

# Tourism Task Force Town Hall Results December 7, 2023

Held at Harrigan Centennial Hall

Participants: Approx. 150

Data summary by: CBS Planning & Community Development Department

## Quality of Life Impacts

At the first town hall, participants were asked, “What makes Sitka a great place to live? Why do you choose to live here?”. The top three themes that emerged were:

1. Community & Small-Town Feel
2. Access to Nature/Outdoor Recreation
3. Pace of Life

At this town hall, respondents were asked to describe the positive and negative effects of tourism on each theme.

### Community & Small-Town Feel

#### Positives (30)

- Economic Benefits (32%): Job creation, tax revenue, business and income opportunities, supporting local economy.
- Sharing the Town & Culture (31%): Showcasing Sitka’s history, diversity, welcoming visitors, sharing way of life.
- Community Cohesion (25%): Sense of community, busyness of tourism season having positive social effects, small-town feel maintained even with large numbers of visitors.
- Other (12%)

#### Negatives (57)

- Overcrowding (31%): Busyness, congestion, too many tourists diminishing small-town feel.
- Environmental Impacts (28%): Pollution, noise, safety issues related to traffic.
- Loss of Community Identity (25%): Loss of small-town feel and community mindedness, more transactional interactions.
- Other (16%)

### Access to Nature/Outdoor Recreation

#### Positives (26)

- Sharing Natural Beauty (60%): Allowing visitors to experience nature and beauty, sharing access to the outdoors.
- Economic Opportunities (40%): Job/income opportunities, funding to maintain parks/trails

#### Negatives (48)

- Overcrowding (51%): Trails, parks, and sidewalks too crowded and busy.
- Environment & Safety Issues (28%): Pollution, emissions, noise issues, dangers from vehicles and bikes to pedestrians.
- Loss of Access (21%): Inability to access or enjoy usual nature spots and trails, lack of solitude.

## Pace of Life

### Positives (32)

- Vibrancy and Excitement (48%): Lively, vibrant, bustling downtown and community life.
- Economic Opportunities (26%): Income, business opportunities especially for younger Sitkans, disposable income from visitors.
- Sharing the Community (17%): Enjoyment of welcoming visitors and sharing the town.
- Other (9%)

### Negatives (43)

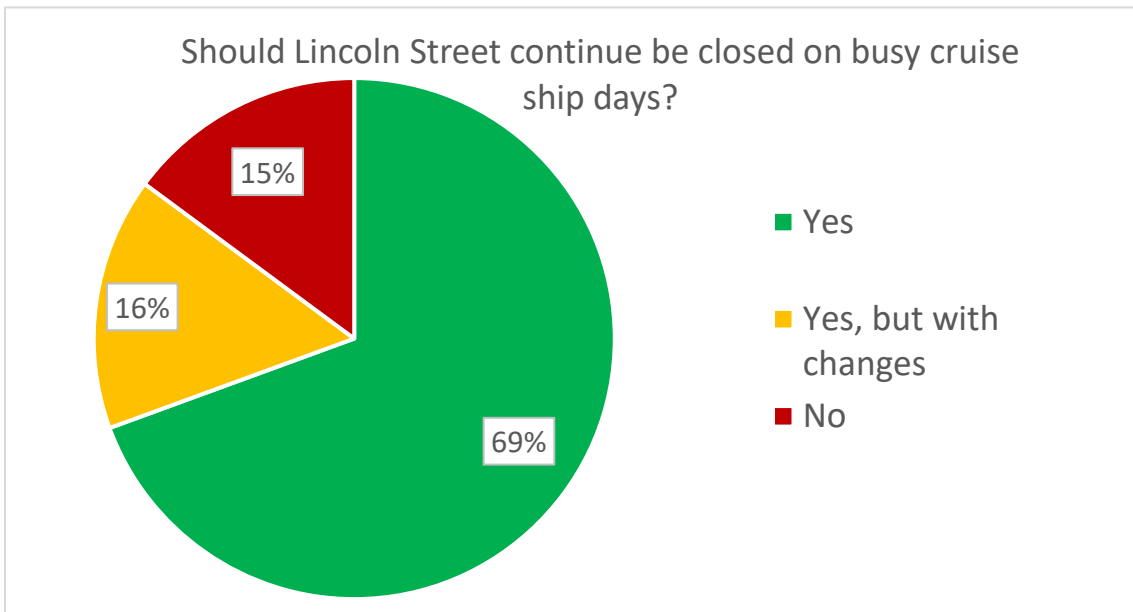
- Overcrowding (51%): Overcrowding on streets, parks/trails, general congestion detracts from sense of peace/serenity.
- Traffic Issues (24%): Frustration from traffic congestion, pedestrian/bike safety concerns, pollution.
- Loss of Usual Pace/Quality of Life (21%): Increased chaos, sense of urgency/franticness, less personal interaction.
- Other (4%)

## **Protecting Sitka's Character**

"Other than changing the number of cruise visitors, what are other things the City can do to protect/enhance Sitka's character?" (132)

