

# City and Borough of Sitka

# Planning Commission Meeting Comprehensive Plan Work Session

**Evening Topic: Sitka's Economy, Now + Future** 

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

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

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

7. Summarize Tonight's Conversation and Next Steps

9:15 pm

9:30 pm

8. Adjourn



# Sitka 2030 COMPREHENSIVE PLAN

# What Is a Comprehensive Plan?

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

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

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

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

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

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

# **Working Schedule**

Land Use

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

**Other Topics** 

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

Community Ideas +
Outreach

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

**Draft and Final Plan** 

• April - May/June 2017

# Presentation and Discussion on Sitka's Economy

# Why Review The Economy?

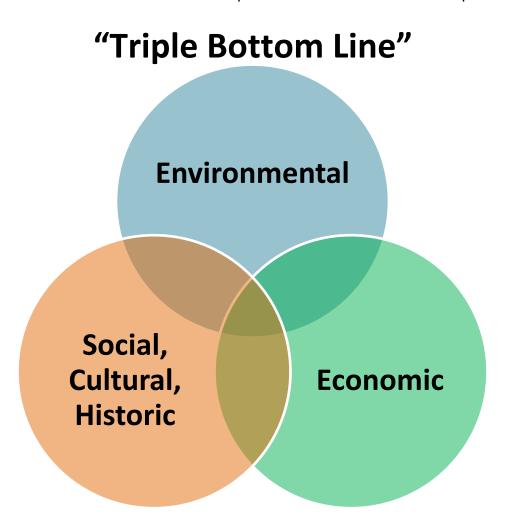
The strength and challenges of both Sitka's economy and of the borough's financial situation underpin the Comprehensive Plan.

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

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

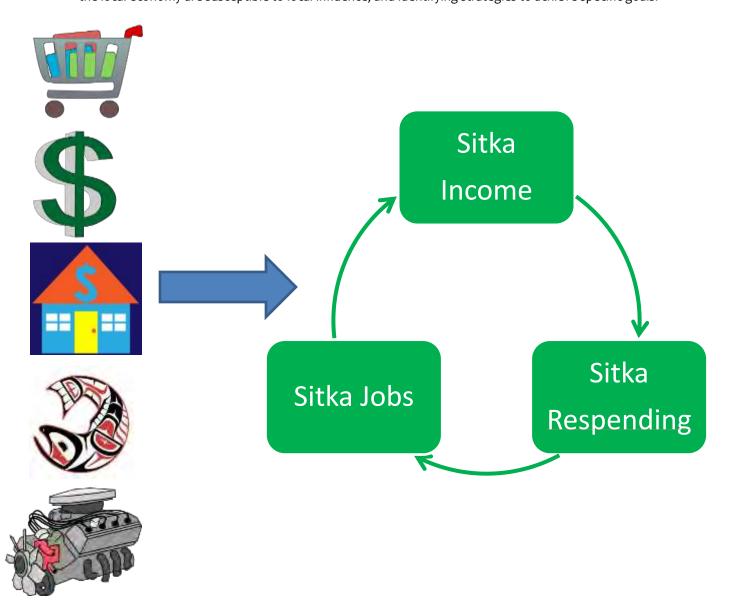
The goal of this part of tonight's meeting is to get a common understanding of the basics.

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



# Ways to Sustain and Grow Sitka's Economy

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



## Make the Sitka economy stronger and more resilient by:

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

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

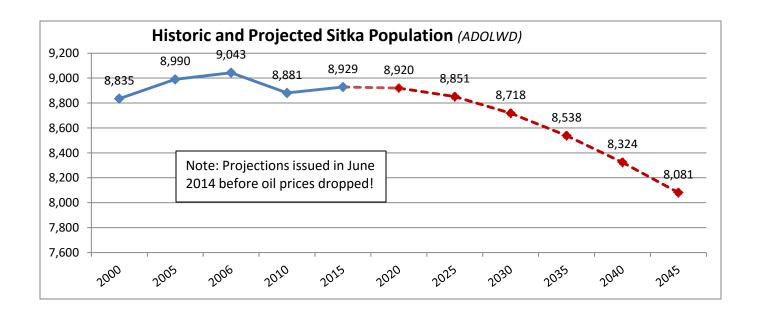
# **Current Sitka Economy**

#### **POPULATION**

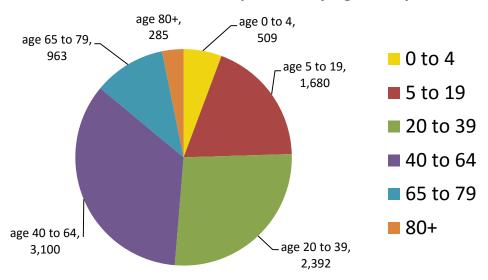
- Based on historic rates of births, deaths, and in/out migration, the state projects the Sitka population will drop 1% in the next 10 years and 4% BY 2035. ..... BUT, we'll discuss some concerns about this...
- Projection for Southeast as a whole over the next 10 years are that it's population will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

