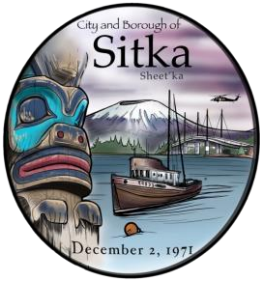


**Discussion on potential uses for the
Norwegian Cruise Line Holdings Ltd. donation**

(public comment to be taken after staff overview)




City and Borough of Sitka

PROVIDING FOR TODAY...PREPARING FOR TOMORROW

Coast Guard City, USA

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator 

Date: May 20, 2021

Subject: Options for the Norwegian Cruise Line (NCL) Donation

Background

Norwegian Cruise Line Holdings Ltd. offered donations to several Alaska communities affected by the cruise line suspension, which includes \$1M to the City and Borough of Sitka. The Assembly formally accepted the donation at their April 27th meeting and directed the Administrator to come back to the Assembly to seek guidance for a distribution plan.

Analysis

Many responses were received through public emails, and staff was requested to submit potential uses based on their unique perspective. The guidance I issued for potential uses of these funds was to ensure that the initiative would benefit the community and the travel sector of our economy. The consolidated responses follow:

Electric Department

- Construction of a multi-use building at the end of Kashevaroff Street. behind the baseball fields and adjacent to the Cross Trail entrance. This locality is used as a muster point in case of tsunamis or natural disasters. It is an excellent staging area for use of the Cross Trail. This facility could assist in the following areas: be used to augment the adjacent athletic facilities; provide the amateur radio club the space needed to provide emergency communications in times of disaster; act as a storehouse for emergency supplies and rations; be fitted with a south facing photovoltaic rooftop array providing solar power intermittently to the grid or independently in times of need.
- Augment and improve boat launch facilities along Sawmill Creek Road between Eagle Way and Cannon Island Drive. This recreation area could be beautified and fitted with a boat launch, dock, fishing area etc.
- The Purchase of additional lands from other state-owned entities such as, Mental Health, State of Alaska, the University of Alaska etc.

- The installation of historical markers throughout the city.
- Investment in a CBS rock crushing and screening operation.

Public Works

- Funding for the completion of the SeaWalk from the Library to the Petro Marine end of Lincoln Street. We have grant funding for this SeaWalk section, but it is short of funding. This donation would be great match for this grant which likely could be increased with more match. The advantage with this is we would be leveraging our dollars to get more grant funds and make it go further, freeing up existing match funds for other things. We could also increase the scope to better connect the SeaWalk to the center of town. Match is only 9.03% so every dollar could potentially be increased by almost 93%.
- Underpass trail connecting NPS and Raptor Center to avoid at grade pedestrian crossings on SMC (pedestrian safety project).
- Vendor improvements at Crescent Harbor and Centennial Hall area to create better space for vendors to operate and store gear.
- A bike trail to Indian River Falls that tourists would use.
- Lincoln Street paving/beautification project. It would be nice to have a plan in place and be able to pave by early spring next year. If we are expecting a record number of cruise passengers, it would be nice to make our downtown corridor pedestrian/vehicle friendly. We're still interested in a new water line between Jeff Davis and the stop light.
- Master planning on how we can make our community functional with the tourism growth that is expected (electric busses, access, paving, shelters, restrooms, etc.).

Finance Department

- As we realized the impact the pandemic would have on Sitka, we stopped all new capital spending on General Fund infrastructure. In order to ensure no infrastructure failed, we re-allocated \$1.26 million from 2 different phases of Lincoln Street repaving, meaning that we now don't have enough funding to complete that project. If we could allocate the Norwegian funds to help ensure we can complete that project, it would address old and run-down infrastructure and an existing need, while also benefitting local businesses, by ensuring the downtown remains vibrant. Budget allowing, we could possibly expand the scope just a little bit to include some elements of beautification. Adding new infrastructure ultimately will add to our long-term maintenance costs, which are already a challenge to keep up with, for that reason, addressing an existing need that has been deferred would be ideal and, in the long-term, reduces the tax burden on all residents.