- Improve Infrastructure and other Social Supports (37%): Fix roads and sidewalks, improve downtown aesthetics (street scape, outdoor gather spaces, planters, banners, landscaping, painting, St. Michael's repairs, Castle Hill repairs, empty store fronts), signage and integration of Tlingit place names, more maintenance of parks and trails, address housing and childcare shortages, protecting Sitka's rural status.
- Manage Visitor Impacts (20%): More passenger dispersal, staggered ship arrivals, preserve recreation areas for locals.
- Transportation (21%): Address traffic issues, limit/mitigate diesel buses or electrify buses, regulating e-bikes.
- Regulation of Industry (14%): Environmental regulations, regulation of the cruise ship dock, regulation on growth, use zoning regulations to enforce.
- Other (8%)

## Lincoln Street Closure

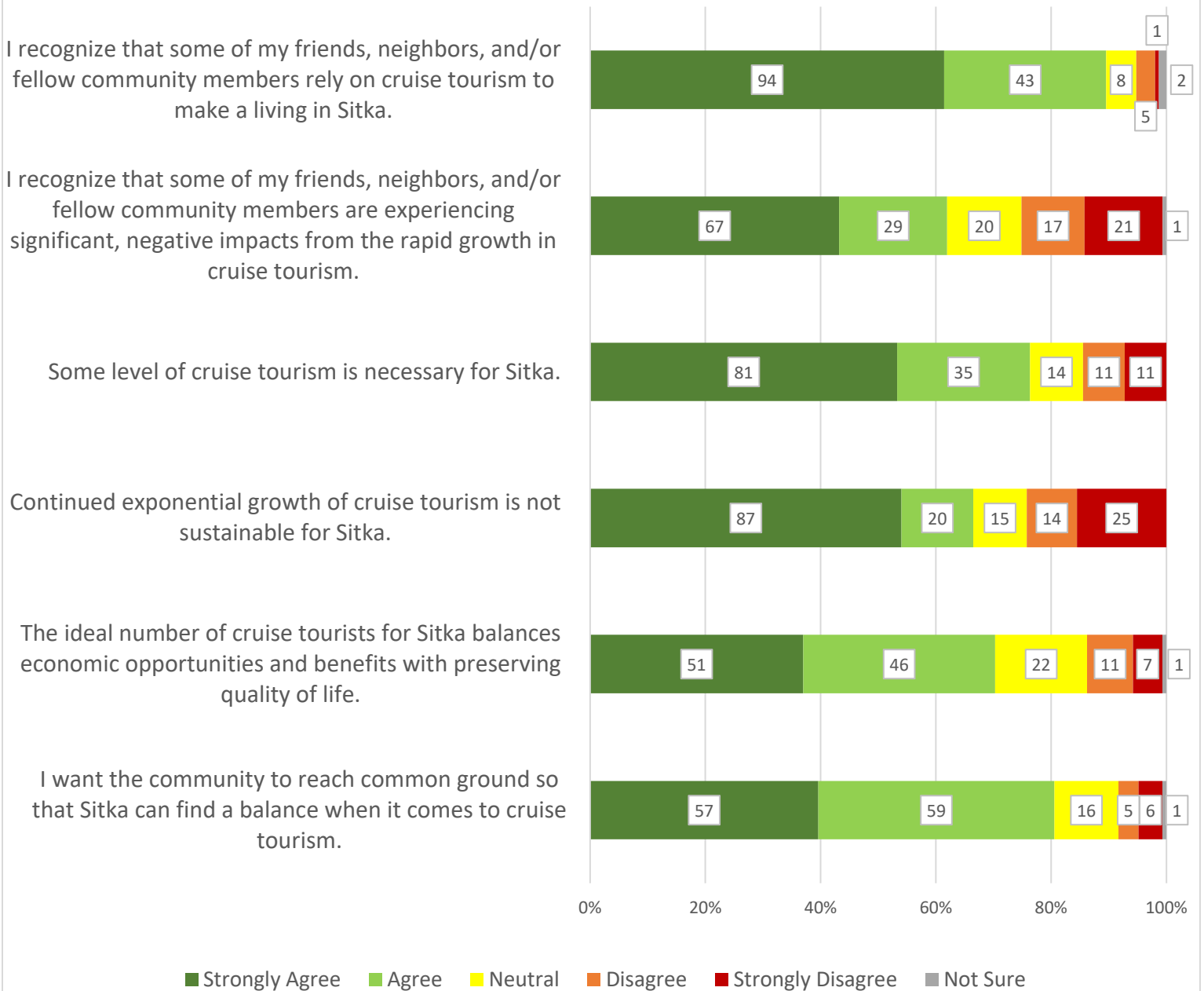


“Are there any changes you’d like to see with the Lincoln Street closures?” (85)

- Enhance Pedestrian Amenities & Aesthetics (28%): More benches/seating, tables, covered areas, food trucks, music, local art, planters, building maintenance, trash/cigarette receptacles, opportunities for locals to enjoy.
- Operational Changes (18%): More consistent schedule, better signage, different hours, movement of temporary restrooms, close west-end only, allow or limit bikes.
- Improve Facilities & Infrastructure (15%): Permanent conversion of Lincoln Street to one-way with wider sidewalks, more covered areas, power outlets for food vendors to eliminate generators, permanent bathroom facilities.
- Other Enhancements (10%): Better parking enforcement downtown, increased parking especially for handicapped/elderly, more wayfinding signage.
- Dislike Closures (13%): General dislike of closures, would like to see decline in passenger numbers necessitating closures.
- Like Closures (11%): General like/enjoyment of closures, would like to see permanent closure (3%)
- Other (4%)

