$ 23,758	\$ 23,626	\$ 23,634	\$ 20,094	\$ 18,137	\$ 19,297	\$ 17,100	\$ 27,629
Construction	109,853	109,913	112,806	130,943	166,960	221,446	201,145	205,887	234,360	301,566
Manufacturing	288,990	264,131	332,598	318,827	346,702	213,104	233,094	249,378	267,635	290,841
Transportation & Public Utilities	923,834	773,276	747,953	681,166	692,582	675,327	680,790	657,369	625,344	646,408
Wholesale Trade	64,048	62,336	68,586	61,743	57,666	53,877	54,145	70,273	80,346	90,818
Retail Trade	5,376,039	4,991,535	4,989,084	5,138,245	5,141,931	5,617,392	5,510,674	5,539,053	5,656,974	6,033,590
Finance, Insurance & Real Estate	325,422	318,426	247,223	252,158	297,556	307,149	325,567	378,274	420,778	519,460
Services	1,577,816	1,350,528	1,438,445	1,475,440	1,604,007	1,782,447	1,865,545	2,173,224	2,623,270	2,954,957
Government - Local	591,821	595,154	543,385	722,471	762,558	895,003	789,630	930,599	892,001	1,222,743
<b>Total Sales Tax Receipts</b>	<b>\$ 9,624,854</b>	<b>\$ 9,290,756</b>	<b>\$ 8,493,744</b>	<b>\$ 8,503,838</b>	<b>\$ 8,804,619</b>	<b>\$ 9,093,596</b>	<b>\$ 9,678,727</b>	<b>\$ 10,223,354</b>	<b>\$ 10,817,807</b>	<b>\$ 12,088,012</b>

Sales tax rate during months of April through September at 6%, remainder of the year at 5%

Gross Sales by Industry  
Last Ten Fiscal Years

Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture, Forestry and Fishing	\$ 2,741,284	\$ 2,205,318	\$ 1,886,260	\$ 5,933,107	\$ 3,676,800	\$ 4,354,707	\$ 3,601,207	\$ 3,535,452	\$ 2,324,843	\$ 6,609,809
Construction	77,213,089	71,402,438	86,964,824	86,689,548	91,354,782	157,611,922	141,721,383	100,767,547	75,389,002	63,216,057
Manufacturing	13,094,014	13,350,474	17,266,204	14,436,992	13,495,858	11,721,581	12,173,509	11,546,457	14,185,850	12,954,934
Transportation & Public Utilities	25,952,847	20,330,171	20,799,846	19,040,347	18,653,208	18,475,455	18,932,722	17,792,868	17,803,360	20,127,273
Wholesale Trade	17,115,448	15,518,232	15,832,946	21,443,717	18,266,103	20,061,339	21,112,181	20,867,486	21,127,561	20,800,885
Retail Trade	151,921,138	137,774,562	127,078,920	138,148,838	137,469,327	147,432,458	147,117,219	137,741,065	147,468,118	161,438,725
Finance, Insurance & Real Estate	23,071,451	31,606,652	21,265,902	21,992,145	22,787,879	24,564,111	22,925,923	17,877,973	17,511,353	4,419,534
Services	61,341,788	51,406,551	55,370,501	56,793,564	62,679,023	71,868,610	76,340,561	78,410,397	75,071,067	67,371,555
Government - Local	20,063,571	20,201,990	19,993,792	25,899,020	26,735,836	30,718,246	33,554,572	39,544,915	31,186,998	53,764,615
<b>Total Gross Sales</b>	<b>\$ 381,924,285</b>	<b>\$ 363,796,338</b>	<b>\$ 363,796,338</b>	<b>\$ 366,459,195</b>	<b>\$ 390,377,278</b>	<b>\$ 395,118,816</b>	<b>\$ 477,479,277</b>	<b>\$ 428,084,160</b>	<b>\$ 402,068,152</b>	<b>\$ 410,703,387</b>

# City and Borough of Sitka, Alaska

## Ratios of Outstanding Debt by Type Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General		Notes Payable	Capital Leases	Revenue Bonds	Notes Payable	Capital Leases				
	Obligation Bonds										
2009	\$ 34,410,000	\$ 185,250	\$ 51,436	\$ 30,395,000	\$ 20,132,064	\$ 2,553	\$ 85,176,303	20.12%	\$ 9,198		
2010	32,550,000	175,500	-	28,090,000	20,377,078	-	81,192,578	22.06%	9,249		
2011	36,300,000	165,750	-	48,700,000	20,117,401	-	105,283,151	25.89%	9,142		
2012	32,290,000	156,000	-	47,570,000	21,023,413	-	101,039,413	37.46%	12,000		
2013	31,020,000	146,250	-	85,285,000	20,860,822	-	137,312,072	35.85%	11,287		
2014	28,635,000	202,641	-	108,940,000	20,625,388	-	158,403,029	47.80%	15,116		
2015	25,990,000	189,410	-	123,215,000	25,812,083	-	175,206,493	54.24%	17,411		
2016	23,435,000	347,676	-	121,120,000	23,846,352	-	168,749,028	28.97%	19,081		
2017	20,745,000	326,365	-	118,940,000	24,451,388	-	164,462,753	29.78%	18,625		
2018	17,965,000	304,055	-	116,675,000	24,463,067	-	164,462,753	28.79%	18,928		

Table 12

**City and Borough of Sitka, Alaska**  
**Ratios of General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year	General Obligation Bonds	Less: Amount Available in Debt Service Fund	Total	Percentage of Estimated Actual Value of Property	Per Capita
2009	\$ 34,410,000	\$ 3,148,838	\$ 31,261,162	2.75%	\$ 3,062
2010	32,550,000	3,397,347	29,152,653	2.93%	3,624
2011	36,300,000	2,703,304	33,596,696	2.70%	3,283
2012	32,290,000	2,990,924	29,299,076	2.44%	3,830
2013	31,020,000	2,028,544	28,991,456	2.54%	3,273
2014	28,635,000	1,958,072	26,676,928	2.49%	3,191
2015	25,990,000	2,527,635	23,462,365	2.23%	2,932
2016	23,435,000	2,448,740	20,986,260	1.96%	2,373
2017	17,965,000	1,921,775	16,043,225	1.88%	2,353
2018	17,965,000	2,061,333	15,903,668	1.24%	1,830

Table 13

**City and Borough of Sitka, Alaska**  
**Direct and Overlapping Governmental Activities Debt**  
**Legal Debt Margin Information**  
**As of June 30, 2018**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt	\$ -	0%	\$ -
City and Borough of Sitka, Alaska	18,269,055	100%	18,269,055
Total direct and overlapping debt	\$ 18,269,055		\$ 18,269,055

**Legal Debt Margin**

The City and Borough of Sitka, Alaska has had no legal debt margin requirements for any of the last ten fiscal years.



Table 14

**City and Borough of Sitka, Alaska**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**

Electric and Water Revenue Bonds and Revenue Notes										
Fiscal Year	Electric and Water Revenue	Electric Revenue	Transfers From Rate Stabilization Fund	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest Paid	Interest Subsidies	Total	Coverage
2009	\$ 13,900,365	\$ -	\$ -	\$ 7,400,345	\$ 6,500,020	\$ 2,451,078	2,480,310	\$ -	\$ 4,931,388	1.35
2009	12,717,974	-	-	6,938,167	5,779,807	2,764,199	2,418,756	-	5,182,955	1.32
2009	-	13,688,856	-	7,967,421	5,721,435	2,709,411	1,738,453	-	4,447,864	1.12
2009	-	12,253,636	-	7,919,275	4,334,361	1,394,689	2,337,567	(615,829)	3,116,427	1.29
2009	-	12,569,950	-	6,739,139	5,830,811	1,770,000	2,296,332	(616,507)	3,449,825	1.37
2009	-	15,283,017	-	8,538,616	6,744,401	1,845,000	3,781,252	(581,094)	5,045,158	1.55
2009	-	16,078,019	2,006,696	9,028,272	9,056,443	1,915,000	5,815,392	(571,533)	7,158,859	1.10
2009	-	14,868,306	2,881,000	8,287,025	9,462,281	1,955,000	5,958,317	(574,328)	7,338,989	1.29
2009	-	16,336,780	1,582,681	8,747,944	9,171,517	2,035,000	5,878,517	(574,020)	7,339,497	1.25
2018	-	17,790,420	-	8,659,112	9,131,308	2,115,000	5,762,377	(575,663)	7,301,714	1.25

Harbor Revenue Bonds										
Fiscal Year	Harbor Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Interest Paid	Interest Subsidies	Total	Coverage		
2014	\$ 3,860,198	\$ 2,454,160	\$ 1,406,038	115,000	\$ 157,728	\$ -	272,728	5.16		
2015	3,819,584	2,170,161	1,649,423	135,000	175,700	-	310,700	5.31		
2016	3,538,828	1,994,660	1,544,168	140,000	170,300	-	310,300	4.98		
2017	3,780,767	2,257,502	1,523,265	145,000	164,700	-	309,700	4.92		
2018	3,560,392	2,265,140	1,295,252	150,000	115,571	-	265,571	4.88		

Coverage ratios are computed according to formulas in revenue bond ordinances

Revenue includes all operating and nonoperating revenues.

Expenses includes all operating expenses excluding depreciation

Interest paid is actual interest paid, not interest expense

All outstanding electric and water revenue bonds were refinanced in 2011, and refinanced bonds no longer include water revenues as pledged revenues

Table 15

**City and Borough of Sitka, Alaska**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (,000s)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2009	8,835	423,385	47,921	1,316	5.8%
2010	8,844	423,051	47,835	1,315	6.5%
2011	8,898	461,009	51,810	1,299	6.6%
2012	8,907	513,521	57,654	1,312	6.6%
2013	9,048	544,138	60,139	1,313	6.2%
2014	9,001	562,568	62,501	1,338	6.2%
2015	8,883	569,807	64,146	1,342	6.2%
2016	8,844	582,407	65,853	1,276	5.5%
2017	8,830	552,206	62,537	1,315	3.9%
2018	8,689	571,261	65,745	1,256	4.6%

source: BEA.gov; *Sitka Trends*; data for prior calendar year

Table 16

**City and Borough of Sitka, Alaska**  
**Full-Time Equivalent City and Borough Government Employees By Function**  
**Last Ten Fiscal Years**

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2017
General Government	41	43	29	29	28	42	37	36	37	37
Public Safety:										
Police	36	32	33	33	33	28	33	32	31	31
Fire and Ambulance	10	10	10	10	10	10	10	10	9	9
Public Works	11	13	25	25	25	19	20	20	20	20
Public Services:										
Library	7	7	7	7	7	12	7	7	7	7
Centennial Building	4	4	4	4	4	4	4	4	4	4
Electric	23	24	25	25	27	28	26	26	25	25
Water	4	4	5	5	5	3	3	3	3	3
Waste Water Treatment	7	7	6	6	6	8	10	10	10	10
Solid Waste Disposal	2	2	2	2	2	2	2	-	-	-
Harbor	9	9	9	9	9	10	9	9	8	8
Sawmill Cove Industrial Park	-	-	1	1	-	1	-	-	-	-
Totals	154	155	156	156	156	167	161	157	154	154

# City and Borough of Sitka, Alaska

## Active Electrical Customers Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Other	Total
2009	1,556	391	222	179	12	2,360
2010	1,671	403	235	186	12	2,507
2011	1,757	430	261	190	12	2,650
2012	1,893	448	284	191	12	2,828
2013	2,060	473	314	199	12	3,058
2014	2,258	504	377	204	12	3,355
2015	2,479	560	441	212	14	3,706
2016	2,795	609	546	216	14	4,180
2017	3,242	702	693	219	15	4,871
2018	3,393	729	697	224	12	5,055

## KwH Sold by Class Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Harbor	Public Authority	Other	Total
2009	49,925,862	31,421,023	4,221,524	24,550,555	N/A	\$ 110,118,964
2010	46,775,688	30,932,153	3,446,996	22,554,209	N/A	\$ 103,709,046
2011	47,901,502	30,486,914	3,619,949	24,636,619	5,150,360	\$ 111,795,344
2012	47,583,037	32,013,255	3,214,648	22,778,544	5,460,139	\$ 111,049,623
2013	47,628,760	32,043,016	3,217,737	22,800,432	5,465,385	\$ 111,155,330
2014	45,078,244	35,544,622	2,543,603	24,265,723	307,163	\$ 107,739,355
2015	44,212,841	34,167,788	2,763,428	24,607,071	316,260	\$ 106,067,388
2016	42,197,620	33,626,191	2,539,114	25,004,771	305,889	\$ 103,673,585
2017	43,416,551	33,732,672	3,051,624	25,059,205	299,759	\$ 105,260,052
2018	43,233,448	35,709,803	2,883,829	25,241,700	-	\$ 107,068,781

Source: City and Borough of Sitka's Finance Department and Electric Utilities Fund

Table 18

**City and Borough of Sitka, Alaska**  
**Principal Employers**  
**Current Year\* and Seven Years Ago**

Industry*	2017 (most current data available)			2011		
	Employees	Rank	Percentage of total City Employment	Employees	Rank	Percentage of total City Employment
Educational services, health care, & social assistance	1,297	1	28%	1,621	1	33.5%
Retail trade	546	2	11.6%	481	2	9.9%
Agriculture, forestry, fishing, hunting, & mining	504	3	10.7%	395	3	8.2%
Public administration	467	4	9.9%	375	4	7.8%
Transportation, warehousing, & utilities	431	5	9.2%	354	6	7.3%
Arts, entertainment, recreation, accommodation, & food services	404	6	8.6%	301	8	6.2%
Professional, scientific, management, administrative, & waste management services	256	7	5.4%	369	5	7.6%
Construction	255	8	5.4%	329	7	6.8%
Manufacturing	208	9	4.4%	217	9	4.5%
Finance, insurance, real estate, & rental/leasing	134	10	2.8%	95	11	2.0%
Other services, except public administration	114	11	2.4%	181	10	3.7%
Information	71	12	1.5%	52	13	1.1%
Wholesale trade	15	13	0.3%	66	12	1.4%

\*Data is no longer available for individual employers for the City and Borough of Sitka, for this reason employment by industry is shown using the most recent data available. Comparable data is available from 2011 forward.

Data is derived from US Census Bureau.

# **City and Borough of Sitka, Alaska**

**Federal and State Single Audit Reports**  
**Year Ended June 30, 2018**



## **City and Borough of Sitka, Alaska**

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Federal and State Single Audit Reports  
Year Ended June 30, 2018

# City and Borough of Sitka, Alaska

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3601 C Street, Suite 600  
Anchorage, AK 99503

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and Borough Assembly  
City and Borough of Sitka, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka, Alaska, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements and have issued our report thereon dated December 31, 2018. Our report includes a reference to other auditors who audited the financial statements of Sitka Community Hospital and Sitka School District, as described in our report on City and Borough of Sitka's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City and Borough of Sitka's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of City and Borough of Sitka's internal control. Accordingly, we do not express an opinion on the effectiveness of City and Borough of Sitka's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether City and Borough of Sitka's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City and Borough of Sitka's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City and Borough of Sitka's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

Anchorage, Alaska  
December 31, 2018



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## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable Mayor and Borough Assembly  
City and Borough of Sitka, Alaska

### **Report on Compliance for Each Major Federal Program**

We have audited City and Borough of Sitka's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City and Borough of Sitka's major federal programs for the year ended June 30, 2018. City and Borough of Sitka's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

City and Borough of Sitka's basic financial statements include the operations of its component unit, the Sitka School District which received \$2,454,168 of federal awards which is not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2018. Our audit, described below, did not include the operations of Sitka School District because it was subjected to a separate audit in accordance with the Uniform Guidance.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City and Borough of Sitka's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City and Borough of Sitka's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City and Borough of Sitka's compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, City and Borough of Sitka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of City and Borough of Sitka is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City and Borough of Sitka's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City and Borough of Sitka's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements. We issued our report thereon dated December 31, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
December 31, 2018



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**Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

Honorable Mayor and Borough Assembly  
City and Borough of Sitka, Alaska

**Report on Compliance for Each Major State Program**

We have audited City and Borough of Sitka's compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of City and Borough of Sitka's major state programs for the year ended June 30, 2018. City and Borough of Sitka's major state programs are identified in the accompanying Schedule of State Financial Assistance.

City and Borough of Sitka's basic financial statements include the operations of its component unit, the Sitka School District which received \$15,256,001 of state awards which is not included in the Schedule of State Financial Assistance for the year ended June 30, 2018. Our audit, described below, did not include the operations of Sitka School District because it was subjected to a separate audit in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City and Borough of Sitka's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about City and Borough of Sitka's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of City and Borough of Sitka's compliance.

### ***Opinion on Each Major State Program***

In our opinion, City and Borough of Sitka complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

### **Report on Internal Control Over Compliance**

Management of City and Borough of Sitka is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City and Borough of Sitka's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City and Borough of Sitka's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City and Borough of Sitka as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City and Borough of Sitka's basic financial statements. We issued our report thereon dated December 31, 2018 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of State Financial Assistance is fairly stated in all material respects, in relation to the basic financial statements as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
December 31, 2018

**City and Borough of Sitka, Alaska**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Department of Agriculture</b>				
Forest Service Schools and Roads Cluster:				
Schools and Roads - Grants to States	10.665		\$ -	\$ 613,224
Total Department of Agriculture			-	613,224
<b>Department of the Homeland Security</b>				
Passed through the State of Alaska Department of Military and Veterans Affairs:				
Hazard Mitigation Grant	97.039	4244.0001	-	6,775
2017 State Homeland Security Grant Program	97.067	20SHSP-GY17	-	3,362
Total passed through the State of Alaska Department of Military and Veterans Affairs			-	10,137
Passed through the State of Alaska Department of Commerce, Community, and Economic Development:				
Community Assistance Program State Support Services Element	97.023	EMS-2017-RX-0003	-	1,066
Electronic Baggage Screening Program	97.117		-	50,203
Total Department of Homeland Security			-	61,406
<b>Department of the Interior</b>				
Payment in Lieu of Taxes	15.226		-	1,206,982
Passed through the State of Alaska Department of Natural Resources:				
Historic Preservation Fund Grants-In-Aid	15.904	17004	17,667	21,736
Historic Preservation Fund Grants-In-Aid	15.904	16003	2,330	2,330
Historic Preservation Fund Grants-In-Aid	15.904	15013	25,000	25,500
Total CFDA 15.904			44,997	49,566
Outdoor Recreation Acquisition, Development and Planning	15.916	02-00427	-	108,425
Outdoor Recreation Acquisition, Development and Planning	15.916	02-00428	-	112,045
Total CFDA 15.916			-	220,470
Total passed through the State of Alaska Department of Natural Resources			44,997	270,036
Total Department of the Interior			44,997	1,477,018
<b>Department of Justice</b>				
Public Safety Partnership and Community Policing Grants	16.710		-	27,595
Bullet Proof Vest Partnership Program	16.607		-	738
Bullet Proof Vest Partnership Program	16.607		-	539
Total CFDA 16.607			-	1,277
Passed through the State of Alaska Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG 17-200	-	105,631
Total Department of Justice			-	134,503

*See accompanying notes to the schedule.*

**City and Borough of Sitka, Alaska**  
**Schedule of Expenditures of Federal Awards, continued**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Environmental Protection Agency</b>				
Passed through State of Alaska Department of Environmental Conservation:				
Clean Water State Revolving Fund Cluster:				
Capitalization Grants for Clean Water State Revolving Funds	66.458	783121	\$ -	\$ 54,240
Capitalization Grants for Clean Water State Revolving Funds	66.458	783161	-	272,479
Total Clean Water State Revolving Fund Cluster			-	326,719
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	783111	-	150,934
Total Environmental Protection Agency			-	477,653
<b>Institute of Museum and Library Services</b>				
Passed through the Alaska State Library Association-				
Grants to States	45.310	PLA-18-751-01	-	7,000
<b>Department of Transportation</b>				
Passed through the Western Federal Lands				
Highway Division:				
Highway Planning and Construction Cluster	20.205	DTFH70-16-E-00028	-	92,427
Total Department of Transportation			-	92,427
Total Expenditures of Federal Awards			\$ 44,997	\$ 2,863,231

*See accompanying notes to the schedule.*

# City and Borough of Sitka, Alaska

## Schedule of State Financial Assistance

Year Ended June 30, 2018

State Grant Title	Grant Number	Total Grant Award	State Share of Expenditures
<b>Department of Military &amp; Veteran Affairs</b>			
2017 Local Emergency Planning Committee Grant	20LEPC-GY18	\$ 13,329	\$ 13,329
Local Hazard Mitigation Plan Update	4244.0001	23,250	2,258
Total Department of Military & Veteran Affairs			15,587
<b>Department of Commerce, Community and Economic Development</b>			
Takatz Lake Hydroelectric Project Planning and Analysis	13-DC-420	770,000	373
Baranof Warm Spring Dock Improvements and Ownership Transfer	13-DC-497	1,900,000	28,256
* Nelson Logging Road Upgrade and Ownership Transfer	13-DC-517	2,343,000	801,435
* Eagle Way and Old Harbor Mountain Road Upgrades	13-DC-481	1,500,000	364,653
* Sawmill Cove Industrial Park Dock	13-GO-015	7,500,000	3,117,049
Fisheries Landing Tax	2018	-	99
Shared Fisheries Business Tax	2018	-	28,272
* Community Assistance Program	2018	-	595,992
Total Department of Commerce, Community and Economic Development			4,936,129
<b>Alaska Energy Authority</b>			
Blue Lake Hydroelectric Expansion Project	7910013	28,450,000	103,134
Takatz Lake Hydroelectric Feasibility	2195418	2,000,000	74,633
Total Alaska Energy Authority			177,767
<b>Department of Environmental Conservation</b>			
Hollywood Way & New Archangel Street Sewer	783511	88,299	16,430
Hollywood Way Water Main Replacement	783521	151,847	57,337
Baranof Street Water & Sewer Replacement	783501	322,915	165,000
* South Lake & West DeGroff Water & Sewer Replacement	78318	1,000,000	824,816
Total Department of Environmental Conservation			1,063,583

See accompanying notes to the schedule.



**City and Borough of Sitka, Alaska**  
**Schedule of State Financial Assistance, continued**  
**Year Ended June 30, 2018**

State Grant Title	Grant Number	Total Grant Award	State Share of Expenditures
<b>Department of Education and Early Development</b>			
Travel / Training Grants	CED1875101	\$ 1,250	\$ 1,250
Travel / Training Grants	CED1875102	1,214	1,214
* Debt Reimbursement Program	FY18	2,473,846	<u>2,473,846</u>
Total Department of Education and Early Development			<u>2,476,310</u>
<b>Department of Administration</b>			
* State PERS Relief	2018	363,351	363,351
Auto Tax	2018	92,790	<u>92,790</u>
Total Department of Administration			<u>456,141</u>
<b>Department of Revenue</b>			
Liquor Tax	2018	19,375	19,375
* Fisheries Raw Fish Tax	2018	1,279,885	1,279,885
* Commercial Passenger Vessel Tax	2018	405,115	<u>405,115</u>
Total Department of Revenue			<u>1,704,375</u>
<b>Department of Transportation and Public Facilities</b>			
* Sitka Transient Float Program	15-HG-002	2,700,000	<u>368,509</u>
Total State Financial Assistance			<u>\$ 11,198,401</u>

*See accompanying notes to the schedule.*

\* Indicates a State Major Program

## **City and Borough of Sitka, Alaska**

### **Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance Year Ended June 30, 2018**

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#### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance (the "Schedules") includes the federal and state grant activity of City and Borough of Sitka, Alaska under programs of the federal and state government for the year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedules present only a selected portion of the operations of the City and Borough of Sitka, they are not intended to and do not present the financial position, changes in net position or cash flows of City and Borough of Sitka.

#### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

#### **3. Indirect Cost Rate**

The City and Borough of Sitka has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### **4. PERS On-Behalf**

The City and Borough of Sitka has recorded \$363,351 in PERS On-Behalf payments in the Schedule of State Financial Assistance. This represents the PERS relief payment appropriated and transferred into the plan during FY2018.

In the governmental fund financial statements, on-behalf revenue and expenditures have been recognized in the year appropriated and transferred to the plan. However, in the full accrual financial statements, GASB 68 provisions prescribe that on-behalf pension contributions in a special funding situation may only be recognized during the measurement period in which the plan recognizes the contributions, effectively creating a one-year timing difference between the cash contribution and revenue and expense recognition by the City and Borough.

As a result of these perspective and timing differences, amounts reported in the financial statements do not agree to the amounts reported on the Schedule of State Financial Assistance.

**City and Borough of Sitka, Alaska**  
**Schedule of Findings and Questioned Costs**  
*Year Ended June 30, 2018*

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no  
Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified? ☐ yes ☒ no  
Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>
15.226	Payment in Lieu of Taxes
15.916	Outdoor Recreation Acquisition, Development and Planning

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**State Financial Assistance**

Type of auditor's report issued on compliance for major state programs: Unmodified

Internal control over major state programs:

Material weakness(es) identified? ☐ yes ☒ no  
Significant deficiency(ies) identified? ☐ yes ☒ (none reported)

Dollar threshold used to determine a state major program: \$ 200,000

## City and Borough of Sitka, Alaska

### Schedule of Findings and Questioned Costs, continued

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#### **Section II - Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards***

There were no findings required to be reported in accordance with *Government Auditing Standards*.

#### **Section III - Federal Award Findings and Questioned Costs**

There were no findings and questioned costs for federal awards (as defined in section 2 CFR 200.516(a)) that are required to be reported.

#### **Section IV - State Award Findings and Questioned Costs**

There were no findings and questioned costs for State of Alaska awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.



# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: 19-019 Version: 1 Name:  
Type: Item Status: AGENDA READY  
File created: 1/16/2019 In control: City and Borough Assembly  
On agenda: 1/22/2019 Final action:  
Title: Reminders, Calendars and General Correspondence  
Sponsors:  
Indexes:  
Code sections:  
Attachments: [Reminders and Calendars](#)

Date	Ver.	Action By	Action	Result
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# REMINDERS

<u>DATE</u>	<u>EVENT</u>	<u>TIME</u>
Tuesday, January 22	Work Session <i>CAFR / Audit</i>	5:00 PM
Tuesday, January 22	Regular Meeting	6:00 PM
Thursday, January 24	Special Meeting <i>Enterprise Budget</i>	6:00 PM
Tuesday, January 29	Special Meeting <i>SCH / SEARHC Affiliation Project</i>	6:00 PM
Thursday, January 31	Special Meeting <i>Enterprise Budget (if needed)</i>	6:00 PM
Tuesday, February 12	Work Session <i>Housing</i>	5:00 PM
Tuesday, February 12	Regular Meeting	6:00 PM



# Assembly Calendar

2018 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2020

January 2019

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
30 <u>Dec</u>	31	1 Jan	2	3	4	5
	Eisenbeisz	Eisenbeisz	Eisenbeisz 6:00pm School Board	Eisenbeisz 12:00pm SEDA Board Meeting 6:00pm Assembly Visioning Session	Eisenbeisz	Eisenbeisz Paxton
6	7	8	9	10	11	12
Paxton	Paxton	Paxton 12:00pm Parks & Rec 5:00pm Work Session: Visit Sitka 6:00pm Regular Assembly Mtg	Paxton 6:00pm Historic Preservation 6:00pm Library Commission 6:15pm Port & Harbors Commission	Paxton 12:00pm LEPC 1:30pm Health Needs & Human Services Commission 6:00pm Work Session - General Fund Overview	Paxton	Paxton
13	14	15	16	17	18	19
Paxton	Paxton	Paxton 12:00pm Tree/Landscape	Paxton 7:00pm Planning Commission	Paxton Nelson 6:00pm Joint Work Session with School Board: introductory overview of SSD FY20 budget (at Sitka High School library)	Paxton Nelson	Paxton Nelson
20	21	22	23	24	25	26
Paxton Nelson	Paxton Nelson	Paxton 5:00pm Work Session: CAFR / Audit 6:00pm Regular Assembly Mtg	Paxton 6:00pm Police and Fire Commission	Knox 6:00pm Hospital Board Meeting 6:00pm Special Meeting - Enterprise Budget	Knox	Knox Eisenbeisz
27	28	29	30	31	1 <u>Feb</u>	2
Knox Eisenbeisz	Eisenbeisz	Eisenbeisz 3:00pm GPIIP 6:00pm Special Meeting: SCH / SEARHC Affiliation Project	Eisenbeisz	Eisenbeisz 6:00pm Special Meeting - Enterprise Budget (if needed)	Eisenbeisz	



# Assembly Calendar

2018 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 2020

## February 2019

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
27 Jan	28	29	30	31	1 Feb	2
Knox Eisenbeisz	Eisenbeisz	Eisenbeisz 3:00pm GPIP 6:00pm Special Meeting: SCH / SEARHC Affiliation Project	Eisenbeisz	Eisenbeisz 6:00pm Special Meeting - Enterprise Budget (if needed)	Eisenbeisz	
3	4	5	6	7	8	9
			6:00pm Library Commission 6:00pm School Board 7:00pm Planning Commission	12:00pm SEDA Board Meeting		
10	11	12	13	14	15	16
		12:00pm Parks & Rec 5:00pm Work Session: Housing 6:00pm Regular Assembly Mtg	6:00pm Historic Preservation 6:15pm Port & Harbors Commission	Knox 12:00pm LEPC 1:30pm Health Needs & Human Services Commission	Knox	Knox
17	18	19	20	21	22	23
Knox	Knox Paxton	Paxton 12:00pm Tree/Landscape	Paxton 7:00pm Planning Commission	Paxton	Paxton	Paxton
24	25	26	27	28	1 Mar	2
Paxton		6:00pm Regular Assembly Mtg	Knox 6:00pm Police and Fire Commission	Knox 6:00pm Hospital Board Meeting	Knox	Knox



# CITY AND BOROUGH OF SITKA

## Legislation Details

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File #: 19-013      Version: 1      Name:

Type: Item      Status: AGENDA READY

File created: 1/16/2019      In control: City and Borough Assembly

On agenda: 1/22/2019      Final action:

Title: Approve the minutes of the January 8, 2019 Assembly meeting

Sponsors:

Indexes:

Code sections:

Attachments: [Consent and Minutes](#)

Date	Ver.	Action By	Action	Result
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## **CONSENT AGENDA**

### **POSSIBLE MOTION**

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**I MOVE TO APPROVE THE CONSENT AGENDA  
CONSISTING OF ITEMS A, B, & C**

**I wish to remove Item(s) \_\_\_\_\_**

**REMINDER – Read aloud a portion of each item being  
voted on that is included in the consent vote.**

Should this item be pulled from the Consent Agenda the following motion is suggested:

**POSSIBLE MOTION**

**I MOVE TO** approve the minutes of the  
January 8 Assembly meeting.



# CITY AND BOROUGH OF SITKA

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

## Minutes - Draft

### City and Borough Assembly

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

*Municipal Administrator: Keith Brady  
Municipal Attorney: Brian Hanson  
Municipal Clerk: Sara Peterson*

---

Tuesday, January 8, 2019

6:00 PM

Assembly Chambers

---

#### WORK SESSION 5:00 PM

**19-011** Work Session: The Greater Sitka Chamber of Commerce / Visit Sitka

Visit Sitka staff reviewed the convention and visitor services contract and marketing strategy plan.

#### REGULAR MEETING

##### **I. CALL TO ORDER**

##### **II. FLAG SALUTE**

##### **III. ROLL CALL**

**Present:** 6 - Eisenbeisz, Knox, Bean, Wein, Mosher, and Nelson

**Absent:** 1 - Paxton

##### **IV. CORRESPONDENCE/AGENDA CHANGES**

**19-010** Reminders, Calendars and General Correspondence

No agenda changes.

##### **V. CEREMONIAL MATTERS**

**19-001** Service Award - Martha Pearson

Deputy Mayor Eisenbeisz read an award for Martha Pearson in recognition of her service on the Health Needs and Human Services Commission.

**VI. SPECIAL REPORTS: Government to Government, Municipal Boards/Commissions/Committees, Sitka Community Hospital, Municipal Departments, School District, Students and Guests (five minute time limit)**

**19-002 Special Report: SCH / SEARHC Strategic Affiliation Process - Sarah Cave and Sandy Johnson**

Consultant Sarah Cave reviewed the accomplishments / discussion points from the January 7 Joint Negotiating Team meeting, announced Joint Negotiating Team meetings were scheduled for January 18 and 28, stated a special Assembly meeting was scheduled for January 29 to obtain further direction from the Assembly on critical issues, and stated barring unforeseen circumstances, the Team anticipated bringing documents forward for Assembly approval in February or March, with the closing of the deal by end of fiscal year 2019, at which point Sitka Community Hospital and SEARHC would become one organization.

**VII. PERSONS TO BE HEARD**

Arthur Kinnan voiced concerns over ownership of his former dog.

Beth Short Rhodes and Stephen Courtright shared information on the newly formed group Families for School Libraries. Rhodes and Courtright expressed concern over the Librarian position cut at Blatchley Middle School.

**VIII. REPORTS**

**a. Mayor, b. Administrator, c. Attorney, d. Liaison Representatives, e. Clerk, f. Other**

Administrator - Brady notified he had been invited to attend the State Board of Education meeting to discuss the seaplane base land, announced Scott Brylinsky had joined the team as interim Planning Director, and reported negotiations were going well with the SCH / SEARHC Affiliation Project.

Clerk - Peterson listed Board vacancies and reviewed the upcoming Assembly meeting schedule.

**IX. CONSENT AGENDA**

**A motion was made by Nelson that the Consent Agenda consisting of items A & B be APPROVED. The motion PASSED by the following vote.**

**Yes:** 6 - Eisenbeisz, Knox, Bean, Wein, Mosher, and Nelson

**Absent:** 1 - Paxton

**A 19-003 Approve the minutes of the December 20, 2018 Assembly meeting**

**This item was APPROVED ON THE CONSENT AGENDA.**

**B 19-009 Approve liquor license renewal applications for: 1) BPO Elks Lodge #1662 at**



412 Sawmill Creek Road, 2) Hector Barragan dba Pizza Express at 1321 Sawmill Creek Road, Suite H & I, and, 3) Triple C Ventures Inc. dba Watson Point Liquors at 1867 Halibut Point Road

This item was APPROVED ON THE CONSENT AGENDA.

**X. BOARD, COMMISSION, COMMITTEE APPOINTMENTS**

- C 19-004** Appoint Holly Marban to a three-year term on the Heath Needs and Human Services Commission and reappoint James Mellema to a three-year term on the Police and Fire Commission

A motion was made by Knox that this Item be APPROVED. The motion PASSED by the following vote.

