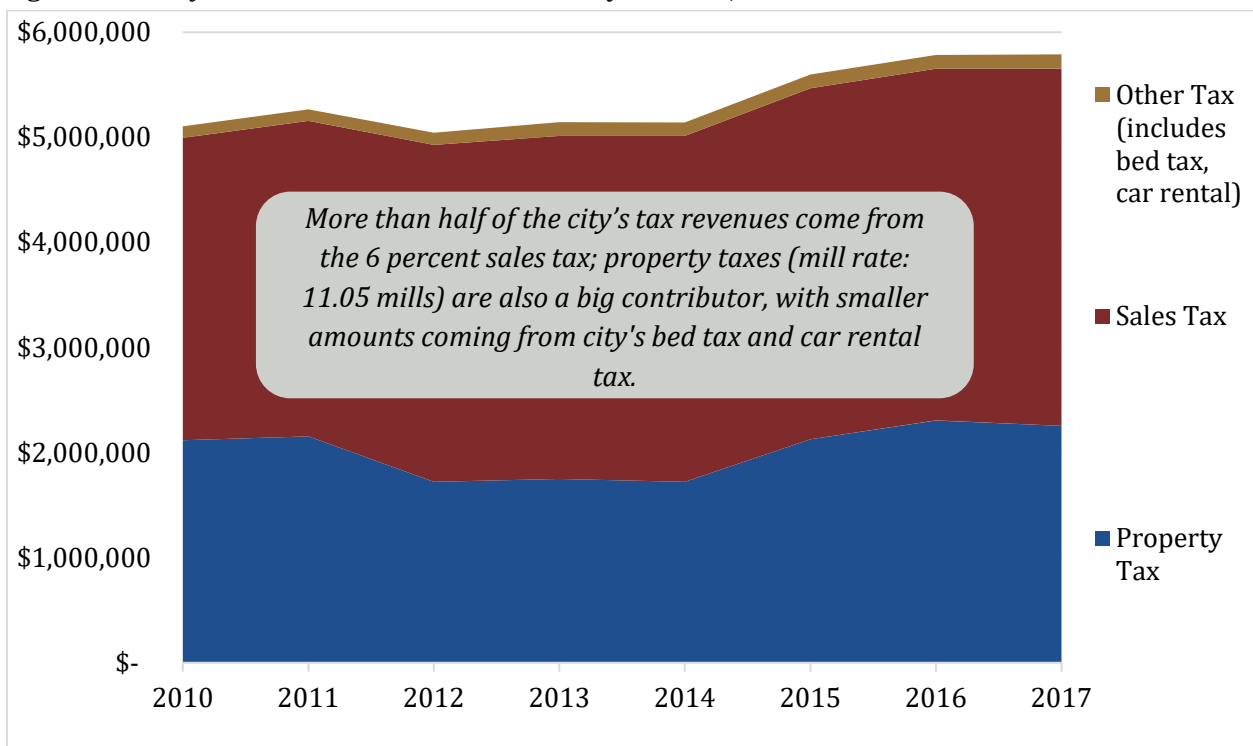


Appendix 9: Fiscal Health, Public Facilities and Services Background

Fiscal Health, Public Facilities and Services: What Exists Today

Revenue

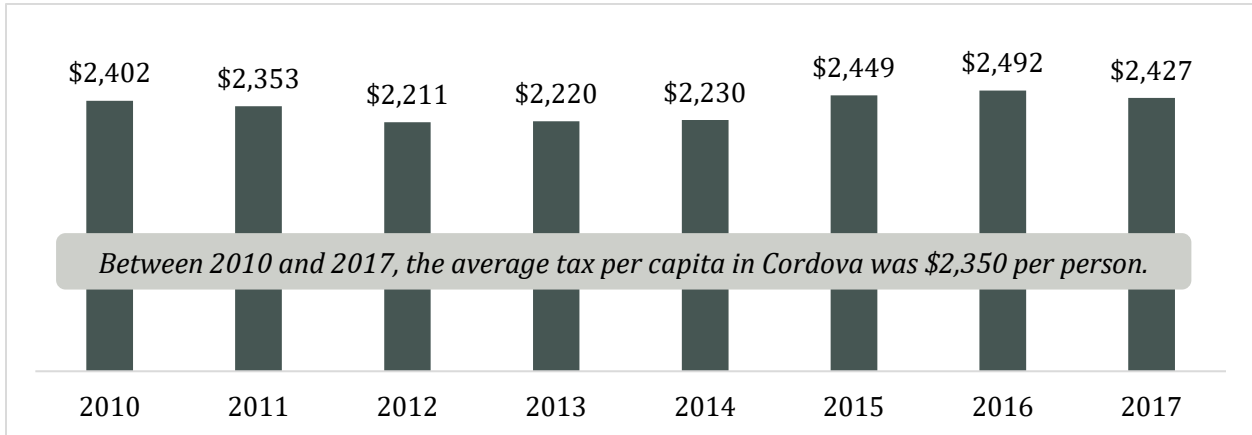
Figure 55: City of Cordova Tax Revenues by Source, 2010-2017



Note: this chart does not include the 0.5% raw fish tax, which was approved by voters in spring 2019.

