

May 6, 2021
Regular City Council Meeting

Ongoing Review and Discussion of COVID-19 Mitigation Plan Updates for General Government and Ketchikan Public Utilities - Councilmember Flora



City Manager
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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager

DATE: April 28, 2021

RE: **Ongoing Review and Discussion of COVID-19 Mitigation Plan Updates for General Government and Ketchikan Public Utilities**

At its meeting of March 18, 2021, the City Council adopted a motion authorizing my office to proceed with General Government and KPU Operating and Capital Budget mitigation plans for substantially reduced or no cruise season conditions in 2021 as detailed in staff's report dated March 10, 2021 and/or as modified by the City Council. During the discussion of this issue, Councilmember Flora requested that any updates regarding the mitigation measures be added to the agenda to allow the City Council to take action if warranted.

Attached for City Council is a memorandum from Finance Director Michelle Johansen, which provides the first updates of the plans that were adopted for General Government and Ketchikan Public Utilities.

Ms. Johansen will attend the City Council meeting of May 6, 2021, in order to address any questions and/or concerns that Councilmembers may have.

MEMORANDUM
CITY OF KETCHIKAN, ALASKA
Finance Department
Office of the Finance Director

Michelle Johansen, Finance Director
Camille Nelson, Financial Analyst
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TO: Karl R. Amylon, City Manager/KPU General Manager

FROM: Michelle Johansen, Finance Director

DATE: April 27, 2021

SUBJECT: Financial Updates for General Government and Ketchikan Public Utilities – Budget Mitigation Measures

Attached are the financial updates for General Government and Ketchikan Public Utilities for the quarter ended March 31, 2021. The update includes the original mitigation plan, a summary update for the fund, year to date balances for the major revenue sources affected by zero cruise ships and the mitigation measures adjusting expenses/expenditures for each fund identified in the budget mitigation plan.

<u>Fund</u>	<u>Target Savings From Approved Mitigation Plan</u>	<u>Net Savings Realized</u>	<u>Percent of Net Savings</u>
General Fund	\$ 928,342	\$ 181,664	20%
Hospital Sales Tax Fund	-	-	0%
Public Works Sales Tax Fund	429,000	429,000	100%
CPV Fund	865,000	865,000	100%
Port Fund	409,461	10,285	3%
KPU Fund	1,078,195	886,092	82%

Please let me know if you have any questions.

GENERAL FUND					
Mitigation Plan		Analysis showing 3/31/2021 YTD compared to Budget			
2021 Budget	General Fund	Original Budget	YTD Actual Through 3/31/21	25%	Variance
Beginning Reserves 1/1/2021	6,780,208	6,780,208	6,780,208	-	-
Revenues	14,216,024	14,216,024	1,558,479	11%	(12,657,545)
Interdepartmental	3,713,721	3,713,721	925,689	25%	(2,788,032)
Transfers In	3,394,289	3,394,289	3,394,289	100%	-
Advances	-	-	-	-	-
Expenditures/Expenses	(23,482,902)	(23,482,902)	(5,433,129)	23%	18,049,773
Transfers Out	(867,784)	(867,784)	(867,784)	100%	-
Capital Projects	(18,000)	(18,000)	(951)	5%	17,049
Projected December 31, 2021 Reserves	3,735,556	3,735,556	6,356,801	-	2,621,245
Possible Revenues Included in the 2021 Budget That Will Not Be Realized					
	Original Lost Revenue Estimate	Original Budget	YTD Actual Through 3/31/21	25%	Variance
Sales Tax Revenues	(852,888)	4,184,000	734,810	18%	(3,449,190)
Charges for Services - Civic Center	(50,000)	50,000	-	0%	(50,000)
Charges for Services - Museum	(137,000)	137,000	-	0%	(137,000)
Charges for Services - Ambulance	(365,000)	600,000	80,687	13%	(519,313)
Charges for Services - Parking and Parking Fines	(128,000)	135,000	37,681	28%	(97,319)
American Recovery Program Funds	1,718,002	-	-	0%	(1,718,002)
Expected Revenue Decrease	185,114	5,106,000	853,178	-	(5,970,824)
* \$128,000 reduction in revenue factored in possible refunds for annual permits					
Budget Mitigation Measures					
Expected Vacancies/Frozen Positions	Original Savings Estimate	Expected Savings	Savings Through 3/31/2021	20%	Possible Additional Savings
	928,342	928,342	181,664	-	746,678
Expected Expenditures/Expenses that will not be realized		928,342	181,664	-	746,678
Expected Reserves After Mitigation Adjustments	4,849,012				

