

Sitka Community Hospital Fund Analysis for Proposed Ballot Proposition

PERS Past Service Cost

PERS past service cost liability is the amount a former employer still owes to the Public Employees’ Retirement System (PERS) for retirement benefits earned by its employees before the employer left the system. Even though the employer no longer participates in PERS, it is still responsible for paying its share of retirement costs that were not fully funded at the time.

The amount owed for the Hospital’s participation in PERS remains the fund’s most significant expenditure. While there haven’t been consistent trends over the past six years, the amount owed has been steadily increasing since FY2024.

Fiscal Year	PERS Cost	% Change
2020	1,156,970	
2021	1,288,979	11.41%
2022	1,326,310	2.90%
2023	1,149,686	-13.32%
2024	1,263,918	9.94%
2025	1,331,694	5.36%
2026	1,423,011	6.86%

Fund Health

There have been no significant changes since the Finance Director’s analysis last year. While the FY2024 financials reflect a deficit of (\$30,830), the overall health of the fund continues to improve. Any surplus generated is being used to build equity in preparation for repaying the advance from the General Fund.

The SCH Fund still owes \$3.125 million to the General Fund for an advance used to settle the OIG Stark liability in FY2020. Once the liability is resolved, the escrow accounts—funded by SEARHC’s annual payments of \$700,000—will be released. At that point, the fund is expected to have sufficient equity to repay the General Fund and begin building a positive unassigned fund balance. A timeline for resolving the remaining liability has not yet been established.

Looking ahead, the fund balance is projected to turn positive. However, until the liability is resolved and the escrow funds are released, there will not be enough unrestricted capital to repay the General Fund.

Revenue sources for the SCH Fund include the tobacco tax, annual payments from SEARHC, collections on bad debt, and interest earnings. Tobacco tax revenue has been declining for several years and is expected to remain flat at approximately \$750,000 annually. SEARHC’s \$700,000 annual payments will continue through FY2041, provided the PERS liability remains in place. Meanwhile, bad debt collections are gradually declining and are expected to phase out entirely in the coming years.

Fiscal Year	Revenue	Expenditure	Excess of Revenues Over Expenditures
2020	2,405,576	2,058,385	347,190
2021	1,975,848	1,832,332	143,515
2022	1,741,834	1,674,237	67,598
2023	1,707,691	1,190,100	517,592
2024	1,640,739	1,282,721	358,018
2025*	1,576,857	1,341,436	235,421
2026*	1,550,639	1,434,311	116,328

*Projected

Attached: SCH Balance Sheet from FY2024 Audited Financial Statements

City and Borough of Sitka, Alaska

Governmental Funds
Balance Sheet

	Major Funds					
	General Fund	Permanent Fund	Sitka Community Hospital Dedicated Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds	
June 30, 2024						
Assets						
Equity in central treasury	\$ 12,561,010	\$ -	\$ 3,091,293	\$ 36,154,601	\$ 51,806,904	
Receivables:						
Accounts	851,183	-	3,429	500	855,112	
Taxes	5,265,861	-	-	372,574	5,638,435	
Allowance for uncollectibles	(399,714)	-	-	-	(399,714)	
Interest	1,001,448	-	3,148,140	-	4,149,588	
Special assessments	-	-	-	1,924	1,924	
Federal and State of Alaska	-	-	-	20,554	20,554	
Leases	3,250,076	-	-	-	3,250,076	
Due from other funds	3,002,618	-	-	-	3,002,618	
Advances to other funds	3,125,552	-	-	2,604,000	5,729,552	
Prepaid items	7,280	-	-	-	7,280	
Notes receivable	-	-	8,751,860	442,950	9,194,810	
Restricted assets:						
Cash and investments	-	25,990,986	-	-	25,990,986	
Interest receivable	-	83,280	-	-	83,280	
Total Assets	\$ 28,665,314	\$ 26,074,266	\$ 14,994,722	\$ 39,597,103	\$ 109,331,405	
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 432,727	\$ 5,204	\$ -	\$ 32,598	\$ 470,529	
Other current liabilities	481,105	-	-	-	481,105	
Accrued payroll	955,883	-	-	-	955,883	
Deposits payable	33,073	-	-	-	33,073	
Advances from other funds	-	-	3,125,552	-	3,125,552	
Unearned revenue	3,204	-	-	-	3,204	
Total Liabilities	1,905,992	5,204	3,125,552	32,598	5,069,346	
Deferred Inflows of Resources						
Deferred assessments	-	-	-	1,924	1,924	
Prepaid property taxes	100,721	-	-	-	100,721	
Lease related	3,164,637	-	-	-	3,164,637	
Deferred notes and interest receivable	-	-	11,900,000	-	11,900,000	
Total Deferred Inflows of Resources	3,265,358	-	11,900,000	1,924	15,167,282	
Fund Balances						
Nonspendable	3,132,832	25,027,829	-	3,046,950	31,207,611	
Restricted	-	1,041,233	-	9,493,601	10,534,834	
Committed	12,504,622	-	4,147,944	24,140,000	40,792,566	
Assigned	-	-	-	2,882,030	2,882,030	
Unassigned (deficit)	7,856,510	-	(4,178,774)	-	3,677,736	
Total Fund Balances (Deficit)	23,493,964	26,069,062	(30,830)	39,562,581	89,094,777	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,665,314	\$ 26,074,266	\$ 14,994,722	\$ 39,597,103	\$ 109,331,405	

See accompanying notes to the basic financial statements.