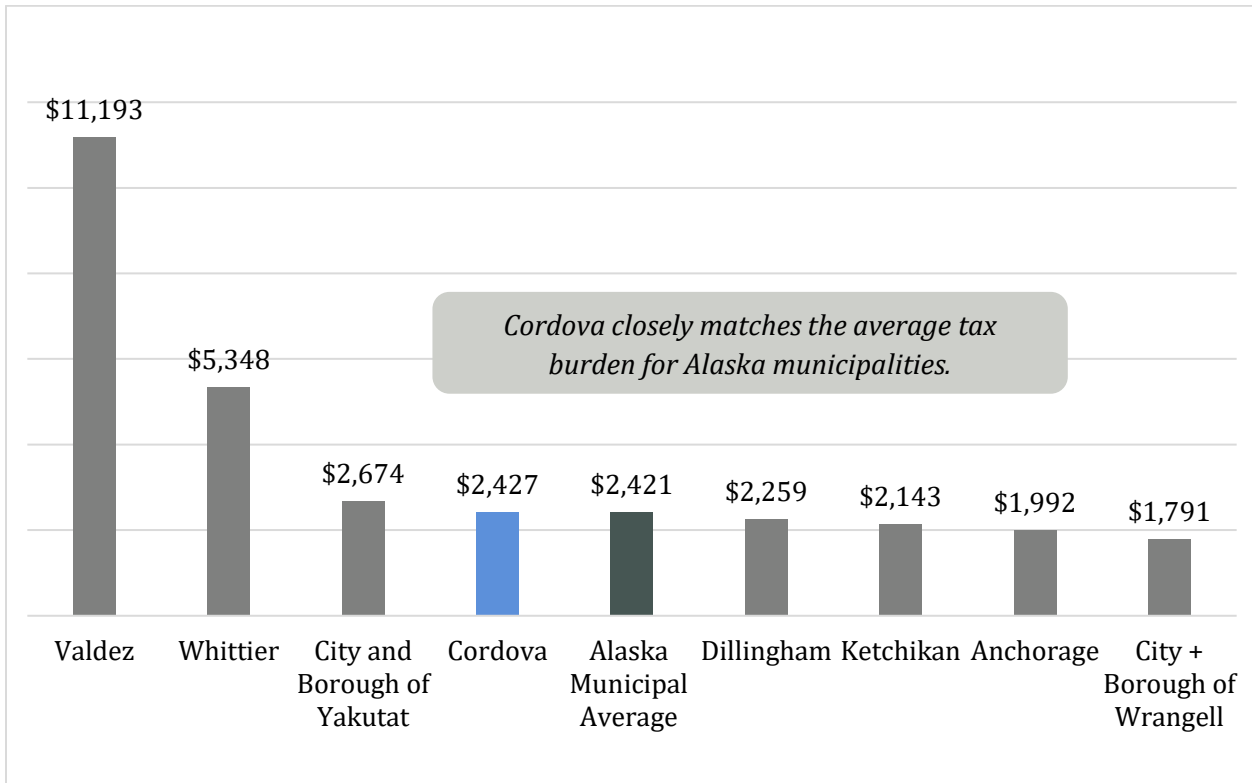
Source: Alaska Taxable Database

Figure 56: City of Cordova Tax Revenues per Capita, 2010-2017 (not adjusted for inflation)



Source: Alaska Taxable Database

Figure 57: Per Capita Tax Revenues for Coastal Communities, 2017



Source: Alaska Taxable Database

Figure 58: Cordova Shared Revenue Funding by Source, 2018

The State of Alaska's revenue sharing program includes a variety of sources like utility cooperative revenues, aviation fuel tax, liquor license fees, and fish taxes. Shared revenues in Cordova accounted for a range of one to two million dollars (7 to 16% of general fund revenues) annually from 2014 to 2018, with \$1.75 million in 2018.

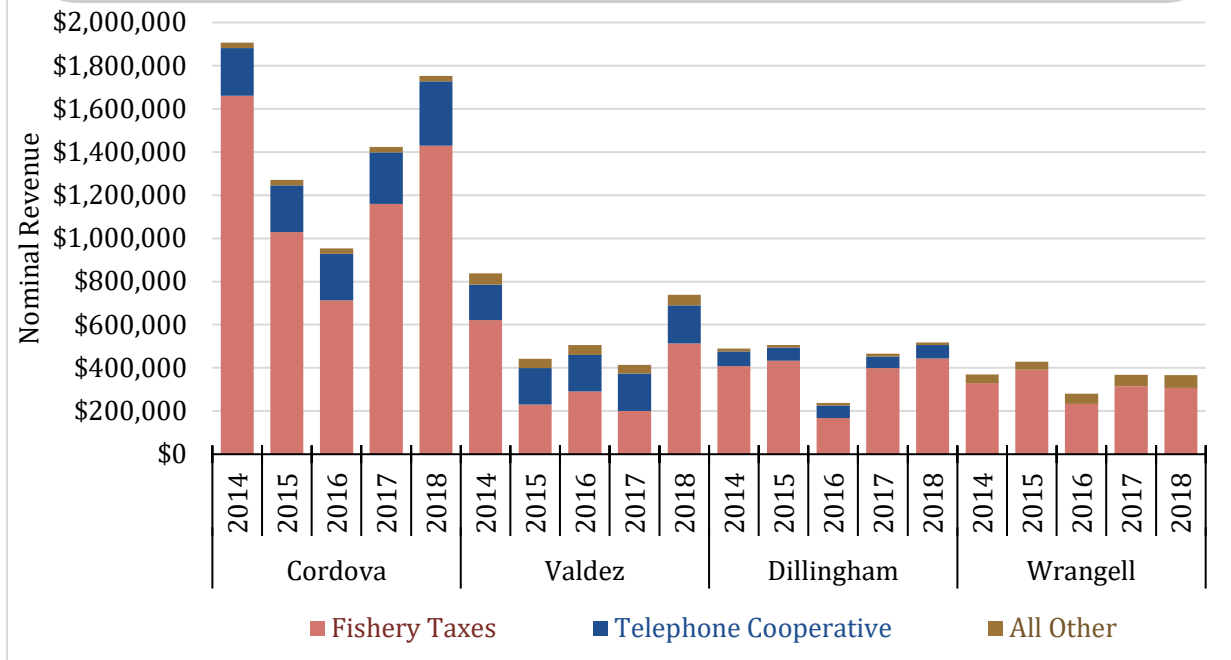
| Fisheries Business | Telephone Cooperative | Electric Cooperative | Liquor License | Total Shared Revenues |
|--------------------|-----------------------|----------------------|----------------|-----------------------|
| \$1,429,951 | \$297,115 | \$13,152 | \$11,950 | \$1,752,168 |

Source: Alaska Department of Revenue, 2019

Figure 59: Shared Revenue by Source, 2014-2018 (Not Adjusted for Inflation)

Commercial fishing is the largest source of shared revenue funding in Cordova, with more than 80 percent of shared revenues coming from the fisheries business tax. As defined by state statute, revenues from the sale of fish are first collected by the state, then 50 percent are distributed back to municipalities. Cordova's shared revenues were about 70 percent of the value of property taxes collected in 2018.

Cordova's shared revenues are higher than the City of Valdez, the City of Dillingham and the City and Borough of Wrangell, mostly due to the sale of fish.



Source: Alaska Department of Revenue, 2019

Amid fiscal restructuring at the state level, there is discussion of ending shared revenues. This would have significant implications for Cordova’s fiscal planning, with fish tax revenues covering more than 11 percent of the city’s expenses.¹¹ Cordova voters recently approved a local raw fish tax. However, the city-implemented tax takes effect in FY2020 and revenues are to be used for harbor improvements, repairs, and maintenance. The tax will be levied on the value of all raw fish landed in Cordova, at a rate of 0.5 percent. The city-levied raw fish tax would be only about one third the value of state shared revenues because the city tax is 0.5 percent of landed value compared to 1.5 percent (half of the 3.0 percent rate levied by the state).

