





CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Melissa Haley, Finance Director 

Date: May 3, 2022

Subject: FY2023 Budget, Capital Improvement Plan, and Rate Adjustments

Background

The Assembly has met seven times over the course of four months, beginning first with staff seeking feedback and direction on what the Assembly wished to include in or exclude from the budget, and then moving on to review the FY2023 budget draft and its implications for the future.

Analysis

Revenue (General Fund): The overall takeaway from the meetings seeking direction was that staff and Assembly were comfortable with an optimistic, but cautious approach. Revenue projections for the General Fund assumed sales tax revenue rebounds from the pandemic but did not anticipate significant growth based on the projected increase in tourism.

Expenditures (General Fund): On the expense side, the outcome of the meetings was that not making key investments now would hurt the municipality going forward. Both inflation, increased tourism, and maintaining momentum on improvements in municipal operations have impacted the expenditure-side of the budget, resulting in an increase of 15% from spending anticipated through the end of the current year.

Infrastructure (Governmental): In addition to increased spending on operations, the FY2023 budget includes a rebound in investing in infrastructure repair projects that were delayed while the municipality was reeling from reduced revenues from the pandemic. While the increase capital investment doesn't fully make up for pandemic-related contractions, it is a move in the right direction.

Enterprise Funds and Rates: With infrastructure-heavy enterprise funds dealing with inflationary pressures, particularly in relation to increased costs of capital projects, rate

increases were recommended for all utilities and moorage, with a goal of ensuring that future spiked increase are mitigated. With a year-to-year CPI increase over 7% at the time of budget development, the rate increases in many cases are higher than prior year inflationary increases. The rate increases in the omnibus ordinance are as follows:

- Electric-4%
- Water-5%
- Wastewater-8%
- Solid Waste-7.5% (also included is a rate for additional pickups, which had been unintentionally lost from code)
- Moorage 8.3%

The Administrator's Letter, included at the front of the budget document, provides additional detail and analysis.

Fiscal Note

The General Fund budget results in a surplus of \$380,000, which, should adjustments be needed mid-year, could become a deficit, which would mean that operations would be supported by our undesignated fund balance. On the other side, sales tax projections are conservative, so it is possible that the surplus could grow.

For the enterprise funds, while revenue (with the corresponding rate increases) less operating expense provide a positive cash flow, in some cases key investments in capital repairs require some funds to use up some of their unrestricted net position from prior years, in other cases, an enterprise fund may be adding considerably to its working capital, however this is generally in preparation for future projects/debt service.

The only new debt proposed for FY2023 is a DEC loan to repair the Thomsen lift station. The Assembly has already provided preliminary approval of this loan.

Recommendation

Approve Ordinances 2022-10 and 2022-11 that includes the FY2023 budget, Capital Improvement Plan, approval of new debt, and rate increases for the Electric, Water, Wastewater, Solid Waste, and Harbor Funds.