Yes: 6 - Eisenbeisz, Knox, Bean, Wein, Mosher, and Nelson

Absent: 1 - Paxton

- D 19-005** Appoint two to terms on the Sitka Community Hospital Board: Mary Ann Hall, David Lam (*incumbent*), Connie Sipe (*incumbent*)

A motion was made by Knox to nominate David Lam and Connie Sipe to serve on the Sitka Community Hospital Board.

An amendment was made by Nelson to add Mary Ann Hall to the nominee list. The amendment PASSED by the following vote.

Yes: 6 - Bean, Wein, Eisenbeisz, Nelson, Knox, and Mosher

A roll call vote was taken. Voting for Hall: Wein, Nelson, Bean, and Mosher. Voting for Lam: Eisenbeisz, Wein, Nelson, Bean, Knox, and Mosher. Voting for Sipe: Eisenbeisz and Knox. Hall and Lam prevailed. Hall with 4 votes and Lam with 6 votes.\*

\*In the Municipal Clerk's post meeting review of the Hospital Board appointments, it was noted there were administrative errors. The two seats up for appointment were category specific, healthcare and financial, and should have been properly advertised and appointed as such. On January 10, the Municipal Clerk notified the Assembly, Hospital Board, and applicants of the error and recommended the Assembly rescind their vote to appoint Lam and Hall at the January 22 Assembly meeting. The Clerk noted if the motion to rescind were approved, advertising for the two category specific seats would begin January 23 and applications would be brought forward for Assembly consideration February 12. Further, the Clerk noted in the meantime, as was historical practice, David Lam and Connie Sipe would continue to serve on the Hospital Board until reappointed or replaced for the one additional Hospital Board meeting scheduled for January 24.

**XI. UNFINISHED BUSINESS:**



- E RES 18-26** Submitting City and Borough of Sitka FY2020 State Legislative Priorities *(postponed at the 12/20/18 meeting)*
- A motion was made by Bean that this Resolution be APPROVED on FIRST AND FINAL READING. The motion PASSED by the following vote.**
- Yes:** 6 - Eisenbeisz, Knox, Bean, Wein, Mosher, and Nelson
- Absent:** 1 - Paxton

**XII. NEW BUSINESS:**

**New Business First Reading**

- F ORD 19-01** Making supplemental appropriations for Fiscal Year 2019 *(Harrigan Centennial Hall Staffing and Security Monitoring Video Equipment)*
- Harrigan Centennial Hall (HCH) Manager Don Kluting explained additional seasonal temporary labor was needed to provide visitor services and sustain operations. With the expansion of HCH, Kluting noted operational duties and maintenance had increased. Anticipated costs were \$20,000 for FY19 with \$40,000 built in for the FY20 budget. Municipal Administrator Brady and Kluting spoke to the appropriation for security monitoring video equipment needed for the safety of community members, building, and visitors to Sitka.
- A motion was made by Knox that this Ordinance be APPROVED on FIRST READING. The motion PASSED by the following vote.**
- Yes:** 6 - Eisenbeisz, Knox, Bean, Wein, Mosher, and Nelson
- Absent:** 1 - Paxton

**Additional New Business Items**

- G RES 19-01** Supporting Alaska Arts Southeast's application under the FY19 Historic Preservation Fund Grant program for Certified Local Governments
- Chief Finance and Administrative Officer Jay Sweeney explained to be in compliance with federal procurement rules Alaska Arts Southeast (AAS) would be required to sign a memorandum of agreement stating they agreed to abide by federal procurement rules.
- Knox disclosed his sister and brother-in-law owned a construction company who had performed work for AAS. He noted he did not stand to gain financially. Deputy Mayor Eisenbeisz determined there was no conflict.
- Wein wondered if AAS had consulted with the National Parks Historic Architect. Roger Schmidt of AAS stated it was a pass through grant, awarded and administered, by the State of Alaska Historic Preservation Office. Schmidt noted the application was complete and that AAS had consulted with the National Park and architect.
- A motion was made by Knox that this Resolution be APPROVED on FIRST AND FINAL READING contingent on Alaska Arts Southeast signing a Memorandum of Agreement to abide by federal procurement rules. The motion PASSED by the**

following vote.

**Yes:** 6 - Eisenbeisz, Knox, Bean, Wein, Mosher, and Nelson

**Absent:** 1 - Paxton

**H 19-006**

Discussion / Direction of the Investment Committee recommendation to formulate a Municipal Fiscal Policy

Administrator Brady noted the Investment Committee (IC) had been analyzing and discussing the idea of a fiscal policy for the past two years. At their December 17 meeting, the IC had voted to recommend to the Assembly that it direct staff to develop a municipal fiscal policy for Assembly consideration and possible adoption. Chair Mike Reif offered a fiscal policy was a tool to help understand the broad, overall picture - e.g. general fund, infrastructure needs, income sources, debt levels.

Jay Sweeney, Chief Finance and Administrative Officer, read excerpts from his memo included in the packet materials. He explained a fiscal policy could assist in implementing a series of flexible financial standards and guidelines which, if followed, would achieve the goal of maintaining a level of municipal infrastructure the municipality could afford, while at the same time, maintaining the fiscal health and affordable cost of living in the community. It was noted that barring significant financial support from the Federal government and the State of Alaska, the level of current and desired municipal infrastructure and services was fiscally unsustainable.

Assembly members offered opinions on the development of a fiscal policy. Some suggested an Assembly subcommittee be formed, others wondered if the IC would consider taking on the project. The idea of waiting to move forward with a Fiscal Policy until after the presentation of the FY20 budget was also offered. Chair Reif noted the IC was interested in taking on the task, however, desired to have milestones established to ensure the Committee's work was in alignment with the Assembly's wishes. Reif reminded IC members were not experts and noted additional outside resources would be needed.

**A motion was made by Mosher to request the Investment Committee work on a draft fiscal policy. The motion PASSED by the following vote.**

**Yes:** 4 - Eisenbeisz, Knox, Bean, and Mosher

**No:** 2 - Wein, and Nelson

**Absent:** 1 - Paxton

**I 19-007**

Discussion / Direction of the Investment Committee recommendation to amend the Municipal Investment Policy to prohibit loans from the Permanent Fund as authorized investments

It was noted at the December 17, 2018 Investment Committee meeting that the Committee had recommended the Assembly direct staff to develop an ordinance to amend the investment policy to prohibit loans from the Permanent Fund as authorized investments. The Assembly discussed and determined it was not necessary to bring an ordinance forward at this time.

**XIII. PERSONS TO BE HEARD:**

Charles Bingham announced the online application portal for the Alaska Permanent Fund Dividend was back in operation. In addition, he encouraged citizens to take part

in the "Pick. Click. Give." program which allowed Alaskans to donate a portion of their Permanent Fund Dividend.

Mike Reif, Chair of the Investment Committee, spoke to the Committee's recommendation of amending the investment policy to prohibit loans from the Permanent Fund as authorized investments.

#### **XIV. EXECUTIVE SESSION**

- J 19-008** Financial / Legal Matters - Phase 3 of the CBS / SCH-SEARHC Affiliation Process *(if requested / needed)*  
Executive Session not needed.

#### **XV. ADJOURNMENT**

A motion was made by Knox to ADJOURN. Hearing no objections, the meeting ADJOURNED at 8:15pm.

ATTEST: \_\_\_\_\_  
Sara Peterson, MMC  
Municipal Clerk



# CITY AND BOROUGH OF SITKA

## Legislation Details

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File #: 19-014      Version: 1      Name:

Type: Item      Status: AGENDA READY

File created: 1/16/2019      In control: City and Borough Assembly

On agenda: 1/22/2019      Final action:

Title: Approve a liquor license renewal application, and duplicate license renewal application (downstairs), for Mean Queen at 205 Harbor Drive

Sponsors:

Indexes:

Code sections:

Attachments: [Motion and Memo Mean Queen](#)

[License #2786](#)

[License #5553](#)

Date	Ver.	Action By	Action	Result
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Should this item be pulled from the Consent Agenda the following motion is suggested:

## **POSSIBLE MOTION**

**I MOVE TO** approve 1) a liquor license renewal application for Mean Queen at 205 Harbor Drive, and  
2) a duplicate license renewal application for the downstairs area of Mean Queen at 205 Harbor Drive, and forward these approvals to the Alcoholic Beverage Control Board without objection.



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Sara Peterson, Municipal Clerk

**Date:** January 16, 2019

**Subject:** Approve two liquor license renewal applications for the Mean Queen

---

Our office has received notification of the following liquor license renewal applications:

**Lic #:** 2786  
**DBA:** Mean Queen  
**License Type:** Beverage Dispensary  
**Licensee:** Mean Queen, LLC  
**Premises Address:** 205 Harbor Drive

**Lic #:** 5553  
**DBA:** Mean Queen  
**License Type:** Beverage Dispensary - Duplicate  
**Licensee:** Mean Queen, LLC  
**Premises Address:** 205 Harbor Drive - Downstairs

Memos were circulated to the various departments who may have a reason to protest the renewal of these licenses. No departmental objections were received.

**Recommendation:**

**Approve a liquor license renewal application for Mean Queen at 205 Harbor Drive, and duplicate license renewal application for the downstairs area, and forward these approvals to the Alcoholic Beverage Control Board without objection.**





# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Utility Billing Clerk – Diana  
Collections - Sunni  
Municipal Billings – Lindsey  
Sales Tax/Property Tax – Sunni / Amber  
Fire Department  
Police Department  
Building Official(s)

**From:** Sara Peterson, Municipal Clerk

**Date:** January 4, 2019

**Subject:** Liquor License Renewal Applications – Mean Queen

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The Municipal Clerk's Office has been notified by the Alcohol and Marijuana Control Office of the following liquor license renewal applications submitted by:

**Lic #:** 2786  
**DBA:** Mean Queen  
**License Type:** Beverage Dispensary  
**Licensee:** Mean Queen, LLC  
**Premises Address:** 205 Harbor Drive

**Lic #:** 5553  
**DBA:** Mean Queen  
**License Type:** Beverage Dispensary - Duplicate  
**Licensee:** Mean Queen, LLC  
**Premises Address:** 205 Harbor Drive - Downstairs

Please notify no later than **noon on Friday, January 11** of any reason to protest these renewal requests. These requests are scheduled to go before the Assembly on January 22.

Thank you.





THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

**Department of Commerce, Community,  
and Economic Development**

ALCOHOL & MARIJUANA CONTROL OFFICE

550 West 7<sup>th</sup> Avenue, Suite 1600

Anchorage, AK 99501

Main: 907.269.0350

December 28, 2018

City and Borough of Sitka

Attn: Sara Peterson, Municipal Clerk

Via Email: [sara.peterson@cityofsitka.org](mailto:sara.peterson@cityofsitka.org)  
[melissa.henshaw@cityofsitka.org](mailto:melissa.henshaw@cityofsitka.org)

**Re: Notice of 2019/2020 Liquor License Renewal Application**

<b>License Type:</b>	Beverage Dispensary	<b>License Number:</b>	2786
<b>Licensee:</b>	Mean Queen, LLC		
<b>Doing Business As:</b>	Mean Queen		

We have received a completed renewal application for the above listed license (see attached application documents) within your jurisdiction. This is the notice required under AS 04.11.480.

A local governing body may protest the approval of an application(s) pursuant to AS 04.11.480 by furnishing the director **and** the applicant with a clear and concise written statement of reasons for the protest within 60 days of receipt of this notice, and by allowing the applicant a reasonable opportunity to defend the application before a meeting of the local governing body, as required by 3 AAC 304.145(d). If a protest is filed, the board will deny the application unless the board finds that the protest is arbitrary, capricious, and unreasonable.

To protest the application referenced above, please submit your written protest within 60 days, and show proof of service upon the applicant and proof that the applicant has had a reasonable opportunity to defend the application before a meeting of the local governing body.

Sincerely,

A handwritten signature in cursive script that reads "Erika McConnell".

Erika McConnell, Director

[amco.localgovernmentonly@alaska.gov](mailto:amco.localgovernmentonly@alaska.gov)



Alcohol and Marijuana Control Office  
550 W 7<sup>th</sup> Avenue, Suite 1600  
Anchorage, AK 99501  
[alcohol.licensing@alaska.gov](mailto:alcohol.licensing@alaska.gov)  
<https://www.commerce.alaska.gov/web/amco>  
Phone: 907.269.0350

Alaska Alcoholic Beverage Control Board

## Master Checklist: Renewal Liquor License Application

Doing Business As:	Mean Queen	License Number:	2786
License Type:	Beverage Dispensary		
Examiner:	<i>David</i>	Transaction #:	999023

Document	Received	Completed	Notes
AB-17: Renewal Application	12/20/18	12/20	
App and License Fees	12/20/18	12/20	

Supplemental Document	Received	Completed	Notes
Tourism/Rec Site Statement			
AB-25: Supplier Cert (WS)			
AB-29: Waiver of Operation			
AB-30: Minimum Operation			
AB-33: Restaurant Affidavit			
COI / COC / 5 Star			
FP Cards & Fees / AB-08a			
Late Fee			

Names on FP Cards:	
--------------------	--

	Yes	No
Selling alcohol in response to written order (package stores)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mailing address and contact information different than in database (if yes, update database)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
In "Good Standing" with CBPL (skip this and next question for sole proprietor)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Officers and stockholders match CBPL and database (if "No", determine if transfer necessary)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

LGB 1 Response:

☐ Waive ☐ Protest ☐ Lapsed

LGB 2 Response:

☐ Waive ☐ Protest ☐ Lapsed





Alaska Alcoholic Beverage Control Board

## Form AB-17: 2019/2020 Renewal License Application

### What is this form?

This renewal license application form is required for all individuals or entities seeking to apply for renewal of an existing liquor license that will expire on December 31, 2018. All fields of this form must be complete and correct, or the application will be returned to you in the manner in which it was received, per AS 04.11.270 and 3 AAC 304.105. The Community Council field only should be verified/completed by licensees whose establishments are located within the Municipality of Anchorage or outside of city limits within the Matanuska-Susitna Borough.

This form must be completed correctly and submitted to the Alcohol & Marijuana Control Office (AMCO)'s main office, along with all other required documents and fees, before any renewal license application will be considered complete. Receipt and/or processing of renewal payments by AMCO staff neither indicates nor guarantees that an application will be considered complete, or that a license will be renewed.

### Section 1 – Establishment and Contact Information

Enter information for the business seeking to have its license renewed. If any populated information is incorrect, please contact AMCO.

Licensee:	Mean Queen, LLC	License #:	2786
License Type:	Beverage Dispensary	Legal Ref.:	AS 04.11.090
Doing Business As:	Mean Queen		
Premises Address:	205 Harbor Drive		
Local Governing Body:	City & Borough of Sitka		
Community Council:	None		
Mailing Address:	205 Harbor Dr		
City:	Sitka	State:	AK
		ZIP:	99835

Enter information for the individual who will be designated as the primary point of contact regarding this application. This individual **must be a licensee** who is required to be listed in and authorized to sign this application.

Contact Licensee:	Mary Magnuson	Contact Phone:	907-752-0500
Contact Email:	meanqueenmary@yahoo.com		

**Optional:** If you wish for AMCO staff to communicate with individual who is not a licensee named on this form (eg: legal counsel) about this application and other matters pertaining to the license, please provide that person's contact information in the fields below.

Name of Contact:		Contact Phone:	
Contact Email:			





# Alaska Alcoholic Beverage Control Board

## Form AB-17: 2019/2020 Renewal License Application

### Section 2 – Entity or Community Ownership Information

This top subsection must be completed by any licensee that is a **corporation** or **LLC**. Corporations and LLCs are required to be in good standing with the Alaska Division of Corporations, Business & Professional Licensing (CBPL). This number is neither your EIN/tax ID number, nor your business license number. You may view your entity's status or find your CBPL entity number by visiting the following site: <https://www.commerce.alaska.gov/cbp/main/search/entities>

General partnerships and local governments should skip to the second half of this page. Licensees who directly hold a license as an individual or individuals should skip to Section 3.

Alaska CBPL Entity #:

10030346

You must ensure that you are able to certify the following statement before signing your initials in the box to the right:

Initials

I certify that this entity is in good standing with CBPL and that all current entity officials and stakeholders (listed below) are also currently and accurately listed with CBPL.

mm

This subsection must be completed by any **community** or **entity**, including a corporation, limited liability company, partnership, or limited partnership, that is applying for renewal. If more space is needed, please attach additional completed copies of this page.

- If the applicant is a **corporation**, the following information must be completed for each **stockholder who owns 10% or more** of the stock in the corporation, and for each **president, vice-president, secretary, and managing officer**.
- If the applicant is a **limited liability organization**, the following information must be completed for each **member with an ownership interest of 10% or more**, and for each **manager**.
- If the applicant is a **partnership**, including a limited partnership, the following information must be completed for each **partner with an interest of 10% or more**, and for each **general partner**.

**Important Note:** The information provided in the below fields (including spelling of names, specific titles, and percentages held) must match that which is listed with CBPL. If one individual holds multiple titles mentioned in the bullets above, all titles must be listed for that individual on this application and with CBPL. Failure to list all required titles constitutes an incomplete application.

Name of Official:	Mary Magnuson				
Title(s):	Reg Agent / member	Phone:	907-7520500	% Owned:	50
Mailing Address:	209 Mills St A				
City:	SIKA	State:	AK	ZIP:	99835

Name of Official:	Patrick C. O'Donnell				
Title(s):	Member	Phone:	907-738-7440	% Owned:	50
Mailing Address:	PO Box 1381				
City:	SIKA	State:	AK	ZIP:	99835

Name of Official:	-NA-				
Title(s):		Phone:		% Owned:	
Mailing Address:					
City:		State:		ZIP:	





Alaska Alcohol Beverage Control Board

Form AB-17: 2019/2020 Renewal License Application

Section 3 – Sole Proprietor Ownership Information

This section must be completed by any licensee who directly holds the license as an individual or multiple individuals and is applying for license renewal. If more space is needed, please attach a separate sheet that includes all of the required information. Entities should skip to Section 4. The following information must be completed for each licensee and each affiliate (spouse).

This individual is an: ☐ applicant ☐ affiliate (spouse)

Name:				Contact Phone:		
Mailing Address:	N/A					
City:		State:		ZIP:		
Email:						

This individual is an: ☐ applicant ☐ affiliate (spouse)

Name:				Contact Phone:		
Mailing Address:						
City:		State:		ZIP:		
Email:						

Section 4 – Alcohol Server Education

This section must be completed only by the holder of a beverage dispensary, club, or pub license or conditional contractor's permit. The holders of all other license types should skip to Section 5.

Read the line below, and then sign your initials in the box to the right of the statement:

Initials

I certify that all licensees, agents, and employees who sell or serve alcoholic beverages or check identification of a patron have completed an alcohol server education course approved by the ABC Board and keep current, valid copies of their course completion cards on the licensed premises during all working hours, as set forth in AS 04.21.025 and 3 AAC 304.465.

mm

Section 5 – License Operation

Check a single box for each calendar year that best describes how this liquor license was operated:

2017 2018

The license was regularly operated continuously throughout each year.

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

The license was regularly operated during a specific season each year.

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

The license was only operated to meet the minimum requirement of 240 total hours each calendar year.

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

If this box is checked, a complete copy of Form AB-30: Proof of Minimum Operation Checklist, and all necessary documentation must be provided with this application.

The license was not operated at all or was not operated for at least the minimum requirement of 240 total hours each year, during one or both of the calendar years.

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

If this box is checked, a complete copy of Form AB-29: Waiver of Operation Application and corresponding fees must be submitted with this application for each calendar year during which the license was not operated for at least the minimum requirement, unless a complete copy of the form (including fees) has already been submitted for that year.





# Alaska Alcoholic Beverage Control Board

## Form AB-17: 2019/2020 Renewal License Application

### Section 6 – Violations and Convictions

Applicant violations and convictions in calendar years 2017 and 2018:

Yes No

Have any notices of violation (NOVs) been issued to this licensee in the calendar years 2017 or 2018?

☐ Yes ☒ No

Has any person or entity named in this application been convicted of a violation of Title 04, of 3 AAC 304, or a local ordinance adopted under AS 04.21.010 in the calendar years 2017 or 2018?

☐ Yes ☒ No

If "Yes" to either of the previous two questions, attach a separate page to this application listing all NOVs and/or convictions.

### Section 7 – Certifications

Read each line below, and then sign your initials in the box to the right of each statement:

Initials

I certify that all current licensees (as defined in AS 04.11.260) and affiliates have been listed on this application, and that in accordance with AS 04.11.450, no one other than the licensee(s) has a direct or indirect financial interest in the licensed business.

☐

I certify that I have not altered the functional floor plan or reduced or expanded the area of the licensed premises, and I have not changed the business name or the ownership (including officers, managers, general partners, or stakeholders) from what is currently approved and on file with the Alcoholic Beverage Control Board.

☐

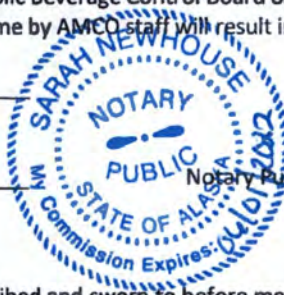
I certify on behalf of myself or of the organized entity that I understand that providing a false statement on this form or any other form provided by AMCO is grounds for rejection or denial of this application or revocation of any license issued.

☐

As an applicant for a liquor license renewal, I declare under penalty of perjury that I have read and am familiar with AS 04 and 3 AAC 304, and that this application, including all accompanying schedules and statements, is true, correct, and complete. I agree to provide all information required by the Alcoholic Beverage Control Board or AMCO staff in support of this application and understand that failure to do so by any deadline given to me by AMCO staff will result in this application being returned to me as incomplete.

Mary Magnuson  
Signature of licensee

Mary Magnuson  
Printed name of licensee



Sarah Newhouse  
Signature of Notary Public

Notary Public in and for the State of Alaska

My commission expires: 06/01/2022

Subscribed and sworn to before me this 18 day of December, 2018.

Seasonal License? ☐ Yes ☒ No

If "Yes", write your six-month operating period: \_\_\_\_\_

License Fee:	\$ 2500.00	Application Fee:	\$ 300.00	TOTAL:	\$ 2800.00
Miscellaneous Fees:					
GRAND TOTAL (if different than TOTAL):					2800.00

## Details

## ENTITY DETAILS

## Name(s)

Type	Name
Legal Name	Mean Queen LLC

**Entity Type:** Limited Liability Company**Entity #:** 10030346**Status:** Good Standing**AK Formed Date:** 6/22/2015**Duration/Expiration:** Perpetual**Home State:** ALASKA**Next Biennial Report Due:** 1/2/2021**Entity Mailing Address:** 205 HARBOR DRIVE, SITKA, AK 99835**Entity Physical Address:** 205 HARBOR DRIVE, SITKA, AK 99835

## Registered Agent

**Agent Name:** Mary Magnuson**Registered Mailing Address:** 209 MILLS ST A, SITKA, AK 99835**Registered Physical Address:** 209 MILLS ST A, SITKA, AK 99835

## Officials

AK Entity #	Name	Titles	<input type="checkbox"/> Show Former Owned
	Mary Magnuson	Member	50
	Patrick O'Donnell	Member	50

## Filed Documents

Date Filed	Type	Filing	Certificate
6/22/2015	Creation Filing	<a href="#">Click to View</a>	<a href="#">Click to View</a>
6/22/2015	Initial Report	<a href="#">Click to View</a>	
12/17/2016	Biennial Report	<a href="#">Click to View</a>	
12/10/2018	Biennial Report	<a href="#">Click to View</a>	





THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

**Department of Commerce, Community,  
and Economic Development**

ALCOHOL & MARIJUANA CONTROL OFFICE

550 West 7<sup>th</sup> Avenue, Suite 1600

Anchorage, AK 99501

Main: 907.269.0350

December 28, 2018

City and Borough of Sitka

Attn: Sara Peterson, Municipal Clerk

Via Email: [sara.peterson@cityofsitka.org](mailto:sara.peterson@cityofsitka.org)  
[melissa.henshaw@cityofsitka.org](mailto:melissa.henshaw@cityofsitka.org)

**Re: Notice of 2019/2020 Liquor License Renewal Application**

<b>License Type:</b>	Beverage Dispensary – Duplicate	<b>License Number:</b>	5553
<b>Licensee:</b>	Mean Queen, LLC		
<b>Doing Business As:</b>	Mean Queen - Duplicate		

We have received a completed renewal application for the above listed license (see attached application documents) within your jurisdiction. This is the notice required under AS 04.11.480.

A local governing body may protest the approval of an application(s) pursuant to AS 04.11.480 by furnishing the director **and** the applicant with a clear and concise written statement of reasons for the protest within 60 days of receipt of this notice, and by allowing the applicant a reasonable opportunity to defend the application before a meeting of the local governing body, as required by 3 AAC 304.145(d). If a protest is filed, the board will deny the application unless the board finds that the protest is arbitrary, capricious, and unreasonable.

To protest the application referenced above, please submit your written protest within 60 days, and show proof of service upon the applicant and proof that the applicant has had a reasonable opportunity to defend the application before a meeting of the local governing body.

Sincerely,

A handwritten signature in cursive script that reads "Erika McConnell".

Erika McConnell, Director

[amco.localgovernmentonly@alaska.gov](mailto:amco.localgovernmentonly@alaska.gov)



Alcohol and Marijuana Control Office  
550 W 7<sup>th</sup> Avenue, Suite 1600  
Anchorage, AK 99501  
[alcohol.licensing@alaska.gov](mailto:alcohol.licensing@alaska.gov)  
<https://www.commerce.alaska.gov/web/amco>  
Phone: 907.269.0350

Alaska Alcoholic Beverage Control Board

**Master Checklist: Renewal Liquor License Application**

Doing Business As:	Mean Queen	License Number:	5553
License Type:	Beverage Dispensary - Duplicate		
Examiner:	<i>Care</i>	Transaction #:	999017

Document	Received	Completed	Notes
AB-17: Renewal Application	12/20/18	12/20	
App and License Fees	12/20/18	12/20	

Supplemental Document	Received	Completed	Notes
Tourism/Rec Site Statement			
AB-25: Supplier Cert (WS)			
AB-29: Waiver of Operation			
AB-30: Minimum Operation			
AB-33: Restaurant Affidavit			
COI / COC / 5 Star			
FP Cards & Fees / AB-08a			
Late Fee			

Names on FP Cards:	
--------------------	--

	Yes	No
Selling alcohol in response to written order (package stores)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mailing address and contact information different than in database (if yes, update database)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
In "Good Standing" with CBPL (skip this and next question for sole proprietor)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Officers and stockholders match CBPL and database (if "No", determine if transfer necessary)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**LGB 1 Response:**

☐ Waive ☐ Protest ☐ Lapsed

**LGB 2 Response:**

☐ Waive ☐ Protest ☐ Lapsed





Alcohol and Marijuana Control Office  
550 W 7<sup>th</sup> Avenue, Suite 1600  
Anchorage, AK 99501  
[alcohol.licensing@alaska.gov](mailto:alcohol.licensing@alaska.gov)  
<https://www.commerce.alaska.gov/web/amco>  
Phone: 907.269.0350

Alaska Alcoholic Beverage Control Board

**Form AB-17: 2019/2020 Renewal License Application**

**What is this form?**

This renewal license application form is required for all individuals or entities seeking to apply for renewal of an existing liquor license that will expire on December 31, 2018. All fields of this form must be complete and correct, or the application will be returned to you in the manner in which it was received, per AS 04.11.270 and 3 AAC 304.105. The Community Council field only should be verified/completed by licensees whose establishments are located within the Municipality of Anchorage or outside of city limits within the Matanuska-Susitna Borough.

**This form must be completed correctly and submitted to the Alcohol & Marijuana Control Office (AMCO)'s main office, along with all other required documents and fees, before any renewal license application will be considered complete. Receipt and/or processing of renewal payments by AMCO staff neither indicates nor guarantees that an application will be considered complete, or that a license will be renewed.**

**Section 1 – Establishment and Contact Information**

Enter information for the business seeking to have its license renewed. If any populated information is incorrect, please contact AMCO.

Licensee:	Mean Queen, LLC	License #:	5553
License Type:	Beverage Dispensary - Duplicate	Legal Ref.:	AS 04.11.090(e)
Doing Business As:	Mean Queen - Duplicate		
Premises Address:	205 Harbor Drive - Downstairs		
Local Governing Body:	City & Borough of Sitka		
Community Council:	None		
Mailing Address:	205 Harbor Dr		
City:	Sitka	State:	AK
		ZIP:	99835

Enter information for the individual who will be designated as the primary point of contact regarding this application. This individual **must be a licensee** who is required to be listed in and authorized to sign this application.

Contact Licensee:	Mary Magnuson	Contact Phone:	907-752-0500
Contact Email:	meangueenmary@yahoo.com		

**Optional:** If you wish for AMCO staff to communicate with individual who is not a licensee named on this form (eg: legal counsel) about this application and other matters pertaining to the license, please provide that person's contact information in the fields below.

Name of Contact:		Contact Phone:	
Contact Email:			





# Alaska Alcoholic Beverage Control Board

## Form AB-17: 2019/2020 Renewal License Application

### Section 2 – Entity or Community Ownership Information

This top subsection must be completed by any licensee that is a corporation or LLC. Corporations and LLCs are required to be in good standing with the Alaska Division of Corporations, Business & Professional Licensing (CBPL). This number is neither your EIN/tax ID number, nor your business license number. **You may view your entity's status or find your CBPL entity number by visiting the following site:** <https://www.commerce.alaska.gov/cbp/main/search/entities>

General partnerships and local governments should skip to the second half of this page. Licensees who directly hold a license as an individual or individuals should skip to Section 3.

Alaska CBPL Entity #:

10030346

You must ensure that you are able to certify the following statement before signing your initials in the box to the right: Initials

I certify that this entity is in good standing with CBPL and that all current entity officials and stakeholders (listed below) are also currently and accurately listed with CBPL.

mm

This subsection must be completed by any community or entity, including a corporation, limited liability company, partnership, or limited partnership, that is applying for renewal. If more space is needed, please attach additional completed copies of this page.

- If the applicant is a corporation, the following information must be completed for each stockholder who owns 10% or more of the stock in the corporation, and for each president, vice-president, secretary, and managing officer.
- If the applicant is a limited liability organization, the following information must be completed for each member with an ownership interest of 10% or more, and for each manager.
- If the applicant is a partnership, including a limited partnership, the following information must be completed for each partner with an interest of 10% or more, and for each general partner.

**Important Note:** The information provided in the below fields (including spelling of names, specific titles, and percentages held) must match that which is listed with CBPL. If one individual holds multiple titles mentioned in the bullets above, all titles must be listed for that individual on this application and with CBPL. Failure to list all required titles constitutes an incomplete application.

Name of Official:	Mary Magnuson				
Title(s):	Reg. Agent / Member	Phone:	907-752-0500	% Owned:	50
Mailing Address:	209 Mills St A				
City:	Sitka	State:	AK	ZIP:	99835

Name of Official:	Patrick C. O'Donnell				
Title(s):	Member	Phone:	907-738-7440	% Owned:	50
Mailing Address:	PO Box 1381				
City:	Sitka	State:	AK	ZIP:	99835

Name of Official:	- NA -				
Title(s):		Phone:		% Owned:	
Mailing Address:					
City:		State:		ZIP:	





# Alaska Alcoholic Beverage Control Board

## Form AB-17: 2019/2020 Renewal License Application

### Section 3 – Sole Proprietor Ownership Information

This section must be completed by any licensee who directly holds the license as an **individual or multiple individuals** and is applying for license renewal. If more space is needed, please attach a separate sheet that includes all of the required information. Entities should skip to Section 4. The following information must be completed for each licensee and each affiliate (spouse).

This individual is an: ☐ applicant ☐ affiliate (spouse)

Name:				Contact Phone:	
Mailing Address:					
City:		State:		ZIP:	
Email:					

This individual is an: ☐ applicant ☐ affiliate (spouse) *-NA-*

Name:				Contact Phone:	
Mailing Address:					
City:		State:		ZIP:	
Email:					

### Section 4 – Alcohol Server Education

This section must be completed only by the holder of a beverage dispensary, club, or pub license or conditional contractor's permit. The holders of all other license types should skip to Section 5.

Read the line below, and then sign your initials in the box to the right of the statement:

Initials

I certify that all licensees, agents, and employees who sell or serve alcoholic beverages or check identification of a patron have completed an alcohol server education course approved by the ABC Board and keep current, valid copies of their course completion cards on the licensed premises during all working hours, as set forth in AS 04.21.025 and 3 AAC 304.465.



### Section 5 – License Operation

Check a single box for each calendar year that best describes how this liquor license was operated:

2017 2018

The license was regularly operated continuously throughout each year.

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
-------------------------------------	-------------------------------------

The license was regularly operated during a specific season each year.

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

The license was only operated to meet the minimum requirement of 240 total hours each calendar year.

*If this box is checked, a complete copy of Form AB-30: Proof of Minimum Operation Checklist, and all necessary documentation must be provided with this application.*

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

The license was not operated at all or was not operated for at least the minimum requirement of 240 total hours each year, during one or both of the calendar years.

*If this box is checked, a complete copy of Form AB-29: Waiver of Operation Application and corresponding fees must be submitted with this application for each calendar year during which the license was not operated for at least the minimum requirement, unless a complete copy of the form (including fees) has already been submitted for that year.*

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------



# Alaska Alcoholic Beverage Control Board

## Form AB-17: 2019/2020 Renewal License Application

### Section 6 – Violations and Convictions

Applicant violations and convictions in calendar years 2017 and 2018:

Yes No

Have any notices of violation (NOVs) been issued to this licensee in the calendar years 2017 or 2018?

☐ Yes ☒ No

Has any person or entity named in this application been convicted of a violation of Title 04, of 3 AAC 304, or a local ordinance adopted under AS 04.21.010 in the calendar years 2017 or 2018?

☐ Yes ☒ No

If "Yes" to either of the previous two questions, attach a separate page to this application listing all NOVs and/or convictions.

