



| |
|-------------------------------|
| TRANSMITTAL MEMORANDUM |
|-------------------------------|

TO: The Honorable Mayor and City Council

FROM: Lacey G. Simpson, Acting City Manager

DATE: December 2, 2021

RE: **Request for Executive Session – Discussion of Strategies Concerning Discussions with the Cruise Industry Regarding the Port of Ketchikan Remaining a Viable and Financially Stable Port of Call**

Following Port of Ketchikan-related discussions at the November 4 and November 22, 2021 City Council meetings, I indicated my intent to request an executive session with the City Council to discuss strategies for discussions with the cruise industry regarding the viability and financial stability of the Port of Ketchikan. An executive session was also requested by Councilmember Gass at the November 22, 2021 meeting. After consulting Mayor Kiffer, an executive session has been scheduled for the December 16, 2021 City Council meeting for the above stated purpose.

Many of the subjects to be addressed will touch upon issues that the City will need to negotiate with industry and/or Ketchikan companies involved with Port operations. As these issues include the need to discuss matters the immediate knowledge of which would clearly impact the finances of the City and may require legal advice, the City Attorney has advised that it would be appropriate for the City Council to review such matters in executive session.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt the motion declaring that consistent with the Acting City Manager's memorandum dated December 2, 2021, it is in the best interest of the City Council to discuss strategies concerning discussions with the cruise industry regarding the viability and financial stability of the Port of Ketchikan in executive session in accordance with KMC 2.04.025(a)(1) and (3), which includes the need to discuss matters the immediate knowledge of which would clearly have an adverse effect upon the finances of the City and to receive legal advice within the Attorney-Client privilege.

Recommended Motion: I move the City Council declare that consistent with the Acting City Manager's memorandum dated December 2, 2021, it is in the best interest of the City Council to discuss strategies concerning discussions with the cruise industry regarding the viability and financial stability of the Port of Ketchikan in executive session in accordance with KMC 2.04.025(a)(1) and (3), which includes the need to discuss matters the immediate knowledge of which would clearly have an adverse effect upon the finances of the City and to receive legal advice within the Attorney-Client privilege.

Councilmember Mahtani felt there are both sides to the issue, and stated it is prudent for the Council to have more research done and discussions before we decide to move forward.

Councilmember Gage felt we should see if there is someone out there before we start splitting the position. She said we have great department heads that already know their job, so the person we hire will have to learn from them. She didn't feel we should rush the process.

Councilmember Zenge said at the end of the day we need to know how we are going to pay for it. She said it is nice to say we need two people, but we cannot not afford it right now. She said we have employees telling us they're leaving because they aren't getting paid enough money. She invited other members to look into the headhunters, and see what those types of individuals with those qualifications get paid. She said Mr. Amylon was a bargain, and we need to think about this as now is not the time to split this. She said we are going into budget, and we don't even know where the money is coming from for that, and we don't have any idea what one manager is going to cost let alone two.

Council Mahtani agreed with comments made by Councilmember Zenge as we need to create this RFP and find this one person and revisit the split position later.

Councilmember Flora agreed it is time to move forward in pursuit of a single combined manager as the financial realities are dictating this is the way to go.

Draft Request for Proposals – City Manager/General Manager Recruitment Services

Moved by Zenge, seconded by Flora the City Council he City Council authorize the release the draft Request for Proposals, City Manager/General Manager Recruitment Services in substantially the same format as presented in the Acting City Manager's memorandum dated October 28, 2021.

Motion passed with Flora, Mahtani, Gass, Gage and Zenge voting yea; Bradberry voting nay; one seat vacant.

Resolution No. 21-2827 – Amending the 2021 General Government Operating and Capital Budget to Provide a Supplemental Appropriation for the Port Department in the amount of \$4,723,868 and the Public Health Department in the amount of \$180,000

Moved by Zenge, seconded by Flora the City Council approve Resolution No. 21-2827 amending the 2021 General Government Operating and Capital Budget to provide a supplemental appropriation for the Port Department in the amount of \$4,723,868 and the Public Health Department in the amount of \$180,000; and establishing an effective date.

Councilmember Zenge said she heard a lot about our cruise line partners during the request for proposal discussions regarding the Port, and we were told at that time we should manage our own Port as we have partners that want to help us. She indicated her vote was based on those partners working and supporting us. She summarized now we are now asked to take this \$2 million and put it towards our Port debt because we are out of money.

Acting Manager Simpson explained awhile back the Council gave direction to staff to begin discussion with our cruise line partners, and since that time there has been one introductory discussion in which staff laid out the Port limitations and priorities. She indicated they were fairly responsive to what was laid out, but at no time did we say we would like our partners to provide a solution that would cover our debt service and other operational obligations of the Port.

She felt they believed that the way for them to help us is by providing passengers where we collect a fee, which creates a revenue stream that supports those expenses. She stated if the Council wants to take a different direction about how our cruise lines partners can help sustain the Port financially, that would be a different discussion with them.