Alaska City Comparisons

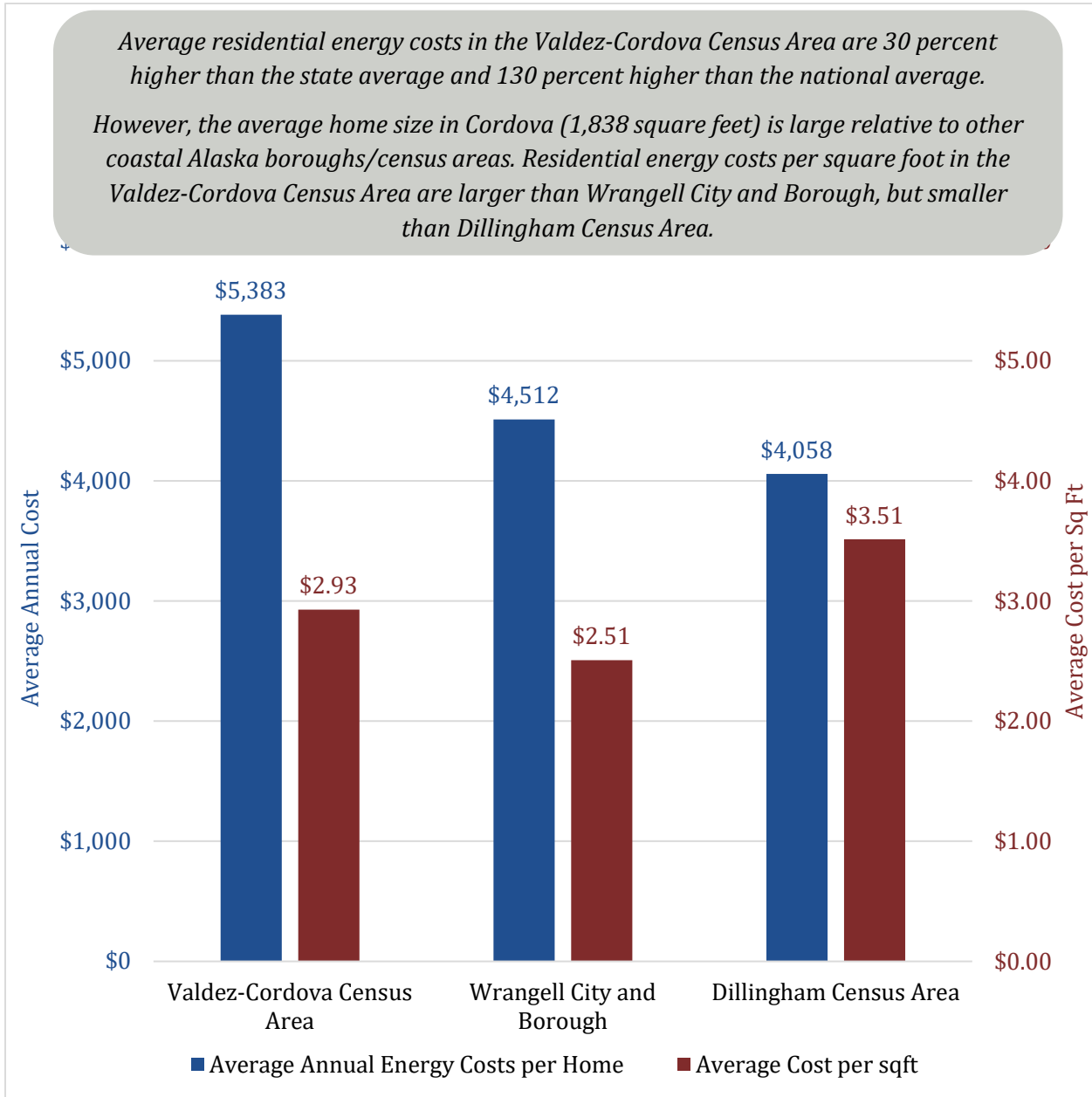
This section compares Cordova to other coastal Alaska cities in terms of income and cost-of-living expenses. For additional details on employment, income and other economic indicators, see the economic development background appendix.

Compared to other cities, Cordova has a relatively high cost of living, especially considering household costs like energy and groceries. Food cost data, presented in the quality of life appendix, demonstrates that typical weekly food costs in Cordova were almost 50 percent higher than costs in either Anchorage or Ketchikan, and about 25 percent higher than costs in Haines. However, residents’ incomes may offset some of the higher than average costs associated with living in Cordova. The thriving fishing industry in Cordova contributes to the health of the community with employment, either directly in the fishing fleet or through secondary services like fish processing or support industries such as manufacturing and retail. However, this creates some vulnerability for Cordova’s fiscal health when revenue sources like state-community shared fish business taxes are threatened.

Some other coastal communities have economies which are more diverse than Cordova and are driven by port infrastructure. Valdez, for example, is an important port for the export of oil. It is also connected to Alaska’s road system, which allows for the transfer of freight between marine and highway vehicles. Other communities like Ketchikan and Haines support their economies with tourist traffic from cruise ships. Going forward, Cordova will need to continue to diversify its economy and revenue streams in order to sustain the economic health of the community.

¹¹ Alaska Public Media, 2019. “Alaska fishing towns would forfeit \$28M in fish tax under Dunleavy budget.” Available at www.alaskapublic.org/2019/02/15/alaska-fishing-towns-would-forfeit-28m-in-fish-tax-under-dunleavy-budget/

