

Step 1

Discussion~Direction~Decision of the Administrator's Annual Recommended Transfer to the Public Infrastructure Sinking Fund.

An amount of \$1,100,000 is available for potential transfer. The Assembly must decide what action, if any, to take.

Step 2

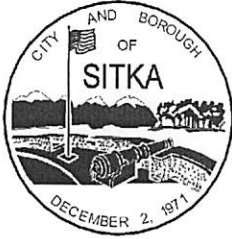
POSSIBLE OPTIONS

- Transfer \$0
- Transfer \$1,100,000 to the Public Infrastructure Sinking Fund.
- Transfer an amount other than \$1,100,000 to the Public Infrastructure Sinking Fund.
- Transfer \$_____ to the Public Infrastructure Sinking Fund and/or _____, _____, _____ Funds.
- Transfer \$_____ to the Public Infrastructure Sinking Fund and/or restrict \$_____ within the General Fund for _____, _____, _____ purpose.

Step 3

Make a motion based on the Assembly's discussion.

I MOVE TO _____.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: September 18, 2017

Subject: Administrator's Annual Recommended Transfer to the Public Infrastructure Sinking Fund

Issue:

The Administrator is presenting his annual recommendation concerning a transfer to the Public Infrastructure Sinking Fund, per the Sitka General Code. The Assembly must decide what action, if any, to take.

Facts:

1. Per SGC 4.45.020, Determination of the required balance of the public infrastructure sinking fund, the following analysis must be accomplished annually:

"Within ninety days after the start of each fiscal year, the administrator shall prepare an analysis of the general fund balance with an accompanying recommendation as to an amount of the general fund balance available for potential transfer to the public infrastructure sinking fund. This analysis shall first take into account any portions of the general fund restricted by Chapter 4.44A before recommending any further amounts for potential transfer to the public infrastructure sinking fund. (Ord. 12-30 § 4 (part), 2012.)."

2. Per 4.45.030, Assembly action, actions resulting from the Administrator's recommendation and incumbent responsibilities are as follows:

"Within sixty days after presentation of the annual analysis by the administrator, the amount determined by the administrator shall automatically be transferred to the public infrastructure sinking fund, unless a super majority of the assembly votes to change the recommended amount. (Ord. 12-30 § 4 (part), 2012.)"

Discussion:

1. In accordance with SGC 4.45.020, the attached analysis of the amount of the General Fund balance has been prepared, and it indicates that an amount of \$1,100,000 is available for potential transfer to the Public Infrastructure Sinking Fund. The Assembly must decide what action, if any, to take in regards to the balance.
2. If the Assembly either (1) decides to transfer an amount other than \$1,100,000 to the Public Infrastructure Sinking Fund, or (2) propose some other appropriation, it should do so via a motion.

Administration will then introduce a supplemental appropriation ordinance at a subsequent meeting to accomplish the required appropriation. Likewise, if the Assembly decides not to transfer any funds at all to the Public Infrastructure Sinking Fund, it should also do so via a motion; however, no follow-on supplemental appropriation will be introduced (as there will be none).

3. The Assembly could also discuss the motion and take no action, or, postpone the matter and take action later. Per the Sitka General Code, however, the recommended transfer would be automatic if no action were taken within 60 days. Per SGC 4.45.050, the Assembly could transfer the funds back to the General Fund at a later date if they were transferred automatically, but a super majority vote of the Assembly would be required to do so.
4. It is critically important to note that the transfer of funds into the Public Infrastructure Sinking Fund is not the same thing as authority to spend such funds. An additional future appropriation would be required to expend any funds in the Public Infrastructure Sinking Fund. SGC 4.45.040 sets forth the authorized uses for which funds in the Public Infrastructure Sinking Fund can be appropriated; the same code section also states that expenditure of such funds will be recommended by the Administrator in his/her annual budget.
5. The reason for, and source of, the surplus funds being considered for transfer was frugality in the execution (spending) of the FY2017 General Fund budget. 97% of the total General Fund expenditure appropriation was spent while the Municipality achieved 101% of its anticipated revenue for the fiscal year.

Analysis of Alternatives (Pros and Cons):

1. It is a known fact that the Municipality has a large amount of deferred maintenance for general governmental infrastructure, and, that the amount is increasing annually. The concept of codifying the annual transfer recommendation from the General Fund into the Public Infrastructure Sinking Fund was to ensure that consideration of funding deferred maintenance was accomplished first before any other potential uses of General Fund surpluses were suggested. Enacting the Administrator's recommendation ensures that deferred maintenance is attended to first when extra funds are identified.
2. A ramification of the transfer, however, is that it potentially limits Assembly options for use of such funds if unanticipated requirements arise. It is still possible, however, to transfer funds back to the General Fund with a super majority vote; this provision was put into place to ensure the funds were not completely locked up in case of a pressing need (but were still hard to get at in case a split Assembly wanted to spend the funds on a discretionary purpose).
3. A consequence of any decision to transfer funds out of the General Fund to the Public Infrastructure Sinking Fund is that such a transfer will be treated as a transfer expenditure for purposes of the execution of the FY2018 General Fund budget. When examining the General Fund budget in the context of just one singular year, the transfer expenditure would have the effect of adding to the annual budget deficit for FY2018. This accounting consequence has been confusing and bedeviling in past years. When examined, however, over the course of multiple years, the proposed transfer is the movement and physical segregation of an increase in the undesignated, available fund balance in the General Fund to a separate fund in which expenditures of funds are limited for specific purposes. The same limitation could be accomplished by restriction of the fund balance within the General Fund; however, the physical movement to, and segregation in, a separate fund gives greater visibility to the restriction of purpose for which the funds can be spent.

Recommendation:

Administration recommends that the amount of \$1,100,000 be transferred to the Public Infrastructure Sinking Fund IAW SGC 4.45.020, and, that the Administrator prepare a budget ordinance to accomplish the transfer.