### Section 7 – Certifications

Read each line below, and then sign your initials in the box to the right of each statement:

Initials

I certify that all current licensees (as defined in AS 04.11.260) and affiliates have been listed on this application, and that in accordance with AS 04.11.450, no one other than the licensee(s) has a direct or indirect financial interest in the licensed business.

mm

I certify that I have not altered the functional floor plan or reduced or expanded the area of the licensed premises, and I have not changed the business name or the ownership (including officers, managers, general partners, or stakeholders) from what is currently approved and on file with the Alcoholic Beverage Control Board.

mm

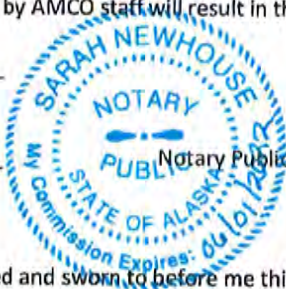
I certify on behalf of myself or of the organized entity that I understand that providing a false statement on this form or any other form provided by AMCO is grounds for rejection or denial of this application or revocation of any license issued.

mm

As an applicant for a liquor license renewal, I declare under penalty of perjury that I have read and am familiar with AS 04 and 3 AAC 304, and that this application, including all accompanying schedules and statements, is true, correct, and complete. I agree to provide all information required by the Alcoholic Beverage Control Board or AMCO staff in support of this application and understand that failure to do so by any deadline given to me by AMCO staff will result in this application being returned to me as incomplete.

Mary Magnuson  
Signature of licensee

Mary Magnuson  
Printed name of licensee



S. Newhouse  
Signature of Notary Public

Notary Public in and for the State of Alaska

My commission expires: 06/01/2022

Subscribed and sworn to before me this 18 day of December, 20 18.

Seasonal License? ☐ Yes ☒ No

If "Yes", write your six-month operating period: \_\_\_\_\_

License Fee:	\$ 2500.00	Application Fee:	\$ 300.00	TOTAL:	\$ 2800.00
Miscellaneous Fees:					
GRAND TOTAL (if different than TOTAL):					2860.00



## Details

## ENTITY DETAILS

## Name(s)

Type	Name
Legal Name	Mean Queen LLC

**Entity Type:** Limited Liability Company**Entity #:** 10030346**Status:** Good Standing**AK Formed Date:** 6/22/2015**Duration/Expiration:** Perpetual**Home State:** ALASKA**Next Biennial Report Due:** 1/2/2021**Entity Mailing Address:** 205 HARBOR DRIVE, SITKA, AK 99835**Entity Physical Address:** 205 HARBOR DRIVE, SITKA, AK 99835

## Registered Agent

**Agent Name:** Mary Magnuson**Registered Mailing Address:** 209 MILLS ST A, SITKA, AK 99835**Registered Physical Address:** 209 MILLS ST A, SITKA, AK 99835

## Officials

AK Entity #	Name	Titles	<input type="checkbox"/> Show Former
			Owned
	Mary Magnuson	Member	50
	Patrick O'Donnell	Member	50

## Filed Documents

Date Filed	Type	Filing	Certificate
6/22/2015	Creation Filing	<a href="#">Click to View</a>	<a href="#">Click to View</a>
6/22/2015	Initial Report	<a href="#">Click to View</a>	
12/17/2016	Biennial Report	<a href="#">Click to View</a>	
12/10/2018	Biennial Report	<a href="#">Click to View</a>	





# CITY AND BOROUGH OF SITKA

## Legislation Details

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File #: RES 19-02      Version: 1      Name:

Type: Resolution      Status: AGENDA READY

File created: 1/15/2019      In control: City and Borough Assembly

On agenda: 1/22/2019      Final action:

Title: Adopting an alternative allocation method for the FY19 Shared Fisheries Business Tax Program and certifying that this allocation method fairly represents the distribution of significant effects of fisheries business activity in FMA 18: Central Southeast Area

Sponsors:

Indexes:

Code sections:

Attachments: [Motion and Memo Res 2019-02](#)  
[Res 2019-02](#)  
[FY19 Shared Fisheries Business Tax Program](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

## **POSSIBLE MOTION**

**I MOVE TO** approve Resolution 2019-02 on  
first and final reading.



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

## MEMORANDUM

**To:** Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Jay Sweeney, Chief Finance and Administrative Officer

**Date:** January 15, 2019

**Subject:** Approval of FY19 Shared Fisheries Business Tax Program Alternative Method Resolution

**Issue:** The City and Borough of Sitka must, by Resolution of the Assembly, adopt one of two methods for applying for Shared Fisheries Business Taxes collected from processing activities outside the limits of incorporated cities or organized boroughs within a fisheries management area. The Assembly is asked to support Staff's recommendation of adopting the Alternate method.

### Facts:

1. Alaska levies a fisheries business tax (also known as the "raw fish tax") on fisheries businesses and persons who process fishery resources in, or export unprocessed fish resources from Alaska. The tax is based on the price paid to commercial fishermen for the raw resource, or fair market value when there is no arms-length transaction prior to processing or export. The State of Alaska, Department of Revenue collects fisheries business taxes from processors and persons who export unprocessed fishery resources from Alaska.

### **Rate**

Fisheries business tax rates are based on the location and type of processing activity and whether a fishery resource is classified as "established" or "developing" by the Alaska Department of Fish and Game. Rates are as follows:

#### **Processing Activity**

Established	Rate
Floating	5.0%
Salmon Cannery	4.5%
Shore Based	3.0%
Developing	Rate
Floating	3.0%
Shore Based	1.0%

**Disposition of revenue**

The Alaska Department of Revenue deposits all revenue derived from the fisheries business tax into the Alaska State General Fund. The Alaska State Legislature then appropriates revenue from the tax for revenue sharing with Municipalities, as follows:

**A. Processing activities within municipal boundaries**

The Division shares 50% of tax collected with the incorporated city or organized borough in which the processing took place. If an incorporated city is within an organized borough, the Division divides the 50% shareable amount equally between the incorporated city and the organized borough equally.

**B. Processing activities outside of municipal boundaries**

The Division shares 50% of tax collected from processing activities outside an incorporated city or an organized borough through an allocation program administered by the Department of Commerce, Community and Economic Development.

2. Fisheries business tax revenue sharing for processing activities within municipal boundaries is automatically sent to Municipalities every year; no application is required to receive such revenue.
3. Fisheries business tax revenue sharing for processing activities outside of municipal boundaries is allocated to all Municipalities within specific fisheries management area boundaries, utilizing an allocation formula and must be applied for annually.
4. The annual application process for shared fisheries business tax revenue sharing processing activities outside of municipal boundaries consists of (1) completing an written application form, and (2) passage of a Resolution by the Assembly.
5. The written application form for shared fisheries business tax revenue sharing processing activities outside of municipal boundaries requires municipalities to choose either a standard application method or an alternative application method.
  - a. The standard application method requires a municipality to determine and document the cost to the municipality of fisheries industry "significant effects" suffered in the previous year. "Significant effects" is defined as municipal expenditures demonstrated by the Municipality to the Department of Revenue to be reasonable and necessary that are the result of fisheries business activities of the municipality. Every municipal expenditure determined to be necessary as the result of fisheries business activities must be supported by documentation that clearly demonstrates the procedures and methods by which the cost of the expenditure was determined.
  - b. The alternative application method allows all municipalities within a fisheries management area to work together to develop an alternative formula for

distributing the available funding among municipalities in the fisheries management area.

6. Sitka lies within Fisheries Management Area (FMA) 18, Central Southeast Area. Other municipalities within FMA 18 include Wrangell, Petersburg, Kake, and 5 other smaller towns.
7. The total amount of funding available for FMA 18 is \$77,598.30 for FY19.
8. Sitka, along with all other municipalities within FMA, has historically chosen the alternative application method in the past. The historic methodology adopted by municipalities within FMA 18 has been to divide available funding by the following formula: 50% of available funding is divided equally among the 9 municipalities in FMA 18, and, the other 50% is divided on a per capita basis, with Sitka receiving 57.3% of the per capita share. The total of both portions results in Sitka receiving 34.2% of all available funding in the program.

### **Discussion**

1. Sitka has historically opted to utilize alternative method for the following reasons:
  - A. Utilizing the standard method requires documentation of the costs of significant effects on the municipality by the fishing industry. Capturing and properly documenting such costs would require cost accounting capabilities within the Municipal Finance Department which are currently not resourced. While such cost accounting capabilities could be developed, through the hiring of additional employees (or external contracting) and development of internal cost accounting processes, the amount of additional funding to be obtained through the standard application method would not justify the additional cost. Even if Sitka obtained 100% of all available funding in the program (which is so unlikely as to almost be impossible), the amount of additional funding over what is received in the alternate method would be another \$54,367, approximately the cost on one half-time accountant.
  - B. Utilizing the standard method also means that the alternative application method historically utilized by the 9 communities in FMA 18 would be upended. It is unclear what would happen if one municipality chose the standard method and all other chose the alternative method. It is likely that all municipalities would still receive some share, even if one municipality claimed more in significant effects cost than there was available funding. This makes it likely that the amount of additional funding to be gained through the standard method would be small, again calling into question whether the additional amount would justify cost of gathering the data for the standard method.



2. It is estimated that the alternate method will result in revenue of \$26,537, 34.2% of the total of \$77,598 available.
3. FY18's Shared Fisheries Business Tax receipts were \$28,371.23 and were received on March 28, 2018.

### **Analysis of Alternatives**

1. Adopting the standard method might lead to marginally more revenue, but would require a significant expenditure of time and effort to prepare. Costs of significant effects of the fishing industry on Sitka is anecdotal at this time; data necessary to document such costs is not available. Obtaining such data with existing resources and processes would involve (1) identifying expenditures, either wages or outlays for contracts or supplies, as being "a fishing industry effect" when either time cards are filled out, purchase orders prepared, or invoices coded, or (2) having accounting personnel go back and analyze previous expenditures for fishing industry effects. Identifying expenditures as having significant fishing industry effects, as they happen, is unrealistic, as it depends on employees outside of the Finance Department to consistently remember to code time cards and purchase orders for fishing industry effects, and this will not happen unless it is consistently managed and emphasized. Having Finance employees going back and analyzing prior expenditures for fishing industry effects is more realistic, but it would be time-consuming and expensive. Such activity requires judgment and critical thinking skills, and, would require a higher-level employee to effectively accomplish, making it cost-prohibitive for the minimal amount of additional possible revenue.
2. Adopting the alternate method is the most cost-efficient method. It obtains a reasonable share of the available funding for minimal additional effort, and more importantly, does not require costly additional resources to accomplish, nor does it take valuable staff time away from other more critical priorities. The alternate method would also allow the long-standing alternate methodology to remain in place and would not adversely impact the other 8 municipalities in FMA 18.

### **Recommendation**

Staff recommends that the Assembly adopt the accompanying resolution adopting an alternative allocation method for distributing the available Shared Fisheries Business Taxes, collected from processing activities outside an incorporated city or an organized borough in the fisheries management area, amount the municipalities within that area.



CITY AND BOROUGH OF SITKA

RESOLUTION NO. 2019-02

**A RESOLUTION ADOPTING AN ALTERNATIVE ALLOCATION METHOD FOR THE  
FY19 SHARED FISHERIES BUSINESS TAX PROGRAM AND CERTIFYING THAT  
THIS ALLOCATION METHOD FAIRLY REPRESENTS THE DISTRIBUTION OF  
SIGNIFICANT EFFECTS OF FISHERIES BUSINESS ACTIVITY IN FMA 18:  
CENTRAL SOUTHEAST AREA**

**WHEREAS**, AS29.60.450 requires that for a municipality to participate in the FY19 Shared Fisheries Business Tax Program, the municipality must demonstrate to the Department of Commerce, Community, and Economic Development that the municipality suffered significant effects during calendar year 2017 from fisheries business activities; and,

**WHEREAS**, 3 AAC 134.060 provides for the allocation of available program funding to eligible municipalities located within fisheries management areas specified by the Department of Commerce, Community, and Economic Development; and,

**WHEREAS**, 3 AAC 134.070 provides for the use, at the discretion of the Department of Commerce, Community, and Economic Development, of alternative allocation methods which may be used within fisheries management areas if all eligible municipalities within the area agree to use the method, and the method incorporates some measure of the relative significant effect of fisheries business activity on the respective municipalities in the area; and,

**WHEREAS**, The City and Borough of Sitka proposes to use an alternative allocation method for allocation of FY19 funding available within the FMA 18: CENTRAL SOUTHEAST AREA in agreement with all other municipalities in this area participating in the FY19 Shared Fisheries Business Tax Program.

**NOW THEREFORE BE IT RESOLVED THAT:** The City and Borough of Sitka Assembly by this resolution certifies that the following alternative allocation method fairly represents the distribution of significant effects during 2017 of fisheries business activity in FMA 18:  
CENTRAL SOUTHEAST AREA:

**All municipalities share equally 50% of allocation; all municipalities share remaining 50% on a per capita basis.**

**PASSED, APPROVED AND ADOPTED** by the Assembly of the City and Borough of Sitka, Alaska on the 22<sup>nd</sup> day of January, 2019.

\_\_\_\_\_  
Steven Eisenbeisz, Deputy Mayor

ATTEST: \_\_\_\_\_  
Melissa Henshaw, CMC  
Acting Municipal Clerk

1<sup>st</sup> and final reading 1/22/19

Sponsor: Administrator



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Commerce, Community,  
and Economic Development**

DIVISION OF COMMUNITY AND REGIONAL AFFAIRS

455 3<sup>rd</sup> Avenue, Suite 140  
Fairbanks, Alaska 99701-4737  
Main: 907.451.2718  
Programs fax: 907.451.2742

November 15, 2019

Dear Municipal Official:

The Department of Commerce, Community, and Economic Development is pleased to announce availability of the **FFY 2019 Shared Fisheries Business Tax Program**. The purpose of the program is to allocate a share of state fish tax collected outside municipal boundaries with municipalities affected by fishing industry activities. Municipalities around the state will share approximately \$1.6 million based on 2017 fisheries activity as reported by fish processors on their fish tax returns. Details of how the program works are included in the application under *Program Description*.

**Historically, your municipality along with the other communities in your fisheries management area (FMA) has filed using the Alternative Method found on the last four pages of this application.** A breakdown is included that details the communities in your FMA, in addition to the anticipated payment based on the agreed upon allocation method for your FMA. If this agreement is still in place with your FMA, you will only need to have your Council/Assembly pass the enclosed alternative method sample resolution in order to participate in the program.

If your FMA intends to change the alternative method of allocation, the new proposal must be submitted to our office no later than **January 15, 2019**. If an agreement cannot be made with all communities in your FMA, you will need to file using the standard method and claim your significant effects. Instructions on both of these methods are detailed in the application packet.

**DEADLINE FOR SUBMISSION OF COMPLETED APPLICATION IS  
FEBRUARY 15, 2019.**

Applications can be scanned and emailed to [caa@alaska.gov](mailto:caa@alaska.gov) with the subject line **"Municipality Name, FY19, SFBT"**. If you have any questions about the program or require assistance in completing the application, please contact me at [kimberly.phillips@alaska.gov](mailto:kimberly.phillips@alaska.gov) or call (907) 451-2718.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kimberly Phillips".

Kimberly Phillips  
Grants Administrator II

Enclosures

# FMA 18: Central Southeast Area

						FY 16 Landing Tax Allocation	
						Calculated Allocation	
Total allocation:						\$429.48	
\$77,168.83							
50% Divided							
\$38,584.41							
50% per capita							
\$38,584.41							
						Calculated Allocation	Total Distribution
Community	Population	50% divided share	50% per capita share	Calculated Allocation	Calculated Allocation		
City of Coffman Cove	199	\$4,287.16	\$502.80	\$4,789.96	\$26.66	\$4,816.62	
City of Edna Bay	43	\$4,287.16	\$108.65	\$4,395.80	\$24.46	\$4,420.27	
City of Kake	604	\$4,287.16	\$1,526.09	\$5,813.25	\$32.35	\$5,845.60	
City of Kupreanof	21	\$4,287.16	\$53.06	\$4,340.22	\$24.16	\$4,364.37	
City of Pelican	67	\$4,287.16	\$169.29	\$4,456.44	\$24.80	\$4,481.24	
Petersburg Borough	3,147	\$4,287.16	\$7,951.36	\$12,238.51	\$68.11	\$12,306.62	
City of Port Alexander	55	\$4,287.16	\$138.97	\$4,426.12	\$24.63	\$4,450.76	
City and Borough of Sitka	8,748	\$4,287.16	\$22,103.10	\$26,390.26	\$146.87	\$26,537.13	
City and Borough of Wrangell	2,387	\$4,287.16	\$6,031.10	\$10,318.26	\$57.43	\$10,375.69	
<b>Totals</b>	<b>15,271</b>	<b>\$38,584.41</b>	<b>\$38,584.41</b>	<b>\$77,168.83</b>	<b>\$429.48</b>	<b>\$77,598.30</b>	
Community Count	9						

\* All municipalities share 50% of allocation equally; share remaining 50% on a per capita basis.

**DCCED**  
**Shared Fisheries Business**  
**Tax Program**  
**FY 19 Long-Form Application**  
**For**  
**FMA 18: Central Southeast Area**



**APPLICATION MUST BE SUBMITTED TO DCCED**  
**NO LATER THAN FEBRUARY 15, 2019**

**State of Alaska**  
**Bill Walker, Governor**  
**Department of Commerce, Community, and**  
**Economic Development**  
**Mike Navarre, Commissioner**  
**Division of Community and Regional Affairs**  
**Katherine Eldemar, Director**



## **FY 19 SHARED FISHERIES BUSINESS TAX PROGRAM DESCRIPTION**

The purpose of the Shared Fisheries Business Tax Program is to provide for an annual sharing of fish tax collected outside municipal boundaries to municipalities that can demonstrate they suffered significant effects from fisheries business activities. This program is administered separately from the state fish tax sharing program administered by the Department of Revenue which shares fish tax revenues collected inside municipal boundaries.

### **Program Eligibility**

To be eligible for an allocation under this program, applicants must:

1. Be a municipality (city or borough); and
2. Demonstrate the municipality suffered significant effects as a result of fisheries business activity that occurred within its respective fisheries management area(s).

### **Program Funding**

The funding available for the program this year is equal to half the amount of state fisheries business tax revenues collected outside of municipal boundaries during calendar year 2017.

Program funding is allocated in two stages:

**1st Stage:** Nineteen Fisheries Management Areas (FMAs) were established using existing commercial fishing area boundaries. The available funding is allocated among these 19 FMAs based on the pounds of fish and shellfish processed in the whole state during the 2017 calendar year. For example, if an area processed 10% of all the fish and shellfish processed in the whole state during 2017, then that area would receive 10% of the funding available for the program this year. These allocations are calculated based on Fisheries Business Tax Return information for calendar year 2017.

**2nd Stage:** The funding available within each FMA will be allocated among the municipalities in that area based on the level of fishing industry significant effects suffered by each municipality compared to the level of effects experienced by the other municipalities in that FMA.

Some boroughs, because of their extensive area, are included in more than one fisheries management area. In these cases, the borough must submit a separate program application for each area.

## FY 19 SHARED FISHERIES BUSINESS TAX PROGRAM DESCRIPTION

### There are two possible application methods: Standard and Alternative

**Standard Method:** In the Standard Method, established by the department, each municipality in the FMA must determine and document the cost of fisheries business impacts experienced by the community in 2017. These impacts are submitted by each municipality in their applications. The department will review the applications and determine if the impacts submitted are valid. Once the impacts have been established for each of the municipalities in the FMA, the department will calculate the allocation for each municipality using the following formula:

One half of the funding available within a FMA is divided up among participating municipalities on the basis of the relative dollar amount of impact in each municipality. The other half of the funding available to that area is divided equally among all eligible municipalities.

**Alternative Method:** Alternative allocation methods may be proposed by the municipalities within the FMA. The department will consider approving the use of a proposed alternative method only if all the municipalities in the area agree to use the method, and if the method includes some measure of the relative effects of the fishing industry on the respective municipalities in the area.

This application packet contains the instructions and forms applying under:

- STANDARD METHOD
- ALTERNATIVE METHOD

The chart on the following page summarizes the process for these two methods.



# FY 19 SHARED FISHERIES BUSINESS TAX PROGRAM DESCRIPTION

## PROCESS FOR METHODS



**November 15**  
Commerce mails program  
applications to municipalities



### STANDARD METHOD

**No later than February 15**

Each municipality determines and documents the cost of fisheries impacts on the community and submits this information with their application.



**No later than April 15**

Commerce reviews applications, makes a determination as to the validity of the submitted impacts, and notifies the municipalities of this determination.



**Within 30 days**

Municipalities have 30 days in which to appeal Commerce's determinations regarding submitted impacts.



**Within 20 days**

Commerce will respond to appeals within 20 days after receiving them.



**After all appeals are resolved**

Commerce will perform the formula calculations for each FMA based on the relative impacts approved for each municipality in the FMA, and distribute the funding allocations.

### ALTERNATE METHOD

**No later than January 15**

All municipalities in an FMA work together to develop an alternate allocation formula and submit their proposal to Commerce. Municipalities are encouraged to consult with Commerce during this effort regarding the acceptability of alternative methods.



**No later than February 1**

Commerce reviews alternate proposals, determines if proposals are acceptable, and notifies the municipalities of this determination. If the proposal is accepted, municipalities may then use the Alternative Method application. If the proposal is not acceptable to Commerce, the department will work with municipalities in an area to resolve problems. If the problems cannot be resolved, the municipalities in that FMA must apply using the Standard Method application.



**No later than February 15**

Each municipality must submit an Alternative Method application. Commerce will distribute allocations after all applications within that FMA have been received and verified.

# FY 19 Shared Fisheries Business Tax Program Application Instructions

## STANDARD METHOD

- In the standard method application process each municipality determines and documents the cost to the municipality of fisheries industry significant effects suffered by the community in 2017.
- Details for each of these effects are submitted by municipalities using the Declaration of Significant Effects application forms on the following pages.
- The municipality must also submit an approved resolution by the governing body certifying that the information submitted in the application is correct and complete. A sample resolution is included in this packet.
- The department will review the applications and determine if the significant effects submitted are valid.
- Once the effects have been established for each of the municipalities in a Fisheries Management Area, the department will calculate the funding allocation for each municipality using the following formula:

**One half** of the funding available within a FMA is divided up among participating municipalities on the basis of the relative **dollar amount of impact** in each municipality. The **other half** of the funding available to that area is divided equally among all eligible municipalities.

### Guidelines for Completing the Declaration of Significant Effects Forms

**Some important definitions:** The Shared Fisheries Business Tax Program provides for a sharing of State Fisheries Business Tax with municipalities that can demonstrate they suffered *significant effects* during the *program base year* from *fisheries business activity* in their respective fisheries management area.

For the purposes of this program, "fisheries business activity" means:

- activity related to fishing, including but not limited to the catching and sale of fisheries resources;
- activity related to commercial vessel moorage and commercial vessel and gear maintenance;
- activity related to preparing fisheries resources for transportation; and,
- activity related to processing fisheries resources for sale by freezing, icing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants.

And, "significant effects" means:

- municipal expenditures during the program base year demonstrated by the municipality to the department to be reasonable and necessary that are the result of fisheries business activities on the municipality's:
  - population;
  - employment;
  - finances;
  - air and water quality;
  - fish and wildlife habitats; and,
  - ability to provide essential public services, including health care, public safety, education, transportation, marine garbage collection and disposal, solid waste disposal, utilities, and government administration.

And, "program base year" means:

- calendar year 2017.

**A municipality does not need to have actual expenditures in 2017 in order to include them as significant effects in the application.** If a fishing business activity impacts a municipality in a manner that will result in a cost to the municipality, then the municipality can claim that impact as a significant effect. For example, a city's pier might have been damaged by an improperly docked fish processing vessel. The city might not have the funds to repair the pier during 2017, but the city has obtained final engineering estimates for the cost of repairs. In this case, the city could declare the repair cost estimates as significant effects on their application. However, **these costs may not be claimed again** if the city subsequently expended the monies to repair the pier at a later date (this would result in a double counting of significant effects).

If a significant effect claimed in the application reflects expenditures that were determined by the municipality to be necessary, but for which the municipality was unable to make an expenditure during the program base year, the application must include a finding by the municipal governing body which documents and clearly describes the procedures and methods by which the need and the estimated cost of such expenditures were determined.

**Only that part of overall community impacts which are directly attributable to fishing business activity should be included as significant effects in the application.** For example, a city water supply system may be impacted by the fresh water needs of the local fishing fleet and fish processing facilities. However, a city in this situation should not claim the entire cost of operating or maintaining the water system as a "significant effect" for the purposes of this program. In this case, the city must determine and document its estimate of the share of the use, and "wear and tear," of the water system that can reasonably be attributed to fisheries business activity. A place is provided on the *Declaration of Significant Effects* forms for municipalities to explain how they arrived at such estimates.

**Examples of eligible significant effects.** The kinds of negative effects which a municipality might possibly claim to have suffered are many. It is the responsibility of each municipality to describe, document and justify its particular claims of negative impacts during 2017 resulting from fisheries business activities. For the purposes of this program, all significant effects must be presented in terms of expenditures of municipal funds, either actual or determined necessary. For example, a sudden population increase of 1,000 people is not in itself a negative effect. It is the demonstrable impacts on the city budget of dealing with these extra people that may be considered as significant effects for this



program. The following examples represent the kinds of community impacts which are clearly eligible for inclusion in a city's *Declaration of Significant Effects* forms.

- a municipality's expenses during 2017 in repairing a dock damaged by a fishing vessel;
- a municipality's costs of hiring extra police, teachers or medical staff to cover periods during 2017 when fish processing workers or fishing crew and their families expanded the municipality's population;
- a city 2017 loan which was used to improve the city's water system to meet increased demands for fresh water by local fish processors. Only that part of the debt service which can be directly attributable to supporting the fishing industry may be counted as a significant effect.
- special expenditures made by a city during 2017 to assist or help re-train workers who lost their jobs in the fishing industry because of a downturn in fishing activity;
- a borough's expenditures for operating and maintaining harbor facilities during 2017;
- that part of operating and maintaining a city's water and sewer system or landfill during 2017 that is directly attributable to the fishing industry.

**Examples of events which are not eligible to be significant effects**

The following are examples of municipal expenditures or events which are **not eligible** for inclusion in a *municipality's Declaration of Significant Effects* forms:

- Municipal expenditures that occurred before or after 2017 which are the result of fishing business activities;
- Revenues which a city did not receive during 2017 because of a downturn in local fishing business activity.

**If you're not sure whether an event is a valid "significant effect" or not, contact DCCED.**

## Instructions for Completing the Standard Method Application

The completed standard method application submitted by each municipality will contain three elements:

- a set of *Declaration of Significant Effects* forms (one separate form for each significant effect claimed by the municipality). **Three copies of this form are included in the application- please make as many additional copies of this form as you need.**
- a *Cover Page* that provides the total number and cost of the significant effects claimed by the municipality.
- an *approved resolution* by the governing body adopting the application as true and correct. A sample resolution is included in the application.

### Instructions for the Cover Page/Summary

The *Cover Page* must be completed and submitted as part of the application. This form summarizes the information found in the application. The number of significant effects claimed should be equal to the number of *Declarations of Significant Effects* forms submitted with the application and the total dollar amount should equal the sum of all the dollar amounts stated in Part 2 on the *Declarations of Significant Effects* forms.

### Instruction for the *Resolution* form

Municipalities may use this form, or a similar form, to comply with the requirement that the submitted application be certified by the municipality's governing body.

**Submit completed application  
no later than February 15, 2019, to:**

**E-mail**

**[caa@alaska.gov](mailto:caa@alaska.gov)**

**Subject Line**

**"Municipality Name, FY19, SFBT"**

**Or**

**Mail**

**State of Alaska DCCED  
Shared Fisheries Business Tax Program  
455 3rd Avenue, Suite 140  
Fairbanks, Alaska 99701-4737**

**If you have any questions regarding this program, contact  
Kimberly Phillips at 451-2718**

**FY 19 SHARED FISHERIES BUSINESS TAX PROGRAM**

**STANDARD METHOD APPLICATION for**

**FMA 18: CENTRAL SOUTHEAST AREA**

Name of Municipality:

Address:

Contact Person:

Phone Number:

Total # of Significant Effects Claimed:

Total \$ of Significant Effects Claimed: \$

Return cover page, Declaration of Significant Effects forms, and resolution

**E-mail**

**[caa@alaska.gov](mailto:caa@alaska.gov)**

**Subject Line**

**“Municipality Name, FY19, SFBT”**

**Or**

**Mail**

**State of Alaska DCCED**

**Shared Fisheries Business Tax Program**

**455 3rd Avenue, Suite 140**

**Fairbanks, Alaska 99701-4737**



**FY 19 Shared Fisheries Business Tax Program**  
**DECLARATION OF**  
**SIGNIFICANT EFFECTS FORM**  
(One Separate Form for Each Significant Effect Claimed)

1. Provide a description of the fisheries business activity which resulted in the significant effect:

2. Total significant effect (municipal expenditure) made necessary during 2017 by the fisheries business activity listed in #1: \$                     

3. Municipal expenditure is: ☐ actual ☐ determined necessary  
(Every municipal expenditure marked "determined necessary" must be supported by a resolution)

4. Describe how the municipal expenditure figure listed under Part 2 was determined:

5. Is the fisheries business activity part of a larger fiscal impact on the municipality?  
☐ yes ☐ no

If yes, describe how the fisheries business-related part of the overall fiscal impact was determined.

6. Describe the documentation that supports the municipality's claim of this significant effect (this documentation must be readily available to the department upon request):

**FY 19 Shared Fisheries Business Tax Program**  
**DECLARATION OF**  
**SIGNIFICANT EFFECTS FORM**  
(One Separate Form for Each Significant Effect Claimed)

1. Provide a description of the fisheries business activity which resulted in the significant effect:

2. Total significant effect (municipal expenditure) made necessary during 2017 by the fisheries business activity listed in #1: \$                     

3. Municipal expenditure is: ☐ actual ☐ determined necessary  
(Every municipal expenditure marked "determined necessary" must be supported by a resolution)

4. Describe how the municipal expenditure figure listed under Part 2 was determined:

5. Is the fisheries business activity part of a larger fiscal impact on the municipality?  
☐ yes ☐ no

If yes, describe how the fisheries business-related part of the overall fiscal impact was determined.

6. Describe the documentation that supports the municipality's claim of this significant effect (this documentation must be readily available to the department upon request):

**FY 19 Shared Fisheries Business Tax Program**  
**DECLARATION OF**  
**SIGNIFICANT EFFECTS FORM**  
(One Separate Form for Each Significant Effect Claimed)

1. Provide a description of the fisheries business activity which resulted in the significant effect:

2. Total significant effect (municipal expenditure) made necessary during 2017 by the fisheries business activity listed in #1: \$                     

3. Municipal expenditure is: ☐ actual ☐ determined necessary  
(Every municipal expenditure marked "determined necessary" must be supported by a resolution)

4. Describe how the municipal expenditure figure listed under Part 2 was determined:

5. Is the fisheries business activity part of a larger fiscal impact on the municipality?  
☐ yes ☐ no

If yes, describe how the fisheries business-related part of the overall fiscal impact was determined.

6. Describe the documentation that supports the municipality's claim of this significant effect (this documentation must be readily available to the department upon request):



(City or Borough)

A RESOLUTION CERTIFYING THE FY 19 SHARED FISHERIES BUSINESS TAX PROGRAM APPLICATION TO BE TRUE AND CORRECT

WHEREAS, the Department of Commerce, Community, and Economic Development has prepared specific application forms for the purpose of presenting the municipality's claims as to the significant effects suffered by the municipality during calendar year 2017; and

NOW THEREFORE BE IT RESOLVED THAT:

FY18 Shared Fisheries Business Tax Program Application to be true and correct to the best of our knowledge.

SIGNED \_\_\_\_\_  
Mayor

ATTEST \_\_\_\_\_  
Clerk

## **FY 19 Shared Fisheries Business Tax Program Application Instructions**

### **ALTERNATIVE METHOD**

- In the alternative method application process all municipalities in a fisheries management area may work together to develop an alternative allocation formula for distributing the available program funding among municipalities in the area. It is advised that the department be consulted during this process if the municipalities have questions or concerns about what constitutes an acceptable alternative to the standard allocation method.
- All the municipalities in an area must reach an agreement in writing on an alternative allocation formula.
- By January 15, the department must receive the proposed alternative method. If the alternative method is not acceptable, the department will work with the municipalities to resolve the problems.
- If the municipalities in an area fail to satisfy the department regarding the acceptability of the alternative allocation method proposed, then each municipality in the region must return to the standard application process and submit separate applications as required by that process.
- If the department finds the alternative allocation method satisfactory, each municipality must then complete an alternative method application consisting of a cover page and resolution. The resolution must be adopted by the governing body and it must clearly describe the approved alternative allocation method within that area. After all alternative method applications within an area have been received and approved; the department will perform the allocations and distribute program funds.

## **Instructions for Alternative Method Application**

In the alternative method application, an approved resolution constitutes the application. No other forms need to be submitted. A sample resolution has been attached for your use.

### **General Guidelines for Developing an Alternative Allocation Method**

**All municipalities in a fisheries management area must agree on the alternative method:** There must be unanimous agreement among all eligible municipalities in a fisheries management area with regard to alternative allocation methods. It is the responsibility of community leaders in the area to work together to negotiate an alternative which is acceptable to all municipalities. The department may be consulted at any time regarding what kinds of formula approaches are considered acceptable by the department.

**Alternative methods must incorporate some measure of the relative significant effects experienced by the respective municipalities in the area.** The measure of significant effects may take many forms. One area might agree to use the number of commercial fishing boat visits-per-year per community as a measure of significant effects. Another area might use the linear foot-length of public docks as a measure. Another area might use community population figures as an indication of the significant effects of fisheries business activity. Another area might share one half of the funding equally between the respective municipalities and share the other half based upon community population figures. Areas may decide to use one measure, or may use a combination of measures.