Figure 60: Average Annual Energy Costs of Selected Alaska Census Areas

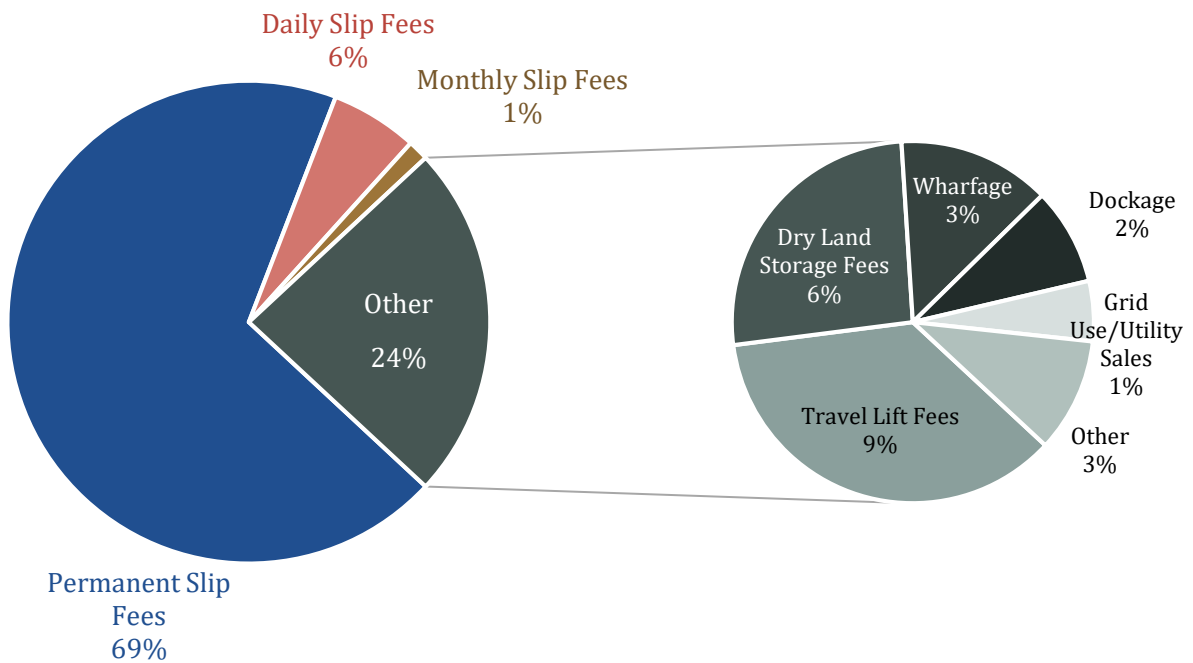


Source: Alaska Housing Finance Corporation, 2017

Critical Infrastructure

Figure 61. Cordova Harbor Enterprise Fund Budget Revenues, FY2019

More than three quarters (76%) of Cordova's port and harbor funding is derived from slip fees, budgeted at about \$1.2 million for FY2019. The remaining 24 percent comes from a mixture of port, storage, travel lift and other fees. The travel lift generated more than \$76,000 in income or nearly 10 percent of revenues during both FY2017 and FY2018.

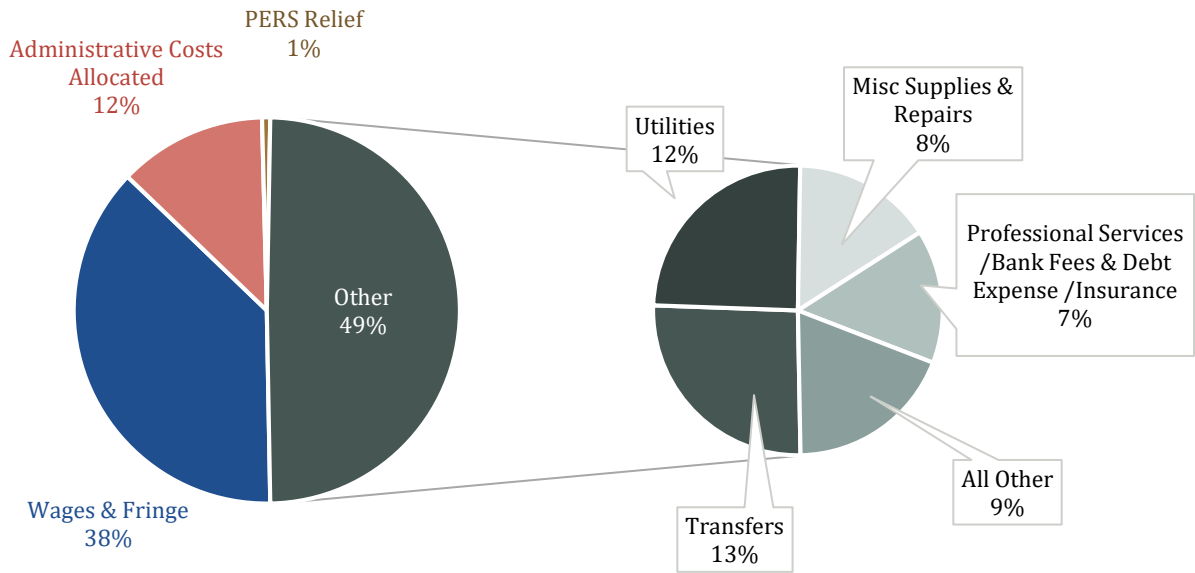


Source: Alaska Department of Commerce, Community, and Economic Development, 2019

Figure 62. Cordova Harbor Enterprise Fund Budget Expenditures, FY2019

About half (51%) of Cordova's port and harbor expenditures are related to staffing and labor requirements. The cost of wages, benefits, and allocated administrative costs total about \$730,000 in the FY2019 budget.

The other half of expenditures are distributed between utility costs such as electricity and water/sewer, supplies and repairs, professional services and planned transfers to other funds.



Source: Alaska Department of Commerce, Community, and Economic Development, 2019

The fiscal health of Cordova’s port and harbor can be measured by comparing annual revenues with the annualized costs of regular operations and maintenance, scheduled periodic major repairs, and future infrastructure replacement costs. The port and harbor facilities are in good condition and underwent significant improvements in 2008 and 2009.¹²

Figure 63: Cordova Port and Harbor Life Cycle Costs and Incomes

This table provides estimated annualized costs assuming the port and harbor infrastructure will be replaced in 20 years (2039) at a cost of about \$23 million.

On average, regular operations and maintenance costs are about \$1.3 million per year and actual revenues are nearly \$1.4 million, so the port earns an annual income of about \$92,000.

The Port and Harbor fund also transfers \$168,000 each year to reserve and capital replacement funds, but the annual equivalent costs for major maintenance and harbor replacement are significantly larger at \$79,000 and \$577,000 per year.

| Category | Equivalent Annual Cost | 3-Yr Average Income | Difference (Income - Equivalent Cost) |
|------------------------------------|------------------------|---------------------|---------------------------------------|
| Harbor Replacement Capital Costs | \$577,354 | \$168,000 | (\$409,354) |
| Major Maintenance and Repairs | \$79,138 | \$0 | (\$79,138) |
| Regular Operations and Maintenance | \$1,306,021 | \$1,397,831 | \$91,810 |
| Total | \$1,962,513 | \$1,565,831 | (\$396,682) |

Source: U.S. Army Corps of Engineers, 2017

Using an annual discount rate of 1.9 percent, the annual equivalent cost of the Cordova port and harbor is nearly \$2 million per year, but earned income falls short of costs by about \$400,000.

This means that to operate, repair, and eventually replace the port and harbor facilities, Cordova would need to generate an additional \$400,000 per year in revenue. Alternatively, replacement funding could come from other sources like grants, debt, or private investment.

In March 2018, Cordova residents passed a resolution to levy a 0.5 percent tax on the value of raw fish landings which can be used only toward port and harbor maintenance and construction.

