



KENAI PENINSULA BOROUGH

Grant Management

MEMORANDUM

DAVID R. CAREY
BOROUGH MAYOR

TO: Gary Knopp, Assembly President
Members of the Kenai Peninsula Assembly

THRU: David R. Carey, Borough Mayor *William for DR Carey*
Craig Chapman, Finance Director *CH for CCC*

FROM: Brenda Ahlberg, Community & Fiscal Projects Manager *BA*

DATE: September 26, 2011

SUBJECT: Ordinance 2011-19-25, accepting and appropriating cruise ship passenger tax proceeds received from the State of Alaska in the amount of \$797,217.50 and allocating \$761,705 to the City of Seward and \$35,512.50 to the City of Homer

In the August 22, 2006, election the Alaska voters approved the initiative in Ballot Measure No. 2, which imposed a tax on passengers travelling for at least 72 hours aboard a vessel with 250 or more berths, that anchors or moors in Alaska waters with the intent to allow passengers to disembark. The initiative enacted statutes AS 43.52.200 - AS 43.52.295 that provide for the levy and collection of this tax and the disposition of the proceeds.¹ The taxes are deposited into a state fund called the Commercial Passenger Vessel (CPV) tax account. A portion of the proceeds are disbursed to the first seven ports of call each year. If ports of call are located in a city within a borough, \$2.50 per passenger is distributed to both the city and to the borough in which the city is located. Both the City of Seward and the City of Homer have qualified for these funds, and the borough has accordingly received proceeds from the CPV account.

For the calendar year 2007, the borough awarded the City of Seward CPV funds in the amount of \$383,652.50. For the calendar year 2008, the borough awarded the City of Seward CPV funds in the amount of \$345,747.50 and awarded the City of Homer CPV funds in the amount of \$2,897.50. All of the awards were issued by way of a grant agreement and performance period ending June 30, 2011.

For calendar years 2009 and 2010, the borough requested from the State some determination language regarding the distribution of funds; therefore, deferring the possibility of awarding the funds to the cities until a response was considered. The intent of the request was to consider

¹ Following settlement of a lawsuit on this tax the statutes were amended in 2010 to change the total tax, the allowed uses of the funds, and other changes not relevant here.

distributing CPV funds to other potentially eligible organizations. However, for the purpose of program oversight as governed by AS 43.52.200 - AS 43.52.295, recommendation was made that the funds be allocated only to entities that would use the funds for qualified projects as defined in AS 43.52.230 that directly benefit the ships and their passengers.

AS 43.52.230 (d) requires that funds are to be used on “projects that (1) improve port and harbor infrastructure, (2) provide services to commercial passenger vessels and the passengers on board those vessels, or (3) improve the safety and efficiency of the interstate and foreign commercial activities in which the vessels and the passengers on board those vessels are engaged.”

This ordinance will allocate \$761,705 to the City of Seward for projects described in the city manager’s letter dated September 3, 2011, including: (1) cruise ship dock maintenance and repairs, (2) dredging, (3) harbor restroom repairs and upgrades, (4) bus transportation for cruise passengers, (5) ambulance services, and (6) cruise ship berth enhancements. Additionally, this ordinance will allocate \$35,512.50 to the City of Homer for projects described in the city manager’s letter dated September 29, 2011, including: port and harbor improvements that include a cruise ship staging area and restroom and a pedestrian trail and amenities around the east side of the harbor which connects with the Spit Trail.

The borough received the calendar year funds as follows:

<u>Port</u>	<u>2009</u>	<u>2010</u>	<u>Total</u>
Seward	\$387,412.50	\$374,292.50	\$761,705.00
Homer	\$3,725.00	\$31,787.50	\$35,512.50

The appropriations to the City of Seward and the City of Homer will be executed by way of grant agreements. Brenda Ahlberg, the Community & Fiscal Projects Manager, shall oversee the program.

FINANCE DEPARTMENT FUNDS VERIFIED	
Acct. No.	<u>271.27910 Fund Bal</u>
Amount	<u>797,217.50</u>
By:	<u>BA</u> Date: <u>9/29/11</u>