

Step 1

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

Note: An amount of \$679,320 is available for potential transfer. The Municipal Administrator is recommending a transfer not be made – see attached memo and SGC Chapter 4.45.

Step 2

I MOVE TO transfer \$0 based on the recommendation of the Municipal Administrator.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
From: Keith Brady, Municipal Administrator
Date: September 21, 2018
Subject: Transfer to Public Infrastructure Sinking Fund

Executive Summary

Accompanying this memorandum is my recommendation of an amount of the General Fund balance available for transfer into the Public Infrastructure Sinking Fund (PISF). For FY2019, no transfer is being recommended.

Background and Discussion

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."

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."

Per 4.45.040, Assembly shall annually appropriate from the PISF for General Fund Capital Projects.

"The assembly shall annually appropriate an amount from the public infrastructure sinking fund to be used exclusively for the repair and replacement of general fund municipal buildings, streets, sidewalks, parking lots, and parks as recommended by the administrator in his annual budget."

4.45.050 Emergency transfer of the sinking fund.

"The assembly shall have the authority to transfer any portion of the public infrastructure sinking fund to the general fund in the case of an emergency threatening public health, safety, or welfare which requires use of public funds. Such a transfer shall require an approval of a super majority of the assembly."

The attached analysis of the amount of the General Fund balance has been prepared by Jay Sweeney, and it indicates that an amount of \$679,320 is available for potential transfer to the PISF. This money is set aside when there is a surplus so that Public Works has funding to help alleviate the significant back log in maintaining the CBS infrastructure (deferred maintenance) for General Fund Capital Projects for buildings, streets, sidewalks, parking lots, and parks.

There is a potential this year (FY19) of running a deficit budget—contributing factors are unforeseen expenses relating to the hospital sale and the potential reinstatement of the senior tax exemption. Should we run a deficit next year and have put this year's surplus into the PISF, then we will further reduce the amount of undesignated working capital in the general fund, which has already been decreasing.

A pro would be to ensure that there is at least some funding available for general fund capital projects in what is sure to be another difficult budget year. This con here is that it would take a super majority to appropriate money out of the PISF, should additional expenses/further deficit arise, which would further reduce the level of Undesignated Fund Balance.

Recommendation

In consideration of all this, I am recommending no transfer to the PISF. However, rather than leave it in Unrestricted Fund Balance, I want to track the balance by setting up a line item in the General Fund Interim Financial Statements for internal tracking. This will help us be able to track this portion of fund balance for infrastructure for next year.

City and Borough of Sitka
 Administrator's Recommendation of Assets Available For Transfer
 to the Public Infrastructure Sinking Fund
 FY2019

	FY18		
	Annual		
	Operating		
	Outlays	Divided	
	Less	By	
	<u>Transfers</u>	<u>Four</u>	
Total Expenses:	\$ 27,747,465		
Less Interfund Transfers	\$ 4,421,799		
	\$ 23,325,666	\$ 5,831,417	
Assets available for transfer to the public infrastructure sinking fund are computed as follows:			
All assets in the General Fund as of 6/30/2018		\$	17,737,066
Less:			
Receivables and taxes collected but not yet remitted:		\$	(4,062,648)
Advances and amounts due from other funds and component units		\$	(625,913)
Seasonal 1% Sales Tax Transfer Not Yet recorded:		\$	(1,308,084)
Prepaid expenses:		\$	-
Total Liabilities		\$	(1,703,635)
FY2018 6/30/18 General fund encumbrances which do not lapse (by Charter)		\$	(133,998)
Committed fund balance for 90 days operating expenses designated for liquidity (from above)		\$	(5,831,417)
Committed fund balance for catastrophic emergency response		\$	(1,924,087)
Other nonspendable, restricted, committed, and assigned fund balances		\$	(1,190,277)
Less FY18 Budget Carryovers (approved ORD 2018-37)		\$	(122,735)
Less FY19 Budgeted Deficit (use of fund balance)		\$	(154,953)
Potential Assets Available For Transfer :		\$	679,320
Less unknown requirement for SCH business sale expenses:		\$	(679,320)
Administrator Recommended Transfer:		\$	-