**Submit your completed application  
no later than  
February 15, 2019 to:**

**E-mail**  
**[caa@alaska.gov](mailto:caa@alaska.gov)**

**Subject Line**  
**"Municipality Name, FY19, SFBT"**

**Or**

**Mail**  
**State of Alaska DCCED**  
**Shared Fisheries Business Tax Program**  
**455 3rd Avenue, Suite 140**  
**Fairbanks, Alaska 99701-4737**

**If you require assistance in completing this application, contact  
Kimberly Phillips at 451-2718.**



**FY 18 SHARED FISHERIES BUSINESS TAX PROGRAM**

**ALTERNATE METHOD APPLICATION For**

**FMA 18: CENTRAL SOUTHEAST AREA**

Name of Municipality:

Address:

Contact Person:

Phone Number:

Return cover page, and resolution

**E-mail**

**[caa@alaska.gov](mailto:caa@alaska.gov)**

**Subject Line**

**"Municipality Name, FY19, SFBT"**

**Or**

**Mail**

**State of Alaska DCCED**

**Shared Fisheries Business Tax Program**

**455 3rd Avenue, Suite 140**

**Fairbanks, Alaska 99701-4737**

FY 19 Shared Fisheries Business Tax Program  
Alternative Method Resolution

\_\_\_\_\_  
(City or Borough)

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION ADOPTING AN ALTERNATIVE ALLOCATION METHOD FOR THE FY18  
SHARED FISHERIES BUSINESS TAX PROGRAM AND CERTIFYING THAT THIS  
ALLOCATION METHOD FAIRLY REPRESENTS THE DISTRIBUTION OF SIGNIFICANT  
EFFECTS OF FISHERIES BUSINESS ACTIVITY IN FMA 18: CENTRAL SOUTHEAST AREA

**WHEREAS**, AS 29.60.450 requires that for a municipality to participate in the FY 19 Shared Fisheries Business Tax Program, the municipality must demonstrate to the Department of Commerce, Community, and Economic Development that the municipality suffered significant effects during calendar year 2017 from fisheries business activities; and,

**WHEREAS**, 3 AAC 134.060 provides for the allocation of available program funding to eligible municipalities located within fisheries management areas specified by the Department of Commerce, Community, and Economic Development; and,

**WHEREAS**, 3 AAC 134.070 provides for the use, at the discretion of the Department of Commerce, Community, and Economic Development, of alternative allocation methods which may be used within fisheries management areas if all eligible municipalities within the area agree to use the method, and the method incorporates some measure of the relative significant effect of fisheries business activity on the respective municipalities in the area; and,

**WHEREAS**, The \_\_\_\_\_  
(Governing Body) proposes to use an alternative allocation method for allocation of FY19 funding available within the FMA 18: Central Southeast Area in agreement with all other municipalities in this area participating in the FY19 Shared Fisheries Business Tax Program;

**NOW THEREFORE BE IT RESOLVED THAT:** The \_\_\_\_\_  
(Governing Body) by this resolution certifies that the following alternative allocation method fairly represents the distribution of significant effects during 2017 of fisheries business activity in FMA 18: Central Southeast Area:

- **All municipalities share equally 50% of allocation; all municipalities share remaining 50% on a per capita basis.**

PASSED and APPROVED by a duly constituted quorum of the \_\_\_\_\_ this \_\_\_\_\_ day  
of \_\_\_\_\_ 20\_\_\_\_.  
(Governing Body)

SIGNED \_\_\_\_\_  
Mayor

ATTEST \_\_\_\_\_  
Clerk



# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: 19-016 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 1/16/2019 In control: City and Borough Assembly

On agenda: 1/22/2019 Final action:

Title: Reappoint Daniel Gunn to a three-year term on the Library Commission and appoint Christopher Brewton to a three-year term on the Employment Relations Board (City representative seat)

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Appointments](#)  
[Gunn Application](#)  
[Brewton Application](#)  
[Excerpt 2005-30 Collective Bargaining Employment Relations Board](#)

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

## **POSSIBLE MOTION**

**I MOVE TO** reappoint Daniel Gunn to a three-year term on the Library Commission and appoint Christopher Brewton to a three-year term on the Employment Relations Board in the “City representative seat”.



**Application for Appointment to Boards, Committees, and Commissions  
City and Borough of Sitka**

Board/Commission/Committee: Sitka Public Library  
Name: Daniel Gunn Daytime Phone: [REDACTED]  
Address: [REDACTED] Evening Phone: " "  
Email Address: [REDACTED] Fax Number: [REDACTED]  
Length of Residence in Sitka: 5 years Registered to vote in Sitka? ☒ Yes ☐ No  
Employer: F/V Norisle, Old Harbor Books

Organizations you belong to or participate in:

Sitka Conservation Society, Raven Radio, Brave Heart Volunteers, Homes Center

Explain your main reason for applying:

Interested in serving the community of Sitka through volunteer work on a higher level.

What background, experience or credentials will you bring to the board, commission, or committee membership?

I earned a minor in community health from Lock Haven University, served as an AmeriCorps volunteer in Sitka (2013-2015), and worked within a local non-profit

Please disclose any potential conflicts of interest that may arise from your appointment. These may include but are not limited to:

- A substantial financial interest of \$1000 annually that could be influenced by your appointment.
- An immediate family member employed within the scope of this appointment.

for most of a year (Homes Center)

Please attach a letter of interest, outline, or resume which includes your education, work, and volunteer experience that will enhance your membership.

→ (To be considered, your application must be complete AND be accompanied by one of the above supporting documents.)

Date: 1/9/19 Signature: [Signature]

Your complete application and resume should be returned to the Municipal Clerk's Office by noon on the Wednesday prior to an advertised Assembly meeting.

Please note: all information submitted will be made public and published online. Appointments are normally made during open session of an Assembly meeting, however, Assembly members may vote to discuss applicant(s) in closed executive session. In this case, do you wish to be present when your application is discussed? ☐ Yes ☐ No

Return to:

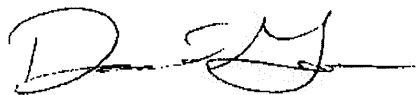
Melissa Henshaw, Deputy Clerk/Records Specialist, 100 Lincoln Street  
Fax: 907-747-7403 Email: [melissa.henshaw@cityofsitka.org](mailto:melissa.henshaw@cityofsitka.org)



To whom it may concern,

This letter of intent is to declare that I,  
Daniel Gunn, would like to serve on the Sitka  
Public Library's Commission.

I graduated from Lock Haven University of Pennsylvania  
with a degree in Health and Physical Education, a minor  
in coaching, and a minor in community health. After  
graduation in December 2012, I entered the AmeriCorps  
program and served as Volunteer Coordinator of the  
Haines Athletic and Wellness Center from August 2013 until  
August 2015. I was then hired by the Haines Center  
and filled the position of Member Services Specialist until  
I began fishing in the summer of 2016. Currently,  
I work at Old Harbor Books during the off-season and  
fish during the summer months. I have also volunteered  
at a variety of events in Sitka for organizations  
including SCS, Brackham, and KCAW.

Thank You for your consideration, 

Daniel Gunn

1/9/19



## LIBRARY COMMISSION

NAME	CONTACT NUMBERS	TERM STARTS	EXPIRES	CATEGORY
NICOLE FILIPEK PO Box 251	206-769-3685 nicolefilipek@gmail.com	2/14/17	2/14/20	Chair
DANIEL GUNN 204 Marine Street	738-0738 danielforestgunn@gmail.com	1/23/18	1/12/19	Vice Chair
PAUL BAHNA 600 A DeGroff Street	747-7749 623-0945 bnbahna@alaska.edu	7/24/18	6/13/20	Secretary Eidler/Litman's term
JOSHUA THOMAS PO Box 473	817-471-6054 Josh0417@att.net	9/13/16	9/13/19	
ALICE JOHNSTONE 213 Shotgun Alley	747-3931 johnstone@ak.net	7/22/03 7/11/06 7/14/09 7/24/12 7/14/15	7/22/06 7/11/09 7/14/12 7/24/15 7/14/18	
DARRYL REHKOPF 210 Observatory Street	738-5629 darrylrehkopf@hotmail.com	8/22/17	4/12/19	<i>Lil's term</i>
STEPHEN MORSE 314 Tilson street	509-607-7327 stephen_morse@hotmail.com	4/24/18	1/26/19	<i>Bingham's term</i>
Richard Wein PO Box 2424	752-0577 assemblywein@cityofsitka.org			Assembly Liaison
Elizabeth O'Donnell 214 Observatory	747-8014			Emeritus Member

7 Members from Public 3-year terms

Established by Ordinance 72-50, Ord. 03-1730 added 2 more members

First Wednesday of the Month, 6:00 p.m. at the Sitka Public Library, 320 Harbor Drive

### **OATH OF OFFICE REQUIRED**

Revised: January 15, 2019



**Application for Appointment to Boards, Committees, and Commissions**  
**City and Borough of Sitka**

Board/Commission/Committee: EMPLOYMENT RELATIONS BOARD (CBS Seat)

Name: Christopher Brewton Preferred Phone: [REDACTED]

Address: [REDACTED] Alternate Phone: [REDACTED]

Email Address: [REDACTED] Fax Number: N/A

Length of Residence in Sitka: 10 yrs Registered to vote in Sitka? ☒ Yes ☐ No

Employer: RETIRED

Organizations you belong to or participate in:

AAHPA

Explain your main reason for applying:

Service for our community.

What background, experience or credentials will you bring to the board, commission, or committee membership?

Prior CBS experience, former KPU manager with over 41 years in public service.

Please disclose any potential conflicts of interest that may arise from your appointment. These may include but are not limited to:

- A substantial financial interest of \$1000 annually that could be influenced by your appointment.
- An immediate family member employed within the scope of this appointment.

N/A

Please attach a letter of interest, outline, or resume which includes your education, work, and volunteer experience that will enhance your membership.

→ (To be considered, your application must be complete AND be accompanied by one of the above supporting documents.)

Date: 16 JAN 2019 Signature: Christopher Brewton

Your complete application and resume should be returned to the Municipal Clerk's Office by noon on the Wednesday prior to an advertised Assembly meeting.

Please note: all information submitted will be made public and published online. Appointments are normally made during open session of an Assembly meeting, however, Assembly members may vote to discuss applicant(s) in closed executive session. In this case, do you wish to be present when your application is discussed? ☐ Yes ☐ No

Return to:

Melissa Henshaw, Deputy Clerk/Records Specialist, 100 Lincoln Street  
Fax: 907-747-7403 Email: [melissa.henshaw@cityofsitka.org](mailto:melissa.henshaw@cityofsitka.org)



## EMPLOYMENT RELATIONS BOARD

NAME	CONTACT NUMBERS	TERM STARTS	EXPIRES	CATEGORY
LEIGH KAINULAINEN P.O. Box 1629	747-4703 h leigkain@gci.net	11/10/06 4/1/09 3/20/12 3/2/15 3/21/18	3/24/09 4/1/12 3/20/15 3/2/18 3/21/21	Chair
GARY PAXTON 104 Winchester Way	747-7865 dgpaxton@gci.net	2/27/06 2/27/18	11/01/06 2/27/21	CBS Representative  <i>Appointed as Mayor 10/2018</i>
MO MCBRIDE P.O. Box 1681	738-5423 momcbride@hotmail.com	2/27/06 2/27/09 2/27/12 2/27/15 2/27/18	2/27/09 2/27/12 2/27/15 2/27/18 2/27/21	Elected by employees
Melissa Henshaw Deputy Clerk	747-1826 melissa.henshaw@cityofsitka.org			Secretary

Established by Ordinance 05-30  
Meet as needed  
Harrigan Centennial Hall, 330 Harbor Drive

Revised: October 10, 2018

complaint or accusation, it shall try to eliminate the prohibited practice by informal methods of conference, conciliation, and persuasion.

2. Complaint and accusation. If the Board fails to eliminate the prohibited practice by conciliation and fails to obtain voluntary compliance with this section, it may serve a copy of the complaint or accusation upon the respondent. The complaint or accusation and the subsequent procedures shall be handled in accordance with procedures adopted by the Board.

3. Powers. At a minimum, the Board's powers shall include the power to conduct hearings, to investigate, to compel testimony, and to issue complaints, subpoenas and orders.

**O. Enforcement by injunction.** The Board may apply to the Superior Court for an order enjoining the prohibited acts specified in the order or decision of the Board.

**P. Funding.** The monetary impact of any agreement negotiated under this section is subject to Assembly approval and to funding through budgetary appropriations.

**Q. Payroll deductions for dues and fees.** Upon written authorization of an employee within a bargaining unit, the City and Borough shall deduct monthly from the payroll of the employee the amount of dues, service fees and/or other fees as certified by the executive officer of the exclusive bargaining representative and shall deliver it to the chief fiscal officer designated by the exclusive bargaining unit representative.

**R. Employment Relations Board.**

1. There is hereby created an employment relations board which shall have the power in the first instance to enforce this section. The Board shall be comprised of 3 members, of which a majority shall constitute a quorum at any meeting, and shall have the power to conduct hearings, compel testimony and the production of documents, and to perform all other acts necessary to effect the provisions of this section.
2. The composition of the Board shall include one person selected by the City and Borough Assembly, one person



chosen by the City and Borough employees in an election to be conducted by the City Clerk, and a third person selected by the two other Board members who have been appointed/elected. The third member selected by the other two shall become the Chairperson, and shall preside at all meetings of the Board. The term of each Board member shall be for three (3) years.

3. Each Board member shall serve without compensation, but shall be paid an appropriate *per diem* and/or reimbursed for other expenses reasonably incurred in the performance of official duties. The City and Borough Assembly shall fund the activities of the Employment Relations Board.
4. Matters to be filed with the Board shall be presented to the City and Borough Clerk, who shall promptly inform the Chairperson of any filings. The Chairperson shall then contact any parties for the purpose of scheduling meetings, hearings, or other such proceedings for the purpose of exercising jurisdiction.
5. Where appropriate, the Board may delegate its hearing responsibilities to a hearing officer who shall not be employed by the City and Borough nor have a conflict of interest by virtue of any relationship with the City and Borough, but who shall have the skills necessary to conduct a quasi-judicial administrative proceeding, and who shall know applicable principles of labor law and rules of evidence and procedure. The hearing officer shall make a recommended decision to the Board which shall then review the record and, where it so deems necessary, conduct further proceedings, take further testimony and/or receive additional evidence. The Board shall then decide whether to accept, modify, or reject the hearing officer's recommendations. The hearing officer shall be paid by the City and Borough a reasonable rate consistent with the value of the services provided.

**S. Definitions.** The following words, terms and phrases, when used in this section, shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

1. *Board* means the City and Borough's Employment Relations Board.

2. *City and Borough* means the City and Borough of Sitka, Alaska, and its non-exempt and non-partially exempt regular employees, including employees of the Sitka Community Hospital, but excludes the school district and its employees.
3. *Collective bargaining* means the performance of the mutual obligation of the City and Borough or its designated representative and the representatives of the employees to meet at reasonable times, including meetings in advance of the budget-making process, and negotiate in good faith in respect to wages, hours and other terms and conditions of employment, or the negotiation of an agreement and execution of a written contract incorporating an agreement reached if requested by either party, but these obligations do not compel either party to agree to a proposal or require the making of a concession.
4. *Confidential employee* means an employee who assists and acts in a confidential capacity to a person who formulates, determines or effectuates management policies.
5. *Election* means a proceeding conducted by the Board in which the employees in a collective bargaining unit cast a secret ballot for collective bargaining representatives or for any other purpose specified in this chapter.
6. *Grievance*, under the terms of any agreement pursuant to this ordinance, means a complaint, misinterpretation or inequitable application of any of the provisions of such agreement concerning wages, hours or terms and conditions of employment.
7. *Management employee* means an employee classified as within the exempt or partially exempt service; an employee who regularly assumes, or is appointed to assume for a significant length of time, a substantial part of the duties of a department head or other partially exempt employee during such employee's absence; and any employee who is responsible for the effectuation or the supervision of the effectuation of management policies.

8. *Organization* means a labor organization in which the employees participate and which exists for the primary purpose of dealing with employers concerning grievances, labor disputes, wages, rates of pay, hours of employment and conditions of employment.

9. *Terms and conditions of employment* means the hours of employment and the compensation and fringe benefits and the employer's personnel policies affecting the working conditions of the employees, but does not include the general policies describing the function, purpose and budget of the City and Borough, reserved by ordinance, nor matters regulated by a personnel system adopted pursuant to the Charter of the City and Borough.

B. Title 2, Administration, of the Sitka General Code is amended by repealing Section 2.08.130, Recognizing employee contributions.

C. The ballot measure shall read as follows:

Shall the City and Borough's current "Meet & Confer" law be replaced by an ordinance providing for collective bargaining which shall allow local control of labor relations among City and Borough employees?

☐

YES

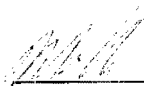
☐

NO

5. **EFFECTIVE DATE.** This ordinance shall become effective if a majority of voters vote in favor of it at a Regular Municipal Election to be held on October 4, 2005.

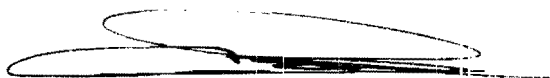
**Note: This ordinance received a majority vote results follow:**

<b>Proposition No. 8</b>	<b>YES</b>	<b>1656</b>
	<b>NO</b>	<b>1545</b>



Marko Dapcevich, Mayor

**ATTEST:**



Colleen Pellett, CMC  
Municipal Clerk



# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: ORD 19-01    Version: 1    Name:

Type: Ordinance    Status: AGENDA READY

File created: 1/2/2019    In control: City and Borough Assembly

On agenda: 1/22/2019    Final action:

Title: Making supplemental appropriations for Fiscal Year 2019 (Harrigan Centennial Hall Staffing and Security Monitoring Video Equipment)

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Ord 2019-01](#)  
[Ord 2019-01](#)  
[Memo Brady Ord 2019-01](#)  
[Camera Diagrams and Data Drops](#)  
[Memo Kluting HCH Staff Request](#)  
[Memo Kluting Security Video Equipment](#)

Date	Ver.	Action By	Action	Result
1/8/2019	1	City and Borough Assembly		

## **POSSIBLE MOTION**

**I MOVE TO** approve Ordinance 2019-01 on second and final reading.



CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2019-01  
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA  
MAKING SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 2019  
(HARRIGAN CENTENNIAL HALL STAFFING AND  
SECURITY MONITORING VIDEO EQUIPMENT)

**BE IT ENACTED** by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to make supplemental appropriations for temporary labor and security monitoring video equipment for Harrigan Centennial Hall.

4. **ENACTMENT.** The Assembly of the City and Borough of Sitka makes supplemental appropriations in the General Fund for temporary labor, and, in the General Governmental Capital projects Fund for the acquisition of security monitoring video equipment. The Assembly also authorizes the transfer of funds from the Visitor Enhancement Fund to be used as the source of funding for both purchases, a transaction which does not require an additional appropriation. In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the following supplemental appropriations are hereby made:

<b><u>FISCAL YEAR 2019 EXPENDITURE BUDGETS</u></b>
<b>GENERAL FUND</b>
<b>Temporary Wages:</b> A supplemental appropriation is hereby made in the General Fund, Centennial Building Department in the amount of \$20,000. This appropriation is for temporary seasonal labor.
<b>GENERAL GOVERNMENTAL CAPITAL PROJECTS FUND (FUND 700)</b>
<b>Fixed Asset Acquisition:</b> A supplemental appropriation is hereby made in General Governmental Capital Projects Fund (Fund 700) in the amount of \$30,000. This appropriation is for the acquisition of security monitoring video equipment.

**EXPLANATION**

The Administrator has determined that additional temporary seasonal labor and equipment is essential to the operation of Harrigan Centennial Hall during the upcoming visitor season.

Additional temporary employees will be hired and used to ensure that all events and venues within Harrigan Centennial Hall are properly staffed. Security monitoring video equipment is to be acquired and installed in order to monitor vendor and visitor activity on the exterior of the building during peak times.

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51 **5. EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its  
52 **passage.**

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54 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka,  
55 **Alaska this 22<sup>nd</sup> of January, 2019.**

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60 \_\_\_\_\_  
61 **Steven Eisenbeisz, Deputy Mayor**

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63  
64 **ATTEST:**

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66 \_\_\_\_\_  
67 **Melissa Henshaw, CMC**  
68 **Acting Municipal Clerk**

69  
70 **1<sup>st</sup> reading 1/8/19**  
71 **2<sup>nd</sup> and final reading 1/22/19**

72  
73 **Sponsor: Administrator**



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members

**From:** Keith Brady, Municipal Administrator

**Date:** January 3, 2019

**Subject:** Harrigan Centennial Hall \$50,000 Appropriation from the Visitor Enhancement Fund

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### **Summary**

Harrigan Centennial Hall (HCH) is in need of additional seasonal temporary labor to properly staff the facility. There is, also, a need for security cameras to monitor community and building safety year round, vendor and tourist safety during the summer, and to monitor vagrancy. See additional memos from Don Kluting, HCH Building Manager.

### **Fiscal Note**

From the Visitor Enhancement Fund: \$20,000 for the Seasonal Temporary Workers and \$30,000 for the video camera system.

### **Recommendation**

Approve the appropriation of \$50,000 for the seasonal temporary workers and camera system.

### **Detail**

HCH has essentially doubled in size and scope of duties to the public and visitors since renovation was completed in 2016. Current staffing is insufficient to properly support all activities during times of peak use in the summer and at other times of the year. As a result, some functions are unsupported and building security is compromised.

There is about \$20,000 left in the HCH Renewal Project budget for certain needs and warranties that are planned to be completed this year:

- Freezer door issue
- Entrance sign completion
- Crown Amplifier issue in Auditorium
- HVAC – fix access issue on office computers – down since power outage
- Purchase and install additional rest room sign
- Purchase portable stairs for stage access from house

- Visitor information, Brochure racks needed, compile local information etc.
- Gutter leaks – Have attempted repair three times
- Graffiti repair back of building that happened on 12/15/17

The camera system is primarily for the safety of the community members, building, and visitors to Sitka. However, the HCH Building Manager has observed and mediated continuous conflicts between a small number of vendors and taxi operators during the summertime over the last several years. Some of these conflicts which occur are reported but unseen by the HCH Building Manager for compliance action. When these types of conflicts are not seen, it is difficult for the HCH Building Manager to take enforcement action when an incident takes on the form of “he said – she said”. Video monitoring equipment would allow for the HCH Building Manager to observe what actually occurs and more effectively take necessary enforcement action.

Also, HCH staff has continuously encountered litter and damage from vagrants, especially on the northern corner of the building nearest Crescent Harbor. Video monitoring equipment would allow the HCH staff to more effectively deal with vagrancy, and, for the Sitka Police Department to pursue criminal action for damage to the facility.

Listed below is the estimate for a full installation of eleven fixed cameras, one Pan Tilt Zoom camera and all cabling. Please see the attached drawing.

Fixed Cameras	\$14,000
Pan Tilt Zoom	\$4,500
Installed Cable	\$11,800
Total	\$30,300

To install just the cameras to cover the vender locations this year including all the cabling above:

Fixed Cameras	\$5,000
Installed Cable	\$11,800
Total	\$16,800

The fiscal impact of the request can be detailed in three ways. The two stated above would require the supplemental budget ordinance for FY2019, which is before you; the other will be added into the FY2020 budget, if approved.

- 1) The Seasonal Temps will predominately work in the summer, but may also work on high capacity days other times during the year, such as Rainy Day Bazaar, Whale Fest, Christmas Bazaar, and Christmas party season. The cost for the temps for the remainder of FY2019 is estimated to be \$20,000, which includes employer taxes and SBS. The temps would be non-benefited.

- 2) The camera system is estimated to cost \$30,300, to include labor. It will be a capital project in order to ensure that the appropriation does not expire on June 30<sup>th</sup>.
- 3) The cost of such employees for the FY2020, a full fiscal year is estimated to be \$40,000, which includes employer taxes and SBS. The temporary employees would be non-benefited. If approved, this action would be included in the FY2020 budget.

**Other things to consider:**

Regarding Visitor Enhancement Funds:

- Additional needs of the Greater Sitka Chamber of Commerce for marketing
- Staff has prepared an RFP to market HCH, estimated amount is \$20,000
- The following projects were earmarked with CPET funds, however, due to the recent ruling in the Juneau CPET lawsuit we are looking at other ways to fund these budgeted items and projects:
  - Busing from Old Sitka Dock to HCH
  - Seawalk Phase 2
  - Cross Trail Phase 6

11 Fixed Cameras

1 Pan Tilt Zoom Camera

Maximum Lecture Layout

Auditorium = 384

Meeting 1 = 80

Meeting 2 = 62

Meeting 3 = 65

Meeting 5 = 67

Meeting 6 = 128

TOTAL Seating Chairs = 796

KI Strive Chair

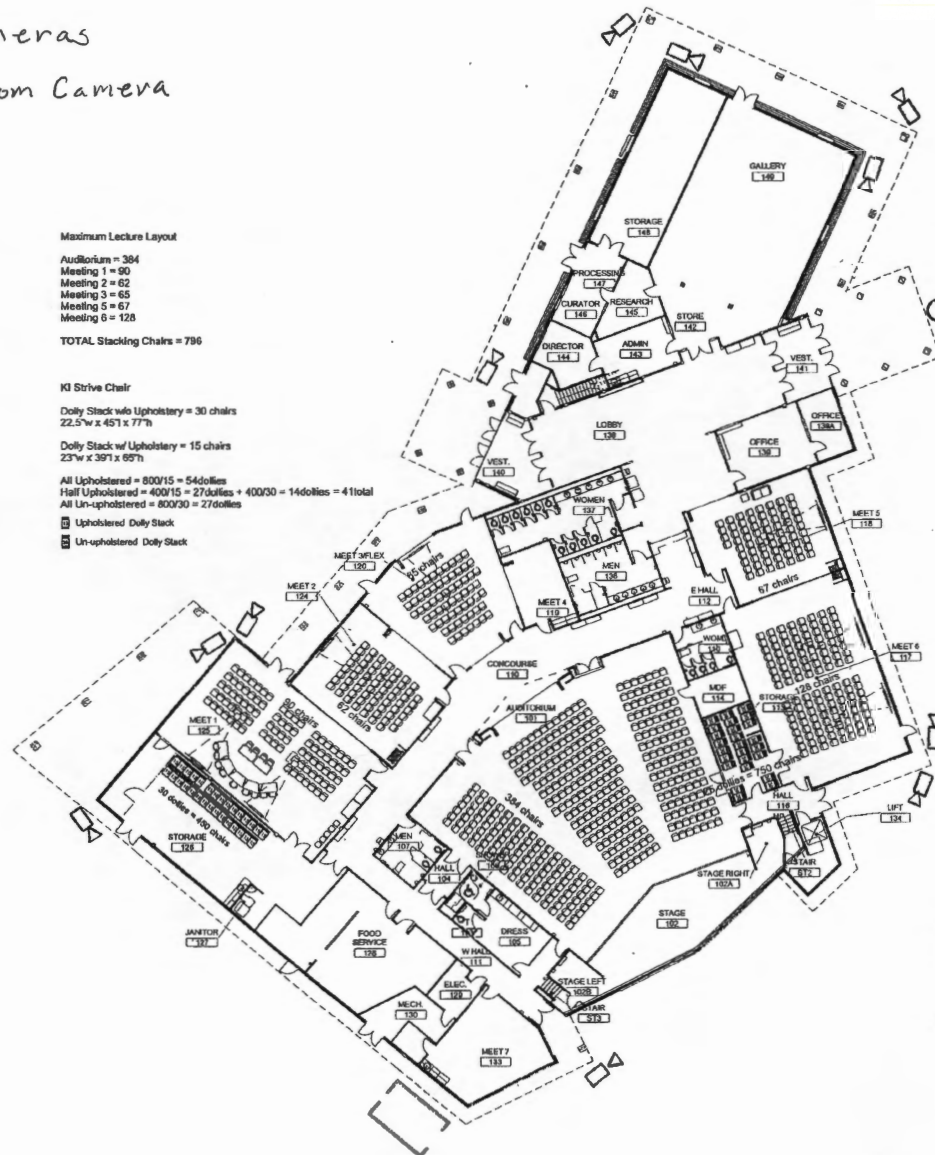
Dolly Stack w/ Upholstery = 30 chairs  
22.5" w x 45" h x 77" h

Dolly Stack w/ Upholstery = 15 chairs  
23" w x 39" h x 69" h

All Upholstered = 800/15 = 54 dolties  
Half Upholstered = 400/15 = 27 dolties + 400/30 = 14 dolties = 41 total  
All Un-upholstered = 800/30 = 27 dolties

Upholstered Dolly Stack

Un-upholstered Dolly Stack



Fixed Camera

Pan Tilt Zoom Camera



17 Total Cat6 Data Drops

#### Maximum Lecture Layout

Auditorium = 384

Meeting 1 = 80

Meeting 2 = 62

Meeting 3 = 65

Meeting 5 = 67

Meeting 6 = 128

TOTAL Stacking Chairs = 796

#### KI Strive Chair

Dolly Stack w/o Upholstery = 30 chairs

22.5" w x 45" x 77" h

Dolly Stack w/ Upholstery = 15 chairs

23" w x 39" x 65" h

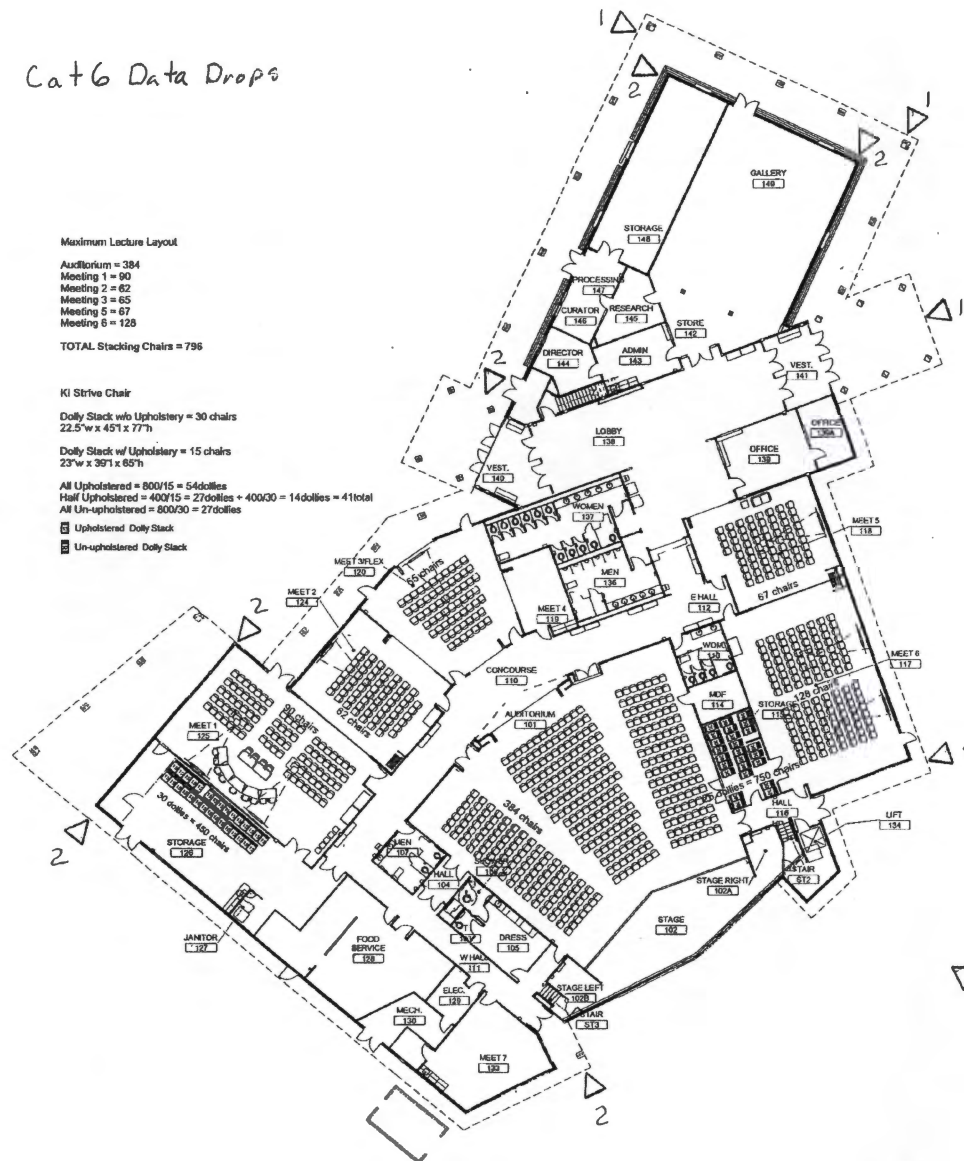
All Upholstered = 800/15 = 54 dollies

Half Upholstered = 400/15 = 27 dollies + 400/30 = 14 dollies = 41 total

All Un-upholstered = 800/30 = 27 dollies

■ Upholstered Dolly Stack

■ Un-upholstered Dolly Stack



▽ Data Drop



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Don Kluting, Harrigan Centennial Hall Manager

**Date:** December 26, 2018

**Subject:** Staff Request / Visitor Enhancement Fund

---

HCH was renovated and enlarged to serve as a central hub for the visitor industry in Sitka and has set records for the amount of use since it's opening in September 2016. Additional staff are required to provide visitor services and sustain the operations accordingly from April 1<sup>st</sup> – November 30<sup>th</sup> each year. Operational duties and maintenance has increased due to the overall size of the building increasing from 18,000 to 32,000 square feet. Due to the increased demand, additional staff are also required to sustain the operations and maintenance at HCH. The summer cruise ship traffic has increased and is predicted to be over 200,000 passengers this upcoming 2019 season and more in the year after that.

The factors listed below contribute to the additional staffing requirement

- Lack of adequate staff for all events – record number of events the first full year of operation (2017) in the expanded building. Increased number of events results in more staff labor for room arrangements and maintenance, especially larger conferences and conventions.
- Increased summer visitor traffic – resulting in increased supplies, staff time and maintenance for HCH (from 80,000 a few years ago to over 200,000 predicted for 2019).
- Assuming additional visitor information services previously provided by the Chamber, per the negotiated and newly approved visitor service contract.
- Increased commercial vendors during summer season, more customer contact time – resulting in more complaints and staff time dealing with and resolving conflict situations.
- Increased technology from previous operation – resulting in more staff time for equipment set up and arrangements (record year in 2017 of 1698 events)
- HCH is the central hub for visitors (different from previous building when tendering operations were split between the bridge facility and HCH) - More staff labor dedicated to flow of traffic and maintenance.

I am respectfully requesting use of the visitor enhancement fund to fund two additional seasonal staff that are required to perform visitor information and facility operation and maintenance

duties for other events at HCH. This is easily justified by the huge impacts visitors have on our operation. Visitors should pay their fair share rather than locals incurring the expense for the impact on our operations at HCH.



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Don Kluting, Harrigan Centennial Hall Manager

**Date:** December 26, 2018

**Subject:** Security Camera System

---

During the summer season Harrigan Centennial Hall (HCH) serves as a visitor center and is the main hub for visitor related businesses in downtown Sitka. Over 150,000 passengers transited through HCH last year and we anticipate over 200,000 in 2019. HCH staff respond to vendor conflicts every season. Resolving these conflicts is often difficult and ultimately affects the visitor satisfaction and Sitka's reputation. Security cameras are needed to monitor vendor traffic in the plaza area and ensure that conflicts are minimized and dealt with efficiently and effectively. Cameras will improve the safety and effectiveness of staff in enforcing the regulations.