## Finding Common Ground

### Finding Common Ground



## Economics & City Budget

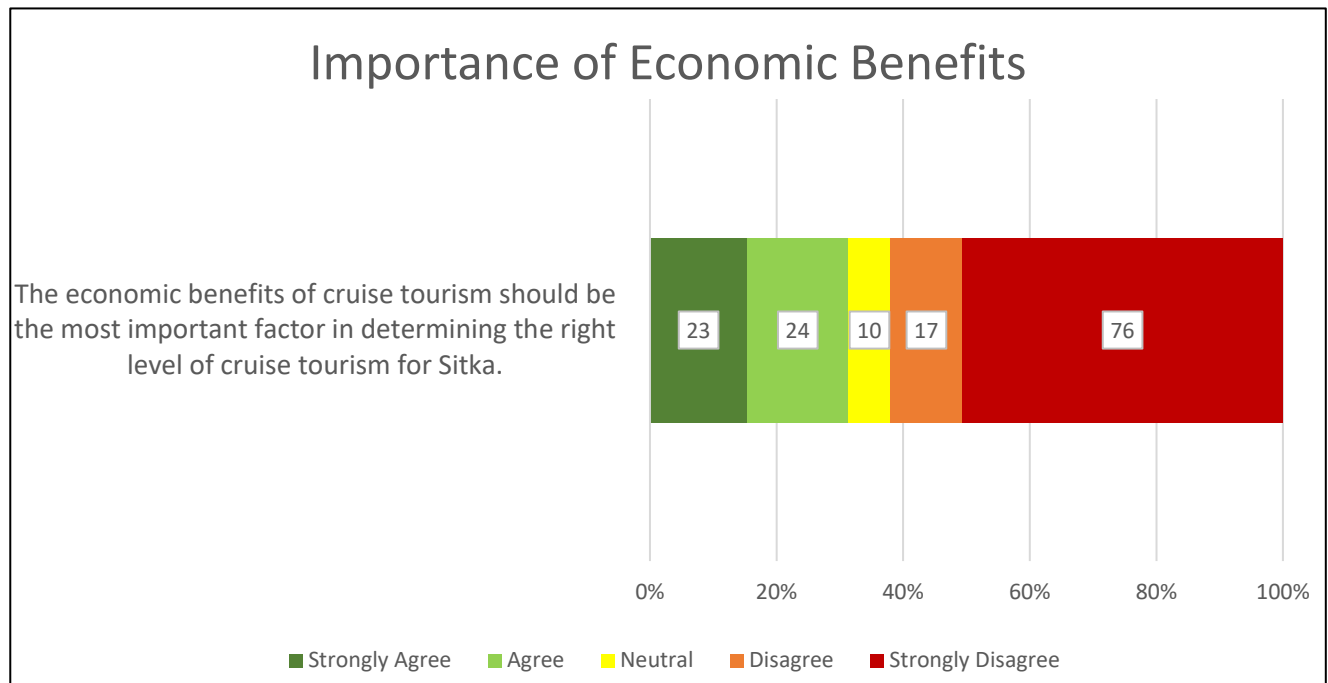
Seasonal Passenger Totals							
Predicted Revenues per Year*	0	150,000	250,000	350,000	450,000	550,000	650,000
Sales tax Revenue per Passenger	\$0	\$21.51	\$17.28	\$14.49	\$12.41	\$10.75	\$9.37
Total Sales Tax Revenue from Cruise Tourism	\$0	\$3.2M	\$4.3M	\$5.1M	\$5.6M	\$5.9M	\$6.1M
% of Current Year General Fund Budget	0%	8%	10%	12%	13%	14%	14%
Funding for School Buildings from Cruise Tourism**	\$0	\$540k	\$720k	\$850k	\$930k	\$990k	\$1M
Total CPV Tax Revenue***	\$0	\$800k	\$1.3M	\$1.8M	\$2.3M	\$2.8M	\$3.3M
Place a sticker in the column that balances the number of cruise visitors with available funding for City services & infrastructure****	<b>3%</b>	<b>4%</b>	<b>32%</b>	<b>18%</b>	<b>4%</b>	<b>22%</b>	<b>17%</b>

\*See Appendix, Methodology for predicting sales tax revenues at different levels of cruise tourism

\*\*1% of the 6% seasonal sales tax

\*\*\*(\$5/passenger)