HOSPITAL SALES TAX FUND				
Mitigation Plan	Analysis showing 3/31/2021 YTD compared to Budget			
2021 Budget	Original Budget	YTD Actual Through 3/31/21	25%	Variance
Beginning Reserves 1/1/2021	3,228,957	3,228,957		-
Revenues	2,800,700	490,721	18%	(2,309,979)
Expenditures/Expenses	355,140	97,750	28%	(257,390)
Transfers Out	(2,983,170)	(2,983,170)	100%	-
Capital Projects	(110,000)	-	0%	110,000
Projected December 31, 2021 Reserves	3,291,627	834,258		(2,457,369)
Original Lost Revenue Estimate		YTD Actual Through 3/31/21	25%	Variance
Budget Mitigation Measures	Original Budget	Through 3/31/21	25%	Variance
Sales Tax Revenues	2,789,000	489,873	18%	(2,299,127)
Expected Revenue Decrease	2,789,000	489,873		(2,299,127)
Expected Reserves After Mitigation Adjustments				

PUBLIC WORKS SALES TAX FUND				
Mitigation Plan		Analysis showing 3/31/2021 YTD compared to Budget		
2021 Budget	Public Works Sales Tax Fund	Original Budget	YTD Actual Through 3/31/21	25% Variance
Beginning Reserves 1/1/2021	3,535,347	3,535,347	3,535,347	-
Revenues	4,201,200	4,201,200	735,812	18% (3,465,388)
Transfers Out	(2,303,056)	(2,303,056)	(2,303,056)	100% -
Capital Projects	(1,816,257)	(1,816,257)	(59,226)	3% 1,757,031
Projected December 31, 2021 Reserves	3,617,234	3,617,234	1,908,877	(1,708,357)
Possible Revenues Included in the 2021 Budget That Will Not Be Realized		Original Lost Revenue Estimate	YTD Actual Through 3/31/21	25% Variance
Sales Tax Revenues	(852,888)	(852,888)	734,810	18% (3,449,190)
Expected Revenue Decrease	(852,888)	(852,888)	734,810	(3,449,190)
Budget Mitigation Measures		Expected Savings	Savings Through 3/31/2021	Possible Additional Savings
Capital	429,000	429,000	429,000	-
Expected Expenditures/Expenses that will not be realized	429,000	429,000	429,000	-
Expected Reserves After Mitigation Adjustments	3,193,346			

CPV FUND				
Mitigation Plan		Analysis showing 3/31/2021 YTD compared to Budget		
2021 Budget	CPV Fund	Original Budget	YTD Actual Through 3/31/21	Variance
Beginning Reserves 1/1/2021	7,011,170	7,011,170	7,011,170	-
Revenues	4,900	4,900	-	0% (4,900)
Expenditures/Expenses	(30,000)	(30,000)	-	0% 30,000
Transfers Out	(1,656,960)	(1,656,960)	-	0% 1,656,960
Projected December 31, 2021 Reserves	5,329,110	5,329,110	7,011,170	1,682,060
Budget Mitigation Measures		Expected Savings	Savings (Costs) Through 3/31/2021	Possible Additional Savings/(Costs)
Transfers to Port - Loan/Advance Capital	(3,143,685)	(3,143,685)	-	(3,143,685)
Expected Expenditures/Expenses that will not be realized	865,000	865,000	865,000	-
Expected Reserves After Mitigation Adjustments	<u>3,050,425</u>	<u>(2,278,685)</u>	<u>865,000</u>	<u>(3,143,685)</u>

