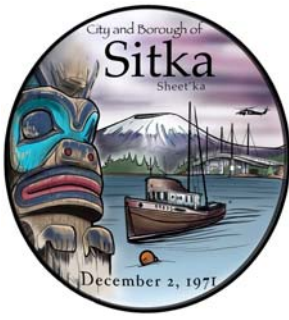


## **Step 1**

**Discussion / Direction / Decision**  
of the Municipal Administrator's annual recommended transfer to the Public Infrastructure Sinking Fund.

## **Step 2**

**I MOVE TO** transfer \$4,500,000 to the Public Infrastructure Sinking Fund and make this transfer effective June 30, 2023.



# CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

## MEMORANDUM

**To:** Mayor Eisenbeisz and Assembly Members

**From:** John Leach, Municipal Administrator

**Date:** September 21, 2023

**Subject:** Recommendation for transfer to the Public Infrastructure Sinking Fund

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### **Background**

Per the Sitka General Code 4.45.020 the Administrator must make a recommendation to the assembly on an amount to transfer to the Public Infrastructure Sinking fund for future appropriation to infrastructure projects:

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.).

### **Analysis**

June 30 of each year normally represents the cyclical period of lowest cash balances for the General Fund. For this reason, we base the recommendation for transfer to the Public Infrastructure Sinking fund on our financial position as of June 30.

As of June 30th, 2023, the preliminary undesignated fund balance of the General Fund was at a similar level as the prior year (prior to the June 30, 2022 transfer to the Public Infrastructure Sinking Fund. This is due to a number of factors, including:

- Continued pandemic relief funding (ARPA/LATCF) that was able to be dedicated to revenue replacement (allowing for the flexibility to use surpluses for capital without the federal funding restrictions).
- Sales tax revenues continue to exceed historic highs, which will be a critical resource to fund both operations and infrastructure as pandemic relief funding is fully expended.

Ultimately the fact that we have carefully monitored the growth of our fund balance,

while prioritizing investment in our town's infrastructure means that we have been able to maintain required liquidity while providing the core services expected of the municipality during a major economic downturn. With the FY22 transfer to the PISF allowing for stronger than in prior years infrastructure investment in FY24 we are hopeful that we will be able to get on track with projects that had been delayed during the pandemic. While the funding we have available is higher than in previous years, it is important to keep in mind that the cost of construction is increasing significantly, so the funding will not go as far.

**Fiscal Note**

The proposed transfer of \$4.5M would bring the unassigned balance of the General Fund to \$7.9M, allowing flexibility to appropriate funds early in FY2024 to provide critical matches for federal funding (which, if appropriated, would impact the unassigned fund balance at the end of FY24). The attached table shows the full analysis of the fund balance at the end of FY23.

**Recommendation**

Approve the transfer of \$4.5 million to the Public Infrastructure Sinking Fund effective June 30, 2023.

Calculation of cash/equivalent required liquidity balance per SCG 4.44A.010		
	<b>Budgeted Expenditures FY23 (less Transfers)</b>	Divided by 4 = min. required liquidity
<b>Total Budgeted Expenses:</b>	\$ 41,040,437	
<b>Encumbrances rolling to FY24</b>	\$ (526,124)	
<b>Less Interfund Transfers</b>	\$ (9,326,436)	
	<b>\$ 31,187,877</b>	<b>\$ 7,796,969</b>
<b>Total General Fund analysis of adjusted net assets</b>		<b>Preliminary FY23</b>
Total Assets		\$ 30,418,478
Liabilities		\$ (4,924,491)
<b>Preliminary 6/30/2023 total Net Assets/Fund Balance</b>		<b>\$ 25,493,987</b>
Fund balance committed-liquidity		\$ 7,796,969
Non spendable (advances to other funds)		\$ 3,279,840
Fund balance made up of receivables		\$ 6,051,351
Fund balance committed for emergency purposes		\$ 2,000,000
Assets available for potential transfer into PISF		\$ 6,365,827
<b>Fund Balance June 30, 2022</b>		<b>\$ 20,239,873</b>
<b>Change June 30, 2022 to June 30, 2023</b>		<b>\$ 5,254,114</b>
<b>Unassigned fund balance June 30, 2019</b>		<b>\$ 5,716,004</b>
<b>Unassigned fund balance June 30, 2020</b>		<b>\$ 3,827,823</b>
<b>Unassigned fund balance June 30, 2021</b>		<b>\$ 7,893,414</b>
<b>Unassigned fund balance June 30, 2022</b>		<b>\$ 6,502,122</b>
<b>Preliminary unassigned fund balance June 30, 2023 (prior to PISF transfer)</b>		<b>\$ 12,417,178</b>
<b>Other considerations:</b>		
Matching funds for grants in FY24 (Safe Streets, others yet to be determined)		\$ 500,000
<b>Recommended transfer to Public Infrastructure Sinking Fund 6/30/2023:</b>		<b>\$ 4,500,000</b>
<b>Preliminary unassigned fund balance at 6/30/2023 after transfer</b>		<b>\$ 7,917,178</b>