As well, a security system will improve the safety for the public and staff during the many late night events that take place at HCH. The grounds around HCH has become a hangout at all hours of the day and night and often people are found sleeping on the benches around the perimeter of the building first thing in the morning. Panhandling and threatening behavior towards visitors has been reported. We have experienced an increase in vandalism over the past few years and HCH sustained significant damage due to being "tagged" in December 2017. A security system would have helped resolve that case. Police have also responded to intoxicated individuals, some of which were armed with knives that were being threatening to the public and staff. Ultimately, a security camera system will improve the safety of the area for all.

I respectfully request use of visitor enhancement funds to purchase and install security cameras at Harrigan Centennial Hall.



# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: ORD 19-02    Version: 1    Name:

Type: Ordinance    Status: AGENDA READY

File created: 1/16/2019    In control: City and Borough Assembly

On agenda: 1/22/2019    Final action:

Title: Making supplemental appropriations for Fiscal Year 2019 (PERS On-Behalf Payments)

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Ord 2019-02](#)  
[Memo Ord 2019-02](#)  
[Ord 2019-02](#)  
[Letter from State of Alaska](#)

Date	Ver.	Action By	Action	Result
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## **POSSIBLE MOTION**

**I MOVE TO** approve Ordinance 2019-02 on first reading.





# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Jay Sweeney, Chief Finance and Administrative Officer

**Date:** January 15, 2019

**Subject:** FY2019 Supplemental Budget Ordinance For PERS On-Behalf Payments

---

### Summary

The accompanying ordinance makes supplemental appropriations in FY2019 for payments made into the State of Alaska Professional Employee Retirement System (PERS) by the State of Alaska on behalf of the City and Borough of Sitka.

### Background and Discussion

The State of Alaska Legislature appropriated funds in the FY2019 State budget for payments made into PERS by the State of Alaska on behalf of various participating political subdivisions, including Sitka.

On-behalf payments are made directly into the PERS system by the State of Alaska. Physical funds are neither received nor disbursed by the Municipality. Government accounting principles, however, require that such on-behalf payments be recorded as revenues and expenditures of the local government. As expenditures recorded in accordance with government accounting principles are reported against appropriations within the annual Comprehensive Annual Financial Report (CAFR), appropriations may be exceeded by on-behalf payments, even though no direct expenditures are made.

The amount and consistency of on-behalf payments is not known at the start of a fiscal year. A pattern and history of payments is needed before the extent of on-behalf payments can be estimated in order to prepare a supplemental budget adjustment. In prior fiscal years, supplemental appropriations have been made retroactively once the full amount of on-behalf payments have been made for a year. Staff feels that it is more appropriate to make supplemental appropriations mid-year, once the amount of support can be reasonably estimated, then adjust the appropriations at the end of the fiscal year, if necessary.

A recent PERS on-behalf statement is attached.

**Fiscal Note:**

The effect of passing this ordinance will be to increase operating appropriations in FY19 by the following amounts in the following funds:

General Fund – operating budget - \$356,000  
Justice Assistance Grant Fund - \$6,000  
Electric Fund - \$150,000  
Water Fund - \$14,000  
Wastewater Fund – \$37,000  
Solid Waste Fund - \$6,000  
Harbor Fund - \$27,000  
MIS Fund - \$16,000  
Central Garage Fund - \$8,000  
Building Maintenance Fund - \$12,000

Forecasted revenues in each fund will also be increased in amounts matching the appropriations. As a result, this ordinance will have no effect on fund balances.

If passed, these new supplemental operating appropriations will lapse June 30, 2019.

## CITY AND BOROUGH OF SITKA

**ORDINANCE NO. 2019-02**  
**AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA**  
**MAKING SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 2019**  
**(PERS On-Behalf Payments)**

**BE IT ENACTED** by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to make supplemental appropriations in fiscal year FY2019 for payments made into the State of Alaska Professional Employees Retirement System (PERS) by the State of Alaska on behalf of the City and Borough of Sitka.

4. **ENACTMENT.** In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriations for the budget period beginning July 1, 2018 and ending June 30, 2019.

<b><u>FISCAL YEAR 2019 EXPENDITURE BUDGETS</u></b>	
<b>GENERAL, SPECIAL REVENUE, ENTERPRISE AND INTERNAL SERVICE FUNDS</b>	
<b>PERS: A supplemental appropriation is hereby made in each of the following funds for PERS on-behalf payments in the amounts listed: General Fund - \$356,000; Justice Assistance Grant Fund - \$6,000; Electric Fund - \$150,000; Water Fund - \$14,000; Wastewater Fund - \$37,000; Solid Waste Fund - \$6,000; Harbor Fund - \$27,000; MIS Fund - \$16,000; Central Garage Fund - \$8,000; Building Maintenance Fund - \$12,000.</b>	

**EXPLANATION**

The State of Alaska is providing on-behalf funding for PERS employer contributions for FY2019 (see attachment). On-behalf payments are made directly into PERS by the State of Alaska and are recorded in Municipal accounting records as a matching revenue and expense.

On-behalf payments made by the State of Alaska are in addition to required direct payments made by the City and Borough of Sitka, which are 22% of eligible employee wages. The purpose of the On-behalf payments made by the State of Alaska are to reduce the amount of the overall unfunded liability in the PERS system.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

**PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka, Alaska this 12<sup>th</sup> day of February, 2019.

**ATTEST:**

\_\_\_\_\_  
**Gary L. Paxton, Mayor**

\_\_\_\_\_  
**Sara Peterson, MMC**  
**Municipal Clerk**

**1<sup>st</sup> reading 1/22/19**

**2<sup>nd</sup> and final reading 2/12/19**

**Sponsor: Administrator**



THE STATE  
of ALASKA

Governor Mike Dunleavy

Department of  
Administration

DIVISION OF RETIREMENT AND BENEFITS

December 03, 2018

JOHN P SWEENEY, FINANCE DIRECTOR  
CITY AND BOROUGH OF SITKA  
100 LINCOLN ST  
SITKA AK 99835

Sent via email to: JAY.SWEENEY@CITYOFSITKA.ORG

RE: FY19 Employer On-Behalf Funding - PERS ER 120

During the 2018 legislative session, House Bill HB286 (HB286) passed providing on-behalf funding for PERS employer contributions for Fiscal Year 2019 (FY 2019). HB286, Section 25 reads as follows:

*(b) The sum of \$135,219,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the **public employees' retirement system** as an additional state Contribution under AS 39.35.280 for the fiscal year ending June 30, 2019.*

HB286 at <http://www.akleg.gov/PDF/30/Bills/HB0286Z.PDF> (Section 25, page 89 & 90).

The Alaska Retirement Management Board approved the actuarially determined rate of 27.58% for FY19, with HB286 providing an on-behalf rate of 5.58% for each FY19 employer payroll. On-behalf funding is applied with the processing of each employer payroll with payroll end dates between July 1, 2018 and June 30, 2019 and fully received by the Division by July 15, 2019. A fully received and processable payroll must include payment, an employer summary, and any other required documentation (WIRE and ACH payments must have a corresponding Memo). Once all such payrolls have been processed we will true-up your account and make an adjusting entry, then send a final statement via email in early August 2019.

Included is a report detailing the Employer On-Behalf Funding allocated for fiscal year 2019 payrolls. Please work with your accountant or auditor to determine where to show this funding on your financial statements. Feel free to contact me via telephone at (907) 465-2279 or email at [tamara.criddle@alaska.gov](mailto:tamara.criddle@alaska.gov) if you have questions or need additional information regarding HB286.

Sincerely,

Tamara Criddle, Accountant III

**State of Alaska, Division of Retirement and Benefits**  
**FY2019 - HB286 Employer On-Behalf Detail as of 11/30/2018**  
**CITY AND BOROUGH OF SITKA - ER 120**

<b>Payroll Ending Date</b>	<b>On-Behalf</b>		<b>Total</b>
	<b>Pension</b>	<b>Other Post-employment Healthcare</b>	
07/01/2018 B	22,987.49	0.00	22,987.49
07/15/2018 B	24,131.31	0.00	24,131.31
07/29/2018 B	23,591.04	0.00	23,591.04
08/12/2018 B	23,693.41	0.00	23,693.41
08/26/2018 B	23,362.50	0.00	23,362.50
09/09/2018 B	24,598.01	0.00	24,598.01
09/23/2018 B	24,237.57	0.00	24,237.57
10/07/2018 B	24,195.48	0.00	24,195.48
10/21/2018 B	24,572.45	0.00	24,572.45
11/04/2018 B	23,474.43	0.00	23,474.43
<b>TOTALS FOR CITY AND BOROUGH OF SITKA</b>			
	<b>\$238,843.69</b>	<b>\$0.00</b>	<b>\$238,843.69</b>

**DISCLAIMER:** The information contained in this letter is based on the specific facts and circumstances presented and cannot be applied to other facts and circumstances. This letter may contain a summary description of benefits, costs, rates, valuations, other calculations, policies or procedures for one or more pension or benefit plans administered by the Division of Retirement and Benefits, including but not limited to, the Public Employees' Retirement System, the Teachers' Retirement System, the Judicial Retirement System, the Supplemental Annuity Plan, the Deferred Compensation Plan, the AlaskaCare Employee Health Plan, or the AlaskaCare Retiree Benefit Plan. The Division of Retirement and Benefits has made every effort to ensure, but does not guarantee, that the information provided is accurate and up to date. Where this letter conflicts with the relevant Plan Document, the Plan Document controls.



# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: ORD 19-03    Version: 1    Name:

Type: Ordinance    Status: AGENDA READY

File created: 1/16/2019    In control: City and Borough Assembly

On agenda: 1/22/2019    Final action:

Title: Making supplemental appropriations for Fiscal Year 2019 (Utility Subsidization)

Sponsors:

Indexes:

Code sections:

Attachments: [Motion Ord 2019-03](#)  
[Memo Ord 2019-03](#)  
[Ord 2019-03](#)

Date	Ver.	Action By	Action	Result
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## **POSSIBLE MOTION**

**I MOVE TO** approve Ordinance 2019-03 on first reading.



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Melissa Haley, Controller

**Date:** 16 January 2019

**Subject:** Approval of Ordinance 2019-03

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In 2018 the Utility Subsidization Program was implemented by the Assembly and slated to go into effect in January of 2019. In order to make use of existing software (part of our New World ERP) to administer the program, it is necessary for the expense to come out of the Electric Fund, rather than directly out of the Utility Subsidization Fund as originally intended. For that reason, an appropriation out of the Electric Fund for FY2019 is required. Using the existing appropriation from the Utility Subsidization Fund, funds will be transferred to the Electric Fund on a monthly basis to exactly cover the cost of that month's subsidies. Payments to subsidized accounts will then be made from the Electric Fund. The impact to the Electric Fund is \$0.

Ultimately, there is no change to how the Utility Subsidy Program works nor will any funds be impacted differently than originally budgeted, however as we budget at the fund level, a supplemental appropriation is necessary.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2019-03  
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA  
MAKING SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 2019  
(Utility Subsidization)

**BE IT ENACTED** by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to make a supplemental capital appropriation for Fiscal Year 2019.

4. **ENACTMENT.** In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriations for the budget period beginning July 1, 2018 and ending June 30, 2019.

<b><u>FISCAL YEAR 2019 EXPENDITURE BUDGETS</u></b>
<b>ENTERPRISE AND INTERNAL SERVICE FUNDS</b>
<b>Electric Fund – Operations: Increase appropriations in the amount of \$43,800 in the Electric Fund.</b>

**EXPLANATION**

Necessary revisions in the FY2019 budget were identified. These changes involve the increase of expenditure accounts and will be offset by transfers in from the Utility Subsidization Fund. A short explanation is included.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

**PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of Sitka, Alaska this 12th Day of February, 2019.

**ATTEST:**

\_\_\_\_\_  
Gary L. Paxton, Mayor

\_\_\_\_\_  
Sara Peterson, MMC  
Municipal Clerk

1<sup>st</sup> reading 1/22/19

2<sup>nd</sup> and final reading 2/12/19

Sponsor: Administrator



# CITY AND BOROUGH OF SITKA

## Legislation Details

---

File #: 19-021      Version: 1      Name:

Type: Item      Status: AGENDA READY

File created: 1/16/2019      In control: City and Borough Assembly

On agenda: 1/22/2019      Final action:

Title: Rescind the January 8 appointments of Mary Ann Hall and David Lam to the Sitka Community Hospital Board due to administrative errors

Sponsors:

Indexes:

Code sections:

Attachments: [Motion and Memo Hospital Board](#)  
[Lam Expiring Term Letter 12-06-2018](#)  
[Sipe Expiring Term Letter 12-06-2018 \(3\)](#)  
[Sitka General Code Hospital Board](#)  
[Hospital Board Roster](#)

Date	Ver.	Action By	Action	Result
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**Rescind the January 8 appointments of Mary Ann Hall and David Lam to the Sitka Community Hospital Board due to an administrative error**

**Step 1**

**Comments from Deputy Mayor Eisenbeisz and Municipal Attorney Brian Hanson**

**Step 2**

**I MOVE TO** rescind the nominations and votes made at the January 8 Assembly meeting to appoint Mary Ann Hall and David Lam to the Sitka Community Hospital Board due to an administrative error.

**Note:**

- In accordance with SGC 2.04.100 Vote Required, it will require five affirmative votes to adopt the motion to rescind.
- If the motion to rescind is approved, the motion is adopted, and the Assembly has rescinded its action taken at the January 8 meeting. The Municipal Clerk's Office will advertise for the two category specific seats beginning January 23 and bring forward applications for Assembly consideration at the February 12 meeting.
- If the motion to rescind fails, the Assembly may not revisit this item, and their action of January 8 stands.





# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Deputy Mayor Eisenbiesz and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Sara Peterson, Municipal Clerk

**Date:** January 16, 2019

**Subject:** Rescind Hospital Board appointments due to administrative errors

---

As you are aware, upon my review of the Hospital Board appointments from January 8, I discovered there were administrative errors. The two seats up for appointment were category specific, healthcare and financial, and should have been properly advertised and appointed as such. Currently, David Lam holds the healthcare seat and Connie Sipe, the financial seat.

It is my recommendation the Assembly rescind their nominations and votes made at the January 8 meeting to appoint David Lam and Mary Ann Hall. If the motion to rescind is approved, our office will advertise for the two category specific seats beginning January 23 and bring forward applications for Assembly consideration at the February 12 meeting. In the meantime, continuing with historical practice, David Lam and Connie Sipe would serve on the Hospital Board until reappointed or replaced.

Mary Ann Hall, David Lam, and Connie Sipe have indicated if the motion to rescind is approved, they will resubmit their applications for consideration on February 12.

If, however, the Assembly chooses not to rescind their action, the Assembly may not revisit this item, and the action of January 8 stands. David Lam, the incumbent, will continue to serve in the healthcare seat and Mary Ann Hall will serve in the financial seat.

**Recommendation:** Rescind nominations and votes.





# City and Borough of Sitka

100 Lincoln Street Sitka, Alaska 99835

*Coast Guard City, USA*

(907) 747-1826 Fax 747-7403

[melissa.henshaw@cityofsitka.org](mailto:melissa.henshaw@cityofsitka.org)

December 6, 2018

David Lam  
PO Box 1324  
Sitka, Alaska 99835

Dear David:

Your term on the Sitka Community Hospital Board will expire January 12, 2019. The municipality will advertise the expiration of your appointment. Your term of membership will continue until this position is filled.

We hope that you will consider reapplying for the position. I have enclosed for your convenience a commission application form as well as a copy of your previous application. Please also submit a letter of interest or resume along with your application.

Thank you for the time you have contributed to this board. The city is dependent upon, and grateful for, the efforts of volunteers such as you.

Sincerely,

Melissa Henshaw  
Deputy Clerk

Enclosure



# City and Borough of Sitka

100 Lincoln Street Sitka, Alaska 99835

*Coast Guard City, USA*

(907) 747-1826 Fax 747-7403

[melissa.henshaw@cityofsitka.org](mailto:melissa.henshaw@cityofsitka.org)

December 6, 2018

Connie Sipe  
102 Kelly Street  
Sitka, Alaska 99835

Dear Connie:

Your term on the Sitka Community Hospital Board will expire January 12, 2019. The municipality will advertise the expiration of your appointment. Your term of membership will continue until this position is filled.

We hope that you will consider reapplying for the position. I have enclosed for your convenience a commission application form as well as a copy of your previous application. Please also submit a letter of interest or resume along with your application.

Thank you for the time you have contributed to this board. The city is dependent upon, and grateful for, the efforts of volunteers such as you.

Sincerely,

Melissa Henshaw  
Deputy Clerk

Enclosure

## Chapter 2.12

### CITY AND BOROUGH OF SITKA HOSPITAL BOARD<sup>3</sup>

#### Sections:

- 2.12.010 City and borough of Sitka hospital board.
- 2.12.020 Oath.
- 2.12.030 Compensation.
- 2.12.040 Filling vacancies.
- 2.12.060 Removal—Definition.
- 2.12.070 Organization.
- 2.12.080 Duties and powers.
- 2.12.090 Receipts and disbursements.
- 2.12.100 Reports.

#### **2.12.010 City and borough of Sitka hospital board.**

There shall be a board known as the city and borough of Sitka hospital board which shall consist of five voting members none of whom will be employees of Sitka Community Hospital:

- A. The city and borough of Sitka municipal administrator will appoint a nonvoting, ex officio member of the CBS senior staff as well as an alternate. This position will be approved by the assembly. This person will not hold any board office, such as chair or secretary. This term will not expire.
- B. A person having professional financial experience such as a certified public accountant, auditor, or financial analyst. This is a three-year term.
- C. A person having professional healthcare experience, such as a physician, nurse, physical therapist or close equivalent. This is a three-year term.
- D. Three people from the community at large. These are two-year terms.

There shall also be two additional nonvoting, ex officio members:

- A. A member of the Sitka Community Hospital chief medical staff will be elected each December by SCH medical staff.
- B. An assembly member who will serve as liaison. Appointed each October.

All Sitka community hospital board voting members will be approved by the assembly. (Ord. 15-37A § 4 (part), 2015; Ord. 15-15 § 4 (part), 2015; Ord. 05-10 § 4 (part), 2005; Ord. 01-1610 § 4, 2001; Ord. 96-1371 § 4, 1996; Ord. 95-1308 § 4, 1995; Ord. 91-1000 § 4, 1991; Ord. 91-978 § 4, 1991; Ord. 79-74 § 4, 1979; Ord. 79-413 § 4, 1979; Ord. 73-55 § 3, 1973.)

#### **2.12.020 Oath.**

Before entering upon the performance of their duties, each member of the board shall take and subscribe to an oath to support the Constitutions of the United States and the state of Alaska, and to faithfully strive to obey and carry into effect the duties imposed by law and ordinances of the city and borough. (Ord. 05-10 § 4 (part), 2005; Ord. 73-55 § 4, 1973.)

#### **2.12.030 Compensation.**

Members of the board shall not receive compensation for services performed as board members, and shall not be considered officers of the municipality. (Ord. 05-10 § 4 (part), 2005; Ord. 73-55 § 5, 1973.)

**2.12.040 Filling vacancies.**

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In the event of a vacancy on the board caused by death, resignation, inability to serve, or any other reason, before the expiration of the term of any member the assembly shall appoint some person to fill such vacancy for the unexpired term. At the time of a vacancy, the assembly shall give fifteen days' public notice that there is a vacancy on the city and borough of Sitka hospital board and that interested persons may inform the assembly that they are willing to serve. The assembly is not limited, however, to those applying when appointing members. (Ord. 05-10 § 4 (part), 2005: Ord. 73-55 § 6, 1973.)

**2.12.060 Removal—Definition.**

---

The assembly may remove a member of the board as follows:

- A. For good cause shown, the assembly may remove a member of the board upon fifteen days' written notice of removal to the board member. The notice shall set forth in detail what the alleged grounds for the removal are;
- B. The board member may appeal the proposed removal. Appeal shall be to the assembly. Hearing on the appeal shall be public unless the board member requests otherwise and the assembly concurs. Notice of appeal must be given to the assembly no later than ten days prior to the date the removal is to be effective. The hearing shall be held prior to the effective date of removal if reasonably possible. If a proposed removal is appealed, the removal shall not become effective until after the assembly decision on the appeal. Following an appeal hearing, assembly action of removal shall not take place unless it is authorized by affirmative assembly vote;
- C. As used herein "good cause" means a just, not arbitrary cause; one based on a showing of lack of competency or performance to the detriment of the public interest.

(Ord. 05-10 § 4 (part), 2005: Ord. 73-55 § 8, 1973.)

**2.12.070 Organization.**

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The board shall organize itself by electing a president, vice-president and secretary who shall hold their offices as provided by hospital board by-laws.

- A. The board shall adopt by-laws for the conduct of its business; provided, that three voting members of the board shall constitute a quorum for the transaction of business, and three affirmative votes shall be necessary to carry any questions;
- B. Board meetings shall be held in the city and borough at least once each month;
- C. The board shall cause a record of proceedings to be kept. A copy of that record shall be delivered to the assembly in a timely manner;
- D. All meetings are subject to the Alaska Open Meetings Act. All meetings shall be open to the public. No member of the assembly wishing to attend shall be excluded from an executive session.

(Ord. 16-07 § 4, 2016; Ord. 15-37A § 4 (part), 2015: Ord. 05-10 § 4 (part), 2005: Ord. 73-55 § 9, 1972.)

**2.12.080 Duties and powers.**

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The city and borough of Sitka hospital board shall:

- A. Review and make recommendations to the assembly for proper maintenance of the Sitka Community Hospital building(s) and grounds thereof for all projects in excess of twenty-five thousand dollars;
- B. Review and make recommendations through the municipal administrator to the assembly of all hospital construction and architectural contracts



prior to assembly approval. All such contracts will be executed in the name of the city and borough;

- C. Review and make recommendations through the municipal administrator to the assembly for development and approval of any new hospital construction and improvements;
- D. Have the authority to solicit grants and funds from any sources for the furtherance of the main purposes. Any solicitations from federal or state agencies shall, however, have prior approval of the municipal administrator. The board shall keep the municipal administrator advised of grants and funds being sought;
- E. Subject to approval of the assembly, make rules and regulations for the administration of the hospital;
- F. Have the power to adopt personnel policies for hospital employees subject to annual review by the assembly during May of each year;
- G. Appoint or remove the hospital administrator subject to the personnel regulations of the Sitka Community Hospital as the assembly from time to time may approve;
- H. At its discretion, organize and seek volunteers to operate and staff a community fund drive for hospital purposes.

(Ord. 05-10 § 4 (part), 2005; Ord. 01-1640 § 4, 2001; Ord. 86-714 § 4, 1986; Ord. 73-55 § 10, 1973.)

### **2.12.090 Receipts and disbursements.**

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- A. The hospital accounts receivable shall be the property of the municipality and shall be deposited in a local bank. Such account shall be known as the Sitka Community Hospital general fund account. Such fund shall be used for no purpose other than in connection with hospital operations.
- B. The hospital administrator and the mayor shall sign general fund checks. In the absence of the administrator of the hospital, or the mayor, checks shall be signed in accordance with Section 11.13(b) of the municipal Charter.
- C. The hospital may open a patient refund account. This account shall contain moneys belonging to patients to whom refunds of money are due after payment in full of their account. Overpayments of third party payors shall be deposited directly to this account. The hospital administrator and the mayor shall sign checks on this account. In the absence of either the administrator of the hospital or the mayor, or both, checks shall be signed in accordance with Section 11.13(b) of the municipal Charter. Appropriate bonding will be determined by the hospital board.
- D. The full amount budgeted for hospital purposes shall be made available to the hospital on a schedule determined by the hospital administrator subject to approval of the schedule by the municipal administrator.
- E. The hospital board may make acquisitions or contracts that the city and borough administrator or his or her designee would be authorized to make pursuant to Chapter 3.16.

(Ord. 05-10 § 4 (part), 2005; Ord. 04-61 § 4, 2004; Ord. 99-1532 § 4, 1999; Ord. 73-55 § 11, 1973.)

### **2.12.100 Reports.**

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The city and borough of Sitka hospital board shall:

- A. On or before April 1st of each year, submit to the municipal administrator a detailed and itemized budget for the next fiscal year;
- B. Provide the assembly with quarterly operations reports, which shall be sent to the assembly through the municipal administrator and/or municipal finance director;
- C. Submit to the assembly, through the municipal administrator, such periodic or special reports as requested by the assembly.

(Ord. 05-10 § 4 (part), 2005; Ord. 73-55 § 12, 1973.)

**The Sitka General Code is current through Ordinance 18-55,  
passed December 20, 2018.**

Disclaimer: The City and Borough Clerk's Office has the official version of the Sitka General Code. Users should contact the City and Borough Clerk's Office for ordinances passed subsequent to the ordinance cited above.

City and Borough Website: <http://www.cityofsitka.com/> (<http://www.cityofsitka.com/>)

City and Borough Telephone: (907) 747-1811

Code Publishing Company (<https://www.codepublishing.com/>)

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# Hospital Board Roster

Board Member	Phone	Address, E-mail	Seat	First Appointed	Term Expires
Connie Sipe President	966-4232 w	102 Kelly Street csipe@cfc.org	Financial	1/12/16	1/12/19
Carin Adickes Vice President	747-1078 738-5667	1401 Edgecumbe Drive alaskaseapeople@yahoo.com	At-Large	1/23/18	1/23/20
David Lam Secretary	738-4068	PO Box 1324 dave@shamanmedicalconsulting.com	Healthcare	1/12/16	1/12/19
Robert Hattle	738-2230	PO Box 2676 rhattle@mac.com	At-Large	10/24/17 1/23/18	1/12/18 1/23/20
Carolyn Evans	747-8707 406-579-2666	PO Box 902 lcevens@gci.net	At-Large	1/23/18	1/23/20
<u><i>CBS Staff Liaison*</i></u> John P. (Jay) Sweeney	747-1836 w	100 Lincoln Street jay.sweeney@cityofsitka.org	Chief Finance and Administrative Officer	12/12/17	
<u><i>Alternate</i></u> Keith Brady	747-1808 w	keith.brady@cityofsitka.org	Municipal Administrator		
<u><i>Chief Medical Staff Liaison*</i></u> Kimberly Bakkes	747-3241 w	Sitka Community Hospital 209 Moller Avenue kbakkes@sitkahospital.org		.....	December of each year
<u><i>Vice Chief Medical Staff Liaison*</i></u> Debra Brushafer	747-3241 w	Dr.Brushafer@sitkahospital.org			
<u><i>Assembly Liaison*</i></u> Richard Wein	738-0577 c	PO Box 2424 assemblywein@cityofsitka.org			October (each year after election)
<u><i>Alternate</i></u> Steven Eisenbeisz	738-9075 c	208 Lincoln Street assemblyeisenbeisz@cityofsitka.org			
<u><i>Hospital Staff</i></u> Rob Allen Denise DenHerder	747-1738 w 747-1725 w	CEO Exec Asst/Recording Secretary	rallen@sitkahospital.org ddenherder@sitkahospital.org		

\* *Non-Voting* – Alternates to fill in when the Liaison is not in attendance.

Hospital Board meets the fourth Thursday of each month at 6:00 p.m. in the Hospital Classroom.

All voting members will be approved by the Assembly. Five Members from Public:

- |   |             |
|---|-------------|
| 1 Member Professional Financial Experience  | 3-year term |
| 1 Member Professional Healthcare Experience | 3-year term |
| 3 Members At-Large                          | 2-year term |

Non-Voting:

- |   |   |
|---|---|
| 1 Member Sitka Community Hospital Chief Medical Staff | Elected each December by SCH medical staff  |
| 1 Member from the Assembly                            | Appointed each October                      |
| 1 Member from CBS Senior Staff                        | Approved by the Assembly with No Expiration |
- Re-Established by Ordinance 2015-37A

OATH OF OFFICE REQUIRED

Revised: October 10, 2018



# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: 19-020 Version: 1 Name:

Type: Item Status: AGENDA READY

File created: 1/16/2019 In control: City and Borough Assembly

On agenda: 1/22/2019 Final action:

Title: Approve Consents of Assignment of two tidelands leases, seaward of the uplands property located at 204 Siginaka Way, from K&R Enterprises, Inc. to Sitka Tribe of Alaska

Sponsors:

Indexes:

Code sections:

Attachments: [Motion and Memos Consents of Assignment](#)  
[Consent to Assignment 1 of 2](#)  
[Consent to Assignment 2 of 2](#)  
[K R Tidelands leases](#)

Date	Ver.	Action By	Action	Result
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## **POSSIBLE MOTION**

**I MOVE TO** approve Consents of Assignment of two tidelands leases, seaward of the uplands property located at 204 Siginaka Way, from K&R Enterprises, Inc. to Sitka Tribe of Alaska and authorize the Municipal Administrator to sign these documents.



# City and Borough of Sitka

LEGAL DEPARTMENT

100 Lincoln Street • Sitka, Alaska 99835

## **MEMORANDUM**

**TO: Mayor and Assembly Members**

**FROM: Brian E. Hanson  
Municipal Attorney**

**DATE: January 16, 2019**

**SUBJECT: Consent of Assignment of Tidelands leases to STA from K&R**

---

Sitka Tribe of Alaska (STA) seeks consent from the Assembly to assignment of two tidelands leases from K&R Enterprises, Inc. (K&R), to STA. The tidelands leases are located seaward of the uplands property located at 204 Siginaka Way. STA is purchasing the uplands property from K&R, which includes the former U.S. Forest Service building. The tidelands were developed as a parking lot to service the building. The proposed consents and proposed assignment, along with the tidelands leases, are provided with this memo.

Both tidelands leases terminate on October 27, 2037. Both tidelands leases provide that they cannot be assigned "without the consent of the Lessor." See section 2(c) of the leases.

SGC 18.16.130.B grants a preference to upland owners for use of tidelands. K&R is the current owner of the uplands property that obtained the tidelands leases as the preference holder. SGC 18.16.130.C provides that the sale (assignment) of tidelands leases "requires prior assembly approval and possible lease rental adjustment." K&R is in the process of selling the uplands property to STA. Upon consummation of the sale (assignment) of the uplands property, STA would become the "preference holder" as contemplated by SGC 18.16.130.C.

If STA becomes the uplands property owner and, consequently, the preference holder for the seaward tidelands leases, there is no apparent reason not to consent to the assignments of the tidelands leases. The purposes cited by STA in its memo of January 15, 2019, appear legitimate and credible. Therefore, it is my recommendation that the Assembly consent to the assignment of the tidelands leases as requested by STA contingent upon STA becoming owner of the uplands property.

## Sitka Tribe of Alaska Legal Department

# MEMO

**To:** Assembly of the City and Borough of Sitka

**From:** Naomi Palosaari, Tribal Attorney

**Date:** January 15, 2019

**Re:** Consent to assignment of tidelands leases

---

Sitka Tribe of Alaska (STA) is well-known to the Assembly. STA is a federally-recognized tribal government that represents Alaska natives who have lived in the Sitka area since time immemorial. STA contributes to the community of Sitka in many ways: STA provides assistance to seniors, victims of domestic violence and sexual assault, and people in need; is a major employer; provides local transit; monitors and improves the safety and of the water and the health of the natural resources; provides educational support and opportunities, and much more.

Right now, STA is operating out of several locations. STA has long been seeking a building that would allow STA to consolidate operations into a unified location, which would be beneficial to STA's operations but also to tribal citizens and other community members receiving services, since they would be able to access all of the services under one roof. To this end, STA has identified a suitable building and seeks to move forward with the purchase. The owners of the building hold tidelands leases which STA would like to assume as part of the purchase, and this requires the consent of the Assembly.

STA seeks the consent of the Assembly to the assignment of the leases of the tidelands at Parcels 1 and 2, Seaward of Block 9, Replat No. 1, Dan Moller Subdivision, to STA and its lender, First Nations Bank of Alaska (FNBA). Those tidelands were developed into parking for the former Forest Service building at 204 Siginaka Way by the building owners in accordance with the lease terms. STA has entered into a purchase agreement with the owners of the building to purchase the building and the interest of the owners in the leases. The parking lot is essential to the value of the building. Therefore, STA requests that the Assembly consent to the assignment of the leases from the current owner of the building to STA.

**After Recording Return To:**

Municipal Clerk  
City and Borough of Sitka, Alaska  
100 Lincoln Street  
Sitka, Alaska 99835

**CONSENT TO ASSIGNMENT OF TIDELANDS LEASE**

City and Borough of Sitka, Alaska ("CBS" or "Owner"), of 100 Lincoln Street, Sitka, Alaska 99835, entered into a TIDELANDS LEASE ("Lease") with K & R Enterprises, Inc. ("Lessee"), 300 W. 123<sup>rd</sup> Avenue, Anchorage, Alaska, 99515 of ("Lessee") for certain tidelands situated at Sitka, Alaska, described as follows:

A parcel of tidelands laying within the First Judicial District, State of Alaska, seaward of Katlian Street and Siginaka Way, being more particularly described as follows:

Beginning at Sitka Tidelands Monument Cor. No. 4; thence S 33°45'E, a distance of 225.49 ft. to Cor. No.1 of this description, the true point of beginning; thence S 33° 45'E, a distance of 179.17ft. to Cor. No. 2; thence N 49°57'15"W, a distance of 172.05 ft. to Cor. No. 3; thence N 40°02'45"E, a distance of 50.00 ft. to cor. No. 1, the true point of beginning.

Containing 4, 300 square feet, more or less.

Lessee desires to assign the Lease to Sitka Tribe of Alaska ("STA" or Assignee"), of 456 Katlian Street, Sitka, Alaska 99835, and has requested of CBS approval of and consent to assignment of the Lease to STA.

CBS consents to the assignment of the Lease to Assignee in accordance with section [2][c] of the Lease, with all rights, title, interest, obligations, and liabilities. Assignee shall be subject to all terms and conditions of the Lease, including any amendments.

**Consent To Assignment Of Lease  
between CBS and K & R Enterprises to STA**

**Page 1 of 4**



In accordance with section [2][c] of the Lease regarding assignment, CBS has been provided with all the terms of the proposed assignment and CBS hereby approves of and consents to the assignment. The Lessee and Assignee warrant that the agreed upon assignment makes no changes to the Lease.