PORT FUND					
Mitigation Plan		Analysis showing 3/31/2021 YTD compared to Budget			
2021 Budget	General Fund	Original Budget	YTD Actual Through 3/31/21	25%	Variance
Beginning Reserves 1/1/2021	4,116,133	4,116,133	4,116,133		-
Revenues	6,074,329	6,074,329	37,157	1%	(6,037,172)
Transfers In	500,000	500,000	125,000	25%	(375,000)
Advances	379,627	379,627	379,627	100%	-
Expenditures/Expenses	(6,713,299)	(6,713,299)	(468,585)	7%	6,244,714
Transfers Out	(522,000)	(522,000)	(522,000)	100%	-
Capital Projects	(519,000)	(519,000)	(50,427)	10%	468,573
Projected December 31, 2021 Reserves	3,315,790	3,315,790	3,616,905		301,115
Original Lost Revenue Estimate		YTD Actual			
Budget Mitigation Measures - Revenues		Original Budget	Through 3/31/21	25%	Variance
Port Revenues	(5,959,475)	6,074,329	37,157	1%	(6,037,172)
Transfers In - Loan/Advance from CPV Fund	3,143,685	-	-	0%	-
Designated Legislative Grant	1,100,300	-	-	0%	-
Expected Revenue Decrease	(1,715,490)	6,074,329	37,157		(6,037,172)
* Designated Legislative Grant -Reappropriation in process					
Original Savings Estimate		Expected Savings	Savings Through 3/31/2021	Possible Additional Savings	
Budget Mitigation Measures - Expenditures		31,461	7,785	25%	23,676
Port Director Salaries and Benefits	315,000	315,000	2,000	1%	313,000
Temporary Wages and Benefits	63,000	63,000	500	1%	62,500
Overtime Wages and Benefits					
Expected Expenditures/Expenses that will not be realized	409,461	409,461	10,285		399,176
Expected Reserves After Mitigation Adjustments	2,009,761				

Projected Ketchikan Public Utilities Revenue Impacts Under the Scenario of Zero Cruise Ships

[illegible]

[illegible]

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- Defer Capital Spending:
 - Staff looked at various projects that were programmed for 2021, and identified those projects that could be deferred. He indicated this creates a significant amount of savings.

Mr. Amylon went on to say staff has programmed approximately \$865,000 worth of projects and recommended that all of those be placed on hold, noting those funds be set aside for transfer over to the Port Enterprise Fund along with some other CPV reserves for a total of \$3.1 million dollars. He said this will be necessary in order to keep the Port Enterprise Fund solvent through the end of 2021. He indicated the finance director and himself are recommending those funds be transferred in the form of a loan. He said they didn't feel it would be appropriate for that money to be lost in order to bail out the Port Enterprise Fund. He said normally those funds are used for either waterside or upland projects in the immediate downtown area, and that money should be placed on a repayment schedule in order to address those future needs. He said if you take everything together and apply as outlined in the report, staff is able to get the General Fund to a comfortable level moving into 2022 with sufficient reserves. He informed the Port Enterprise Fund is not ideal, but it will be carrying about \$2 million dollar surplus, if the City is successful in appropriating the \$1.1 million COVID response grant that the legislature gave the City early last year. He indicated many municipalities within the State are having trouble with that grant and are petitioning the legislature as we are for re-appropriation. He said if that does happen staff is recommending those funds be applied to port debts service or the Berth IV lease payments. He said the Hospital Sales Tax Fund and the Public Works Sales Tax Fund don't change much in terms of the mitigation measures staff proposed, noting staff is in discussions with PeaceHealth about sharing the expense to replace the bad hospital roof, and they have indicated they are open to that concept. He indicated if the Council adopts the measures that were outlined, we will be fine in those funds.

Mr. Amylon said the KPU Enterprise Fund is not as straight forward as the General Government Funds. He said they tried to put together information based on what has been incurred since the pandemic began in regards to accounts in arrears or delinquent that will not be recouped. He said we are roughly in a position where this fund will need \$810,000 in mitigation measures. He indicated this was put together primarily by keeping a couple positions vacant, and deferring capital projects. He said by doing this staff was able to make up the loss and actually have reserves in the KPU Enterprise Fund.