#### State Projections for Sitka Youth and Seniors

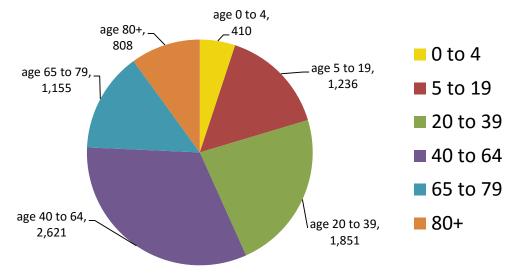
YEAR	2015	2025	2035
Under age 19 (# and % of total)	2,189 / 25%	2,046 / 23%	1,799 / 21%
Over age 65 (# and % of total)	1,248 / 14%	1,882 / 21%	2,000 / 23%



**Year 2015 - Sitka Population by Age Groups** 

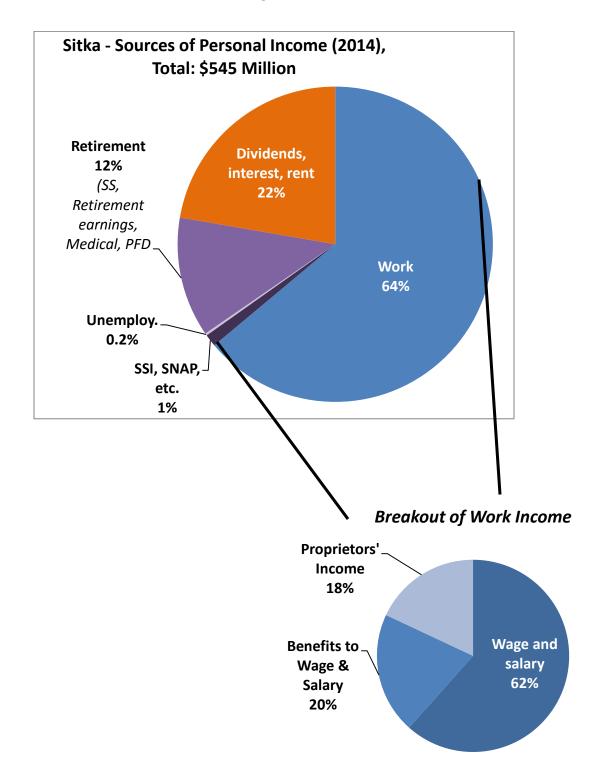


### **Year 2045 Sitka Population by Age Groups**



#### **COMMUNITY INCOME**

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



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

Source: BEA, CA30 Economic Profile, Personal Income

<sup>\*</sup>This is net earnings by place of residence, which is slightly less than earnings by place of work.

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

#### **INCOME DISTRIBUTION**

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

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

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

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

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

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

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

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

#### **Poverty Indicators**

	Sitl	ka	Alas	ka	June	au	Ketchikan		Wran	gell	Petersburg															
Poverty status for individuals, imputed	20.	5%	23.6%		.6% 20.7		20.7%		20.7%		7% 19.7		19.7%		19.7%		19.7%		19.7%		19.7%		19.7% 18.4%		21.6%	
	%	MOE	%	MOE	%	MOE	%	MOE	%	MOE	%	MOE														
Households (HH), all below poverty	7.2%	1.8%	8.5%	0.3%	5.5%	1.2%	8.9%	1.5%	8.8%	3.2%	7.5%	2.6%														
HH AK Natives Below poverty	26.7%	12.1%	33.7%	1.6%	30.6%	10.8%	31.6%	7.8%	35.1%	17.1%	11.7%	6.8%														
HH receiving SNAP	31.4%	12.6%	36.5%	1.6%	40.9% 9.9%		29%	6.3%	31.0%	14.1%	18.0%	8.7%														
			Sour	ce US (	Census AC	S Surve	y 2010-20	14																		

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

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

# Sitka's "Blue Jobs" - MARITIME

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

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

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

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

<sup>\*</sup>Does <u>not</u> include USCG or harbor staff...

#### **BUSINESSES**

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

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

#### **COMMERCE**

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

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

#### **NON-RESIDENT WORKERS**

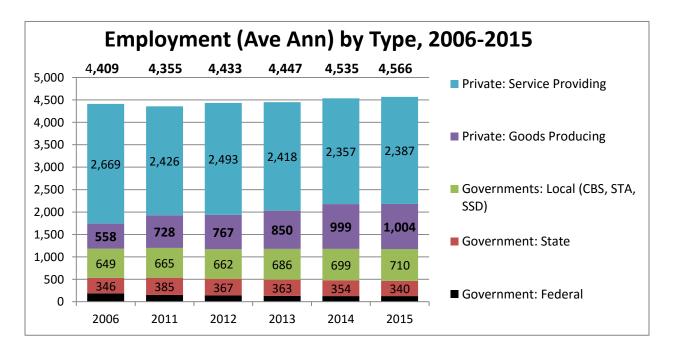
- 21% of workforce in Alaska is non-residents (2014).
- 30% of Sitka workforce is non-resident and 5% are non-local Alaskans.
- Who are these people? Are there some that could be convinced to relocate to Sitka? Why aren't they living here?