A lengthy conversation ensued amongst the Councilmembers and the following suggestions were made:

- Ask for funding from the other partners.
- Ask for extensions and/or options on our bond obligations.
- Preferential Berthing in exchange for City improvements.
- Contact Ketchikan Dock Company for financial assistance regarding the City's lease with them.

Acting Manager Simpson and Finance Director Johansen answered questions from the Council.

Mayor Kiffer asked for a show of hands to have Acting City Manager Simpson reach out to Ketchikan Dock Company for possible financial assistance, and at least four hands were shown.

Councilmember Flora said the bookings for 2022 and 2023 are past so the preferential berthing exchange would be moot for a 2022 revenue source. He said this \$2 million is the only unencumbered funds from the cruise lines the City will ever see. He said he would not support any mechanism that creates more debt or debt service to bail out the Port fund.

Motion passed with Mahtani, Gass, Gage, Zenge, Bradberry and Flora voting yea; one seat vacant.

Intergovernmental Agreement for Emergency Dispatch Services Between the City of Ketchikan and the Ketchikan Gateway Borough

Moved by Flora, seconded by Zenge the City Council approve the Intergovernmental Agreement for Emergency Dispatch Services between the City of Ketchikan and the Ketchikan Gateway Borough effective January 1, 2022.

Councilmember Flora said this a much improved agreement versus what we had. He said he had a concern that North and South Tongass and the Borough had already approved it prior to coming to this body, and the City residents are going to pay 94% of this bill and we are last to consider it. He said he would have preferred in this circumstance that it had come to the Council earlier in the process.

Motion passed with Gage, Zenge, Bradberry, Flora, Mahtani and Gass voting yea; one seat vacant.

Budget Transfer – Additional Councilmember to Attend the 2021 Alaska Municipal League Conference

Moved by Flora, seconded by Zenge the City Council authorize a budget transfer in the amount of \$2,400 from various Mayor & Council Personnel Services & Wages Accounts to the City Council Travel and Training Account No. 600.01.

Motion passed with Bradberry, Flora, Mahtani, Gass, Gage and Zenge voting yea; one seat vacant.

Discussion of Future Port Operations – Councilmember Flora

Councilmember Flora said at a previous meeting there was discussion regarding the lack of progress that this body has had in the last year regarding the future of the Port operations. He indicated we have a couple new Councilmembers, and felt this is a good time to revisit this topic and establish a new base line. He stated a list of items/questions that he would like to see addressed:

- Where do we want to go with the Port
- What are the things we want to keep that works well for the entire community.
- What things need to be improved upon.
- How do we fashion a model that serves the folks in tourism, works hand-in-hand with the industry, and the general public.
- Continue operating at the status quo, meaning what we have done for the preceding past decades is the way to go, and requires zero modification.

He said we will honor our debt obligations, Berth IV lease and agreements we have in place. He thanked staff for providing additional information.

He opened the discussion up to the Council for their input. A lengthy discussion ensued and the following suggestions were made:

- Hire a tourism manager that focuses on how we want to run the Port. This position would report to the manager and works with or independent of the Port & Harbors Director.
- Develop a strategic plan with both short and long term goals, and figure out our game plan for 2022.
- Work with the Borough to help with completing Port projects through a CPV loan, specifically the dolphin at Berth III that is shovel ready minus increased cost.
- Convene the Cooperative Relations Committee to discuss joint Port project funding.
- Direct staff and some members of the Council to begin working with the individual cruise lines partners and Southeast Stevedoring to see how we can in the short-term alleviate the maintenance issues we are facing.
- Engage Patti Mackey with the Ketchikan Visitors Bureau (KVB) as they are knowledgeable in this industry.
- Initiate conversations with our partners at the end of the season regarding the financial needs of the community.
- Change in the use of the CPV funds to benefit the community in regards to infrastructure.
- Strategic conversations in Executive Sessions on how to approach our partners.
- A fee structure for small increased head tax and moorage fees for long term to plan accordingly.

Acting City Manager Simpson said yes a tourism manager has a unique skillset which is not expressly written out in the current Port & Harbors Director job description. She indicated we can divide the position or add a supplementary position. She informed neither of the two candidates we are currently looking at have a background with tourism. She said she had a conversation with Patti Mackey of the (KVB) who indicated the KVB is very interested in playing a role in marketing the Port, and would welcome a discussion with the City Council on what the KVB could do in terms of fulfilling that role. She informed that Juneau has developed a tourism manager for their community. She indicated that position might not live within the Port & Harbors Department, but in the Tourism and Economic Development budget.

November 22, 2021

Councilmember Gass questioned the status of staff reaching out to Ketchikan Dock Company for support. He felt it was too late to start a plan for the 2022 season.

In response to Councilmember Gass, Acting City Manager Simpson said she and the Acting Port & Harbors Director had an initial conversation with Ketchikan Dock Company to learn what they would be interested in offering the City in terms of relief for the Berth IV Lease. She said based on tonight's discussion there are different ideas on how to approach our partners, and she recommended a separate discussion on how to strategically approach those conversations in an executive session.