Source for discount rate: U.S. White House, 2019. “Circular A-94 Guidelines and discount rates for benefit-cost analysis of federal programs, Appendix C.” Available at <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/circulars/A94/a094.pdf>

¹² U.S. Army Corps of Engineers, 2017. Cordova Harbor, Condition of Improvements, December, 2017. Available at <https://www.poa.usace.army.mil/About/Offices/Construction-Operations/Rivers-and-Harbors/>

Figure 64: City of Cordova 2019 Capital Improvement Projects

The following table summarizes the City of Cordova’s Capital Improvement Projects (CIP) list, indicating the community’s highest priority needs. This list was confirmed via City Council Resolution in December 2018 and will be updated annually.

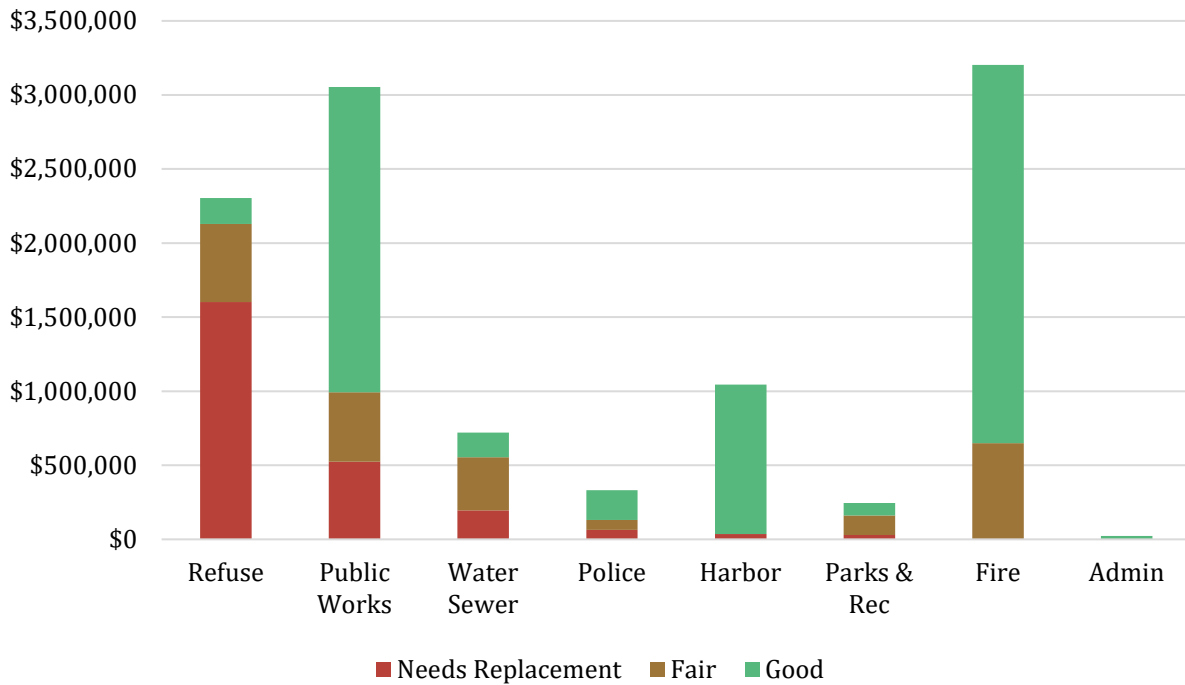
| Prio ritie s | De ta ile d Ac tivitie s |
|---|---|
| 1. Port and Harbor Renovations | <ul style="list-style-type: none"> a. South Harbor replacement (G, H & J floats priority) b. Shipyard fill expansion c. Harbor basin expansion d. South Fill and Sawmill Avenue extension e. General upgrades (north harbor sidewalks, waste oil building, harbor crane) |
| 2. School Repairs | |
| 3. Large vessel maintenance facility (aka shipyard building) | |
| 4. Public Safety Building | |
| 5. Road Improvements / ADA Sidewalk Improvements | <ul style="list-style-type: none"> a. Cordova Center staircase b. Adams, 6th & 7th Streets sidewalk/drainage project c. Ferry Trail |
| 6. Hospital Upgrades | |

Source: City of Cordova; view the resolution here: <https://www.cityofcordova.net/images/cityclerk/2018/Resolutions/Resolution%2012-18-35%202019%20CIP%20List.pdf>

Figure 65. Replacement Value of Cordova Equipment by Department and Condition

Cordova's 2018 approved budget report identified nearly \$2.5 million worth of vehicles and heavy equipment in need of replacement; 65 percent of that amount can be attributed to vehicles in the refuse department.

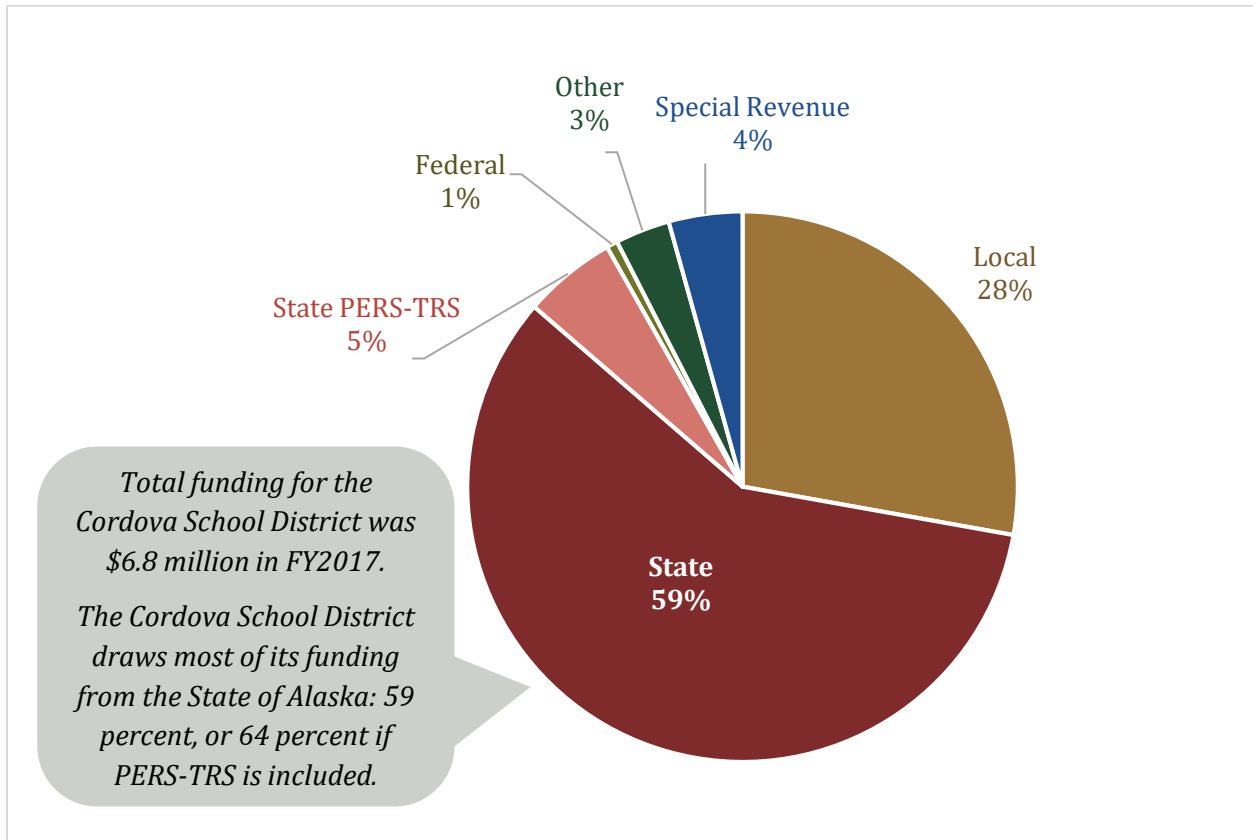
There are also aging vehicles in the public works and water/sewer departments. Many of the vehicles in need of replacement are large pieces of operating equipment like front end loaders or heavy-duty trucks.