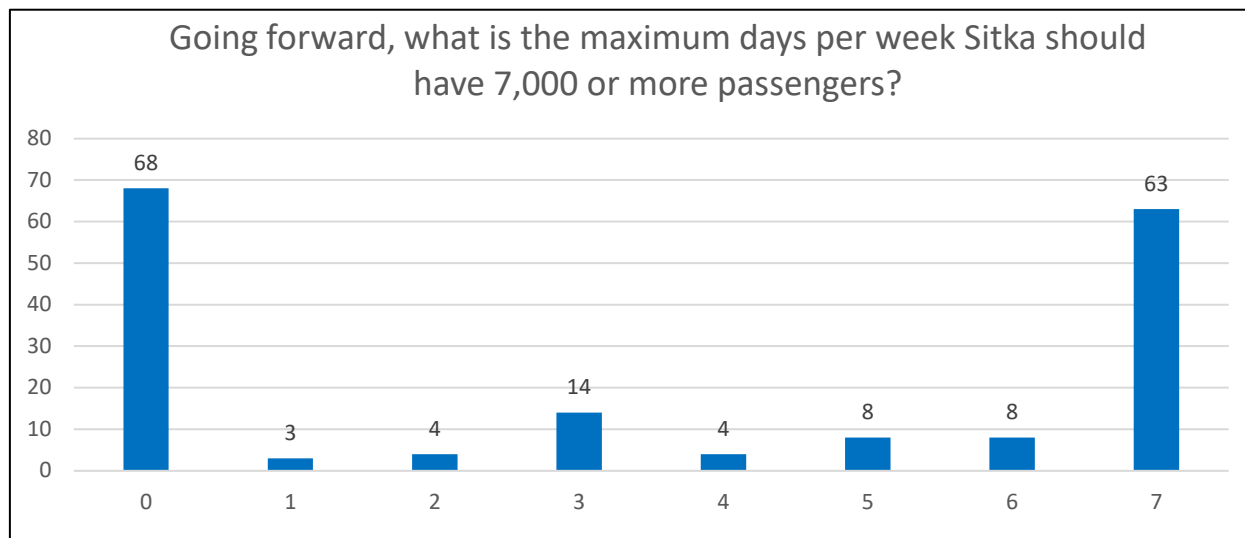
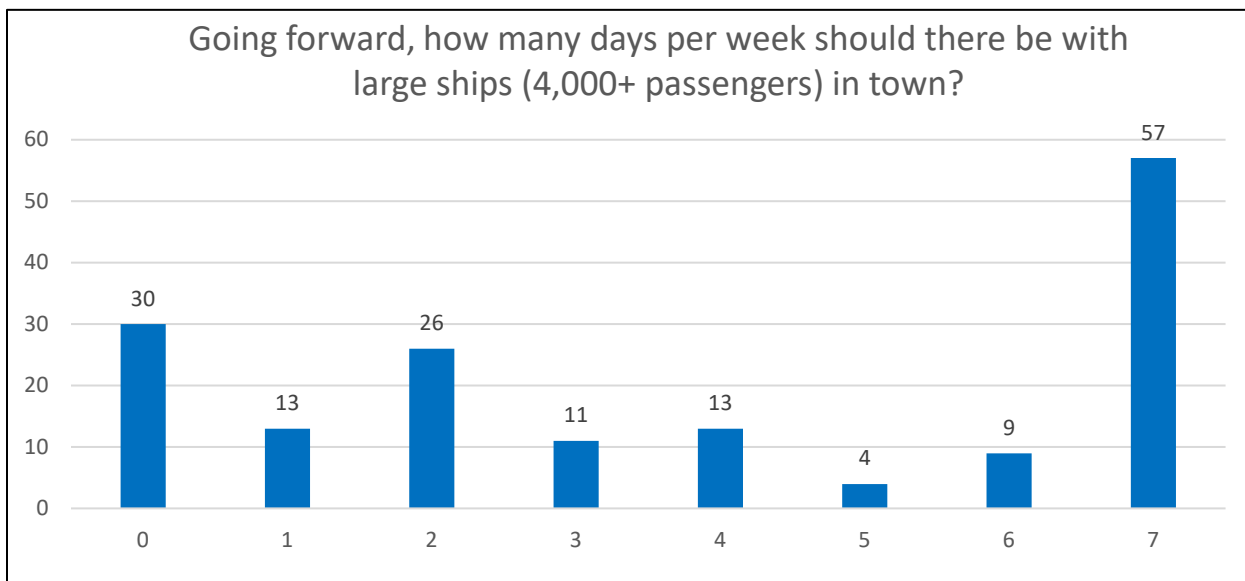
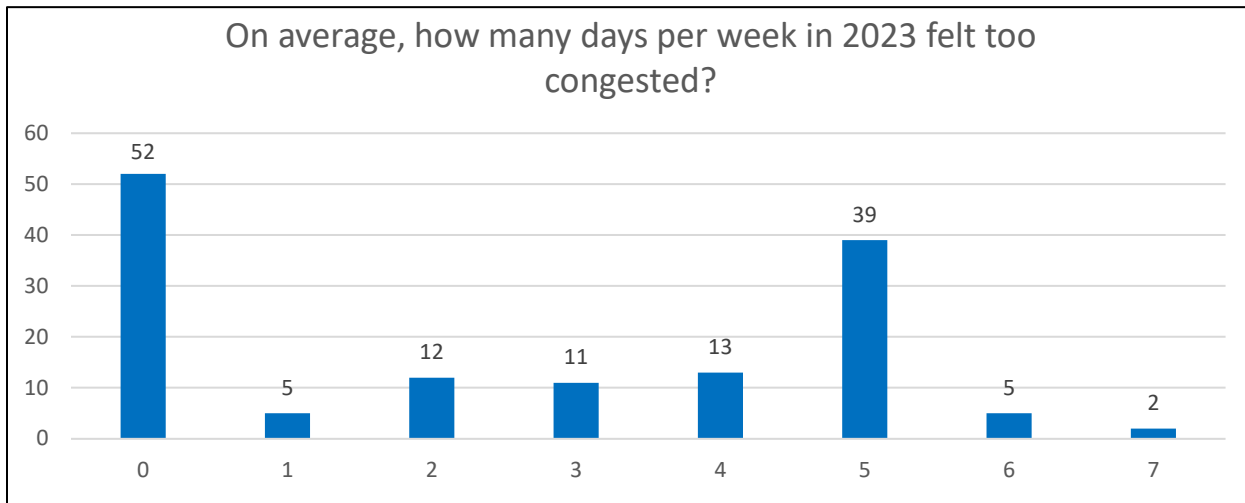
\*\*\*\*Total responses: 72



