



TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager

DATE: February 3, 2021

RE: **Discussion Regarding the 2021 General Government Operating and Capital Budget and the 2021 KPU Operating and Capital Budget for a Potential No Cruise Season – Projected General Government Revenue Impacts**

Attached for City Council review is the Finance Director's initial projection of the impacts to General Government 2021 revenues should there be no cruise season this year. As the City had budgeted for only fifty percent of cruise passengers expected for a full season after accounting for the projected loss of traffic to Ward Cove, the estimated losses are not as great as were experienced in 2020.

The loss of Port revenues places the Port Enterprise Fund in an operating deficit. When there is more certainty that there will be no cruise activity this season and a determination is made by the federal government regarding further COVID-19 pandemic relief, my office will submit more detailed recommendations regarding how to address the projected deficit of the Port Enterprise Fund. In the interim, General Government department heads and KPU division managers will be directed to begin assessing projected operating and capital expenditures to determine what can be deferred should circumstances warrant taking such action.

While there will likely be negative impacts to KPU revenues under a no cruise season scenario, projecting operating losses is much more complex. My office has directed the Finance Director and the Sales, Marketing and Customer Service Division Manager to begin monitoring utility accounts to assess revenue losses going forward. Reports tracking accounts receivable will again be submitted to the City Council beginning in March.

Projected General Government Revenue Impacts Under the Scenario of Zero Cruise Ships

	General Fund	Hospital Sales Tax Fund	PW Sales Tax Fund	CPV Funds	Port Fund
2021 Budget					
Beginning Reserves 1/1/2021	6,780,208	3,228,957	3,535,347	7,011,170	4,116,133
Revenues	17,929,745	2,800,700	4,201,200	4,900	6,074,329
Transfers In	3,394,289	-	-	-	500,000
Advances	-	-	-	-	379,627
Expenditures/Expenses	(23,482,902)	(355,140)	-	(30,000)	(6,713,299)
Transfers Out	(867,784)	(2,983,170)	(2,303,056)	(1,656,960)	(522,000)
Capital Projects	(18,000)	(110,000)	(1,816,257)	-	(519,000)
Projected December 31, 2021 Reserves	3,735,556	2,581,347	3,617,234	5,329,110	3,315,790
Possible Revenues Included in the 2021 Budget That Will Not Be Realized					
Sales Tax Revenues	(852,888)	(568,592)	(852,888)	-	-
Port Revenues	-	-	-	-	(5,959,475)
Expected Revenue Decrease	(852,888)	(568,592)	(852,888)	-	(5,959,475)
Possible Expenditures/Expenses Included in the 2021 Budget That Will Not Be Realized					
Vacancies - 10 positions	800,773	-	-	-	-
Port Director Salaries and Benefits	-	-	-	-	160,882
Temporary Wages and Benefits	-	-	-	-	315,000
Overtime Wages and Benefits	-	-	-	-	63,000
Capital	-	110,000	1,776,755	1,656,960	19,000
Expected Expenditures/Expenses that will not be realized	800,773	110,000	1,776,755	1,656,960	557,882
Expected Reserves without Cruise Ships	3,683,441	2,122,755	4,541,101	6,986,070	(2,085,803)
* Total CIP for the Port Fund is \$519,000 - \$500,000 to come from CPV Fund					

	General Fund	Hospital Sales Tax Fund	PW Sales Tax Fund	CPV Funds	Port Fund
Required Costs					
Debt Service	817,394	2,529,575	252,666		2,234,750
Deposits to Port R&R Account					389,000
Berth IV Lease					1,821,000
Property Taxes - Berth IV					165,000
Deposit to Berth IV Repair and Replacement					133,000
Subtotal Required Costs	817,394	2,529,575	252,666	-	4,742,750

Provided for Informational Purposes	GF - Revenue	Port Fund - Expense
Payments in Lieu of Taxes	318,000	(318,000)