Source: City of Cordova, 2019. Personal Communication, May 15, 2019

School District Funding

Figure 66: Cordova School District Funding by Revenue Source, FY2017



| | Local | State | State PERS-TRS | Federal | Other | Special Revenue | Total |
|--------|-------------|-------------|----------------|----------|-----------|-----------------|-------------|
| Amount | \$1,879,270 | \$3,953,771 | \$369,536 | \$44,217 | \$216,862 | \$292,267 | \$6,755,923 |

PERS: Public Employees' Retirement System

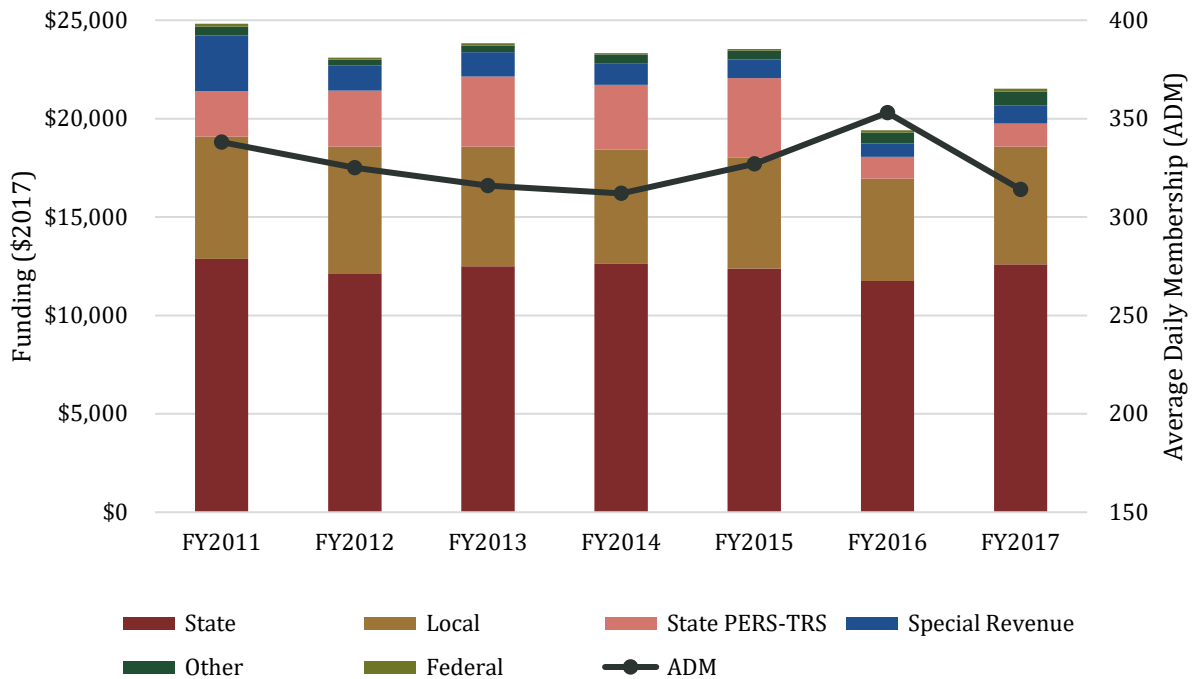
TRS: Teachers' Retirement System

Source: Alaska Department of Education and Early Development, 2019

Figure 67. Cordova School District Funding by Source per Average Daily Membership, FY2011-FY2017