**Did you notice any patterns or trends related to overcrowding on particular dates, days of the week, or with specific ships?**

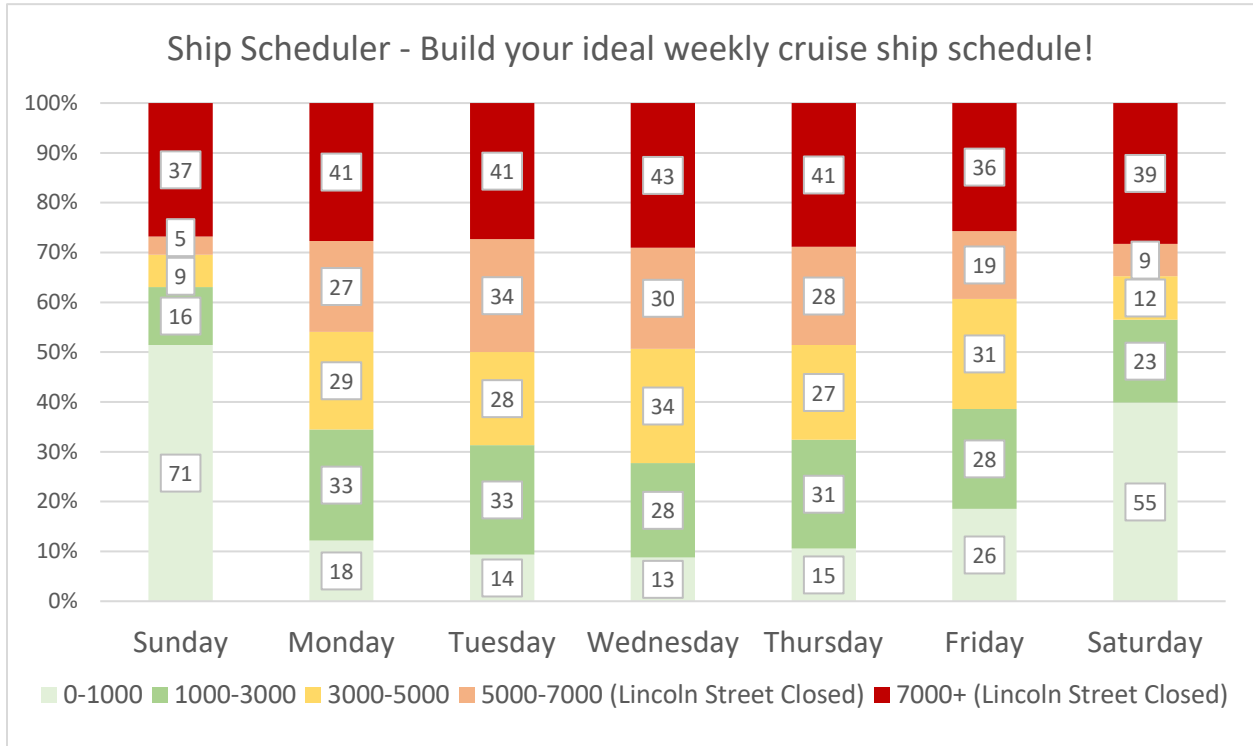
Observation	Description	% of Comments
Large/Neopanamax Ships	Days with large ships feel too crowded, passengers seem to have lower quality experience and less interest/local etiquette, more traffic and pollution issues on these days	22%
Busy Weekdays	Monday - Wednesday	2%
	Monday - Thursday	2%
Quiet Weekends	Friday	3%
	Friday - Sunday	2%
Specific Passenger Counts	3000+	5%
	4000+	3%
	5000+	6%
	7500+	2%
Staggered Arrivals	Congestion and tour operations are better when arrivals are staggered on multi-ship days	5%
General Negative Comments	Personally experienced impacts, general and/or consistent congestion, general observations about traffic and environment	32%
General Positive Comments	Busy days were well managed, lines moved quickly, did not feel overcrowded	9%