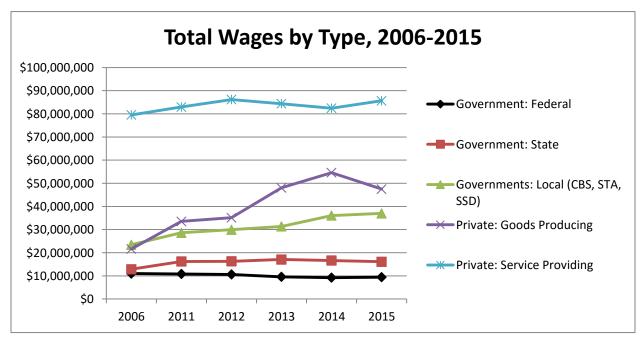
Workforce Breakdown by Residency, 2014											
	SITKA Alas				Ketchikan	Petersburg	Juneau				
Local	65%	3,796		67%	64%	50%	74%				
Non-Local Residents	5%	324		13%	10%	7%	8%				
Non-Residents	30%	1,733		21%	26%	43%	18%				
Total	100%	5,853									

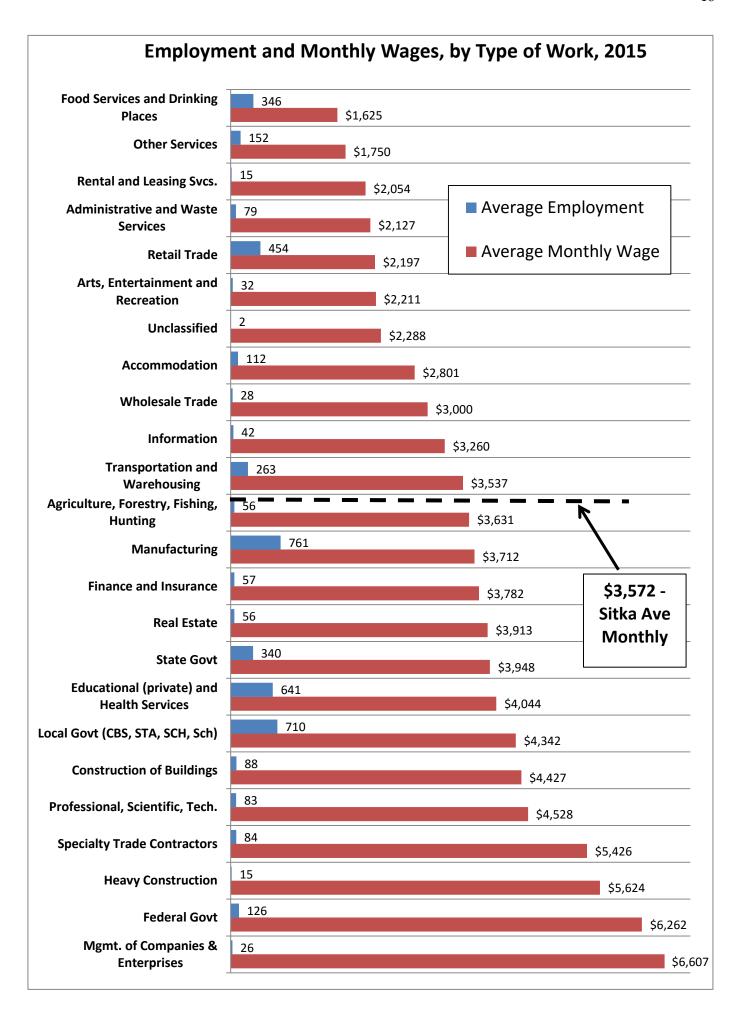
Non-resident Workers in the Private Sector in Sitka, 2014					
NAICS	Industry	Workers	Wages		
31-33	Manufacturing	514	\$7,447,051		
23	Construction	155	\$6,178,353		
72	Accommodation and Food	243	\$3,089,315		
48-49	Transportation and Warehousing	184	\$3,003,321		
62	Health Care and Social Assistance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