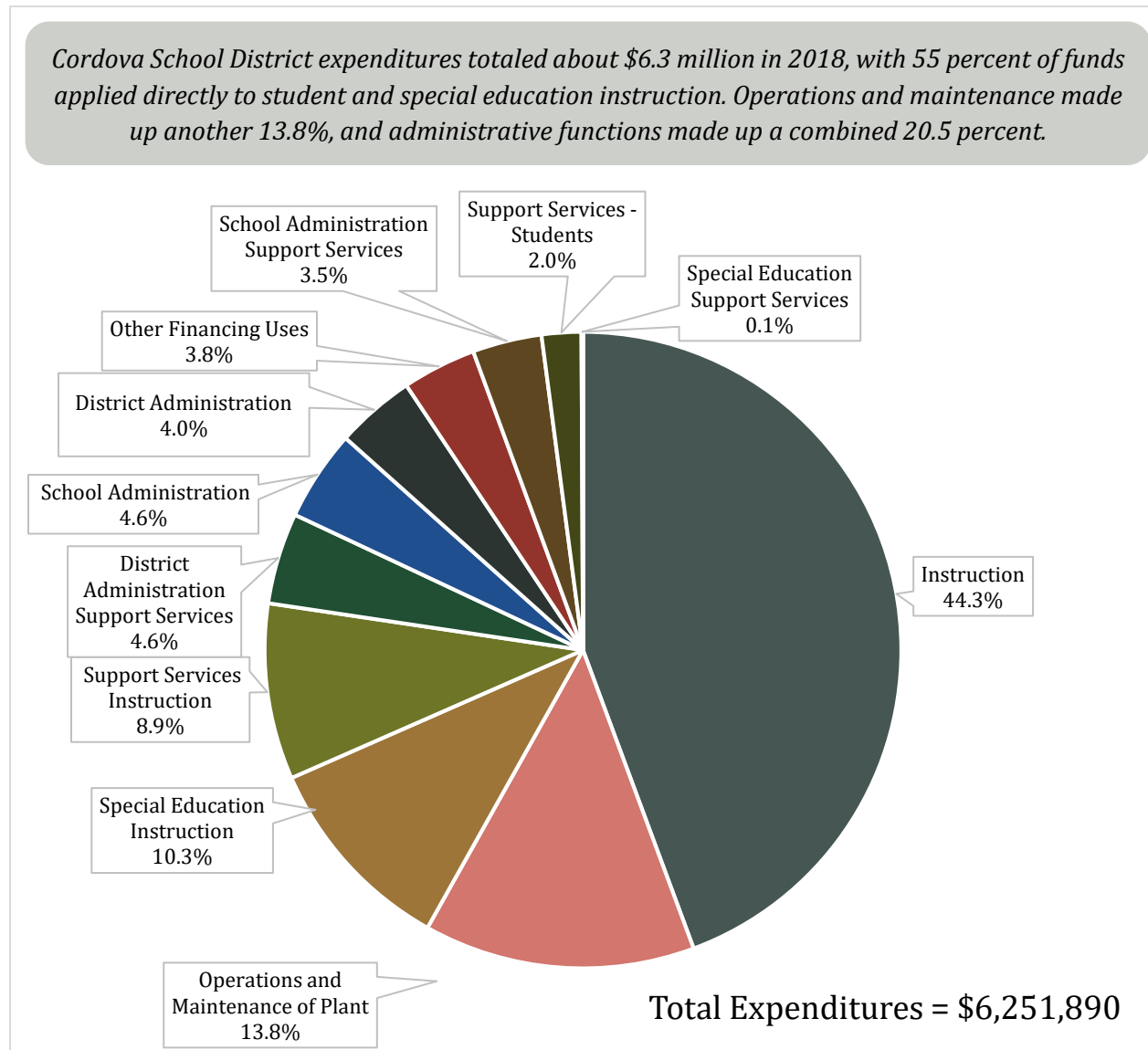
In FY2017 the Cordova School District had an average daily membership of 314 students. On a per-pupil basis, funding is equivalent to about \$21,500 per student.

Local contributions are typically about 25 percent of the total annual funding (17% of general fund revenues) or \$6,000 per student in 2017. State funding for the school district is relatively constant, since state contributions are based on the number of enrolled students. Funding decreases in FY2016 and FY2017 were due primarily to reduction in TRS payments, which do not affect education services.



Source: Alaska Department of Education and Early Development, 2019

Figure 68. Cordova School District Operating Budget



Source: Alaska Department of Commerce, Community, and Economic Development, 2019

The Prince William Sound College, based in Valdez, has a campus extension in Cordova which allows high school students to take courses and concurrently earn an associate degree (PWSC, 2019). The City of Cordova budgeted \$10,000 for the college extension campus in 2018 and 2019 (City of Cordova 2019). Other capital projects include replacement of a fire safety sprinkler system, replacement of an underground fuel storage tank, and relocation of electric generators, all at the Cordova Community Medical Center.

Budget Summary

The following page shows Cordova's FY2019 revenues and expenditures, with separate sections for the general fund and enterprise funds, which include the Cordova Harbor, refuse operations, sewer service, water services, and the Odiak Camper Park. Cordova's enterprise funds make up more than 25 percent of all expenditures, but each of the enterprises is self-sufficient, using revenues from user fees and permits to cover costs of operating, debt service, and in-kind service transfers to other departments. The harbor is the largest of the Cordova's enterprise operations, earning nearly \$1.5 million in revenue in FY2019 most of which was derived from slip fees.

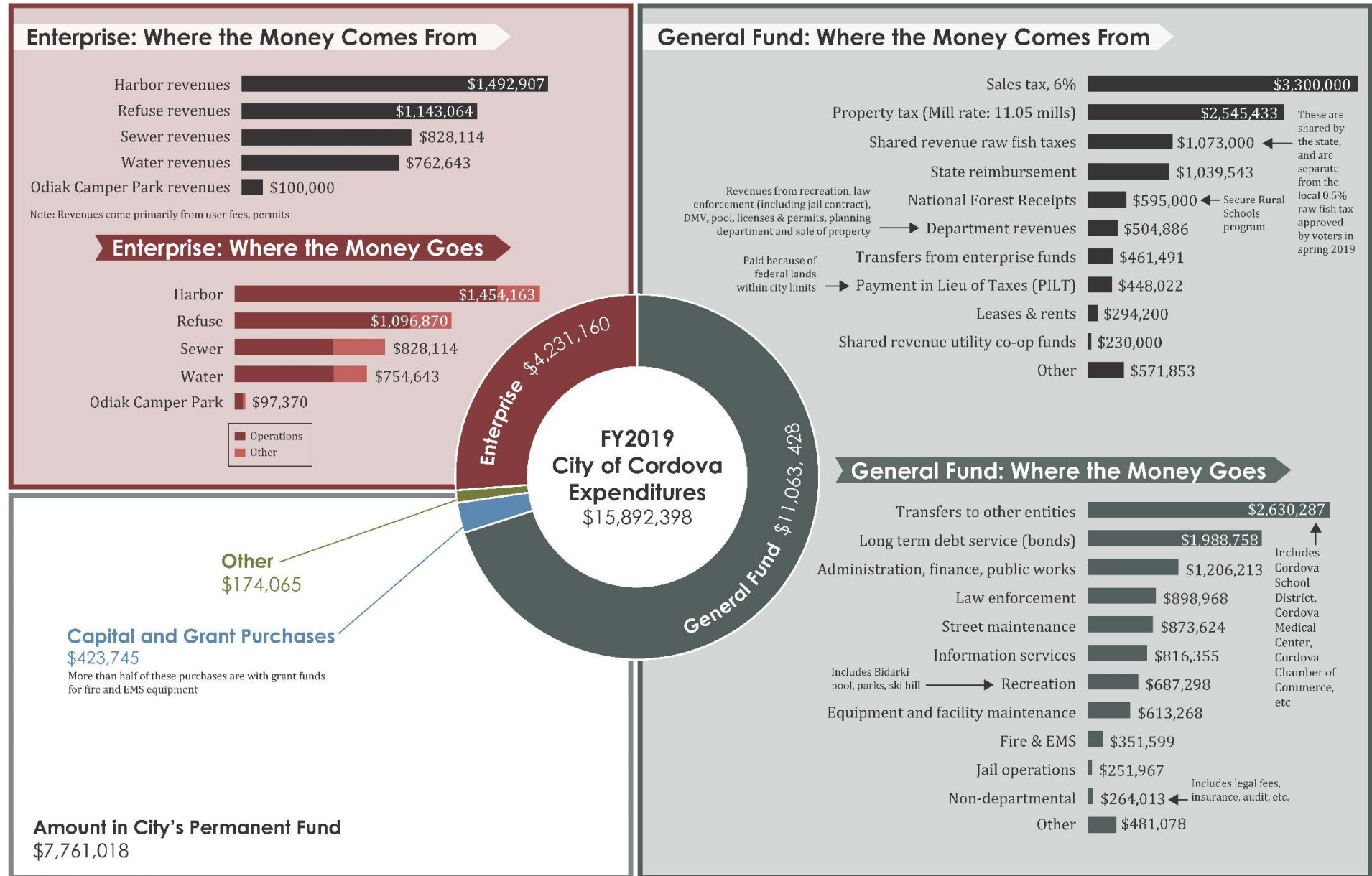
Cordova's general fund is used to support various public services as well as normal government operations including the public works and administration, law enforcement, street maintenance, and emergency services. Transfers to entities like the Cordova School District, Cordova Medical Center, and the Cordova Chamber of Commerce make up the largest source of general fund expenditures (\$2.6 million or 16.6 percent). Long term debt service is also a significant source of expenditures, at about \$2 million or 12.5 percent. The city's total long-term outstanding debt amount is approximately \$17 million, or approximately \$7,188 per person.¹³ General fund expenditures for emergency services like the fire department and ambulances seem small, but a significant amount of emergency services funding comes from grants.