Councilmember Zenge felt we need to look into a tourism manager that reports directly to the Port & Harbors Director and the City Manager, and to start focusing on our economy. She said if we are worried about our partners, maybe it is because we are not addressing them in a way that we should be. She indicated there are people out there locally with those skills that aren't Councilmembers or KVB that can do this work for us. She stated we need to get serious about this and get the right people in place, or we are going to be left behind if we're not careful.

Councilmember Mahtani suggested we sit down with the KVB and see what they would offer in terms of how they would enhance marketing of the Port.

Councilmember Gage felt a strategic plan is a good idea as well as a tourism manager. She said the passengers off these ships impact our water, sewer and garbage, and this community is picking up the tab. She informed other communities collect fees for these services. She indicated we also need to consider the traffic flow, and the best options for dispersing visitors coming from Ward Cove into town.

Councilmember Flora agreed with Councilmember Gass as the short-term plan for 2022 is already set. He asked the Council when considering the longer strategic plan to keep in mind the community outside of the Port. He said the Port is the community's biggest infrastructure and economic driver. He informed we had to defer \$4.5 million dollars for the Berth III dolphins, which has now increased to \$5 million, as well as defer the cathodic protection. He suggested when the Council talks about the longer-term strategic plan that it be reasonable for us as a community who owns the Port to have a say and include a financial model.

Councilmember Bradberry asked for a show of hands to have staff bring back a job description, salary and process of hiring of a tourism manager position, and at least four hands were shown.

Councilmember Bradberry asked for a show of hands to direct the Acting City Manager to schedule meetings with individual cruise lines partners to discuss the monetary needs of the community through the pandemic and after, and what the long term plan is for the cruise lines in regards to Ketchikan itinerary. She said the team for the City should consist of Acting City Manager, Port & Harbors Director, the Mayor and one Councilmember, and at least four hands were shown.

Councilmember Flora informed that sales tax is not a revenue of the Port. He said what we have seen in the past 25 years is increased bonded debt and the degradation of the communities infrastructure. He questioned if there were mechanisms that fell outside the tonnage clause that we can work with individual cruise lines to agree on something that works for them and for the community.

Mayor Kiffer stated if we are seriously looking for money from the cruise lines the tradeoff will be giving up the Berths as they will want control. He said that is something we have heard in all our negotiations. He indicated staff should still have a conversation with our partners.

Termination of Verizon Wireless Agent Agreement and Closure of the Verizon Agent Store

Acting General Manager Simpson attached for Council review a memorandum from Telecommunication Divisions Manager Ed Cushing regarding Verizon's decision to terminate the wireless agent sales agreement with KPU effective May 2022. She stated Verizon has elected at a corporate level to terminate a number of agreements that they have with rural agents. She felt this will impact the community by those folks who do carry Verizon service. She stated after that date our customer service agents will no longer be able to sell or assist customers with anything having to do with Verizon.

CITY CLERK'S FILE – None

CITY ATTORNEY'S FILE – None

FUTURE AGENDA ITEMS

Councilmember Gass said he would like an executive session scheduled for an update regarding discussions Acting City Manager Simpson has had with Ketchikan Dock Company and any other organization.

Councilmember Bradberry said she would like a discussion item to discuss a strategic plan for KPU and what direction the Council wants to see the City go.

Councilmember Kistler said she would like to see some numbers regarding sales tax cap.

Councilmember Bradberry said she would like a future agenda item to be brought up in January to discuss grant writing. She informed one of the prominent things brought up during Alaska Municipal League (AML) was the importance of having grant writers on staff now before the infrastructure bill is launched. She said Acting City Manager Simpson forwarded her some useful information that would be beneficial for the rest of the Council to review.

Councilmember Gage said she would like to add what we can do regarding billing and maybe boost it for example online payment, and getting a better understanding of the ordinance and making it more doable for community members.

In response to Councilmember Gage's request regarding KPU billing ordinance, Mayor Kiffer said this item will be on the agenda for the second meeting in January.

MAYOR AND COUNCIL COMMENTS

Councilmember Gass said with the higher up positions within the City being vacated, he hoped there is an emphasis within each department on training folks up to move into those positions. He suggested we look at our valuable employees that do such a great job for us to train and move them up.

Councilmember Gage gave an update from the AML conference and said we need to reconsider looking outside for our grant writing with all of the money that will be coming into the communities. She informed she has links for some of the statewide organizations, but they will probably be inundated with the smaller regional villages that will need their assistance. She said the power outage in Canada affected our dear friends in Hyder, Alaska who have been without power and cell service for several days. She informed she is looking forward to the southeast region group forming to discuss and address funding for the ferry system. She informed there were 36 new cases of COVID reported tonight and is curious what our mitigation plan will be because our hospital is filling up.