This Consent is contingent upon the following provisions occurring before any execution of this document:

1. Assignee shall provide a copy of the executed assignment;
2. Assignee shall provide copies of any required licenses, permits, plans and certificates in order to perform under the Lease; and
3. Assignee shall provide the name and address of the official contact of Assignee, who shall receive all future notices required by the Lease.

This Consent is also based on the Assignee providing the following assurances by signing this Consent:

1. Assignee will be liable under the Lease in accordance with the assignment;
2. Assignee affirms that they are legally bound by the Lease and that it will comply with all the terms and conditions contained in the Lease;
3. Assignee agrees that they are liable to indemnify and hold harmless CBS pursuant to indemnity obligations set forth in the Lease; and
4. Assignee agrees that they are liable to indemnify and hold harmless CBS pursuant to any claims, actions, or damages arising from this Consent.

This Consent was approved by the CBS Assembly at its regular meeting of January 22, 2019, with authority given to the Municipal Administrator to sign this Consent.

CBS shall record and Assignee shall pay for the recording of this Consent.

[SIGNATURES AND ACKNOWLEDGEMENTS ON FOLLOWING PAGES]

**CITY AND BOROUGH OF SITKA, ALASKA**

\_\_\_\_\_  
Date

\_\_\_\_\_  
By: P. Keith Brady  
Its: Municipal Administrator

STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by P. Keith Brady, Municipal Administrator of the CITY AND BOROUGH OF SITKA, ALASKA, an Alaska home rule municipality, on behalf of the municipality.

\_\_\_\_\_  
Notary Public in and for the State of Alaska  
My commission expires: \_\_\_\_\_

**K & R ENTERPRISES, INC.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
By: Jay E. Kassner  
Its: President

STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

The foregoing instrument was acknowledges before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by Jay E. Kassner, President of K & R Enterprises, Inc., an Alaska corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public in and for the State of Alaska  
My commission expires: \_\_\_\_\_

**SITKA TRIBE OF ALASKA**

\_\_\_\_\_  
Date  
By: KathyHope Erickson  
Its: Tribal Council Chairman  
STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

The foregoing instrument was acknowledges before me this\_\_\_\_\_ day of \_\_\_\_\_, 2019, by KathyHope Erickson, Tribal Council Chairman of the Sitka Tribe of Alaska, a sovereign nation, on behalf of the tribe.

\_\_\_\_\_  
Notary in and for the State of Alaska  
My commission expires: \_\_\_\_\_

## ASSIGNMENT AND ASSUMPTION OF LEASE

This assignment and assumption is entered into between K & R Enterprises, Inc. ("Assignor"), whose address is 300 W. 123<sup>rd</sup> Avenue, Anchorage, Alaska, 99515, and Sitka Tribe of Alaska ("Assignee"), whose address is 456 Katlian Street, Sitka, Alaska, 99835.

Assignor does hereby assign and transfer all of Assignor's interest in the following leasehold estates:

- (a) Leasehold estate as provided by that certain Tidelands Lease recorded January 12, 1983 in Book 61 at Page 795, as amended by Tideland Lease Amendment recorded June 2, 1994 in Book 109 at Page 669, covering the following described premises located in the City of Sitka, First Judicial District,

City Tidelands Lease Parcel No. 1, Seaward of Block 9, Replat No. 1, Dan Moller Subdivision, Sitka Recording District, First Judicial District, State of Alaska

- (b) Leasehold estate as provided by that certain Tidelands Lease recorded June 2, 1994 in Book 109 at Page 672, covering the following described premises located in the City of Sitka, First Judicial District,

City Tidelands Lease Parcel No. 2, Seaward of Block 9, Replat No. 1 Dan Moller Subdivision

to Assignee to have and to hold the same from the date hereof, for and during all of the remainder of the term of said Lease. Assignor warrants and represents the following:

- (1) The Lease is in full force and effect;
- (2) No default exists on the part of the Assignor; and,
- (3) The Lessor has no defense, setoff, or counterclaim against Assignor.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

LESSEE/ASSIGNOR  
K & R Enterprises, Inc.

ASSIGNEE  
Sitka Tribe of Alaska

\_\_\_\_\_  
Jay E. Kassner, President

\_\_\_\_\_  
KathyHope Erickson, Chairman

**State of** \_\_\_\_\_ )

**Judicial District of** \_\_\_\_\_ )

**or County of** \_\_\_\_\_ )

I, \_\_\_\_\_, a Notary Public in and for the State of \_\_\_\_\_, DO HEREBY CERTIFY THAT on this \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_, before me, the undersigned notary public, personally appeared Jay E. Kassner, President of K&R Enterprises, Inc., known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Notary Public in and for the State of \_\_\_\_\_

My commission expires: \_\_\_\_\_

State of Alaska       )  
                                  )  
First Judicial District )

I, \_\_\_\_\_, a Notary Public in and for the State of \_\_\_\_\_, DO HEREBY CERTIFY THAT on this \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_, before me, the undersigned notary public, personally appeared KathyHope Erickson, Tribal Council Chairman of Sitka Tribe of Alaska, known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Notary Public in and for the State of Alaska

My commission expires: \_\_\_\_\_



**After Recording Return To:**

Municipal Clerk  
City and Borough of Sitka, Alaska  
100 Lincoln Street  
Sitka, Alaska 99835

**CONSENT TO ASSIGNMENT OF TIDELANDS LEASE**

City and Borough of Sitka, Alaska ("CBS" or "Owner"), of 100 Lincoln Street, Sitka, Alaska 99835, entered into a TIDELANDS LEASE ("Lease") with K & R Enterprises, Inc. ("Lessee") of 300 W 123<sup>rd</sup> Avenue, Anchorage, Alaska 99515, for certain tidelands situated at Sitka, Alaska, described as follows:

A PARCEL OF TIDELANDS LYING WITHIN THE FIRST JUDICIAL DISTRICT, STATE OF ALASKA, IN SITKA, ALASKA AND SEAWARD OF KATLIAN STREET AND SIGINAKA WAY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

City Tidelands Lease Parcel No. 2, Seaward of Block 9, Replat No. 1 Dan Moller Subdivision

Beginning at the most southerly corner of block 9 Replat No. 1 Dan Moller Subdivision, said corner also being the most easterly corner of this tidelands lease parcel, the true point of beginning and corner No.1 of this description; thence S57° 10'W 9.67ft/ to corner No. 2; thence N49° 57'15"W 176.15 ft. to corner No. 3; thence N40°02'45"W 13.00 ft. to corner No.4; thence S49°57'15"E 166.05ft. along the City Tidelands Lease Parcel No.1 boundary, as previously described, to corner No.5: thence S33° 45'E 13.48 ft. to corner No. 1, the true point of beginning, containing 2291 square ft., more or less.

Lessee desires to assign the Lease to Sitka Tribe of Alaska ("STA" or Assignee"), of 456 Katlian Street, Sitka, Alaska 99835, and has requested of CBS approval of and consent to assignment of the Lease to STA.

**Consent To Assignment Of Lease  
between CBS and K & R Enterprises to STA**

CBS consents to the assignment of the Lease to Assignee in accordance with section 2 (c) of the Lease, with all rights, title, interest, obligations, and liabilities. Assignee shall be subject to all terms and conditions of the Lease, including any amendments.

In accordance with section 2(c) of the Lease regarding assignment, CBS has been provided with all the terms of the proposed assignment and CBS hereby approves of and consents to the assignment. The Lessee and Assignee warrant that the agreed upon assignment makes no changes to the Lease.

This Consent is contingent upon the following provisions occurring before any execution of this document:

1. Assignee shall provide a copy of the executed assignment;
2. Assignee shall provide copies of any required licenses, permits, plans and certificates in order to perform under the Lease; and
3. Assignee shall provide the name and address of the official contact of Assignee, who shall receive all future notices required by the Lease

This Consent is also based on the Assignee providing the following assurances by signing this Consent:

1. Assignee will be liable under the Lease in accordance with the assignment;
2. Assignee affirms that they are legally bound by the Lease and that it will comply with all the terms and conditions contained in the Lease;
3. Assignee agrees that they are liable to indemnify and hold harmless CBS pursuant to indemnity obligations set forth in the Lease; and
4. Assignee agrees that they are liable to indemnify and hold harmless CBS pursuant to any claims, actions, or damages arising from this Consent.

This Consent was approved by the CBS Assembly at its regular meeting of January 22, 2019, with authority given to the Municipal Administrator to sign this Consent.

CBS shall record and Assignee shall pay for the recording of this Consent.

[SIGNATURES AND ACKNOWLEDGMENTS ON FOLLOWING PAGES]

**Consent To Assignment Of Lease  
between CBS and K & R Enterprises to STA**

**Page 2 of 4**

**CITY AND BOROUGH OF SITKA, ALASKA**

\_\_\_\_\_  
Date

\_\_\_\_\_  
By: P. Keith Brady  
Its: Municipal Administrator

STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by P. Keith Brady, Municipal Administrator of the CITY AND BOROUGH OF SITKA, ALASKA, an Alaska home rule municipality, on behalf of the municipality.

\_\_\_\_\_  
Notary Public in and for the State of Alaska  
My commission expires: \_\_\_\_\_

**K & R ENTERPRISES, INC.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
By: Jay E. Kassner  
Its: President

STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

The foregoing instrument was acknowledges before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by Jay E. Kassner, President of K & R Enterprises, Inc., an Alaska corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public in and for the State of Alaska  
My commission expires: \_\_\_\_\_

**SITKA TRIBE OF ALASKA**

\_\_\_\_\_  
Date  
By: KathyHope Erickson  
Its: Tribal Council Chairman  
STATE OF ALASKA                    )  
  ) ss.  
FIRST JUDICIAL DISTRICT        )

The foregoing instrument was acknowledges before me this \_\_\_\_\_ day of \_\_\_\_\_, 2019, by KathyHope Erickson, Tribal Council Chairman of the Sitka Tribe of Alaska, a sovereign nation, on behalf of the tribe.

\_\_\_\_\_  
Notary in and for the State of Alaska  
My commission expires: \_\_\_\_\_

## ASSIGNMENT AND ASSUMPTION OF LEASE

This assignment and assumption is entered into between K & R Enterprises, Inc. ("Assignor"), whose address is 300 W. 123<sup>rd</sup> Avenue, Anchorage, Alaska, 99515, and Sitka Tribe of Alaska ("Assignee"), whose address is 456 Katlian Street, Sitka, Alaska, 99835.

Assignor does hereby assign and transfer all of Assignor's interest in the following leasehold estates:

- (a) Leasehold estate as provided by that certain Tidelands Lease recorded January 12, 1983 in Book 61 at Page 795, as amended by Tideland Lease Amendment recorded June 2, 1994 in Book 109 at Page 669, covering the following described premises located in the City of Sitka, First Judicial District,

City Tidelands Lease Parcel No. 1, Seaward of Block 9, Replat No. 1, Dan Moller Subdivision, Sitka Recording District, First Judicial District, State of Alaska

- (b) Leasehold estate as provided by that certain Tidelands Lease recorded June 2, 1994 in Book 109 at Page 672, covering the following described premises located in the City of Sitka, First Judicial District,

City Tidelands Lease Parcel No. 2, Seaward of Block 9, Replat No. 1 Dan Moller Subdivision

to Assignee to have and to hold the same from the date hereof, for and during all of the remainder of the term of said Lease. Assignor warrants and represents the following:

- (1) The Lease is in full force and effect;
- (2) No default exists on the part of the Assignor; and,
- (3) The Lessor has no defense, setoff, or counterclaim against Assignor.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

LESSEE/ASSIGNOR  
K & R Enterprises, Inc.

ASSIGNEE  
Sitka Tribe of Alaska

\_\_\_\_\_  
Jay E. Kassner, President

\_\_\_\_\_  
KathyHope Erickson, Chairman

**State of** \_\_\_\_\_ )

**Judicial District of** \_\_\_\_\_ )

**or County of** \_\_\_\_\_ )

I, \_\_\_\_\_, a Notary Public in and for the State of \_\_\_\_\_, DO HEREBY CERTIFY THAT on this \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_, before me, the undersigned notary public, personally appeared Jay E. Kassner, President of K&R Enterprises, Inc., known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Notary Public in and for the State of \_\_\_\_\_

My commission expires: \_\_\_\_\_



State of Alaska       )  
                                  )  
First Judicial District )

I, \_\_\_\_\_, a Notary Public in and for the State of \_\_\_\_\_, DO HEREBY CERTIFY THAT on this \_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_, before me, the undersigned notary public, personally appeared KathyHope Erickson, Tribal Council Chairman of Sitka Tribe of Alaska, known to me to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same for the purposes therein contained.

Signed: \_\_\_\_\_

Print Name: \_\_\_\_\_

Notary Public in and for the State of Alaska

My commission expires: \_\_\_\_\_

T I D E L A N D S   L E A S E

THIS LEASE, made and entered into this 27th day of OCTOBER, 1982, by and between

CITY AND BOROUGH OF SITKA  
hereinafter referred to as the Lessor, and

K & R ENTERPRISES, INC., Box 1884, Sitka, Alaska  
hereinafter referred to as the Lessee,

W I T N E S S E T H:

WHEREAS, the Lessor is owner of certain tidelands situated at Sitka, Alaska described as follows:

A parcel of tidelands lying within the First Judicial District, State of Alaska, seaward of Katlian Street and Siginaka Way, being more particularly described as follows:

Beginning at Sitka Tidelands Monument Cor. No. 4;  
thence S 33°45'E, a distance of 225.49 ft. to Cor. No. 1  
of this description, the true point of beginning;  
thence S 33°45'E, a distance of 179.17 ft. to Cor. No. 2;  
thence N 49°57'15"W, a distance of 172.05 ft. to Cor. No. 3;  
thence N 40°02'45"E, a distance of 50.00 ft. to Cor. No. 1,  
the true point of beginning.  
Containing 4,300 square feet, more or less.

Subject to a sewer construction and maintenance easement as shown on the tidelands lease plat drawn for Lessee by Davis and Associates.

This lease was authorized by the municipal assembly at its meeting of October 26, 1982.

NOW, THEREFORE, for and in consideration of the agreements hereinafter contained, Lessor and Lessee agree as follows:

[1] Lessor hereby devises and leases unto the Lessee, the above described property for a term of fifty-five (55) years, beginning October 27, 1982, and ending October 27, 2037.

[2] Lessee, in consideration of lease from Lessor, agrees as follows:

[a] To pay as rent therefore to Lessor at its order the sum of \$1182.50 annually, payable on the 27th day of October of each year in advance. It is acknowledged that the first year's payment has been made. In addition to said rental there shall be paid the City and Borough of Sitka sales tax on the amount of each rental not exempt from such sales tax.

[b] The parties hereby agree that said annual rent is subject to adjustment every five (5) years should the appraised value of the leased property as determined by official appraisal for general property tax purposes change more than 25% from the time of lease execution. Should such lease be subject to modification, it shall be proportional to the amount of such change. Requests for lease rent modification may come from either party hereto at any time after five (5) years from date of either the original execution or any prior modifications.

[c] This lease may not be assigned or sublet by the Lessee without the consent of the Lessor.

[d] If the rent shall be in arrears, or Lessee, their representatives or assigns, do or shall neglect agreements hereinabove contained which are to be performed and in the event Lessee fails to remedy default within thirty (30) days after receipt of written notice of any such rental arrears or neglect, the Lessor may immediately, or at any time thereafter, while such neglect or default continues, enter into and on the premises, or any part thereof, and repossess same as of their former estate, and expel Lessee and those claiming under it and remove its effects (forcefully, if necessary) without being guilty of any trespass and without prejudice to any remedies which might otherwise be used for arrears or rent, or preceding breach of agreement.

[e] That the Lessee herein agrees to pay any Local Improvement District assessments that may be levied against the property leased herein to the same extent and in the same amount as if Lessee was the owner of the Local Improvement District, which would include the property leased herein, be formed or contemplated, the Lessee shall share the Lessor's right as owner in all proceedings under the Local Improvement District (except for payment of assessments) in proportion that the remaining years of the lease bear to twenty (20). (EXAMPLE: If the lease has five (5) years to run, the Lessee shall have the right to exercise 5/20ths of the Lessor's vote and the Lessor, 15/20ths.)

[f] The leased area extends fifty (50) feet toward the tidelands from Siginaka Way. As part of the consideration for this lease, Lessee agrees to fill to finish grade, at Lessee's sole expense, the tidelands extending an additional ten (10) feet seaward (total fill 60 feet) with the toe of the slope to extend seaward sufficiently beyond the sixty (60) feet so as to minimize erosion. The municipality hopes to include the additional ten (10) feet as a part of the proposed Brady Park. The fill put in the ten (10) feet section should be such as to enable various trees and shrubs to grow when planted by the municipality.

[g] The fill should correspond to that proposed by Lessee in its June, 1982 fill proposal diagram to the Army Corps of Engineers with the fill to extend to Katlian Street for the benefit of the proposed park.

[h] This lease area, combined with other property of the Lessee located seaward of Siginaka Way shall be used for the duration of the lease to provide at least seventy-three (73) parking places for normal size passenger vehicles. This parking shall be available to the public at all times, free of charge.

IT IS MUTUALLY AGREED AS FOLLOWS:

[1] The terms and conditions herein contained shall apply to and bind the heirs, successors and assigns of the respective parties.

[2] Waiver of Lessor of any agreement or condition herein shall not be considered a waiver of any subsequent breach of said agreement or condition.

[3] If Lessee occupies the premises after expiration date of this lease with consent of Lessor, such possession shall be construed to be an annual tenancy and Lessee shall pay Lessor the annual rent paid during the last year of said lease.

[4] At any termination of said tenancy, all improvements placed on said property and attached to the land so as to become part of the real property by common law definition shall become the property of the Lessor.

[5] Lessee agrees to save the Lessor harmless from any liability by reason of personal injury to any person or persons on or about the said premises.

83-1761

8/48

RECORDED

AUG 23 1 51 PM '83

REQUESTED BY City of Sitka

ADDRESS Box 79

Sitka, AK 99835

Fermin Gutierrez, Administrator  
 CITY & BOROUGH OF SITKA

Frank Richards, President  
 K & R ENTERPRISES, INC.

UNITED STATES OF AMERICA )  
 STATE OF ALASKA )

ss CORPORATE ACKNOWLEDGMENT

THIS CERTIFIES that on this 12<sup>th</sup> day of January, 1982, 1983 before me, a Notary Public in and for the State of Alaska, personally appeared FERMIN GUTIERREZ, to me known and known to me to be the person whose name is subscribed to the foregoing lease, and after being first duly sworn according to law, he stated to me under oath that his is the ADMINISTRATOR of the City and Borough of Sitka, Alaska, a corporation organized under the laws of the State of Alaska, that he has been authorized by said corporation to execute the foregoing lease on its behalf and he executed the same freely and voluntarily as the free act and deed of said corporation.

WITNESS my hand and official seal the day and year in this certificate first above written.

Dallas Ferguson

My Commission expires: 10-31-84

UNITED STATES OF AMERICA )  
 STATE OF ALASKA )

ss CORPORATE ACKNOWLEDGMENT

On this 12<sup>th</sup> day of January, 1983, before me, a Notary Public for the State of Alaska, personally appeared FRANK RICHARDS to me known and who, being duly sworn by me, did depose and say that he resides at Sitka, Alaska, and that he is PRESIDENT of K & R ENTERPRISES, INC. in the foregoing indenture named, and that he signed the same as PRESIDENT, and he acknowledges the execution of said instrument to be the free and voluntary act and deed of said company by him as PRESIDENT, voluntarily done and executed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Dallas Ferguson

My Commission expires: 10-31-84

**TIDELANDS LEASE AMENDMENT**

This lease amendment is entered into between the City and Borough of Sitka, hereinafter referred to as LESSOR, and K & R Enterprises, Inc, box 1884, Sitka, Alaska 99835, hereinafter referred to as LESSEE. recorded at Book 61, Pages 795-97

WHEREAS, LESSOR and LESSEE entered into a Tidelands Lease for what is now described as Parcel No. 1, Seaward of Block 9, Replat No. 1, Dan Moller Subdivision, Sitka Recording District, First Judicial District, State of Alaska on January 12, 1983; and

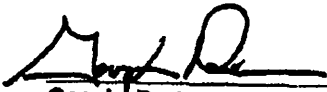
WHEREAS, that lease provided that LESSEE would provide 73 parking spaces seaward of Siginaka Way; and


WHEREAS, the number of parking spaces was incorrect and not necessary to the lease;

NOW THEREFORE IN CONSIDERATION of the above premises and the mutual promises continued in the original lease, LESSOR and LESSEE agree that subsection 2(h) of the lease shall be amended to read:

2(h) The lease area shall be used for parking. This parking shall be available to the public at all times, free of charge.

DATED this 2nd day of May, 1994 at Sitka, Alaska.

  
Gary L. Paxton  
CITY & BOROUGH OF SITKA  
304 LAKE ST.  
SITKA, ALASKA 99835

  
Frank Richards, President  
K & R ENTERPRISES, INC.

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

)  
)ss: MUNICIPAL ACKNOWLEDGEMENT

THIS IS TO CERTIFY that on this 2nd day of June, 1994, before me, a Notary Public in and for the State of Alaska, personally appeared GARY L. PAXTON to me known and known to me to be the person whose name is subscribed to the foregoing TIDELANDS LEASE AMENDMENT, and after being first duly sworn according to law, he stated to me under oath that he is the ADMINISTRATOR of the City and Borough of Sitka, a corporation organized under the laws of the State of Alaska, that he has been authorized by said corporation to execute the foregoing on its behalf and he executed the same freely and voluntarily as the free act and deed of said corporation.

WITNESS my hand and official seal the day and year in this certificate first above written.



Kelly M. White  
Notary Public for Alaska  
My commission expires: 10/3/96

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

)  
)ss: CORPORATE ACKNOWLEDGEMENT

ON THIS 2nd day of June, 1994 before me, a Notary Public for the State of Alaska, personally appeared FRANK RICHARDS, to me know and who, being duly sworn by me, did depose and say that he resides at Sitka, Alaska, and that he is PRESIDENT of the K & R Enterprises, Inc. in the foregoing indenture named, and the he signed the same as PRESIDENT and he acknowledges the execution of said instrument to be the free and voluntary act and deed of said TIDELAND LEASE AMENDMENT by him as PRESIDENT, voluntarily done and executed.



Kelly M. White  
Notary Public for Alaska  
My commission expires: 10/3/96

After recordation  
return to:

Pearson & Hanson  
P.O. Box 98, Sitka, AK 99835



BOOK 109 PAGE 671

94-2193

ecc		18.00
Sittka		REC. DIST.
DATE	6-2	19 94
TIME	2:55	P M
Requested By Denton Braun		
Address		

**TIDELANDS LEASE**

THIS LEASE, made and entered into this first day of May, 1994, by and between:

**CITY AND BOROUGH OF SITKA**  
hereinafter referred to as the Lessor,

and

**K&R ENTERPRISES, INC.**  
of 713 Katlian Street, Sitka, Alaska 99835  
hereinafter referred to as the Lessee,

**WITNESSETH:**

WHEREAS, the Lessor is owner of certain tidelands situated at Sitka, Alaska described as follows:

**A PARCEL OF TIDELANDS LYING WITHIN THE FIRST JUDICIAL DISTRICT, STATE OF ALASKA, IN SITKA, ALASKA AND SEAWARD OF KATLIAN STREET AND SIGINAKA WAY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:**

City Tidelands Lease Parcel No. 2, Seaward of Block 9, Replat No. 1 Dan Moller Subdivision

Beginning at the most southerly corner of block 9 Replat No. 1 Dan Moller Subdivision, said corner also being the most easterly corner of this tidelands lease parcel, the true point of beginning and corner No. 1 of this description; thence S57° 10'W 9.67 ft. to corner No. 2; thence N49° 57'15"W 176.15 ft. to corner No. 3; thence N40° 02'45"E 13.00 ft. to corner No. 4; thence S49° 57'15"E 166.05 ft. along the City Tidelands Lease Parcel No. 1 boundary, as previously described, to corner No. 5; thence S33° 45'E 13.48 ft. to corner No. 1, the true point of beginning, containing 2291 square ft., more or less.

WHEREAS, the Lessee bid the minimum bid on the 2291 square feet of property of \$1,580.79 plus sales tax per year.

WHEREAS, Lessor has held an auction pursuant to SGC Chapter 18.16.110 to lease the described tidelands; and

WHEREAS, Lessee, the upland owner, was the successful bidder,

NOW THEREFORE, for and in consideration of the agreements hereinafter contained, Lessor and Lessee agree as follows:

1. Lessor hereby devises and leases unto the Lessee, the above described property for a term of forty three (43) + years, beginning June 1, 1994 and ending October 27, 2037.

2. Lessee, in consideration of lease from Lessor, agrees as follows:

(a) To pay rent therefore to Lessor at its order in the sum of \$1580.79, plus sales tax, annually, payable on the first day of June of each year in advance. It is acknowledged that the first year's payment has been made. In addition to said rental, there shall be paid to the City and Borough of Sitka, sales tax on the amount of each rental payment not exempt from such sales tax.

(b) The parties hereby agree that said annual rent is subject to adjustment on the seventh anniversary of the lease and each seven years thereafter, with the annual lease payment being changed by the percentage change in the amount (expressed in dollars and cents) established by dividing the grand total land value on the official municipal real property assessment roll for the initial lease year, or prior adjustment year by the number of that year's real property tax accounts, compared with a similar calculation using the figures seven years later. The base figure for the tax year 1994 is \$47,837.00.


(c) This lease may not be assigned or sublet by the Lessee without the consent of the Lessor.


(d) If the rent shall be in arrears, or Lessee, its representatives or assigns fail to do or shall neglect agreements herein contained which are to be performed and in the event Lessee fails to remedy default within thirty (30) days after receipt of written notice of any such rental arrears or neglect, then lessor may immediately, or at any time thereafter, while such neglect or default continues, enter onto the premises, or any part thereof terminate the lease and repossess the same as of its former estate, and expel Lessee and those claiming under it and remove its effects (forcetully if necessary) without being guilty of any trespass and without prejudice to any remedies which might otherwise be used for arrears or rent, or proceedings on breach of agreement.

(e) That the Lessee herein agrees to pay any Local Improvement District assessments that may be levied against the property leased herein to the same extent and in the same amount as if the Lessee were the owner of the property leased herein which would be included in the Local Improvement District to be formed or contemplated. The Lessee shall share the Lessor's right as owner in all proceedings under the Local Improvement District (except for payment of assessments) in proportion that the remaining years of the lease bear to twenty (20). (For example: If the lease has five (5) years to run, the Lessee shall have the right to exercise 5/20ths of the lessor's vote and the Lessor, 15/20ths.

IT IS MUTUALLY AGREED AS FOLLOWS:

1. The terms and conditions herein contained shall apply to and bind the heirs, successors, and assigns of the respective parties.
2. Waiver by Lessor of any agreement or condition herein shall not be considered a waiver of any subsequent breach of said agreement or condition.
3. If Lessee occupies the premises after the expiration date of this lease without the consent of the Lessor, such possession shall be construed as an annual tenancy and Lessee shall pay Lessor the same annual rent paid during the last year of said lease.
4. At any termination of said tenancy, all improvements placed on said property and attached to the land so as to become part of the real property by common law definition shall become the property of the Lessor.
5. Lessee agrees to save the Lessor harmless from any liability for property damage or personal injury to any person or persons on or about the premises; to carry liability insurance in such amounts as may be agreed to between the parties to cover such liability, with the Lessor as an additional named insured.

  
\_\_\_\_\_  
Gary L. Paxton, Administrator  
CITY & BOROUGH OF SITKA  
304 LAKE ST.  
SITKA, ALASKA 99835

  
\_\_\_\_\_  
Frank Richards  
K&R ENTERPRISES, INC.

BOOK 109 PAGE 675

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

)  
)ss.  
)

MUNICIPAL ACKNOWLEDGEMENT

THIS CERTIFIES that on the 2nd day of June, 1994, before me, a Notary Public in and for the State of Alaska, personally appeared GARY L. PAXTON, to me know and known to me to be the person whose name is subscribed to the foregoing lease and after being first duly sworn according to law, he stated to me under oath that he is the Administrator of the City and Borough of Sitka, Alaska, a corporation organized under the laws of the State of Alaska, that he has been authorized by said corporation to execute the foregoing lease on its behalf and he executed the same freely and voluntarily as the free act and deed of said corporation.

WITNESS my hand and official seal the day and year in this certificate first above



Billy A. White  
Notary Public for Alaska  
My Commission expires: 10/3/96

STATE OF ALASKA

FIRST JUDICIAL DISTRICT

)  
)ss.  
)

THIS IS TO CERTIFY that on this 2nd day of June, 1994, before me the undersigned, a Notary Public in and for the State of Alaska duly commissioned and sworn, personally appeared FRANK RICHARDS, to me known to be the person who executed the above and foregoing instrument, and acknowledged to me that he signed and sealed the same freely and voluntarily.



Billy A. White  
Notary Public for Alaska  
My Commission expires: 10/3/96

After recordation  
return to:

Pearson & Hanson  
P.O. Box 98, Sitka, AK 99835

BOOK 109 PAGE 676

94-2194

ecc		24.00
Sittka		REC. DIST.
DATE	6.2	19 94
TIME	2:59	P.M.
Requested By <u>Denton Dean</u>		
Address _____		





# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: 19-018 Version: 1 Name:  
Type: Item Status: AGENDA READY  
File created: 1/16/2019 In control: City and Borough Assembly  
On agenda: 1/22/2019 Final action:  
Title: Discussion / Direction of the Police Officer Recruitment and Retention Plan  
Sponsors:  
Indexes:  
Code sections:  
Attachments: [Disc Dir Police Officer Recruitment and Retention Plan-January 2019](#)

Date	Ver.	Action By	Action	Result
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**Discussion / Direction**  
of the Police Officer Recruitment and Retention Plan



City & Borough of Sitka  
**Police Department**  
304 Lake Street, Sitka, AK 99835  
907-747-3245



## Memorandum

January 17, 2019

To: Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

From: Chief Jeff Ankerfelt

Date: January 16, 2019

Subject: Discussion / Direction of the Police Officer Recruitment and Retention Plan

Since 2016 the police department has been working hard to change from an agency focused solely on law enforcement to one that embodies the very best of Community Policing. To accomplish this, I and caring staff developed a strategic plan that emphasizes four strategies to improve public safety and the wellbeing of both our community and police employees. These strategies are, promoting *Community Engagement*, improving *Customer Service*, engaging in *Problem Solving* to and investing in the *Organizational Development* of the staff and facility. Great strides have been made in our effort change the organizational culture of the police department. We are evolving from an entity that has viewed itself as neglected and apart from the community, to one that is connected and provides a service experienced as legitimate and valued by all that we serve. While this evolution has been resisted by a few employees, most have contributed enthusiastically and are hopeful that they will see the "light at the end of the tunnel". One of our greatest and most costly struggles has been attracting and retaining good police officers.

It is the intent of this memorandum to provide a clear picture of the current recruitment and employee retention problems in police department and what I believe we need to do to adequately staff, recruit, and retain police officers. If the recommendations are adopted, I believe that we can attract and retain qualified police officers and improve public safety while simultaneously cutting the wasteful spending associated with employee turnover.

The number of officers that the Sitka police department is allowed to hire has been reduced over the years to 16. The number of police officers currently employed by SPD has fallen to 12 with only 10 officers capable of performing the duties of a police officer. 16 to 17 fully functional officers are needed to provide 24 hour patrol coverage and adequately investigate crimes without incurring overtime related to short shifts.

The departments history of chronic understaffing, poor working conditions, disconnected leadership, and the stressful nature of police work has led to burnout, fatigue related errors, illness, excessive overtime costs, and prohibitively expensive employee turnover. Since 2010, 32 police officers have



City & Borough of Sitka  
**Police Department**  
304 Lake Street, Sitka, AK 99835  
907-747-3245



been hired and then quit the police department. This has left the PD at given time, three to four officers below its authorized strength and a typical staffing level of about 12 officers. Most of those officers being new or in training. As of today, with two officers on administrative leave and one early retirement, the police department now has 10 police officers including the Chief.

I need to share a few facts about the challenges we are facing:

- The police department is allowed to hire 16 Police Officers. This number includes the Chief of Police. 15 of those officers are paid from the general fund and one officer, until 1/15/19, was funded by a federal justice assistance grant (JAG). As a result of our current staffing shortages, we have lost the opportunity to use a JAG grant fund to employ an officer for drug enforcement and a collaborative grant with the Sitka Tribe to improve our response to domestic violence. This is a loss of approximately \$200,000.00 per year.
- 16 employed, fully trained officers allows the PD to staff the patrol function, assign one officer to work criminal investigations, and one officer to investigate drug related crimes. At the moment, SPD can field a total of 10 police officers including the Chief. Two of the remaining 10 officers have accepted job offers from the Alaska State Troopers and are expected to leave SPD on/or about April 1<sup>st</sup> of 2019. Three more officers including myself are likely to leave Sitka PD before the end of the year. This would leave Sitka with a total of 5 officers, or less than 1/3 of the minimum number of police officers needed to provide service.
- Since 2010 SPD has suffered a consistent vacancy rate of three to four officers. With a long term average strength of only 12 officers and an average experience level of 1 to 3 years, our organizational capacity to deliver consistent service has been an insurmountable struggle. The financial and organizational cost of this kind of short staffing, turnover, and the constant need to hire and retrain has been staggering. For example, during the first year it costs \$143,571.20 in salary and benefits to hire, equip, and train a single police officer. It is important to understand that during this first year, a new officer is not contributing independently to the staffing level of the PD or to the service needed by the community. Below is a chart showing some of the first year costs related to hiring and training a new officer. Please note the overall cost of turnover since 2010. These are conservative figures that do not include things like the wages of supporting employees or the overtime required to fill vacant shifts.

First year cost of new police officer		
Testing	\$1500.00	This includes a written test, polygraph and Psychological exam. Does not include the \$1500 annual expense for advertising.
Moving Allowance	\$5000.00	Most new hires cannot afford the move to Sitka. A new officer submits receipts for moving related expenses.



