



CITY OF  
**Saint Paul**  
ALASKA

## MEMORANDUM

**TO:** Saint Paul City Council

**FROM:** Phillip A. Zavadil, City Manger

**CC:** Aubrey Wegeleben, City Clerk; Stephanie Mandregan, Finance Director

**DATE:** October 21, 2022

**RE:** Closure of BBRKC and BSSC Fisheries and Impact on City Revenues, Services, and Operations and Response Actions

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On October 10, 2022, the Alaska Department of Fish and Game announce the closure of two important crab fisheries to Saint Paul Island and the City of Saint Paul (City), the Bristol Bay red king and Bering Sea snow crab for the 2022/23 season. The closure of these fisheries will result in no crab processing for this next year here on the island resulting in significantly reduce revenues for the City, which will impact the City's budget, services, operations, and investments.

As a result, revenue streams flowing into the City, from the loss of crab deliveries into the harbor and the loss of processing activity and associated taxes, will essentially stop. Based on current projections, the City is expected to experience an 100% drop in direct city tax revenues, from \$503,856 in 2022 to \$0 in 2023. The State of Alaska shares with the communities fishery taxes that are generated by these activities (3% is assessed by the State for these activities on Saint Paul of which half is shared with the City). This share will help attenuate the impacts this year. However, the City is expected to experience an 90% drop in state shared tax revenue, from \$1,545,892 in 2022 to \$200,000 in 2023. Total losses are expected to amount to \$2,512,958.

The tax revenue from fisheries taxes in turn constitute approximately 60% of the City's general fund revenues which support municipal operations and services. Additionally, a loss of approximately \$233,393 in revenue is expected from lost fees associated with support services (electric, refuse, fuel, gasoline, water, dockage, wharfage) and sales taxes on those services provided to the crab fishing industry.

We will need to evaluate use of investments to keep operations afloat, reductions in expenditures, new revenue sources, eliminating services, and increasing rates. Below is an overview of items for consideration as we deal with this harsh reality.

## **Reduction in Expenditures**

Limit Purchasing to Essential Items – The City would limit purchase to essential items only and would not purchase any large ticket items unless an emergency existed.

Reduction in Employee Hours and No Overtime – If we reduce hourly employees' hours for employees working in the Funds 120, 170, 172, 180 and eliminate overtime this would result in a reduction of approximately \$80,000 per year.

Increase Insurance Copay – Currently, the City pays 90% of health insurance cost for employees and employees cover the other 10%. Reducing the City's share of this cost to 80% it would result in a reduction of approximately \$18,000 per year.

Eliminate Insurance Opt Out – Currently the City pays employees \$150 per pay period to opt out of health insurance. This would result in a reduction of approximately \$40,000 per year.

Eliminate Travel with Exceptions – Given revenues the City will not be able to afford business travel. Some exceptions will include police officers that need to become certified, and certification requirements for our Power Plant Operator and Water/Wastewater Operator.

Hiring Freeze – Freezing hiring for current open positions, which include Public Works Director, Director of Public Safety/Harbor Officer/Master, and Dispatcher. This would result in a reduction of approximately \$506,209 per year.

No COLA or Merit Increase – Simply put the City will not be able to afford to give employees a COLA or merit increases in 2023. This will result in significant savings.

Adjusting Phone and Internet Expenditures – The City has switched to VOIP phone system but still has some legacy numbers with ACS. Currently the City purchase cell phone plans for key City employees. If we switch the cell phone policy to compensate employees that use their cell phone for work purposes the City can realize some savings. This month the City eliminated Telalaska as an internet provider. The City is now using OneWeb and soon to use Starlink. Changes to phone, cell phone and internet service would result in a reduction of approximately \$39,000 per year.

Eliminating Subscription Services – The City has many subscription services many of which are critical for ongoing operations of the City, its services and departments. A couple services can be eliminated (Belwether and TDX Internet for PS), which would result in a reduction of approximately \$7,748 per year.

Auctioning of Older Vehicles and Equipment – Auction off the older City vehicles and equipment (F350, 988, grader) will result in less maintenance cost and save on insurance cost as well.

Making these reductions in expenditures would result in annual savings of approximately over \$690,957 per year.