### Days per Week Questions

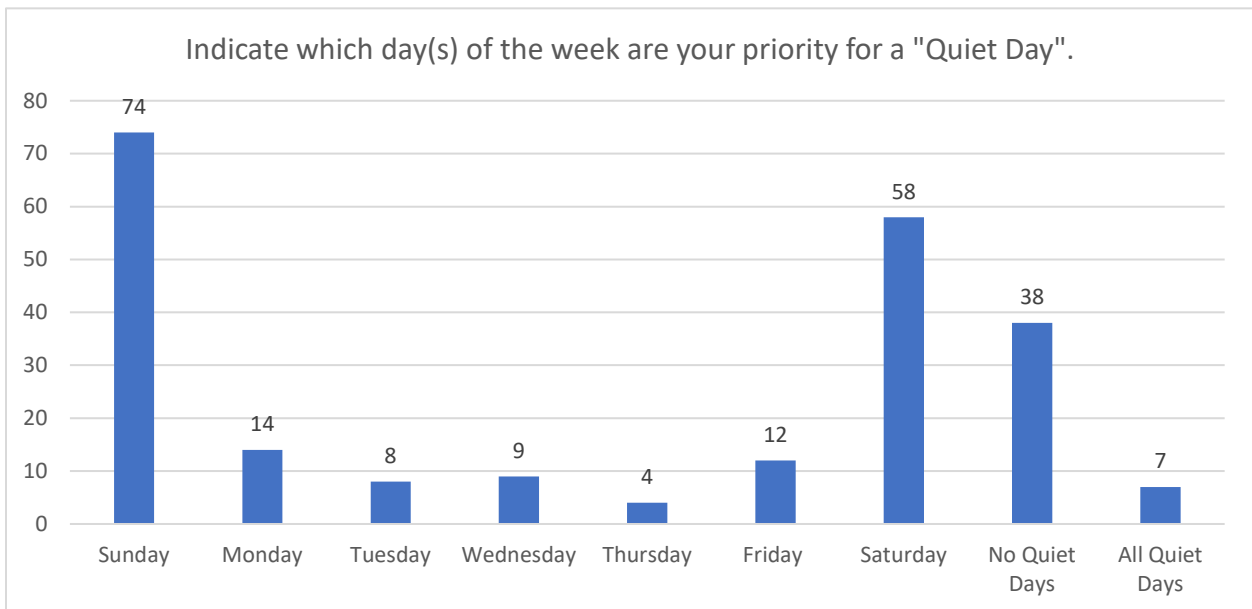




## Ship Scheduler

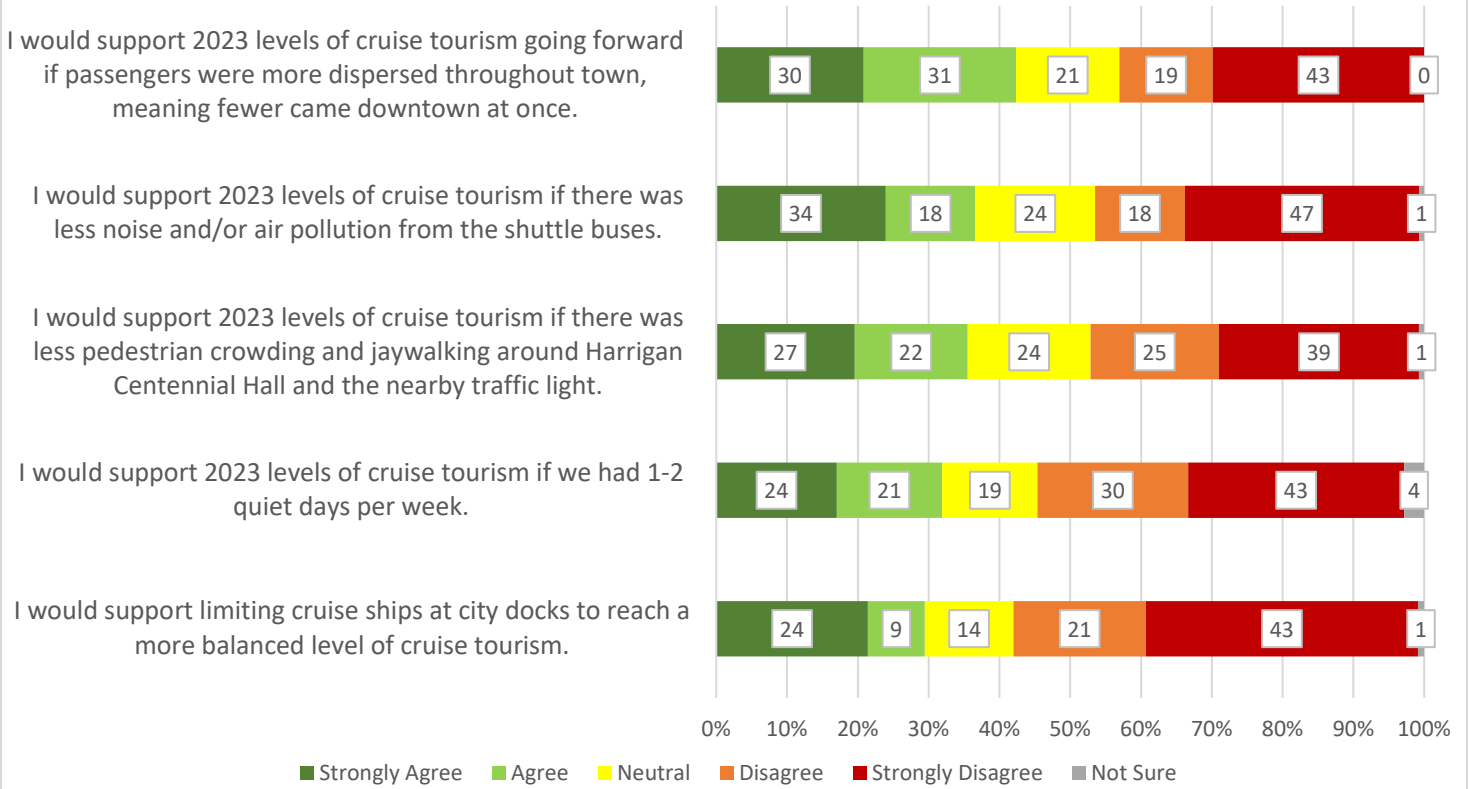


## Quiet Days



## Mitigations

### Mitigations



# Appendix

## Informational Sheets:

- What does sales tax pay for?
- Methodology for predicting sales tax revenues at different levels of cruise tourism
- What is “Infrastructure Funding”?
- What is “Funding for School Buildings from Cruise Tourism” and “Infrastructure Funding from Cruise Tourism”?
- What is CPV, and how is it used?

