

## **Notes for October 2, 2019 Tourism Myth-Busters Panel: Mayor Sivertsen**

**The Port of Ketchikan is funded and supported through the Ketchikan Port Fund, an enterprise fund, not through sales or property taxes.**

### ***Enterprise Fund:***

#### **Dictionary of Accounting Terms for: enterprise fund**

In governmental accounting, a fund that provides goods or services to the public for a fee that makes the entity **self-supporting**. An example of an enterprise fund is a government-owned utility (such as KPU/Ketchikan Public Utilities).

The City/KPU operates several other enterprise funds including Wastewater, Harbors (pseudo-enterprise), and the KPU Enterprise Fund (Electric, Water, and Telecommunications).

**The City operates the Port in part to promote visitation to the City and increase sales tax revenues borne by summer visitors on purchases of tours, souvenirs, jewelry, restaurants, hotels, etc. and decrease the tax burden on the local, year-round population while providing the same, or increased, level of services.**

**Port Revenues (2019, projected):** \$11,292,286 in revenues

- Wharfage (commonly known as the “head tax” levied on passengers visiting the Port) = \$8,526,000
- Transient Docking Fees (commonly known as “dockage” fees levied against the ships based on length) = \$1,235,000
- Other fees = \$1,531,286 from additional docking fees, water and electric (paid to KPU), parking, rentals, etc.
- Commercial Passenger Excise Tax funds or CPV Fund (tax rate of \$34.50 per passenger per voyage in Alaska, collected by the cruise lines and remitted to the State for annual disbursement to the first 7 ports of call)
  - \$2,440,983 anticipated received in 2019 for City of Ketchikan (same for Borough, we each received \$2.50 of the \$5/per passenger given to each of the first 7 ports)
  - \$17,196,276 received since 2012
  - Uses in recent years:
    - debt service and lease payments
    - seasonal litter program
    - public restroom supplies (at Port, Thomas Basin Portland Lou)
    - Thomas Basin Seawall stabilization and ramp
    - Tongass Historical Museum and Totem Heritage Center public restroom expansions
    - Berth II Rock Pinnacle Removal
    - clean and repair of City-owned totem poles
    - Berths I & II Expansion Design
  - Estimate \$3.3 million in CPV Fund Reserves by the end of 2019

- Grants = \$5 million. From the State via Legislative Appropriation for the removal of the Berth II Rock Pinnacle.

### **Port Expenses (2019, projected):**

- Port operating expenses: \$8,169,352 in operating expenses (exclusive of capital improvement)
  - Personnel
  - Supplies
  - Contract and purchased services (including Berth IV lease and support of Ketchikan Visitors Bureau operations)
  - Debt service (see below)
  - Interdepartmental charges
  - Transfer to Port Repair & Replacement Fund
  - Payment in Lieu of Taxes (compensation for lost real property tax revenue)
- Port debt = \$25.2 million, requires \$2,235,044 annual principal and interest payment through 2035
- Berth IV annual lease payment = \$2.7 million (use CPV Fund), varies based on number of passengers visiting the Port of Ketchikan This payment will decrease if the Ward Cove facility becomes operational
- Capital Improvement: \$8,949,708 budgeted in 2019
  - Contract to remove the Berth II Rock Pinnacle = \$5,892,000 including contingencies (use \$5M state grant and Port Fund revenues). Contract No. 19-28 awarded to J.E. McAmis, Inc. at September 5, 2019 City Council meeting.
  - Berths I & II Expansion design = \$815,970 in 2019 (use CPV Fund). Have allocated \$2,206,891 in prior years for design by Moffat & Nichol and work by Bermello, Ajamil and Partners
  - Berth III Floating Fender Modifications = \$20,000 in 2019 for design, \$500,000 estimate for fabrication and installation (use Port Fund)

### **Sales Tax Revenues to the City:**

- 1998 = \$6.6 million (3.5% sales tax rate, raised to 4.0% in 2014)
- 2018 = \$12.5 million (4.0% sales tax rate)
  - \$4,687,500 deposited into the General Fund (Police, Fire, and other City departments' operating budgets)
  - \$3,125,000 deposited to Hospital Sales Tax Fund to support regional healthcare facilities and services
  - \$2.53 million for annual debt services for \$41.3 million general obligation bond for Ketchikan Medical Center renovation and expansion
  - \$4,687,500 deposited into Public Works Sales Tax Fund for street construction/paving, public facilities improvements (Library, Museums, Civic Center, etc.)
  - Of this, \$4.37 million or about 35% attributable to businesses that are directly or indirectly related to the tourism industry

- Of the amount attributable to tourism:
    - General Fund: \$1,635,930
    - Public Works Sales Tax Fund: \$1,635,930
    - Hospital Sales Tax Fund: \$1,090,619.
  - Rental income, groceries, goods and services are also taxed sales paid by seasonal workforce and cruise vessel employees that are not easily quantifiable
- 2019 = \$7,783,434 million collected in sales tax receipts as of June 30, 2019. Still have Q3 to report, which is typically the most profitable quarter due to it covering the high tourism season months of July, August and September.

**Transient Occupancy Tax Revenues:** 7% of “rent” charged (“hotel” or “bed” tax charged to transient occupants of hotels or similar within the City)

- 2019 = \$513,000 estimated revenues. Supports the operation of the Civic Center.

**Property Tax Revenues (Real Property):**

- 2019, projected = \$6,001,614

**RFP: Redevelopment of Port of Ketchikan Berths I, II & III and Other Infrastructure within the City**

- The City is developing a Request for Proposals (RFP) to solicit cruise industry financial participation and partnership in reconfiguring Berths I, II & III as well as uplands infrastructure improvements necessary to disperse passengers and enhance the visitor and resident experience.
- The RFP will allow proposals for preferential berthing and concession agreements over an extended period (20-30+ years)
- The City Council will review the final draft RFP at the special meeting of October 10, 2019. The RFP will be released within 30 days.
- Proponents will have a 90-day response period to submit proposals. Submissions will likely be due after the New Year.
- A committee will review proposals and the City Council will determine which proponent(s) it would like to negotiate with for a Port agreement.