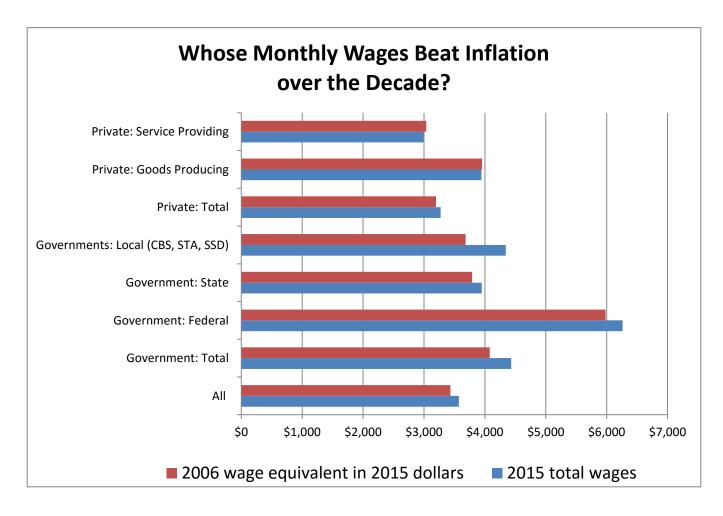
#### WAGE AND SALARY WORKERS

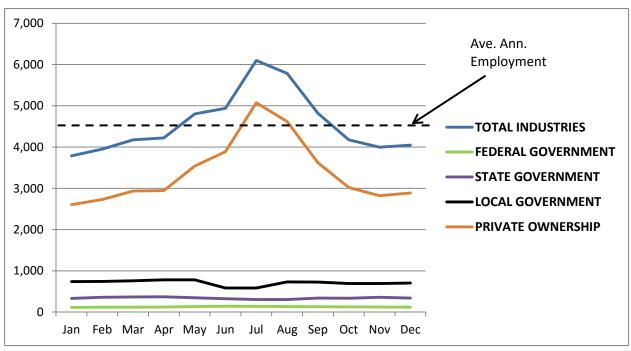
- Three-quarters (74%) of all work is private sector.
- The number of goods-producing jobs has almost doubled in 10 years.
- Service providing jobs are slightly down during the decade.
- The total number of jobs over the last decade has increased by 157 or 4%.
- During this period the population was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











## **COST OF LIVING – (Rent and Food)**

(March) 201	16 Rental Market	Survey - Ren	ntal Costs an	d Vacancy Ra	ates, All Unit	ts	
	Average	e Rent	Media	n Rent	Number	of Units	Veces Pete (0/)
Survey Area	Contract	Adjusted	Contract	Adjusted	Surveyed	Vacant	Vacancy Rate (%)
Kodiak Island	\$1,288	\$1,448	\$1,250	\$1,419	363	29	8.0%
Valdez-Cordova	\$1,189	\$1,365	\$1,100	\$1,300	237	14	5.9%
Juneau Borough	\$1,185	\$1,333	\$1,100	\$1,253	1,062	35	3.3%
Anchorage	\$1,135	\$1,259	\$1,075	\$1,214	8,215	311	3.8%
Sitka	\$979	\$1,230	\$900	\$1,163	276	23	8.3%
Matanuska Susitna	\$1,076	\$1,224	\$900	\$1,072	1,134	41	3.6%
Fairbanks North Star	\$1,049	\$1,199	\$1,000	\$1,115	2,955	330	11.2%
Ketchikan Gateway	\$990	\$1,122	\$984	\$1,094	389	36	9.3%
Kenai Peninsula	\$888	\$1,059	\$850	\$992	1,001	88	8.8%
Wrangell-Petersburg	\$700	\$888	\$700	\$865	134	13	9.7%
Survey Total	\$1,100	\$1,238	\$1,050	\$1,175	16,025	931	5.8%

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

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

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

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



# City and Borough of Sitka

100 Lincoln Street Sitka, Alaska 99835

Coast Guard City, USA

May 12, 2016

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

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

#### Introduction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Capital Improvement Program**

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

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

#### Outlook

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

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

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

Respectfully Submitted,

Mark Gorman

Administrator

John P. (Jay) Sweeney III

Chief Financial and Administrative Officer

# Building on Assets + Strengths/Advantages

See next page

# Discussing Sitka's Realistic Economic Opportunities and Challenges

**Facilitated Discussion** 

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

bikeable and bronze walkable community).

No big-box stores means most stores have local ownership

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

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

#### Social/Cultural/Human

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

Summer farmers market

1st the people very generous and caring.

Resilient community

Engaged citizenry

Rich pre and post contact history

Willingness to include newcomers to community

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

Tolerance of diversity

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

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

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

Our creative and resourceful people, our rich cultures and history

Lots of community-involved residents (volunteerism)

Sitka Health Summit has helped community focus on health and wellness

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

It is a culturally and economically diverse community.

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

Sitkans are generous with their time, talents and money.

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

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

A community that appreciates itself

Autonomy, to some degree

An intellectual and artistic outpost

Sitka is resilient.

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

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

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

History and culture

Art

**Community Events** 

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