Mr. Amylon summarized both sides of the government will have hiring freezes, which includes the ten positions identified during budget deliberations and freezing the finance department's Controller position for the time being and a few positions on the KPU side. He said as identified in his manager reports the payroll coordinator is retiring in the fall and we lost an Information Technology employee last week. He felt in those two cases we have to recruit for replacements. He indicated the bottom line is the finance director and himself believe these are reasonable responses under the circumstance, and we are looking for Council concurrence or modification if Council feels there are adjustments that need to be made. He said the finance director and himself will try and answer any questions the Council may have.

Councilmember Flora questioned if the Council accepts staff's plan as presented, what would be the timeline to revisit the results to modify as needed before the end of the year.

In answer to Councilmember Flora, Manager Amylon felt this plan will have to be evaluated and fine-tuned on a monthly basis depending on circumstances. He pointed out we know we have the resources and the CPV funds to keep the Port Fund solvent. He said he agreed with one thing that Mr. Parks stated was this will be a multiyear recovery, and we want to move slowly. He informed as positions become vacant we will need to look at them on a case by case basis, and we will do the same on the KPU side. He indicated we have the luxury of time and have been recruiting for a number of these positions for many months without any luck, noting we may see additional savings

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there that haven't been identified. He said he would speak with the finance director to see if there is a way to provide the Council with a monthly savings or impact report on the mitigation plan to try and identify whether we are achieving the desired levels.

Councilmember Flora said he would like to see this report as an agenda item rather than a managers report in case the Council wants to weigh in, offer suggestions or take action.

Councilmember Gass questioned if we proceed with this mitigation plan are those two positions to be cut are people who are actively working, and will they lose their job. He felt it would be prudent as the Council to take a 1/3 cut for a year, which would set a precedence and shows leadership.

In answer to Councilmember Gass, Manager Amylon said that was correct.

Councilmember Zenge questioned if we reduce the hours for our non-essential services, such as the library, the Ted Ferry Civic Center and the museum and keep essential services would we be able to keep the fireman/EMT position. She felt it didn't make sense to cut a fireman/EMT position with domestic violence on the rise.

Mayor Sivertsen said during budget, he thought the fire chief had said he could eliminate two positions, and still manage shifts.

Manager Amylon said in both the Police and Fire Departments staffing was predicated on a reduction of positions. He said in answer to Councilmember Zenge we can program reduction in hours for non-represented employees, but if we are only talking one position he would recommend keeping the position and let staff find the money another way.

Mayor Sivertsen questioned where we are at with parking enforcement.

Manager Amylon said we not enforcing parking downtown because City Hall is not open to the public which allows them to come in and buy parking permits and file parking appeals. He said City Hall would probably open up shortly under the present conditions as set by the Emergency Operations Center (EOC). He indicated from past comments the Council didn't want to add to peoples worries with parking enforcement, and gave direction to staff to suspend parking enforcement.

Councilmember Bradberry questioned if besides parking did the parking enforcement specialist check the stop signs, yellow marks, no parking and loading zones throughout the community. She also asked if the City would consider selling City owned properties.

In answer to Councilmember Bradberry, Manager Amylon indicated that parking enforcement is primarily done in the downtown area and the parking lots on the west end. He said they do not enforce parking in the residential neighborhoods because they don't have the staff.

Manager Amylon stated in regards to selling City property there had been previous discussion with the Council before on this subject, and the Ketchikan Municipal Code requires us to obtain an appraisal for each property the City wants to sell, which would be time consuming and is not at the top of their list, but it is something staff can look at. He didn't feel this would raise enough in terms of revenue mitigation versus the other things in the mitigation plan on the table tonight. He said he can bring this conversation back to Acting Port & Harbors Director Hilson and City Attorney Seaver for their input.

Councilmember Bradberry said yes it is a lot of work for the smaller properties, but have we ever considered selling the Ted Ferry Civic Center, noting she knows people who would be interested in it, as it costs the City \$750,000 to operate it annually. She wondered if we could look at the larger properties that would continue to operate without the City's ownership to try and save on the labor side, and to continue our essential services throughout the pandemic.