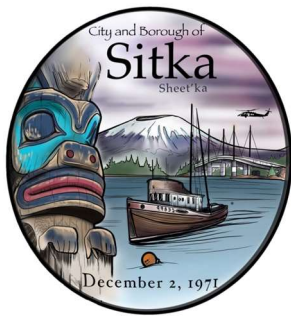


Step 1

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

Step 2

I MOVE TO approve the transfer of \$3.2 million to the Public Infrastructure Sinking Fund and make this transfer effective June 30, 2025.



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator 

Date: September 15, 2025

Subject: Recommendation for Transfer to the Public Infrastructure Sinking Fund

Background

Per Sitka General Code (SGC) 4.75.020, the Administrator must make a recommendation to the Assembly on an annual amount to transfer to the Public Infrastructure Sinking Fund (PISF) for future appropriation to infrastructure projects:

“Within 90 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 4.50 SGC before recommending any further amounts for potential transfer to the public infrastructure sinking fund.”

Analysis

June 30 typically represents the period with the lowest cash balances for the General Fund. For this reason, the recommended transfer to the PISF is based on the financial position as of June 30.

The overall General Fund surplus has increased compared to the prior year, even though expenditures were higher. Much of this surplus is attributable to staff vacancies, which significantly reduced personnel costs and related expenditures. These savings are not expected to continue at the same level over the long term.

As a safeguard, some funding that could have been available to transfer to the PISF as of June 30, 2024, was held back from the FY2024 transfer to address potential needs identified last year, including significant projects already underway and the possible need for matching funds if new grants were awarded. While not all these contingencies required funding in FY2025, those needs may still arise in the near future.

Revenues:

Revenues for FY2025 were on budget, but approximately \$600,000 lower than FY2024. The prior year included the final tranche of federal relief funding, which is no longer available. In addition, Secure Rural Schools funding from the State of Alaska came in significantly lower than expected due to the expiration of the previous federal bill.

While this impact was partially offset by not passing through the school funding portion, the half dedicated to street maintenance did impact the General Fund. These reductions were largely offset by strong property tax collections, investment earnings, and a donation from the Pacific States Marine Fisheries Commission (transferred out to the haul-out project).

Expenditures:

General Fund expenditures at year-end (excluding transfers) were 86% of the amended budget, representing an increase of approximately \$1.5 million compared to the prior year. This year-over-year increase is primarily attributable to CBS assuming operation of the Blatchley swimming pool and maintenance of the CBS buildings occupied by the Sitka School District.

Despite this increase, expenditures for FY2025 came in nearly \$5.2 million below budget, largely due to staff vacancies. In addition to lowering direct payroll costs, vacancies also reduced spending on goods, services, and other expenses tied to staff activity.

Capital Project Fund:

At year-end, unspent appropriations of working capital in the Capital Project Fund totaled approximately \$16.7 million, including \$4.5 million in new appropriations from FY2025. Several projects remain in the planning or design stage, while others are gradually building sufficient working capital to proceed.

Inflation continues to place significant upward pressure on project costs; in some cases, we're seeing these costs increase by 15-25% annually, compared with prior estimates of 5-10%. Although the CBS engineering department is fully staffed, the team supports the entire organization, not just the General Fund, which limits overall capacity.

Current priorities include projects such as the GPIIP haul-out, the airport terminal, the seawall, the seaplane base, and significant wastewater projects. Some of these projects, particularly those supported by federal or state grants, carry time constraints, which elevates their priority.

Fiscal Note

The recommended amount to transfer to the Public Infrastructure Sinking Fund for FY2025 is \$3.2 million. This funding will be available for appropriation during the FY2027 budget process and will bring the total PISF balance to just over \$4 million.

With this transfer, the total General Fund balance for FY2025 would be \$24.8 million, with \$10.9 million unassigned. This transfer amount ensures funding will be available in the FY2027 budget process to fund key projects, while ensuring that there is also sufficient fund balance in the General Fund to address more immediate needs, including leveraging federal funding for priority capital projects. It also maintains a healthy overall fund balance.

Preliminary Figures:

The figures presented in this memo are preliminary. While no significant changes are anticipated during the course of closing out the fiscal year and preparing for audit, some variances may occur when compared to the final audited financial statements for FY2025.

City and Borough of Sitka			
Administrator's Recommendation of Assets Available For Transfer			
to the Public Infrastructure Sinking Fund			
Calculation of cash/equivalent required liquidity balance per SCG 4.44A.010			
	Budgeted Expenditures FY25 (less Transfers)	Divided by 4 = minimum required liquidity	
Total Budgeted Expenses:	\$ 45,786,998		
Encumbrances rolling to FY26	\$ (629,201)		
Less Interfund Transfers	\$ (7,700,153)		
	\$ 37,457,644	\$ 9,364,411	
Total General Fund analysis of adjusted net assets			Preliminary FY25
Total Assets			\$ 32,251,088
Liabilities			\$ (4,251,681)
Preliminary 6/30/2025 total Net Assets/Fund Balance			\$ 27,999,406
Fund balance committed-liquidity			\$ 8,790,618
Non spendable (advances to other funds)			\$ 3,132,832
Minimum unassigned fund balance			\$ 6,800,000
Fund balance committed for emergency purposes			\$ 2,000,000
Assets available for potential transfer into PISF			\$ 7,275,957
Preliminary unassigned fund balance June 30, 2025 (prior to PISF transfer)			\$ 14,075,957
Unassigned fund balance June 30, 2024			\$ 7,856,510
Unassigned fund balance June 30, 2023			\$ 6,501,358
Unassigned fund balance June 30, 2022			\$ 6,502,122
Unassigned fund balance June 30, 2021			\$ 7,893,414
Unassigned fund balance June 30, 2020			\$ 3,827,823
Unassigned fund balance June 30, 2019			\$ 5,716,004
Other considerations:			
There is a foreseeable need for matching or supplemental funding to advance several significant federally funded and community-priority projects, including the Marine Service Center seawall repairs, airport terminal improvements, Lincoln Street utility upgrades, and the seaplane base. In addition, the long-term operational requirements for the new airport terminal and the GPIIP haul-out facility remain uncertain.			\$ 4,000,000
Recommended transfer to Public Infrastructure Sinking Fund 6/30/2025:			\$ 3,200,000
Preliminary unassigned fund balance at 6/30/2025 after transfer			\$ 10,875,957
Preliminary total fund balance at 6/30/2025 after transfer			\$ 24,799,406

Recommendation

Approve the transfer of \$3.2 million to the Public Infrastructure Sinking Fund, effective June 30, 2025.