

Memo

Thru: Jim Dinley, Municipal Administrator

To: City and Borough of Sitka Assembly

From: Jay Sweeney, Finance Director

Date: 1/15/213

Re: Transfer of General Fund Balance to Public Infrastructure Sinking Fund

On October 9, 2012, the Assembly approved Ordinance 12-30 on third and final reading. The ordinance established a new Chapter 4.45 of the Sitka General Code which in turn, created a Public Infrastructure Sinking Fund.

Section 4.45.02 of the SGC requires that the Administrator, within 90 days after the start of each fiscal year, prepare an analysis of the General Fund balance with accompanying recommendation as to how much is potentially available for transfer to the Public Infrastructure Sinking Fund.

Ninety days after the start of FY2013 was September 28; thus the ordinance was passed after the period has elapsed for FY2013. Accordingly, no recommendation was made to the Assembly in accordance with Section 4.45.02.

Assembly Member Reif, during recent discussions with the Administrator, expressed concern about this technicality. Mr. Reif asked that an analysis and accompanying recommendation still be developed and presented to the Assembly the FY13 even though the period for doing so had elapsed. The accompanying analysis and associated ordinance accomplishes Assembly Member Reif's request.

The analysis and associated recommendation are tied to key underlying assumptions as to what exactly composes fund balances, and, what is appropriate for transfer.

An undesignated General Fund balance encompasses the excess of assets over liabilities. This excess of assets may not necessarily be cash. For example, receivables, prepayments and inventories are assets that are not cash. Considering this, we have made key assumption that Administration would only consider the cash portion of the undesignated General Fund balance as being available for transfer.

In addition, a sizeable portion of the undesignated General Fund balance not available in cash, sales taxes collected but not yet remitted, are already planned to fund FY2013 General Fund operations. Accounting rules require that these uncollected sales taxes be accounted for as an asset, but they are not available in cash and are collected by the CBS during July and August.

As the analysis shows, Administration's recommendation of an amount to transfer is \$658,000.

**City and Borough of Sitka
Recommendation of Amount for Transfer to
General Infrastructure Renewal and Replacement Sinking Fund**

Administrator's Recommendation for Transfer to Infrastructure Repair and Replacement Sinking Fund

Cash and Cash equivalents, June 30, 2012	12,105,977	
Less Cash and cash assets reserved and restricted	(10,509,698)	
Less short-term payroll taxes withheld and payables	<u>(938,374)</u>	
Net cash and Cash Equivalents:		<u><u>657,905</u></u>
Recommended amount for Transfer:		<u><u>658,000</u></u>

Note:

Accounting guidelines require the recording of sales taxes collected by vendors but not yet remitted as assets. These assets, however, are used to pay for following year expenses (payroll, etc.) which are not accrued. For this reason, these taxes are not considered as an available asset for funding anything other than the following fiscal year's approved budget.