# WHAT DOES SALES TAX PAY FOR?

Sales tax revenue goes into the General Fund which pays for City operations such as:

- Fire Department
- Streets Maintenance
- Parks & Recreation
- Harrigan Centennial Hall
- Administration (Administrator, IT, HR)
- Clerk's Office
- Planning
- Building Officials
- Grants & Donations
- Police Department
- Parks & Building Maintenance
- Engineering & Project Management
- Supplemental School Funding
- City vehicles
- Library
- Legal
- Finance
- Assessing

Sales tax also pays for infrastructure such as municipal buildings, streets, sidewalks, and parks. A portion of sales tax is also transferred every year to our local permanent fund.

Sales tax revenue is “unrestricted”, which means that the funds can be used for any purpose the Assembly decides through the annual budget process.

This differs from other funds that are restricted such as **property taxes** which fund schools, **enterprise funds** which get their revenues from charging things such as utility rates, moorage, and other fees to pay for expenses, the **Commercial Passenger Vessel Excise Tax (CPV)** which pays for cruise-related expenses, and **Transient Lodging Tax (or “Bed Tax”)** which pays for visitor enhancement activities.

## Limitations of Sales Tax Data

Businesses report total monthly sales, and the tax due based on those sales. This means that there is not a good way to track the sales to cruise ship passengers – trying to do so would overly burden business owners. So, extrapolations have to be made to estimate the sales tax that comes from cruise ship passengers.

Increased sales tax revenue provides for increased or additional services, more maintenance of our general infrastructure such as buildings, streets, and parks, new infrastructure, and more savings in the local permanent fund.

# METHODOLOGY FOR PREDICTING SALES TAX REVENUES AT DIFFERENT LEVELS OF CRUISE TOURISM

In order to make predictions about sales tax revenue from cruise tourism, several assumptions had to be made. As with any modelling exercise, it's important to understand the assumptions made and the methodology used so that we can understand the results and their limitations.

## Assumptions:

- Determining the amount of sales tax from cruise tourism:
  - We do not have sufficiently detailed data to know the amount of tax revenue that comes directly from sales made to cruise visitors. So, 2021 was used as a baseline for what our sales tax revenue would be without cruise tourism since this was a summer season that had negligible cruise tourism but strong independent traveler visitation.
  - Year-to-year changes in sales tax revenue can be influenced by other factors and industries, so this is an imperfect way to measure sales tax revenue from cruise tourism. However, this is the best way to approximate it given the available data.
- Sales tax attributed to cruise tourism is measured in the months of April – October.
- The Remote Sellers sales tax revenue (tax from online sales) was removed.
- Due to a change in our local taxation rules, the actual sales tax rate for July – September 2023 was 5% rather than the usual 6% summer sales tax. The summer sales tax rate will be 6% again starting next year as voted on by Sitkans in the 2023 local election. To predict future sales tax revenue more accurately, the 2023 sales tax revenue was adjusted to reflect what it would have been at 6%.
- All numbers were adjusted for inflation and are stated in 2023 dollars to make an “apples to apples” comparison between years.

## Methodology Used:

- Additional sales tax revenue above the amount in 2021 for 2018, 2019, 2022, and 2023 is the amount attributed as sales tax revenue from cruise tourism in each year.
- Sales tax revenue per passenger was calculated by dividing the sales tax revenue from cruise tourism as explained above by actual passenger counts each year.
- Using the actual sales tax revenue per passenger as calculated above, a logarithmic function was used to create a mathematical model for predicting sales tax revenue per passenger.
- The resulting mathematical model was 97% accurate in predicting sales tax revenue per passenger for 2018, 2019, 2022, and 2023 which indicates that it is a very robust model that fits the actual results closely, meaning that it is a good model for making predictions given the assumptions made.
- The resulting predictions of total sales tax revenue from cruise visitation multiplies the model generated sales tax revenue per passenger by each level of cruise visitation (stated as a season passenger total).

# WHAT IS “INFRASTRUCTURE FUNDING”?

*Note: See the informational sheet titled, “What Does Sales Tax Pay For?” for important background information.*

## City Budget Process for Infrastructure

- Major repairs and replacements of general infrastructure, as well as new general infrastructure, are paid for primarily using sales tax revenue. Infrastructure related to an enterprise fund such as utilities, the harbors, the airport, etc., are paid for through the revenue raised through utility charges, moorage, and other fees.
- At the end of every fiscal year (which runs from July 1 – Jun 30), the budget is analyzed to see if there is a surplus in the General Fund, meaning that more revenue came in than was needed to cover operational expenses.
- If there is a surplus, some or all of the surplus is transferred to an account called the **Public Infrastructure Sinking Fund**. This is a pool of money that is available to fund repair and replacement of municipal buildings, streets, sidewalks, parking lots, and parks (“general infrastructure” for shorthand).
- The City maintains a “Capital Improvement Plan” which outlines all the upcoming capital needs including general infrastructure repairs and replacement. Every year, certain projects are prioritized and have a portion of the money needed to fund them set aside, so that over time the prioritized projects become fully funded.
- This means that additional sales tax revenue above operational expenses increases the funding available to keep general infrastructure in good shape, and decreases our need to cut services, borrow, or raise new revenue (i.e. taxes) to fund repairs/replacements, or simply forego repairing/replacing it.