City & Borough of Sitka  
**Police Department**  
 304 Lake Street, Sitka, AK 99835  
 907-747-3245



Equipment	\$2600.00	This includes uniforms, firearm, Bullet resistant vest and misc. equipment like handcuffs etc.	
Training Academy	\$12,500.00	The Alaska Police Standards Council no longer subsidizes the cost of the training academy. *does not include SPD field training officer pay. Trainers receive an extra \$2/hr.	
First year wages and Benefits	\$121,971.20 *does not include overtime	Calculated: <ul style="list-style-type: none"> <li>• Step B @28.06 per hour</li> <li>• Midpoint leave accrual of 8.73 hours per pay period</li> <li>• Family medical coverage</li> </ul>	
TOTAL	\$143,571.20		
Cost of hiring 32 new officers since 2010.	\$143,571.20 x 32 Officers =		<b><u>\$ 4,594,278.40</u></b>

Since 2010, our lack of staffing and the resulting need to fill empty shifts has come at great expense to our community in overtime pay. Below is a chart that shows our overtime costs for the past 5 years and an estimated total since 2010. Since the conditions have been the same since 2010, it is reasonable to speculate that the average annual overtime costs have been about \$300,000.00 per year.

Annual overtime costs for the past 5 years					
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 to date
Overtime	\$264,390.12	\$304,331.20	\$295,062.29	\$310,404.70	\$99,169.24
Double time	\$10,129.36	\$6,133.71	\$11,592.97	\$13,068.19	\$18,888.58
Total	\$274,519.48	\$310,464.91	\$306,655.26	\$323,472.89	\$118,057.82
Average annual cost of about \$300,000.00 since 2010.					
\$300,000 X 9 (years)=			<b><u>\$2,700,000.00</u></b>		

*\*Since 2010, the financial impact associated with the loss of 32 officers and the associated overtime for filling short shifts has unnecessarily cost the community of Sitka nearly **\$7.3 million dollars**.*



City & Borough of Sitka  
**Police Department**  
 304 Lake Street, Sitka, AK 99835  
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We are facing a public safety crisis. The number of persons seeking a career in law enforcement has fallen to an historical low and the pool of qualified applicants is no longer large enough to meet demand. The reasons for this are many but include a greater awareness of the unappreciated sacrifices and uncompensated losses that they and their families will incur as a direct result of being a police officer. To meet their safety needs, communities across the United States have discovered the need to apply private market incentives and competitive pay to attract employees. In Alaska alone, the Alaska State Troopers (AST), Anchorage PD, Fairbanks PD, and others are aggressively marketing themselves to officers in other municipal police department. They are doing this with higher wages, signing bonuses, compressed wage scales, and better working conditions to include updated facilities. This competitiveness both in Alaska and with departments in the lower 48 has left Sitka vulnerable. As mentioned earlier, two excellent SPD officers are leaving to join the AST for better wages and working conditions in April of 2019.

Below is a chart depicting the pay disparity between SPD patrol officers and officers working for other law enforcement agencies in Alaska. The pay disparity is equally significant for officers that have been promoted to positions of greater responsibility like Sergeant and Lieutenant.

<i>WAGES</i>	<i>Current Sitka PD and (proposed)</i>	<i>Anchorage PD</i>	<i>Juneau PD</i>	<i>AK Troopers</i>
<i>Recruit with no previous experience</i>	\$27.38 <b><u>(\$33.00)</u></b>	\$33.61	\$30.15	\$32.56
<i>1-year experience</i>	\$28.06 <b><u>(\$35.00)</u></b>	\$33.11 \$34.77 after 16 months	\$31.20	\$35.05
<i>2-year</i>	\$28.76 <b><u>(\$36.50)</u></b>	\$36.52	\$32.30	\$36.36
<i>3-year</i>	\$29.47 <b><u>(\$38.00)</u></b>	\$38.34	\$33.42	\$37.73
<i>4-year</i>	\$30.22 <b><u>(\$40.00)</u></b>	\$40.27	\$34.59	\$39.14





City & Borough of Sitka  
**Police Department**  
304 Lake Street, Sitka, AK 99835  
907-747-3245



5-year	\$30.97	\$42.28	\$35.80	\$40.60
	<b>(\$42.00)</b>			
How long it takes to reach top of range	<b>Eliminate-15years</b> \$37.19 <b>(10 year \$43.00)</b>  <b>(4% increase for AA degree</b>  <b>8% increase for Bachelor's degree)</b>	5 years \$42.48.  4% increase for AA degree  8% increase for Bachelor's degree	8 years \$43.56	6 years \$42.13  +3.75% for Bachelors  +5% for living in Sitka  +\$3000 per year for rural (Sitka)

It has been my belief that just like our beautiful town, The Sitka Police Department and its developing commitment to community policing should be considered a destination department. Not the PD of the past that was disconnected from the people it serves, that operates out of a dirty, antiquated, and unsafe facility, and that falls short of offering a competitive livable wage. Not a place where we train people for other departments, but where professional people start and finish their career.

Most of our improvements are in progress but we need to act quickly on officer wages and stabilizing our staffing level. As mentioned earlier, we will be down to eight officers by April of 2019. We are at a crossroads for the future of Sitka's Police Department. It is my urgent recommendation that we do the following as quickly as possible:

- Immediately raise the base wage of all represented and non-represented police officers, not including the Chief of Police, by \$5 per hour. The total cost to the city for 15 police officers would be approximately \$156,000.00 per year. Please note that this is just a few thousand dollars more than the cost of hiring and training one new employee for one year. Implement a pay scale that matches or marginally beats the pay rate of the Alaska State Troopers and the Anchorage Police Department.
- Compress the wage scale from 15 steps to 5 steps for both represented and non-represented police officers. A new scale for represented and non-represented should start just 5 steps from the top and include the \$5.00 per hour raise. It is a commonly understood industry benchmark that it takes approximately 5 years for a police officer to become what is considered a "Master



City & Borough of Sitka  
**Police Department**  
304 Lake Street, Sitka, AK 99835  
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Patrol Officer". It is after about 5 years of accrued experience and training that an officer begins to reach their potential and we begin to enjoy a full return on our investments. Compressing the scale to 5 years will significantly increase the likelihood that an officer becomes fully vested both financially and in the community.

- The average annual rate of turnover has been 3 to 4 officers. As demonstrated earlier, this persistent lack of staffing has cost the city *millions* of dollars and has immeasurably stunted the evolution of the Police Department's efforts to become a modern police agency. It is my proposal that the police department be allowed to, until stabilized, hire at a rate and number of officers that takes into account our annual rate of turnover. For example, rather than try to hire sixteen officers, we be allowed to hire at 19 officers. Once stabilized, we would cut back our hiring to maintain a consistent staffing level of 16 officers. The benefits of this practice are measurable. They include valuable improvements like reduced overtime costs, reduced burnout and turnover, improved service delivery and improved morale. Note that when we stabilize at a strength of 16 officers, we will eliminate the equivalent cost in overtime.

Thank you for considering this proposal.



# CITY AND BOROUGH OF SITKA

## Legislation Details

File #: 19-017      Version: 1      Name:

Type: Item      Status: AGENDA READY

File created: 1/16/2019      In control: City and Borough Assembly

On agenda: 1/22/2019      Final action:

Title: Discussion / Direction to waive late fees levied on utility bills for federal employees affected by the government shutdown

Sponsors:

Indexes:

Code sections:

Attachments: [Disc Dir waiver of late fees](#)

Date	Ver.	Action By	Action	Result
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Sponsors: Mosher / Bean

## **Discussion / Direction**

to waive late fees levied on utility bills for federal employees affected by the government shutdown



# City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

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## MEMORANDUM

**To:** Mayor Paxton and Assembly Members  
Keith Brady, Municipal Administrator

**From:** Assembly Members Kevin Mosher and Aaron Bean

**Date:** January 4, 2019

**Subject:** Discussion / Direction waiver of late fees for federal employees affected by government shutdown

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**Background:** The U.S. government is currently in a partial shutdown, causing some federal employees, including some people in Sitka, to not receive pay.

**Analysis:** This is a highly unusual circumstance. Many times in the past, whenever there has been a government shutdown, federal employees received back pay for the period of the shutdown. We feel that the assembly should give consideration to waiving the city utility 1% late payment penalty fee for the period covered during the shutdown.

**Fiscal Note:** This will most likely be an insignificant amount waived. Also, this is not asking for the utility bills themselves to be waived, just the 1% late payment fee during the period covered by the shutdown.

**Recommendation:** We recommend the assembly direct staff to allow federal employees who are affected by this shutdown, to be able to come to city hall & request the 1% late fee levied on their utility bills be waived for the period covered by the current partial government shutdown.



# CITY AND BOROUGH OF SITKA

## Legislation Details

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File #: 19-015      Version: 1      Name:

Type: Item      Status: AGENDA READY

File created: 1/16/2019      In control: City and Borough Assembly

On agenda: 1/22/2019      Final action:

Title: Discussion of the recent ruling in the cruise ship industry lawsuit against the City and Borough of Juneau (CBJ), with respect to passenger fees assessed against the cruise ship industry by CBJ, and the implications for the City and Borough of Sitka with respect to commercial passenger excise tax funds

Sponsors:

Indexes:

Code sections:

Attachments: [Discussion cruise ship industry lawsuit](#)

Date	Ver.	Action By	Action	Result
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## **Discussion**

of the recent ruling in the cruise ship industry lawsuit against the City and Borough of Juneau (CBJ), with respect to passenger fees assessed against the cruise ship industry by CBJ, and the implications for the City and Borough of Sitka with respect to commercial passenger excise tax funds

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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ALASKA

CRUISE LINES INTERNATIONAL )  
ASSOCIATION ALASKA and CRUISE )  
LINES INTERNATIONAL ASSOCIATION, )

Plaintiffs, )

vs. )

THE CITY AND BOROUGH OF JUNEAU, )  
ALASKA, a municipal corporation, and )  
RORIE WATT, in his official capacity as )  
City Manager, )

Defendants. )

No. 1:16-cv-0008-HRH

ORDER

Cross-motions for Summary Judgment;  
Motion to Determine Law of the Case

Plaintiffs move for summary judgment.<sup>1</sup> In response, defendants move for a determination of the law of the case on the Tonnage Clause and Rivers and Harbors Act.<sup>2</sup> Defendants also oppose plaintiffs' motion for summary judgment and cross-move for summary judgment.<sup>3</sup> Defendants' motion for a determination of law is opposed<sup>4</sup> as is

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<sup>1</sup>Docket No. 67.

<sup>2</sup>Docket No. 81.

<sup>3</sup>Docket Nos. 118 and 180-1.

<sup>4</sup>Docket No. 97.

defendants' cross-motion for summary judgment.<sup>5</sup> Oral argument has been heard on the foregoing motions. At oral argument, counsel agreed that the defendants' motion to determine the law of the case was purely a matter of law and should be taken up first.

#### Facts

Plaintiffs are Cruise Lines International Association Alaska (CLIA Alaska)<sup>6</sup> and Cruise Lines International Association (CLIA). CLIA is a global organization that represents 51 cruise lines operating worldwide. CLIA Alaska represented cruise lines that entered Alaska waters. CLIA Alaska members included Carnival Cruise Lines, Crystal Cruises, Disney Cruise Lines, Holland America Line, Norwegian Cruise Line, Oceana Cruises, Princess Cruises, Regent Seven Sea Cruises, Royal Caribbean International, and Silverseas Cruises.

Defendants are The City and Borough of Juneau, Alaska (CBJ) and Rorie Watt, in his official capacity as the City Manager. CBJ owns and operates the Cruise Ship Terminal and the Alaska Steam Ship Dock, which are two of the four cruise docks located in the downtown area of the City of Juneau. The other two cruise ship docks, AJ Juneau Dock and Franklin Dock, are privately owned. The Franklin Dock is owned by Princess Cruises.<sup>7</sup> The AJ Juneau Dock is owned in part by Holland America.<sup>8</sup> CBJ, which has approximately 32,000 year-round residents, receives approximately 1,000,000 cruise ship passengers each year from early May through mid-September.

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<sup>5</sup>Docket No. 148.

<sup>6</sup>CLIA Alaska was dissolved in 2016. Exhibit MD, Docket No. 176-2. The regional group of CLIA that represents cruise lines which operate in Alaska is now called CLIA North West & Canada. Exhibit MC, Docket No. 172-5.

<sup>7</sup>Exhibit IP, Docket No. 127-16.

<sup>8</sup>Exhibit BT at 1, Docket No. 120-20.



This case involves challenges to two passenger fees imposed by CBJ. First, the Marine Passenger Fee (MPF) is a \$5-per-passenger fee assessed on any marine passenger ship, with some exceptions,<sup>9</sup> that enters any CBJ port. The MPF for each ship that enters any CBJ port is calculated based on the passenger manifest, and the owner or agent of the ship, not the individual passengers, is responsible for paying the MPF.<sup>10</sup> CBJ Code §§ 69.20.030 and 69.20.040.<sup>11</sup> The MPF was first imposed in 2000, at which time the stated purpose of the fee was

to address the costs to the City and Borough for services and infrastructure usage by cruise ship passengers visiting Juneau, including emergency services, transportation impacts and recreation infrastructure use, and to mitigate impacts of increased utilization of City and Borough services by cruise ship passengers.<sup>[12]</sup>

In 2012, CBJ amended the “purpose and intent” portion of the MPF ordinance. The purpose of the MPF is now “to address the costs to the City and Borough for services and infrastructure rendered to cruise ships and cruise ship passengers visiting the City and Borough.”<sup>13</sup> Revenue from the MPF is placed in the Marine Passenger Fund, and the proceeds of the Fund are:

appropriated in support of the marine passenger ship industry including:

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<sup>9</sup>Ships having accommodations for 20 or fewer passengers, ships without overnight berths, non-commercial ships, and government ships are excluded from paying the MPF.

<sup>10</sup>There is, however, no dispute that cruise lines incorporate this fee into the cost cruise passengers pay for their cruises.

<sup>11</sup>A copy of the MPF ordinance can be found at Exhibit 11, Docket No. 68-12.

<sup>12</sup>Exhibit 5 at 2, Docket No. 68-6.

<sup>13</sup>Exhibit 36 at 1, Docket No. 70-6.

- (1) Design, construction, enhancement, operation, or maintenance of capital improvements;
- (2) Operating funds for personnel, training, commodities, rentals, services and equipment for services provided, made available to, or required as a result of marine passenger ships and marine passengers;
- (3) Projects and programs that promote safety, environmental improvements[,] efficiency of interstate and international commerce, or enforcement of laws caused or required by marine passenger ships and marine passengers;
- (4) Acquisition of land required to execute the activities listed in this section;
- (5) Reserved; [and]
- (6) Surveys, analyses, polls, monitoring, and similar efforts to measure, describe or predict, or manage marine passengers, for items listed in subsection (a)(1)-(a)(4) of this section.

CBJ Code § 69.20.120. In FY 2017, the revenue from the MPF was approximately \$5 million.

CBJ allocates a portion of the revenue generated by the MPF to municipal government departments which perform functions “that are available for use by cruise ship passengers.”<sup>14</sup> These departments have included Emergency Medical Services, Libraries, Police, Parks and Recreation, Streets, Finance, and the City Manager’s Office.<sup>15</sup> The allocated portion is transferred to the General Government Fund. “The amount allocated is based on the number of hours cruise ship passengers spend in Juneau compared to the number of hours residents, independent visitors, conventioners, and embarking/disembarking passengers spend in Juneau on an annual basis.”<sup>16</sup>

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<sup>14</sup>Exhibit 25 at 1, Docket No. 69-10.

<sup>15</sup>Id.

<sup>16</sup>Id.



Revenue from the MPF is also used to directly fund projects. Each year, the City Manager accepts proposals for projects to be funded by the MPF. CBJ Code § 69.20.120(b)(1). A draft list of proposals is prepared and put out for public comment as well as comment from the cruise line industry. CBJ Code § 69.20.120(b)(3). After comment and review by the finance committee, a final list is forwarded to the Assembly for approval. Id.

The direct funding includes projects and services that are provided by CBJ. By way of example, for FY 2015, CBJ used revenue from the MPF<sup>17</sup> for downtown foot/bike police patrols, downtown restroom cleaning, downtown sidewalk cleaning, Air Medevacs, EMS services, Docks and Harbors general operations and building maintenance, downtown pay phones, emergency room staff at the Bartlett Regional Hospital, and the city bus service.<sup>18</sup>

The direct funding also includes projects and services that are provided by third parties via operating grants. By way of example, for FY 2015, operating grants funded by revenue from the MPF were given to Tourism Best Management Practices,<sup>19</sup> SAIL - Accessible Training and Trip Coordination,<sup>20</sup> Airlift Northwest,<sup>21</sup> Franklin Dock

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<sup>17</sup>Estimated MPF revenue for FY 2015 was \$4,700,000. Exhibit 39 at 29, Docket No. 70-10.

<sup>18</sup>Id.

<sup>19</sup>The Tourism Best Management Practices “is a voluntary industry-managed program, designed to provide services to vessel passengers and address impacts, including safety issues, of tourism on local residents.” Exhibit IG at 3, Docket No. 127-7.

<sup>20</sup>SAIL provides training “on communicating and serving customers with disabilities” and assists disabled visitors with accessing tours and other recreation opportunities. Exhibit IY at 2, Docket No. 127-25.

<sup>21</sup>“Airlift Northwest provides air ambulance service for visitors and residents of Juneau and the surrounding communities.” Exhibit GH at 3, Docket No. 125-8.



Enterprises,<sup>22</sup> AJ Juneau Dock, LLC,<sup>23</sup> Goldbelt,<sup>24</sup> and the Juneau Convention and Visitors Bureau.<sup>25</sup> Grant funds were also used to pay for the downtown crossing guards and the Downtown Security Program.<sup>26</sup>

Finally, revenue from the MPF is also used for capital projects. By way of example for FY 2015, funds generated by the MPF were used for the Waterfront Seawalk,<sup>27</sup> electrical winches, real-time weather monitoring and communications, and Last Chance Basin Hydro-Geo.<sup>28</sup>

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<sup>22</sup>This company owns one of the private cruise ship docks. For FY15, Franklin Dock Enterprises requested funding for restroom cleaning and maintenance supplies, dock repair, security training, a bear-proof dumpster, and a total suspended solids monitoring system. Exhibit IE at 6, Docket No. 127-5.

<sup>23</sup>This company owns one of the private cruise ship docks. For FY15, it requested MPF revenue for restroom cleaning and maintenance, operational expenses for a short-range response boat, port security training, covered walkway side panels, and bear-proof dumpster and garbage cans. Exhibit IE at 5, Docket No. 127-5.

<sup>24</sup>Goldbelt operates the Seadrome Marina, which is located in downtown Juneau, and which caters to “boat based shore excursions, [the] small cruise ship market, and private yachts.” Exhibit 112 at 1, Docket No. 75-7. MPF funds have been awarded to Goldbelt for replacement of the gangway, dock improvements, and construction of a guest staging area.

<sup>25</sup>Exhibit 39 at 29, Docket No. 70-10.

<sup>26</sup>This funding was for two uniformed security officers who do foot patrols in the downtown area during the cruise season. Exhibit IE at 4, Docket No. 127-5.

<sup>27</sup>The Waterfront Seawalk project was part of CBJ’s Long Range Waterfront Plan which was developed in 2004. The Waterfront Seawalk “goes directly along the cruise ship docks, starting at the Franklin Dock and continuing along the CT and AS docks before connecting to the sidewalk. The Seawalk picks up again at Gold Creek and continues to the whale statue.” Affidavit of Dncan Rorie Watt [etc.] at 16-17, ¶ 70, Docket No. 132.

<sup>28</sup>Exhibit 39 at 29, Docket No. 70-10. The Last Chance Basin project was designed to increase the capacity of water wells to “provide[] a predictable water supply to the cruise ships.” Exhibit IE at 7, Docket No. 127-5.

The second fee being challenged is the Port Development Fee (PDF), which is a \$3.00 fee imposed on, with a few exceptions,<sup>29</sup> “vessels carrying passengers for compensation on port calls in the City and Borough. . . .”<sup>30</sup> Pursuant to Assembly resolutions, the PDF has been imposed by CBJ since at least 2002, although the amount of the fee has increased over time to the current \$3.00. The owner or agent of the vessel is responsible for paying the PDF.<sup>31</sup> Funds generated by the PDF are intended to be used “for capital improvements to the downtown waterfront for the provision of service to the cruise ship industry” and any projects paid for with PDF funds are intended “to benefit all entities which remit the Fee.”<sup>32</sup> In FY 2017, the PDF generated approximately \$3 million in revenue. Since 2011, funds generated by the PDF have only been used for the 16B project<sup>33</sup> and the Seawalk project.<sup>34</sup>

### Claims and Issues

#### A. Plaintiffs’ Claims/Issues

On April 13, 2016, plaintiffs commenced this action to challenge the MPF and PDF. In their first amended complaint, plaintiffs assert four causes of action. In their first cause of action, plaintiffs assert that the MPF and PDF violate the Tonnage Clause of the United

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<sup>29</sup>Vessels under 200 tons, non-commercial vessels, government-owned vessels, and tribal-owned vessels are exempt from paying the PDF.

<sup>30</sup>Exhibit 16 at 2, Docket No. 69-1.

<sup>31</sup>*Id.* There is, however, no dispute that cruise lines incorporate this fee into the cost cruise passengers pay for their cruises.

<sup>32</sup>*Id.*

<sup>33</sup>The 16B project involved the construction of a new public dock and the reconstruction of the Alaska Steamship Wharf to accommodate larger cruise ships. Watt Affidavit at 7, ¶ 29, Docket No. 132. The cost of this project exceeded \$54 million. CBJ incurred substantial bond indebtedness to plan, design, and build the 16B project. *Id.* at 7, ¶¶ 29, 33.

<sup>34</sup>Affidavit of Bob Bartholomew [etc.] at 6, ¶ 22, Docket No. 133.



States Constitution. In their second cause of action, plaintiffs assert that the MPF and PDF violate the Rivers and Harbors Appropriation Act of 1899 (RHAA), as amended, 33 U.S.C. § 5. In their third cause of action, plaintiffs assert that the MPF and PDF violate the Commerce Clause of the United States Constitution. In their fourth cause of action, plaintiffs assert that the MPF and PDF violate the Supremacy Clause of the United States Constitution, and they allege that 42 U.S.C. § 1983 provides a basis for their Tonnage Clause and Commerce Clause claims.

Plaintiffs seek declaratory and injunctive relief. Plaintiffs seek declarations that 1) the MPF and PDF violate the Tonnage Clause, the Supremacy Clause, and the Commerce Clause, 2) defendants have deprived plaintiffs of their federal rights in violation of § 1983, 3) “[d]efendants are legally barred from imposing or collecting” the MPF and PDF “to the extent that revenues therefrom are unlawful, excessive, or otherwise impermissible;” and 4) “[d]efendants are legally barred from further use of” the MPF and PDF “revenue to fund activities that are unrelated to and do not benefit the Cruise Lines’ vessels and passengers or that do not reflect the direct cost of providing services to cruise vessels.”<sup>35</sup> Plaintiffs seek a permanent injunction prohibiting defendants from 1) “imposing or collecting the” MPF and PDF “to the extent that the amount thereof is excessive or otherwise impermissible;” and 2) “further use of the revenues from the” MPF and PDF “to fund activities that are unrelated to and do not benefit the Cruise Lines’ vessels and passengers, or approximate their use of CBJ’s port.”<sup>36</sup> Plaintiffs contend that many of CBJ’s uses of the MPF and PDF revenue are unconstitutional or otherwise unlawful, including:

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<sup>35</sup>First Amended Complaint for Declaratory and Injunctive Relief at 14, ¶ 1, Docket No. 14.

<sup>36</sup>Id. at ¶ 2.

revenues directed to general government operations; legal fees and costs (internal or external); infrastructure construction; maintenance, and improvements such as sidewalks, roadways, walkways, promenades; hospital costs; internet service and library upgrades; police and crossing guard costs; parks and beautification projects; and public transit.<sup>[37]</sup>

Plaintiffs now move for summary judgment on their first, second, and fourth causes of action and argue that it is not necessary for the court to address their third cause of action.

B. Defendants' Claims/Issues

By their motion to determine the law of the case, defendants ask the court to determine:

- 1) Whether the Tonnage Clause permits the use of fees for services that benefit vessel passengers and/or the vessel;
- 2) Whether the Tonnage Clause permits the use of fees for services that benefit vessel passengers and/or the vessel even if those services may be available to and/or used by the general public;
- 3) Whether the RHAA permits the use of fees for services that benefit vessel passengers and/or the vessel;
- 4) Whether the RHAA permits the use of fees for services that benefit vessel passengers and/or the vessel even if those services may be available to and/or used by the general public.

Defendants also cross-move for summary judgment. Defendants seek the dismissal of all of plaintiffs' causes of action, arguing that CBJ's use of MPF and PDF revenue has not been unconstitutional or unlawful. In addition, defendants state the defenses of statute of limitations, failure to exhaust administrative remedies, waiver, estoppel and/or quasi-estoppel, and laches.

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<sup>37</sup>Plaintiffs' Reply [etc.] at 2, n.3, Docket No. 148.



C. Matters Not in Dispute

First, in plaintiffs' amended complaint and in their opening brief, plaintiffs seem to contend that the court should void the MPF ordinance and PDF resolution and enjoin CBJ from collecting the MPF and PDF altogether because the fees were unconstitutional and unlawful. In their reply brief, plaintiffs acknowledge that the MPF ordinance and PDF resolution are not necessarily unconstitutional or unlawful on their face, but rather plaintiffs contend that some of CBJ's uses of the revenue generated by the MPF and PDF are unconstitutional or unlawful. Plaintiffs contend that they are asking the court to enjoin CBJ from using future revenue from the MPF and PDF in an unconstitutional or unlawful manner.

Second, plaintiffs do not seek the refund of MPF or PDF paid to date.

Third, plaintiffs are associations of which cruise vessel owners are members. Plaintiffs seek declaratory and injunctive relief for the benefit of their members. Defendants concede that plaintiffs have standing to sue on behalf of their members for purposes of raising constitutional and statutory challenges to the MPF and PDF which are imposed upon association members' vessels calling at the Port of Juneau. That is, defendants concede that plaintiffs have standing to bring their claims for declaratory and injunctive relief as presently pleaded.<sup>38</sup>

Discussion

A. Motion to Determine the Law of the Case

In their motion to determine the law of the case, defendants first ask the court to determine whether the Tonnage Clause and the RHAA permit revenue from the MPF and PDF to be used for services that benefit vessel passengers, but do not benefit the vessel itself. The court begins with the Tonnage Clause.

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<sup>38</sup>Transcript of Oral Argument at 28:20-29:2 (Sept. 18, 2018), Docket No. 203.

The Tonnage Clause of the United States Constitution, Article I, Section 10, Clause 3, provides that:

No State shall, without the Consent of Congress, lay any Duty of Tonnage. . . .

The Tonnage Clause “seeks to prevent states with ‘convenient ports’ from placing other States at an economic disadvantage by laying levies that would ‘ta[x] the consumption of their neighbours.’” Polar Tankers, Inc. v. City of Valdez, Alaska, 557 U.S. 1, 7 (2009) (quoting 3 Records of the Federal Convention of 1787, pp. 542, 519 (M. Farrand rev. 1966)). The “prohibition against tonnage duties has been deemed to embrace all taxes and duties regardless of their name or form, and even though not measured by the tonnage of the vessel, which operate to impose a charge for the privilege of entering, trading in, or lying in a port.” Id. at 8 (quoting Clyde Mallory Lines v. Alabama ex rel. State Docks Comm’n, 296 U.S. 261, 265-266 (1935)). “Although the Clause forbids all charges, whatever their form, that impose ‘a charge for the privilege of entering, trading in, or lying in a port, nothing in the history of the adoption of the Clause, the purpose of the Clause, or th[e Supreme] Court’s interpretation of the Clause suggests that it operates as a ban on any and all taxes which fall on vessels that use a State’s port, harbor, or other waterways.” Id. at 9 (citations and emphasis omitted).

Plaintiffs acknowledge that the Tonnage Clause does not preclude fees imposed for services provided to a vessel entering a port, such as charges for regulation of harbor traffic, pilotage, wharfage, use of locks, medical inspections of vessels, or emergency services for vessels. “Charges for such services, even those that vary according to tonnage, are constitutional for at least two reasons. First, they are not taxes—which are assertions of sovereignty—but are instead demands for reasonable compensation—which are assertions of a right of property.” Maier Terminals, LLC v. Port Authority of New York and New



Jersey, 805 F.3d 98, 107 (3rd Cir. 2015) (citing Packet Co. v. Keokuk, 95 U.S. 80, 85 (1877)). “Second, charges for services are constitutional because they facilitate, rather than impede, commerce.” Id. (citing Clyde Mallory Lines, 296 U.S. at 265–66). But, a state or local government “may not escape the Tonnage Clause’s reach merely by labeling a [fee] as a charge for services.” Id. “Fees for service can still violate the Tonnage Clause if they have ‘a general, revenue-raising purpose.’” Lil’ Man In The Boat, Inc. v. City and County of San Francisco, Case No. 17-cv-00904-JST, 2017 WL 3129913, at \*4 (N.D. Cal. July 24, 2017) (quoting Polar Tankers, 557 U.S. at 10). “In other words, where a fee is used ‘for projects which do not and could not benefit’ those paying the fee, the fee is unconstitutional.” Id. (quoting Bridgeport & Port Jefferson Steamboat Co. v. Bridgeport Port Auth., 567 F.3d 79, 82–83 (2d Cir. 2009)).

Case law over the past 150 years, most of it from the United States Supreme Court, unequivocally supports the proposition that, in order for a fee imposed upon a vessel to be permissible under the Tonnage Clause, it must be compensation for a service rendered to the vessel itself. Thus, Keokuk Northern Line Packet Co. v. City of Keokuk, 95 U.S. 80 (1877), holds that a city may impose and collect wharfage from vessel owners which moor at city-constructed wharves. See also Northwestern Union Packet Co. v. City of St. Louis, 100 U.S. 423, 429 (1879) (wharfage fees constitutional because they were “paid as compensation for the use of an improved wharf and not for the mere privilege of entering or stopping at the Port of St. Louis or for landing at the shore, in its natural condition, where there were no conveniences which could be called a wharf”); Cincinnati P.B.S.&P. Packet Co. v. Catlettsburg, 105 U.S. 559, 562 (1881) (“[n]or is there any room to question the right of a city or town situated on navigable waters to build and own a wharf suitable for vessels to land at and to exact a reasonable compensation for the facilities thus afforded to vessels by

the use of such wharves”); Huse v. Glover, 119 U.S. 543, 548 (1886) (“[t]he exaction of tolls for passage through the locks is as compensation for the use of artificial facilities constructed[,] . . . like charges for the use of wharves and docks constructed to facilitate the landing of persons and freight, and the taking them on board, or for the repair of vessels”).

In Southern S.S. Co. of New Orleans v. Port Wardens, 73 U.S. 31 (1867), the United States Supreme Court evaluated and struck down a fee imposed on every ship entering the Port of New Orleans, regardless of whether the ship was rendered a service of any kind while in port. The Court compared this fee to fees for pilotage and half-pilotage fees which the Court had found to not run afoul of the Tonnage Clause. The Court explained:

Pilotage is a compensation for services performed, half-pilotage is compensation for services which the pilot has put himself in readiness to perform by labor, risk, and costs and which he has actually offered to perform. But in the case before us there were no services and no offer to perform any.

Id. at 34. This case stands for the proposition that the mere availability of a service does not run afoul of the Tonnage Clause if the availability of that service is of benefit to a vessel. There is no requirement that fees imposed upon vessels have a physical impact upon the vessel. But a fee imposed “not for services provided to the vessel” is unconstitutional because such fees are deemed “designed to raise revenue used for general municipal service.” Polar Tankers, 557 U.S. at 8, 10 (Valdez’ personal property tax held unconstitutional because it was “not for services provided to the vessel”).

In Morgan’s Louisiana & T. R. & S. S. Co. v. Board of Health of State of Louisiana, 118 U.S. 455., 460 (1886), the fee being challenged was a fee that vessels were required to pay, as part of Louisiana’s quarantine system, to be “examined at the quarantine station, with respect to their sanitary condition and that of their passengers[.]” The Court found that the fee did not violate the Tonnage Clause because it was “compensation for a service rendered,



as part of the quarantine system of all countries, to the vessel which receives the certificate that declares it free from further quarantine requirements.” Id. The fee in question also provided some benefit to vessel passengers as the funds generated by the fee were used “for [the] care and treatment of diseased passengers, and for the comfort of their companions[.]” Id. at 460. But the fee was primarily compensation for a service rendered to the vessel itself and any benefit provided to passengers was incidental.

Summarizing the foregoing, the Tonnage Clause does not prohibit the imposition and expenditure of fees imposed upon a vessel that reflect the costs of services provided to a vessel or for services which, if called upon by a vessel, would further the marine enterprise. Tonnage Clause case law focuses exclusively upon the permissibility of fees for services rendered to a vessel. No case law supports the proposition that fees imposed upon vessels but expended for services that benefit vessel passengers only would be constitutional under the Tonnage Clause.

The same is true of the RHAA. The RHAA was amended in 2002 to include what is now codified as 33 U.S.C. § 5(b). Section 5(b) of the RHAA provides that:

[n]o taxes, tolls, operating charges, fees, or any other impositions whatever shall be levied upon or collected from any vessel or other water craft, or from its passengers or crew, by any non-Federal interest, if the vessel or water craft is operating on any navigable waters<sup>39</sup> subject to the authority of the United States, or under the right to freedom of navigation on those waters, except for

- (1) fees charged under section 2236 of this title;
- (2) reasonable fees charged on a fair and equitable basis that –

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<sup>39</sup>The cruise ships that are being assessed the MPF and PDF dock in Gastineau Channel, which is navigable water. See Approved Jurisdictional Determination Form, Exhibit 76 at 1, Docket No. 73-1 (“Gastineau Channel qualifies as navigable water of the United States” for purposes of the RHAA “because it is a water body subject to the ebb and flow of the tide”).

(A) are used solely to pay the cost of a service to the vessel or water craft;

(B) enhance the safety and efficiency of interstate and foreign commerce; and

(C) do not impose more than a small burden on interstate or foreign commerce; or

(3) property taxes on vessels or watercraft, other than vessels or watercraft that are primarily engaged in foreign commerce if those taxes are permissible under the United States Constitution.

