



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: October 17, 2017

Subject: Approve re-appropriating \$50,000 from the CPET Fund to assist with the Completion of the Interior of the Sitka History Museum

Issue:

On May 23, 2017, the Assembly approved Ordinance 2017-11, appropriating \$50,000 from the Commercial Passenger Excise Tax Fund to assist with the completion of the interior of the Sitka History Museum. That appropriation, being a FY2017 operating appropriation, was not spent and expired June 30, 2017. The Sitka History Museum is now in need of the funding and, therefore, the amount needs to be re-appropriated within the FY2018 operating budget.

Facts:

1. On May 23, 2017, the Assembly approved Ordinance 2017-11, appropriating \$50,000 from the Commercial Passenger Excise Tax Fund to assist with the completion of the interior of the Sitka History Museum.
2. The appropriation authorized by the passage of Ordinance 2017-11 was not spent by June 30, 2017, and therefore lapsed.
3. Federal law governing the use of CPET funds is contained in 33 USC S(b), and states that fees such as CPET taxes must be used for paying for the cost of a service to a vessel, and, enhancing the safety and efficiency of interstate commerce.
4. In 2016, the Division of Legislative Audit, Alaska State Legislature, conducted an audit of the use of CPET funds in accordance with Federal law, and, found that numerous Alaskan communities, including Sitka, were utilizing CPET funds to pay for expenditures not 100% attributable to services provided to cruise ship

passengers, or, which were not exclusively used to enhance the safety and efficiency of interstate commerce. In discussions with officials from the Division of Legislative Audit, Administration was informed that use of CPET funds for purposes that improve the visitation experience of cruise ship passengers, but, which also benefit local residents and visitors who are not arriving via cruise ship, were acceptable so long as the Municipality used some auditable criteria in determining the percentage of usage by cruise ship passengers and allocated costs henceforth on a pro rata percentage.

Discussion:

1. The request for an appropriation of CPET funds to assist with funding the completion of the interior of the Sitka History Museum falls in the category of being partially eligible for CPET funding. Clearly, cruise ship passengers benefit from the existence of the Sitka History Museum; thus the museum, as a key attraction for cruise ship visitors, meets the criteria for enhancement of interstate commerce. Also, CPET funds will fund a minor portion of the total costs of renovation; the majority of the costs will be funded through other sources.
2. Staff has also requested the Municipal Attorney to review the request, and, to also review whether the charging of admission to the museum creates any potential conflicts with the partial funding of the interior renovation of the Museum (a point raised in earlier Assembly deliberations on the matter). The Municipal Attorney has advised that the request reasonably falls within the intent of Federal law and can be justified to Legislative Auditors, if necessary.

Analysis of Alternatives (Pros and Cons):

1. If the funding request is re-appropriated, the Sitka History Museum will be able to complete its interior (a pro). It will be able to open on time, with no portion incomplete, and offer a popular attraction to visitors for the FY2017 visitor season.
2. The use of CPET funding for this purpose will, however, reduce the amount available for other future purposes (a con). Also, use of CPET funding for this purpose can't be guaranteed to be deemed an acceptable use of CPET funding during future Legislative audits, as the acceptability of the use is based on an interpretation of the intent of Federal law.

Recommendation:

Staff recommends that the Assembly pass ordinance 2017-36, thereby re-appropriating the amount of \$50,000 to assist with the completion of the interior of the Sitka History Museum.