## How much do we need for infrastructure?

- The prioritized projects are in the current fiscal year Capital Projects list. This list generally costs about **\$30 million** per year. This year, the prioritized projects received \$3.4 million from the Public Infrastructure Sinking Fund and other surpluses. The remainder is funded through the process of saving-up year-by-year, and through \$10.3 million of grant funding. This list includes projects that are in progress, and will need additional money set aside for them in future years. This list includes all General Fund capital projects, including general infrastructure capital projects.
- The Mid-to-Long Range Capital Improvement Plan identifies projects with deferred funding. The capital needs for general infrastructure projects on this list for the next four years is approximately **\$39 million**, with an additional **\$57 million** identified for 2029 – 2040.
- The Capital Improvement Plan is intended to identify our known capital needs, but unforeseen needs do arise. Additionally, school buildings while owned and paid for by the City are maintained by the school district, and so the capital needs for school buildings are not reflected in our current Capital Improvement Plans.

# WHAT IS “FUNDING FOR SCHOOL BUILDINGS FROM CRUISE TOURISM” AND “INFRASTRUCTURE FUNDING FROM CRUISE TOURISM”?

## Funding for School Buildings from Cruise Tourism

- When the seasonal sales tax rate of 6% was reinstated in the 2023 local election, it identified that the extra 1% charged in the summer months would be dedicated to funding the maintenance, repair, replacement, and/or construction of school building infrastructure.
- This means that 1/6 of all sales tax revenue from cruise tourism is dedicated to funding school buildings.

## Infrastructure Funding from Cruise Tourism

- As additional sales tax revenue is generated from cruise tourism spending, it can contribute to a surplus in the General Fund, which can then be transferred to the Public Infrastructure Sinking Fund.
- It's important to note that the visitor season straddles fiscal years, with April – June of any given year being in one fiscal year, and July – September being in the next. So, transfers to the fund, if any, are a blend of visitor seasons.
  - As an example, the transfer made this year of \$4.5 million was from July – September 2022, and April – June 2023.
  - This year, an additional \$1 million surplus was used for the community-wide utility subsidization, so the total surplus was \$5.5 million.

# WHAT IS CPV, AND HOW IS IT USED?

CPV is an acronym for the Commercial Passenger Vessel Excise Tax Fund. It's also commonly referred to as "the head tax", and is also called "CPET" by some.

This is a tax charged by the State of Alaska on commercial passenger vessels that provide overnight accommodations in the State's waters. The State charges \$46 per passenger, and then gives \$5 to each community that passenger visited (although this is limited to the first five communities the passenger visited). Communities may not impose their own head tax in addition to the State's unless they opt out of the State's.

## Limitations on Use

- Federal regulation on the use of funds such as CPV is defined under 33 U.S. Code 5(b), with principles rooted in the Commerce Clause and the Tonnage Clause of the U.S. Constitution.
- The State of Alaska also incorporated similar regulations to the federal regulations into Alaska State Statute (AS 43.52.230).
- The allowable uses under these regulations are:
  - **Improving port and harbor facilities and other services to properly provide for vessel or watercraft visits.**
  - **Enhancing the safety and efficiency of interstate and foreign commerce.**
- The State periodically audits our use of CPV funds to ensure they are used for allowable purposes under state law.

## So, what do we use CPV for?

- **Operations:** CPV is used to pay for operational expenses related to cruise tourism such as the Lincoln Street closures, seasonal staff positions such as port security for our lightering facilities, building attendants at Harrigan Centennial Hall, streets crew, and additional positions for emergency services. It also pays for equipment and supplies needed to support cruise visitors such as signage and sanitation, including the temporary restroom facilities that have been staged downtown for the last two seasons. About \$1 million was spent for operations in 2022, which was a higher number due to the large purchases of equipment such as the restrooms, barricades, ATV ambulance, etc. 2023 was significantly lower at about \$500,000.
- **Infrastructure:** CPV is also used for some community infrastructure that is used directly by cruise passengers. As these facilities are utilized by both cruise passengers and the community, these projects are usually funded with a combination of funds such as sales tax revenue as well as CPV revenue. Notable projects that used CPV funds include the renovations of Harrigan Centennial and the Sitka Public Library, the Seawalk, portions of the Cross Trail, and the Wayfinding Signage Project. CPV funding has also been dedicated for upcoming projects such as Lincoln Street Repaving and the Crescent Harbor Bathroom Replacement.

Currently, all of the City's operations related to cruise tourism, especially those that came out of the Short-Term Tourism Plan, are wholly funded by CPV funds. Sales tax is not used to subsidize these expenses. While CPV uses are quite limited, they can be used to help provide amenities that the community also utilizes and enjoys.