The foregoing “codified the common law concerning the [] constitutional provisions” of the Commerce and Tonnage Clauses of the United States Constitution. State, Dep’t of Natural Resources v. Alaska Riverways, Inc., 232 P.3d 1203, 1222 (Alaska 2010). “33 U.S.C. § 5(b), like the Commerce and Tonnage Clauses, prohibits levying fees on the use of navigable waters unless those fees do not impose a significant burden on interstate commerce and represent a fair approximation of the benefit conferred or cost incurred by the charging authority.” Id.; see also, Bridgeport and Port Jefferson Steamboat Co. v. Bridgeport Port Auth., 566 F. Supp. 2d 81, 102 (D. Conn. 2008) (“[t]he language of the requirements” in Section 5(b) “closely tracks the Commerce Clause and Tonnage Clause cases . . . in its focus on reasonable fees used to cover the cost of service to vessels”). “The U.S. House Conference Report state[d] that the purpose of 33 U.S.C. § 5(b) was ‘to clarify existing law with respect to Constitutionally permitted fees and taxes on a vessel,’ and ‘to prohibit fees and taxes on a vessel simply because that vessel sails through a given jurisdiction.’” Reel Hooker Sportfishing, Inc. v. State, Dep’t of Taxation, 236 P.3d 1230, 1235 (Haw. Ct. App. 2010) (quoting H.R. Rep. No. 108–334, at 180 (2002) (Conf. Rep.)).

In codifying the common law developed under the Tonnage Clause, Congress unambiguously provided that entities such as CBJ may not impose fees on vessels operating



in navigable waters of the United States or upon the passengers or crew of such vessels, unless such fees were reasonable and used to pay “the cost of a service to the vessel.” Section 5(b) creates no exception for services beneficial only to passengers of a vessel.

Secondly, in their motion for determination of the law of the case, defendants ask the court to determine whether the Tonnage Clause and the RHAA permit revenue from the MPF and PDF to be used for services that benefit passengers and/or vessels but also benefit the general public. Whether a particular service is available to and/or used by the general public is not relevant under either the Tonnage Clause or Section 5(b). Services that constitute a service to a vessel do not become unconstitutional or unlawful because of incidental/parallel use by the general public.

Based on the foregoing, defendants’ motion to determine the law of the case is granted in part and denied in part. The motion is denied as to defendants’ contention that the Tonnage Clause and Section 5(b) of the RHAA permit the use of fees for services that only benefit passengers. In order for fees to be permissible under the Tonnage Clause and the RHAA, the fees must be used for services rendered to a vessel itself. The motion is granted as to defendants’ contention that fees that are otherwise permissible do not become impermissible simply because the services being provided may also benefit the general public.

B. Cross-Motions for Summary Judgment

Summary judgment is appropriate when there are no genuine issues of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a). The initial burden is on the moving party to show that there is an absence of genuine issues of material fact. Celotex Corp. v. Catrett, 477 U.S. 317, 325 (1986). If the moving party meets its initial burden, then the non-moving party must set forth specific facts showing that there

is a genuine issue for trial. Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 247-48 (1986). In deciding a motion for summary judgment, the court views the evidence of the non-movant in the light most favorable to that party, and all justifiable inferences are also to be drawn in its favor. Id. at 255. “[T]he court’s ultimate inquiry is to determine whether the ‘specific facts’ set forth by the nonmoving party, coupled with undisputed background or contextual facts, are such that a rational or reasonable jury might return a verdict in its favor based on that evidence.” T.W. Elec. Service, Inc. v. Pacific Elec. Contractors Ass’n, 809 F.2d 626, 631 (9th Cir. 1987). “[W]hen parties submit cross-motions for summary judgment, [t]he court must rule on each party’s motion on an individual and separate basis, determining, for each side, whether a judgment may be entered in accordance with the Rule 56 standard.” Fair Housing Council of Riverside County, Inc. v. Riverside Two, 249 F.3d 1132, 1136 (9th Cir. 2001) (citations omitted).

1. private cause of action

Defendants argue that plaintiffs’ second cause of action fails because there is no private cause of action under the RHAA. In California v. Sierra Club, 451 U.S. 287, 289 (1981), the Court considered whether “private parties may sue under the Rivers and Harbors Appropriation Act of 1899 to enforce § 10 of that Act.” Section 10 of the Act “prohibits [t]he creation of any obstruction not affirmatively authorized by Congress, to the navigable capacity of any of the waters of the United States. . . .” Id. (quoting 33 U.S.C. § 403). The Court applied the four Cort factors to determine if Section 10 established a private cause of action:

“First, is the plaintiff one of the class for whose especial benefit the statute was enacted, . . . —that is, does the statute create a federal right in favor of the plaintiff? Second, is there any indication of legislative intent, explicit or implicit, either to create such a remedy or to deny one? . . . Third, is it consistent



with the underlying purposes of the legislative scheme to imply such a remedy for the plaintiff? . . . And finally, is the cause of action one traditionally relegated to state law, in an area basically the concern of the States, so that it would be inappropriate to infer a cause of action based solely on federal law?”

Id. at 293 (quoting Cort v. Ash, 422 U.S. 66, 78 (1975)). As to the first factor, the Court found that “Section 10 of the Rivers and Harbors Appropriation Act is the kind of general ban which carries with it no implication of an intent to confer rights on a particular class of persons.” Id. at 294. As to the second factor, the Court found that there was “nothing in the legislative history suggesting that § 10 was created for the especial benefit of a particular class.” Id. Rather, the Court found that “the legislative history supports the view that the Act was designed to benefit the public at large by empowering the Federal Government to exercise its authority over interstate commerce with respect to obstructions on navigable rivers caused by bridges and similar structures.” Id. at 294-95. Because the first two Cort factors plainly indicated that Congress did not intend to create a private cause of action, the Court did not consider the third and fourth factors. Id. at 298.

Defendants argue that the holding in California v. Sierra Club is not limited to Section 10 of the RHAA but applies to Section 5(b) as well. Defendants contend that there is nothing to indicate that Congress intended to create a private cause of action when it amended Section 5(b) in 2002.

No other court has actually analyzed this issue. In Bridgeport Port Authority, 566 F. Supp. 2d at 102-03, the court questioned “whether there is a private right of action under the statute” but did not resolve this question since it found that the ferry passenger fee at issue violated the Tonnage Clause. In Moscheo v. Polk County, Case No. E2008-01969-COA-R3-CV, 2009 WL 2868754, at \*5 (Tenn. Ct. App. Sept. 2, 2009), the court observed that

“Polk County appears to be correct when it argues that 33 U.S.C. § 5(b) does not create a private cause of action[,]” but it provided no analysis.

California v. Sierra Club does not control the issue of whether there is a private cause of action under Section 5(b) of the RHAA because that case involved an entirely different section of the Act. More importantly, “[i]n later cases, the Supreme Court essentially collapsed the Cort test into a single focus: ‘[t]he central inquiry remains whether Congress intended to create, either expressly or by implication, a private cause of action.’” Logan v. U.S. Bank Nat’l Ass’n, 722 F.3d 1163, 1170 (9th Cir. 2013) (quoting Touche Ross & Co. v. Redington, 442 U.S. 560, 575 (1979)). “As with any case involving congressional intent, [the court] presume[s] that Congress expressed its intent through the statutory language it chose.” Id. at 1171. The court “begin[s] [its] search for congressional intent with the language and structure of the statute, and then look[s] to legislative history only if the language is unclear, or if there is a clearly expressed contrary intention in the legislative history that may overcome the strong presumption that the statutory language represents congressional intent[.]” Id. (internal citations omitted).

Congress could not have intended to preclude a private cause of action under Section 5(b) of the RHAA because it was Congress’ clear intent to mirror the federal common law of the Commerce Clause and the Tonnage Clause when it enacted Section 5(b). “When Congress codifies a judicially defined concept, it is presumed, absent an express statement to the contrary, that Congress intended to adopt the interpretation placed on that concept by the courts.” Davis v. Michigan Dep’t of Treasury, 489 U.S. 803, 813 (1989). Because private plaintiffs have been able to enforce the prohibitions of the Tonnage Clause in courts, Congress must have intended that private plaintiffs would be able to enforce these same prohibitions under Section 5(b) of the RHAA.



The foregoing conclusion is reinforced by the fact that Section 5(b) was enacted for the benefit of vessels, and with respect to passengers and crews of vessels, as opposed to the general public. Section 5(b) expressly prohibits certain fees or taxes being imposed on vessels, crews, and passengers. For this additional reason, the court concludes that Congress intended that vessels (or associations representing vessels and their owners, such as plaintiffs here) could enforce Section 5(b). In short, Section 5(b) of the RHAA creates a private cause of action such as that asserted by plaintiffs in their second cause of action.

2. statute of limitations

The first, third, and fourth causes of action of plaintiffs' complaint are founded upon the United States Constitution. These constitutional claims are before the court pursuant to 42 U.S.C. § 1983. Although plaintiffs only refer to § 1983 in connection with their fourth cause of action, the Ninth Circuit holds that "a litigant complaining of a violation of a constitutional right does not have a direct cause of action under the United States Constitution but must utilize 42 U.S.C. § 1983." Arpin v. Santa Clara Valley Transp. Agency, 261 F.3d 912, 925 (9th Cir. 2001). Plaintiffs' causes of action based upon the Tonnage Clause, the Commerce Clause, and the Supremacy Clause are all § 1983 claims<sup>40</sup> and are subject to the statute of limitations which applies to such claims.

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<sup>40</sup>There is some suggestion by defendants that plaintiffs' § 1983 claims against CBJ fail because plaintiffs cannot show that CBJ is acting pursuant to an official policy. To prevail on a § 1983 claim against a municipality, "a plaintiff must show: (1) that he was 'deprived of [his] constitutional rights by defendants and their employees acting under color of state law; (2) that the defendants have customs or policies which amount to deliberate indifference to . . . constitutional rights; and (3) that these policies [were] the moving force behind the constitutional violations.'" Gant v. County of Los Angeles, 772 F.3d 608, 617 (9th Cir. 2014) (quoting Lee v. City of Los Angeles, 250 F.3d 668, 681-82 (9th Cir. 2001)). If CBJ has been using revenue from the MPF and PDF in impermissible ways, there can be no doubt that it has done so pursuant to an official policy which is expressed in the MPF ordinance and the PDF resolution.

“[B]ecause there is no specified statute of limitations for an action under 42 U.S.C. § 1983, the federal courts look to the law of the state in which the cause of action arose and apply the state law of limitations governing an analogous cause of action.” Pouncil v. Tilton, 704 F.3d 568, 573 (9th Cir. 2012). Defendants urge the court to apply Alaska’s two-year tort statute of limitations, AS 09.10.070(a), which applies to actions based “upon a liability created by statute[.]” Defendants argue that means that any allegations as to the collection and expenditure of the MPF and PDF prior to April 16, 2014 are barred by the statute of limitations.

Assuming without deciding that a two-year statute of limitations applies to plaintiffs’ constitutional claims, these claims are not barred by the statute of limitations because “continued enforcement of an unconstitutional statute cannot be insulated by the statute of limitations.” Virginia Hospital Ass’n v. Baliles, 868 F.2d 653, 663 (4th Cir. 1989) (citation omitted). Moreover, plaintiffs are only requesting prospective relief, so whether the court considers expenditures related to the MPF and PDF prior to April 16, 2014 is irrelevant. The question here is the proper expenditure of MPF and PDF revenue in the future. Plaintiffs’ constitutional claims are not time barred.

Defendants also argue that plaintiffs’ RHAA claim is barred by the statute of limitations. Defendants argue that the four-year limitation in 28 U.S.C. § 1658(a) would apply to plaintiffs’ RHAA claim. The PDF was first levied in 2002 and became \$3.00 in 2008. But, plaintiffs did not file the instant suit until April 13, 2016. Thus, defendants argue that plaintiffs are barred from bringing a claim that the PDF violates the RHAA. And although defendants do not expressly make the same argument as to the MPF, presumably the same statute of limitations would apply to plaintiffs’ claim that the MPF violates the



RHAA and plaintiffs did not file the instant suit challenging the MPF within four years of that fee first being imposed.

Plaintiffs' RHAA claim is not time barred. "When a plaintiff alleges a continuing violation of the law, an overt act is required to restart the statute of limitations and the statute of limitations runs from the last overt act." Eichman v. Fotomat Corp., 880 F.2d 149, 160 (9th Cir. 1989). Each year the CBJ Assembly approves the expenditures of the MPF and PDF revenue, so each yearly decision constitutes an overt act and restarts the statute of limitations.

3. exhaustion of administrative remedies

Defendants argue that they are entitled to dismissal of plaintiffs' claim that the MPF is unconstitutional because plaintiffs failed to exhaust their administrative remedies. "To determine if a complaint should be dismissed for failure to exhaust administrative remedies, a court must decide whether (a) exhaustion of remedies was required; (b) the [plaintiff] exhausted those remedies; and (c) the failure to exhaust remedies was excused." South Peninsula Hospital v. Xerox State Healthcare LLC, 223 F. Supp. 3d 929, 936 (D. Alaska 2016) (citation omitted). "In general, exhaustion is required if a statute or regulation provides for administrative review. If, however, a court finds no effective remedy is available, it will generally be an abuse of discretion to require exhaustion of remedies." Id. (citation omitted).

CBJ Code § 69.20.100 provides:

An owner or agent who protests the payment of the fees charged under this chapter shall pay the fees and shall, within the time set for payment of the fees, provide the manager with a written statement of protest specifying the amount of the fees paid and the basis for the protest. The manager's decision shall be final and any appeal thereof shall be to the superior court.

Defendants argue that there is no dispute that plaintiffs did not avail themselves of this administrative remedy. Defendants further argue that there is no excuse for plaintiffs' failure to avail themselves of this administrative remedy. Defendants argue that plaintiffs cannot contend that the procedure provided is inadequate particularly since the procedure allows for appeal to the superior court, a court that has jurisdiction to hear constitutional claims. Defendants also argue that plaintiffs cannot claim that the procedure would have been futile or that it was unreasonable.

Plaintiffs' MPF claims are "outside the reach of the administrative review process. . . ." South Peninsula Hospital, 223 F. Supp. 3d at 937. The procedures in CBJ Code § 69.20.100 provide a mechanism for a fee payer to protest the amount of a specific assessment and obtain a refund for an improperly calculated fee. But, plaintiffs' MPF claims have nothing to do with improperly calculated fees but rather are claims for prospective relief based on allegations that the MPF violates the Tonnage Clause and the RHAA. There is no administrative remedy that plaintiffs have failed to exhaust as a predicate to bringing this action.

#### 4. waiver

Defendants argue that plaintiffs have waived any right to assert that the MPF and PDF violate the Tonnage Clause. "A waiver occurs when 'a party intentionally relinquishes a right' or 'when that party's acts are so inconsistent with an intent to enforce the right as to induce a reasonable belief that such right has been relinquished.'" Salvers v. Metropolitan Life Ins. Co., 871 F.3d 934, 938 (9th Cir. 2017) (quoting Intel Corp. v. Hartford Accident & Indem. Co., 952 F.2d 1551, 1559 (9th Cir. 1991)). "The general rule is that '[c]onstitutional rights may ordinarily be waived [only] if it can be established by clear and convincing evidence that the waiver is voluntary, knowing, and intelligent.'" Schell v.



Witek, 218 F.3d 1017, 1023 (9th Cir. 2000) (quoting Gete v. INS, 121 F.3d 1285, 1293 (9th Cir. 1997)). “Whether a waiver of constitutional rights was made knowingly and voluntarily is a mixed question of law and fact. . . .” Kirkpatrick v. Chappell, 872 F.3d 1047, 1055 (9th Cir. 2017) (quoting Moran v. Godinez, 57 F.3d 690, 698 (9th Cir. 1994)).

The parties disagree as to whether plaintiffs (or a predecessor association) did or did not knowingly and voluntarily waive any rights they had to challenge the MPF and PDF. The parties disagree as to the authority of various representatives of vessel owners or of the associations to consent to or waive the collection of fees imposed upon plaintiffs’ members’ vessels. The court need not resolve this dispute because no reasonable fact-finder could find that plaintiffs or their members knowingly and voluntarily waived for all time in the future any possible constitutional or legal challenge to the MPF and PDF.

If plaintiffs were seeking to obtain a refund of fees paid by vessel owners in the past, defendants’ waiver argument might have some validity. But plaintiffs are not seeking refunds, and requests by plaintiffs or their members for services and/or concurrences in the providing of services in the past do not evidence a knowing and voluntary waiver of a prospective constitutional or legal challenge to the MPF ordinance or the PDF resolution.

#### 5. laches

Defendants argue that laches prevents plaintiffs from pursuing claims that the MPF and PDF violate the Tonnage Clause. “The affirmative defense of laches ‘is an equitable time limitation on a party’s right to bring suit, which is derived from the maxim that those who sleep on their rights, lose them.’” Eat Right Foods Ltd. v. Whole Foods Market, Inc., 880 F.3d 1109, 1115 (9th Cir. 2018) (quoting Miller v. Glenn Miller Prod., Inc., 454 F.3d 975, 997 (9th Cir. 2006)). “To establish that laches bars a claim, a defendant must ‘prove both an unreasonable delay by the plaintiff and prejudice to itself.’” Id. (quoting Evergreen

Safety Council v. RSA Network Inc., 697 F.3d 1221, 1226 (9th Cir. 2012)). “[E]ven constitutional rights can be waived if not timely asserted.” Fox v. Johnson, 832 F.3d 978, 989 (9th Cir. 2016) (quoting Hill v. Blind Indus. & Servs. of Md., 179 F.3d 754, 758 (9th Cir. 1999)).

Defendants must first show that plaintiffs have unreasonably delayed in bringing their challenges to the MPF and PDF. There is no question that plaintiffs delayed in bringing their constitutional challenges as to the MPF and PDF fees paid in the past. This delay was unreasonable, given that CBJ has been expending the revenue from the MPF and PDF for years for some of the projects to which plaintiffs are now objecting.

But plaintiffs are not seeking refunds of fees which were paid in the past. The relief that plaintiffs are seeking is forward-looking and has to do with MPF and PDF funds not yet collected or expended. “[L]aches typically does not bar prospective injunctive relief.” Danjaq LLC v. Sony Corp., 263 F.3d 942, 959 (9th Cir. 2001). “[T]he general rule that laches does not bar future injunctive relief stems from a practical recognition of the interaction between the temporal components of those two doctrines. Laches stems from prejudice to the defendant occasioned by the plaintiff’s past delay, but almost by definition, the plaintiff’s past dilatoriness is unrelated to a defendant’s ongoing behavior that threatens future harm.” Id. at 959-960.

Although laches may apply in “special case[s]” seeking prospective injunctive relief, id. at 960, this is not a special case. The 16B project is the only evidence of possible future prejudice to defendants, and plaintiffs unequivocally conceded at oral argument<sup>41</sup> that defendants may constitutionally and lawfully use PDF revenue in the future to pay for the 16B project. There is no future prejudice to defendants because they have an entirely free

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<sup>41</sup>Transcript of Oral Argument at 11:15-22 (Sept. 18, 2018), Docket No. 203.



hand in determining what projects to propose in the future and how those projects should be funded.

The parties' cross-motions for summary judgment have not presented a genuine dispute of material fact as regards defendants' laches defense. Plaintiffs delayed for years in bringing their constitutional challenge to the MPF and PDF expenditures, and that delay was unreasonable in light of the fact that defendants were using MPF and PDF fees for years for some of the projects to which plaintiffs are now objecting. But defendants' affirmative defense of laches, like their waiver defense, is unavailing in light of the fact that plaintiffs are not seeking a refund of fees previously collected.

6. equitable estoppel

Defendants argue that plaintiffs should be equitably estopped from challenging the MPF and PDF.

To demonstrate that equitable estoppel is warranted, a party must show:

“(1) the party to be estopped knows the facts, (2) he or she intends that his or her conduct will be acted on or must so act that the party invoking estoppel has a right to believe it is so intended, (3) the party invoking estoppel must be ignorant of the true facts, and (4) he or she must detrimentally rely on the former's conduct.”

United States v. Kim, 806 F.3d 1161, 1168 (9th Cir. 2015) (quoting United States v. Hemmen, 51 F.3d 883, 892 (9th Cir. 1995)). “‘Equitable estoppel ordinarily presents a question of fact unless only one reasonable conclusion can be drawn from the undisputed facts.’” Kendall v. Amer. Hawaii Cruises, 704 F. Supp. 1010, 1018 (D. Haw. 1989) (quoting Shamrock Development Co. v. City of Concord, 656 F.2d 1380, 1386 (9th Cir. 1981)).

Defendants argue that plaintiffs asserted that they supported the PDF and then followed that assertion by not challenging the PDF for eight years. Defendants argue that

CBJ relied on that assertion by planning and developing numerous infrastructure improvements, including the 16B project. Defendants argue that CBJ would not have undertaken these projects if they had known that plaintiffs were going to challenge the PDF at some point down the road. But, this argument fails for the same reason as defendants' laches argument fails, namely that the 16B project is irrelevant to this case.

As for the MPF, defendants argue that CBJ has relied on the fact that plaintiffs' members specifically agreed to expenditures or requested expenditures, with no knowledge that plaintiffs might someday dispute how CBJ was using the MPF revenue. Defendants argue that it cannot possibly be equitable for plaintiffs' members to request expenditures from the MPF funds and then for plaintiffs to later file a lawsuit alleging that those very expenditures are unconstitutional.

This argument fails because there is nothing inequitable about receiving the benefits of a statute or ordinance and then later challenging the constitutionality of that statute or ordinance. See Louisville & N. R. Co. v. Bass, 328 F. Supp. 732, 741 (D.C. Ky. 1971) (rejecting argument that the defendants were estopped from challenging the constitutionality of a statute because they had accepted "the monetary benefits" of the statute). Moreover, as has been repeatedly stated herein, plaintiffs are only seeking prospective relief, which makes their failure to object in the past to certain projects irrelevant to the issue of whether defendants can expend MPF and PDF funds on those projects in the future.

7. quasi-estoppel

Defendants argue that quasi-estoppel should apply to plaintiffs' claims that the MPF and PDF are unconstitutional. "Quasi-estoppel applies where it would be unconscionable to allow a party to assert inconsistent positions." In re Quintana, 915 F.2d 513, 518 (9th Cir. 1990); see also, In re Kritt, 190 B.R. 382, 388 (9th Cir. BAP 1995) (citation omitted) ("quasi



estoppel[] forbids a party from accepting the benefits of a transaction or statute and then subsequently taking an inconsistent position to avoid the corresponding obligations or effects”). In determining whether quasi-estoppel applies, the court considers the following factors:

“whether the party asserting the inconsistent position has gained an advantage or produced some disadvantage through the first position; whether the inconsistency was of such significance as to make the present assertion unconscionable; and, whether the first assertion was based on full knowledge of the facts.”

TKC Aerospace, Inc. v. Muhs, Case No. 3:11-cv-0189-HRH, 2015 WL 6394481, at \*5 (D. Alaska Oct. 22, 2015) (quoting Wright v. State, 824 P.2d 718, 721 (Alaska 1992)).

Defendants argue that plaintiffs are now taking an inconsistent position because plaintiffs originally supported the PDF but are now claiming that only fees that are used to provide services to the physical vessel itself are constitutional. Defendants argue that this inconsistency is significant because over the last eight years, plaintiffs’ members have made a substantial amount of money by bringing their cruise ships to Juneau and using the infrastructure created in part with revenue generated by the PDF. Defendants argue that for plaintiffs to now change their position is unconscionable. As for the MPF, defendants argue that it is unconscionable for plaintiffs to now argue that the MPF is unconstitutional when plaintiffs’ members have been requesting and using MPF funds for years.

Plaintiffs are indeed taking a different position than they have sometimes taken concerning expenditures from the PDF and MPF. Plaintiffs’ members operate profitable tourist businesses, and the Juneau tourist business is also extremely beneficial to the City and Borough of Juneau. But the fact that both parties benefit from tourism is irrelevant to the question of whether or not the doctrine of quasi-estoppel applies in this case. It is true that plaintiffs’ members have accepted benefits in the sense that their money has been collected



by defendants and then expended for projects or services, some of which plaintiffs' members have requested. It would indeed bother the conscience of the court were plaintiffs' members to accept the benefit of projects or services which they requested and then challenge defendants for providing those projects or services by seeking a refund. But plaintiffs are not seeking a refund of any fees collected from their members. Again, the relief that plaintiffs are seeking here is forward-looking. At present, plaintiffs have taken no position and have gained no advantage – nor have they caused any disadvantage – with respect to future expenditures of revenue generated by the MPF and PDF. There is nothing unconscionable about plaintiffs asserting their constitutional and statutory rights as to the future use of fees collected from plaintiffs' members. Defendants' affirmative defense of quasi-estoppel fails.

9. merits

The constitutional and statutory issues raised by the parties' cross-motions for summary judgment are purely legal issues. There are no fact disputes to be resolved at this time because plaintiffs do not seek the refund of fees previously imposed and collected by CBJ. Although presently the court is not in a position to evaluate the constitutionality or lawfulness of PDF or MPF funded services or projects which defendants may offer in the future, the case is ripe for declarations of law applicable to plaintiffs' first and second causes of action and the constitutionality of the MPF ordinance and the PDF resolution in light of the Supremacy Clause of the United States Constitution (plaintiffs' fourth cause of action).

The court begins with the issues raised in defendants' cross-motion for summary judgment. Defendants first ask the court whether the Tonnage Clause permits the use of fees for services that benefit vessel passengers and/or the vessel. Applying the legal authorities set out above, the use of MPF and PDF fees for services which defendants provide to vessels

is permissible. The Tonnage Clause is not violated by defendants' spending of MPF and PDF funds for those endeavors that facilitate the marine operations of plaintiffs' members' vessels. Such endeavors constitute services to a vessel. Expenditure of MPF and PDF fees for the benefit of passengers violates the Tonnage Clause unless those expenditures constitute a service to the vessel. For example, the supply and maintenance of equipment by defendants which is used by passengers for purposes of embarking or disembarking a vessel plainly benefits passengers. However, the expenditure of MPF and PDF funds for that type of service does not offend the Tonnage Clause because boarding and disembarking from a vessel plainly constitutes a service to the vessel as well. But expenditures of MPF and PDF funds for services to passengers only – such as crossing guards, repair and maintenance of sidewalks – violate the Tonnage Clause because they do not constitute a service to a vessel. There is no nexus to the marine operations of a vessel.

Put somewhat differently, the question which plaintiffs' first cause of action puts before the court is not whether CBJ's use of MPF and PDF funds benefits passengers. Passenger benefits are not relevant. The proper question as to each category of expenditure by defendants is: Does the expenditure provide a service to a vessel? If the answer is yes, the expenditure is constitutional. If the answer is no, the expenditure is unconstitutional under the Tonnage Clause.

The second issue raised in defendants' cross-motion for summary judgment also concerns plaintiffs' first cause of action. Defendants ask whether the Tonnage Clause permits the use of fees for services that benefit the passengers or a vessel, even if those services may be available to and/or used by the general public. As discussed above, expenditure of MPF and PDF fees for services that benefit a vessel (that facilitate marine operations) are constitutional, whereas those expenditures that do not benefit a vessel are



unconstitutional. Whether a particular service provided by defendants is available to and/or used by the general public is not relevant to plaintiffs' Tonnage Clause claim. Providing facilities that constitute a service to a vessel do not become unconstitutional because of incidental/parallel use by the general public. That said, services provided by defendants to passengers which are of like kind to those services generally provided by municipalities and generally funded by municipal tax revenues are unlikely to qualify as services to a vessel. Whereas a gangplank used by passengers and the general public is a service to a vessel, sidewalk repairs and access to the public library's internet, which passengers share with the general public, are unlikely to be a service to a vessel.

The third issue raised by defendants in their cross-motion for summary judgment concerns plaintiffs' second cause of action. Defendants ask whether the RHAA limits the use of fees to those services only provided to a vessel, or if fees may properly be used for services benefitting only vessel passengers. As discussed above, the RHAA expressly limits the use of fees imposed upon a vessel or its passengers to services provided to the vessel. A service which is provided by defendants and is beneficial to a vessel does not become unlawful under the RHAA because passengers, in addition to the vessel, may benefit from the expenditure. But using fees imposed on a vessel for services which benefit passengers, but which do not also benefit the vessel, is unlawful.

Finally, defendants ask with respect to plaintiffs' second cause of action whether the RHAA limits the use of fees to services to the passengers and the vessel to the exclusion of use or availability of use by the public. Again, the critical inquiry is whether or not a service provided by defendants and paid for with MPF or PDF funds constitutes a service to a vessel. Whether a service to a vessel incidentally benefits passengers or is used by passengers as well as the general public does not matter. Services provided by defendants, funded by MPF

or PDF fees, which benefit passengers, or passengers and the general public, are unlawful under the RHAA unless those expenditures are shown to be a service to a vessel.

In the end, defendants argue that they are entitled to summary judgment on plaintiffs' first and second causes of action because their use of MPF and PDF revenue for services to passengers is constitutional and lawful. Defendants' cross-motion is denied as to the plaintiffs' first and second causes of action for the reason that fees imposed by defendants upon vessels and used for services to passengers are unconstitutional and unlawful unless the services in question constitute a service to a vessel.

Defendants also seek summary judgment on plaintiffs' third cause of action based upon the Commerce Clause. Defendants' cross-motion for summary judgment on plaintiffs' Commerce Clause cause of action is denied. Fees imposed and collected for services to passengers that do not also benefit the vessel may violate the Commerce Clause because fees for such services likely unduly burden interstate commerce.

Finally, defendants seek summary judgment on plaintiffs' Supremacy Clause cause of action. "It is a familiar and well-established principle that the Supremacy Clause, U.S. Const., Art. VI, cl. 2, invalidates state laws that 'interfere with, or are contrary to,' federal law." Hillsborough County, Fla. v. Automated Medical Laboratories, Inc., 471 U.S. 707, 712–13 (1985) (quoting Gibbons v. Ogden, 9 Wheat. 1, 9 (1824)). "'The Supremacy Clause unambiguously provides that if there is any conflict between federal and state law, federal law shall prevail.'" Berezovsky v. Moniz, 869 F.3d 923, 930 (9th Cir. 2017) (quoting Gonzales v. Raich, 545 U.S. 1, 29 (2005)). "Preemption arises when 'compliance with both federal and state regulations is a physical impossibility, or . . . state law stands as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'" Id. (quoting Bank of Am. v. City & Cty. of S.F., 309 F.3d 551, 558 (9th Cir. 2002)).



Plaintiffs argue that the RHAA preempts the MPF ordinance and the PDF resolution. But, this argument fails. The MPF ordinance and PDF resolution are not preempted by the Supremacy Clause. It is not impossible for vessel owners to comply with both the federal law and the local law. Because some of the uses of the MPF and PDF revenue is permissible under the RHAA, the local laws do not “stand[] as an obstacle to the accomplishment and execution of the full purposes and objectives of Congress.” Berezovsky, 869 F.3d at 930 (citation omitted). Defendants’ cross-motion as to plaintiffs’ Supremacy Clause claim is granted.

Turning then to plaintiffs’ motion for summary judgment, plaintiffs seek a declaration that the MPF and PDF violate the Tonnage Clause of the United States Constitution (first cause of action) and Section 5(b) of the RHAA (second cause of action). The following rulings on plaintiffs’ first and second causes of action are forward-looking. These rulings are based upon the court’s determination of the law of the case as set forth above and the court’s resolution of the substantive issues raised by defendants in their cross-motion for summary judgment. The court is not making factual determinations at this time. Moreover, the court does not presently have before it any claim or sufficient evidence upon which to make a determination as to the reasonableness of any costs of services which defendants supply to vessels.

The MPF ordinance and the PDF resolution do not impose a tax nor do they raise fees for general revenue purposes. Rather, defendants’ MPF ordinance and PDF resolution impose fees for proposed services. On their face, the MPF ordinance and the PDF resolution do not impose unconstitutional or unlawful fees for entry into the Port of Juneau. Based upon the MPF ordinance and the PDF resolution, defendants may, constitutionally and lawfully, impose and collect fees to pay the reasonable costs of services rendered to a vessel.



But, MPF and PDF funds may not be expended for services benefitting passengers which do not also constitute a service to a vessel – that is, a service which advances the interstate marine enterprise of the vessel. Expenditures of fees imposed upon vessels which enhance the tourist experience of passengers brought to Juneau by plaintiffs’ members’ vessels do not qualify as a service to a vessel, even though the enhancement of passengers’ experience at Juneau may benefit plaintiffs’ members financially. What is critical is that there be a service to a vessel.

Based on the foregoing, plaintiffs’ motion for summary judgment on their first and second causes of action is granted in part and denied in part. Under both the Tonnage Clause of the United States Constitution and Section 5(b) of the Rivers and Harbors Appropriation Act, imposing reasonable fees for the cost of services provided to vessels engaged in interstate marine commerce is constitutional and lawful. Imposition of such fees which do not constitute a service to a vessel is unconstitutional and unlawful. Plaintiffs’ motion for judgment on their first and second causes of action is granted to the extent that the MPF ordinance and the PDF resolution impose fees that are used to fund services that are not services rendered to a vessel. The motion is otherwise denied.

Plaintiffs’ motion for summary judgment as to plaintiffs’ fourth cause of action is denied. As set out above, the MPF ordinance and the PDF resolution do not violate the Supremacy Clause of the United States Constitution.

#### Conclusion

Defendants’ motion for determination of the law of the case is denied in part because, contrary to defendants’ arguments, PDF and MPF funds may not be expended for services provided to passengers, if those services do not also benefit the vessel. Defendants’ motion for determination of the law of the case is granted as to defendants’ contention that the use

of PDF and MPF funds for services to vessels which also benefit the public does not render an otherwise permissible use of PDF and MPF funds unconstitutional or unlawful.

Plaintiffs' motion for summary judgment is granted in part and denied in part. The motion is granted as to plaintiffs' first and second causes of action to the extent that the MPF ordinance and the PDF resolution impose fees that are used to fund services that are not services rendered to a vessel. Plaintiffs' motion for summary judgment on their first and second causes of action is otherwise denied. Plaintiffs' motion for summary judgment on their fourth cause of action is also denied. Plaintiffs' argument that it is unnecessary for the court to decide their Commerce Clause claim is accepted, given the court's rulings as to plaintiffs' first and second causes of action. Plaintiffs' Commerce Clause claim in their third cause of action is dismissed without prejudice.

Defendants' cross-motion for summary judgment is denied as to plaintiffs' first and second causes of action because defendants' affirmative defenses fail and because fees imposed by defendants upon vessels and used for services to passengers are unconstitutional and unlawful unless the services in question constitute a service to a vessel. Defendants' cross-motion for summary judgment is granted as to the Supremacy Clause claim in plaintiffs' fourth cause of action. Plaintiffs' Supremacy Clause claim is dismissed with prejudice.

DATED at Anchorage, Alaska, this 6th day of December, 2018.

/s/ H. Russel Holland  
United States District Judge