## **Reduction in Services**

City Council may want to look at a reduction in services to the community as an option to save money. While unpopular may be necessary to reduce the impact upon the City budget and conserve the use of investments. Here are some recommendations for reducing services:

Reduce the Number of Police Officers - Reduce the number from three to two with the Chief of Police serving as a third officer. This would result in a reduction in the general fund of approximately \$121,337 per year.

Eliminate Providing EMS Services - This would result in a reduction in the general fund of approximately \$138,000 per year.

Eliminate Juneau Lobbying Services - This would result in a reduction in the general fund of approximately \$15,250 per year.

Reduce General Legal Fees - The City will still need to retain general legal counsel and personnel counsel but can reduce the use of their services. This would result in a reduction in the general fund of approximately \$10,000 per year.

Eliminating these services and making these reductions would result in annual savings of approximately 284,587 per year.

### **New Sources of Revenue**

New sources of revenue for the City include several different types of additional taxes, lifting tax exemptions, increasing harbor user fees, and increase in utility rates. The following list includes some additional taxing options available to the City:

#### New Sources of Tax Revenue

The following are a list of new taxes the City could assess. Any new taxes would need to be approved by City Council via an ordinance and voted upon by the public.

- Rental Tax on Rental of Motor Vehicles
- Motor Vehicle Registration Tax
- Transient Occupancy Tax (*Bed Tax*)
- Excise Tax on Alcohol and Tobacco
- Excise Tax on Tourism (*Head Tax*)
- Real and Personal Property Tax
- Legalize Sales of Marijuana and Assess Sales Tax

I do not have any estimates at this time as to how much these new taxes could generate in new revenues. City Council would need to evaluate the community's position on new taxes before having the City Administration research and assemble ordinances for these new taxes.

#### Lifting Tax Exemptions

Another option to raise revenue through taxes is to eliminate the exemption on the sale of seafood for vessels under 42 feet in length, essentially the local halibut fleet. Estimates in new tax revenue range from \$50,000 to \$80,000 depending on the size of the quote and price of halibut paid at the dock.

### **Updating of Utility Rates and Other Fees**

Raising rates on electric, water, sewer, and refuse will need to be considered as the City addresses budgetary issues. Outside of Public Safety and road maintenance, the main services the City provides are in these public utilities. I recommend that we increase the dockage rates, adjust the wharfage rates to cover costs of moving products across the City docks and increase housing rates. Additional research is needed to determine how much revenue this would raise.

### **Use of Investments**

The City has \$11,404,556.05 as of last month in investments at TVI Investments, Alaska Municipal League Investment Pool and Northrim Bank. The investments are mix of government CDs and bonds. If the City reduces its expenditures without raising new revenue, we will need to use some of our investments to fund ongoing operations.

Actions that I have taken to date to address next year's financial concerns include:

- Rescinding current employment offer for new Public Works Director.
- Not posting for the Director of Public Safety/Chief of Police position.
- Not hiring for Harbormaster/Harbor Officer position.
- Eliminating Telalaska internet service.
- Reducing OneWeb internet service from 50/10 to 25/5.
- Purchase of Starlink business internet service.
- Preparing updates to cell phone policy.
- Worked with Finance Director to put maturing investments into savings account with Northrim.
- Meeting with State regarding new tax options.

Actions I have taken to date to address the crab disaster situation include:

- Meeting with Senator Murkowski and staff.
- Meeting with Executive Director of Alaska Bering Sea Crabbers.
- Meeting with Governor's Chief of Staff.
- Signing onto the Alaska Bering Sea Crabbers request to governor requesting fisheries disaster (*see attached*).
- Joint Press Release on crab disaster (*see attached*)

- Letter to Secretary of Commerce and others requesting declaration of fisheries disaster under section 312 of the Magnuson Stevens Act.
- Setting up meeting with Ataqan Akun Executive Planning Committee (AAEPC) meeting to be organized response around the closure of the Bristol Band red king and Bering Sea snow crab fisheries for the 2022/23 season and the impact upon our community.
- Setting up meetings with various meetings with the congressional offices, state legislatures, Federal and State agencies to discuss the impacts this disaster will have on our community and to figure out what relief may be available to address this emergency.
- Preparation of disaster declaration resolution for City Council consideration.