Public Comments

- More restrooms downtown and benches on Lincoln Street. Explore the option of using funds on the Russian Church.
- Use all the funds received to retire a million dollars of the remaining debt on our Performing Arts Center. This will allow the debt to be completely retired much

sooner, which will cause the seasonal tax of 1% to sunset that much sooner. This action will reduce the cost of shopping in Sitka for all residents as well as visitors to our city.

- I believe it would be irresponsible to direct all the gift to a portion in the city that is unrelated to tourism or the visitor experiences. While I don't have examples of where it should be spent there are some examples of its distribution that the public has expressed listing the many needs in the city: the dam project, the roads & utilities cost. I know that the sales tax revenues for last year and this year, especially for quarters 2 & 3 will be much lower than recent years and it's a loss to the city account. As a small year-round business as I look up and down Lincoln Street there are many different types of businesses. Many of which are owned and operated by persons who have inherited their buildings or business and some who are owned by large corporations with deep pockets. There are also private small businesses who have somehow managed to survive the ups and downs of the cruise ship years. And here we are with another year of trying to make it thru another slow summer with high rents and fixed costs. Please keep in mind the struggles small businesses are facing as we hang on until next summer. One million dollars sounds like a lot of money but when you start slicing the pie you must be fair to each part of this community that has suffered along with the areas in the budget that have a high debt figure.
- I am concerned that the Phase 6 Cross Trail construction project, which includes the remaining 0.6-mile cruise ship dock connector trail, may have a budget shortfall. Our request is for the Assembly to consider setting aside contingency funding, essentially a place holder, for this potential budget shortfall. Hopefully, the funds will not be necessary, and the City can dispense the money toward other uses, after project completion this fall. The original FLAP budget was submitted with the 2015 funding proposal. Construction materials costs have increased significantly since then with rock prices rising considerably due diminished local availability. Although the project is currently very close to the budget estimate, with 75% of the trail base tread complete, only \$576,000 is left out of the \$2,010,644 budget. I am concerned since we have two tough/expensive sections to construct remaining. The cruise ship connector trail between the HPR parking area and the muskeg above has required more rock than anticipated. The stream crossing over No Name Creek also has very challenging site conditions that may increase the construction budget significantly over the original 2015 estimate. In concern about potential cost overrun, a Programming Decisions Committee (PDC) change request was submitted to Western Federal Lands in January requesting \$250,000 in contingency funds. It is unclear whether this full request will be funded since the PDC only has \$67,000 available to award until the Transportation Bill is reauthorized. The timeline for the bill's passage is unknown. If the PDC awards the additional money, CBS cruise line contingency funds may not be necessary. We've also been evaluating the project for potential cost efficiencies to do our best to stay within the 2015 budget estimate. The request is for the Assembly to consider setting aside up to \$250,000 in contingency funding for Cross Trail Phase 6. As you know, WFL and the PDC are unhappy with the project costs associated with

CBS's year-long, costly delay for the construction. This could be a way for the City to reassert their commitment to FLAP and thereby improve CBS's standing/relationship with Western Federal Lands.

Fiscal Note

NCL Corporation Ltd initiated an ACH Credit payment to the CBS on 2021-05-19 18:13:00Z (UTC).

Recommendation

After an overview from staff, I recommend the Assembly hear from the public on possible uses of this funding. I also recommend that the Assembly allow for this agenda item to return to the June 8th agenda under Unfinished Business as an opportunity to receive further public input. Once the comments are received, I request the Assembly provide staff with some guidance on how to proceed with planning and distribution of this funding. Possible options for future decisions are:

1. Assembly sponsored/co-sponsored item
2. Direct Administrator to form a Working Group (similar to the CARES WG)
3. Future work session for Assembly to develop spending plan in public session for a future vote