Basic reason for having available surplus funds for transfer:

General Fund FY2018 Performance:

	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>	
Revenues	\$ 27,039,340	\$ 28,999,660	\$ 1,960,320	
Expenditures	\$ 28,474,015	\$ 27,747,465	\$ 726,550	<---Only spent 97.5% of budget (93% in FY17)
			\$ 2,686,870	

City and Borough of Sitka
History of Transfers to and From Public Infrastructure Sinking Fund

<u>Year</u>	<u>Transfers</u> <u>In</u>	<u>Investment</u> <u>Earnings</u>	<u>Transfers</u> <u>Out</u>	<u>Ending</u> <u>Balance</u>
2013	\$ 822,776.00	\$ 27,030.00	\$ -	\$ 849,806.00
2014	\$ 653,219.00	\$ (4,095.00)	\$ (1,480,544.00)	\$ 18,386.00
2015	\$ 1,650,000.00	\$ 54,277.00	\$ -	\$ 1,722,663.00
2016	\$ 1,000,000.00	\$ 37,576.00	\$ (1,630,000.00)	\$ 1,130,239.00
2017	\$ -	\$ 16,520.00	\$ (1,120,000.00)	\$ 26,759.00
2018	\$ 1,100,000.00	\$ 17,439.00	\$ -	\$ 1,144,198.00
Budgeted/Proposed				
2019	\$ -	\$ 17,439.00	\$ (1,000,000.00)	\$ 161,637.00

Use of Transfers Out

2014	\$ 1,480,544.00	Edgecumbe Drive Street Paving
2016	\$ 1,630,000.00	Multi-Street Paving
2017	\$ 1,120,000.00	Multi-Street Paving

FY18 Historical Comparison

City and Borough of Sitka Administrator's Recommendation of Assets Available For Transfer to the Public Infrastructure Sinking Fund

	FY17 Annual Operating Outlays Less <u>Transfers</u>	Divided By <u>Four</u>	
Total Expenses:	\$ 28,043,012		
Less Interfund Transfers	<u>\$ 4,136,323</u>		
	\$ 23,906,689	\$ 5,976,672	
Assets available for transfer to the public infrastructure sinking fund are computed as follows:			
All assets in the General Fund as of 6/30/2017			\$ 17,301,631
Less:			
Receivables and taxes collected but not yet remitted:			\$ (3,693,219)
Advances and amounts due from other funds and component units			\$ (824,414)
Prepaid expenses:			\$ (1,134)
Total Liabilities			\$ (1,756,491)
FY2017 6/30/17 General fund encumbrances which do not lapse (by Charter)			\$ (126,811)
Committed fund balance for 90 days operating expenses designated for liquidity (from above)			\$ (5,976,672)
Committed fund balance for catastrophic emergency response			\$ (1,375,586)
Other nonspendable, restricted, committed, and assigned fund balances			\$ (1,724,717)
Less FY16 Budget Carryovers (approved ORD 2017-23)			\$ (345,250)
Less FY17 Budgeted Deficit (use of fund balance)			<u>\$ (345,778)</u>
Potential Assets Available For Transfer :			<u>\$ 1,131,559</u>
Administrator Recommended Transfer:			<u>\$ 1,100,000</u>

Basic reason for having available surplus funds for transfer:

General Fund FY2017 Performance:

	<u>Budgeted</u>	<u>Actual</u>	<u>Difference</u>	
Revenues	\$ 28,730,951	\$ 29,067,507	\$ 336,556	
Expenditures	\$ 30,245,849	\$ 28,043,012	<u>\$ 2,202,837</u>	<---Only spent 93% of budget
			<u>\$ 2,539,393</u>	