More than half of all general fund revenues come from a combination of local sales taxes (\$3.3 million) and property taxes (\$2.5 million). However, as is true with the Cordova School District, a significant portion of general fund revenues, 18 percent, come from the State of Alaska, a combination of shared revenue from fish taxes (\$1.1 million) and state debt service reimbursements (\$0.9 million). Other sources of revenue in Cordova include National Forest Receipts, departmental revenues, enterprise fund transfers, and miscellaneous leases, rents, and federal fee payments.

¹³ Almost 60 percent of the long-term debt comes from school bonds; other items on the debt services schedule include water, sewer, roads and the Cordova Center. Payoff dates for current debt range from 2019 to 2037. For an itemized list of city debts, see page 20 of the City of Cordova 2019 budget, available here:

<https://www.cityofcordova.net/images/eforms/financial/2019%20Operating%20Budget.pdf>

Figure 69: City of Cordova FY2019 Budget Snapshot



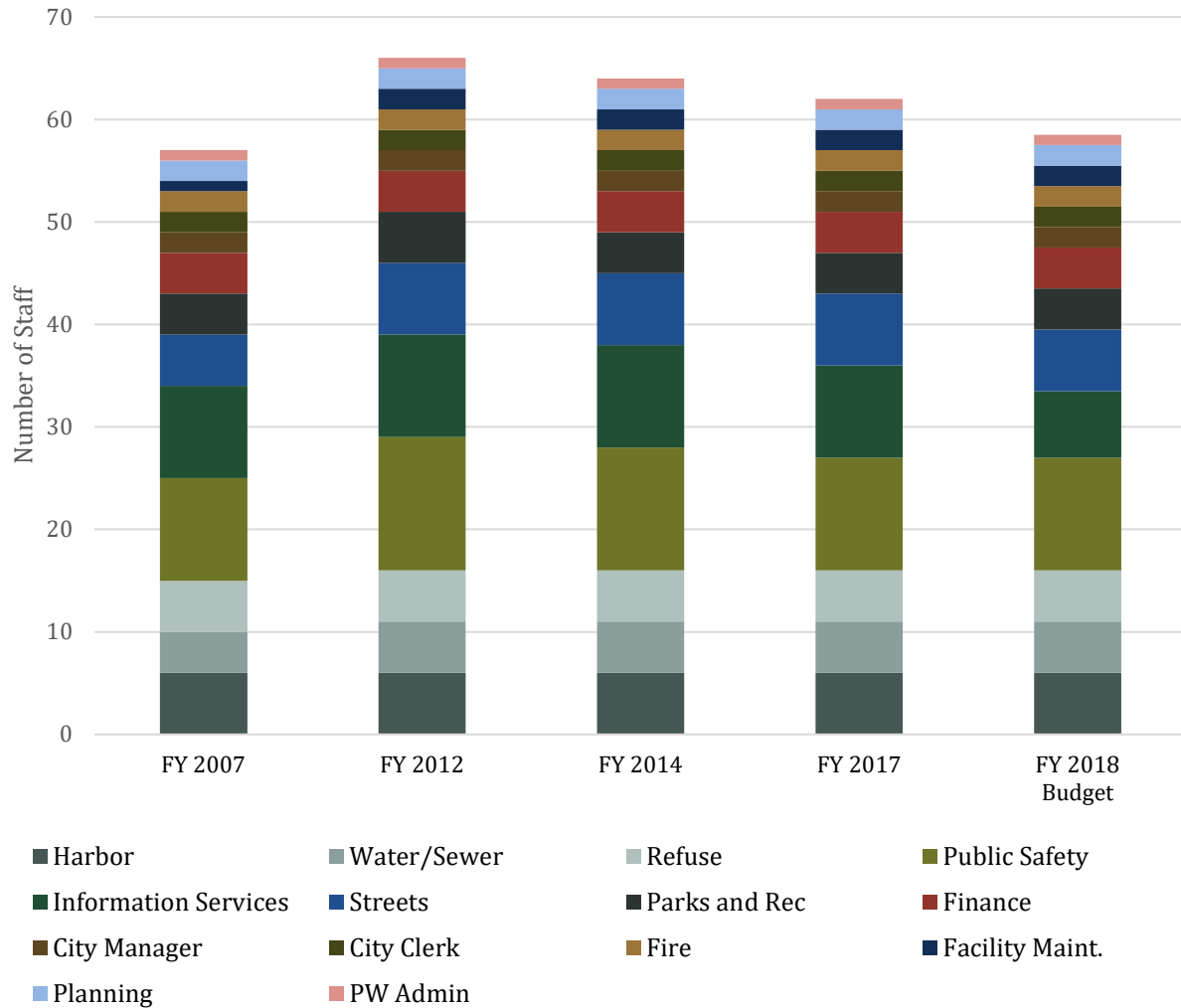
To view more detailed budget information, visit the City of Cordova's Document Library: <https://www.cityofcordova.net/document-central>

Source: City of Cordova

City Staffing

Figure 70. Staffing Requirements for the City of Cordova, FY2007-FY2018

In FY2017 there were 62 staff members working in various city departments. That number decreased in the FY2018 budget for the fourth year in a row, to 58.5 staff members. Of those employees, 22 people (27%) were employed by enterprise funds. In 2018, the city's personnel costs were over \$5.9 million, approximately 37 percent of expenditures across all funds.



Source: City of Cordova