

POSSIBLE MOTION

I MOVE TO approve Ordinance 2017-32 on
second and final reading.

Memo

Through: Phil Messina, Interim Administrator
Michael Harmon, Public Works Director

To: Assembly of the City and Borough of Sitka

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: August 29, 2017

Re: Supplemental Budget Appropriation Solid Waste Fund

A budgeting error in the FY2018 Solid Waste Fund operating appropriation has been identified and needs to be corrected through passage of a supplemental appropriations ordinance. Correction of the error will have no impact on actual solid waste collection costs or revenue.

Discussion:

1. The operating expenses in the FY18 Budget were not adjusted to recognize the increased costs associated with the new solid waste contracts. Much like the FY17 Budget, if this is not adjusted it will reflect a significant overrun at year end. The actual operating expenses is projected to be approximately \$928,800 higher than the current budget.
2. It is very important to point out that the error identified is a budgeting error. The error is not an accounting error and no public funds were improperly spent. The increased cost of the new contracts was outlined when they were adopted by the Assembly. Likewise, when the contract was awarded the rate increases included the new contract cost.
3. Administration also believes the anticipated revenue is underestimated by \$431,000. Adjusting the revenue projections will more accurately estimate the working capital.

Recommendation:

Administration recommends that the Assembly approve an ordinance increasing the operating appropriation for FY2018 for the Solid Waste Fund by \$928,800, and increase budgeted revenue estimates by \$431,000.

**City and Borough of Sitka
Solid Waste Disposal Fund
FY2018 Projected Budget Shortfall Analysis**

	<u>FY2017 Actual</u>	<u>FY2018 Budget</u>	<u>FY2018 Projected Actual</u>	<u>Excess (Shortfall)</u>
<u>Revenue</u>				
User Fees	\$ 3,500,257	\$ 3,264,370	\$ 3,640,538	\$ 376,168
Transfer Station Tipping Fees	\$ 365,573	\$ 418,000	\$ 406,702	\$ (11,298)
Recycling Commodity Revenue	\$ 118,677	\$ 84,100	\$ 150,000	\$ 65,900
Other	<u>\$ 27,491</u>	<u>\$ 35,625</u>	<u>\$ 35,625</u>	<u>\$ -</u>
	\$ 4,011,998	\$ 3,802,095	\$ 4,232,865	\$ 430,770
<u>Costs</u>				
Collection Costs	1,055,988.00	707,723.00	1,056,000.00	(348,277.00)
Waste Shipping	1,695,148.00	1,472,900.00	1,695,200.00	(222,300.00)
Transfer Station Operation	181,215.00	3,600.00	353,050.00	(349,450.00)
Scrap Shipping	479,000.00	375,000.00	479,000.00	(104,000.00)
Recycling Shipping	64,869.00	-	64,869.00	(64,869.00)
All Other	<u>870,116.00</u>	<u>1,062,843.00</u>	<u>902,760.00</u>	<u>160,083.00</u>
Totals:	<u>4,346,336.00</u>	<u>3,622,066.00</u>	<u>4,550,879.00</u>	<u>(928,813.00)</u>
Additional Appropriation Needed:				\$ 928,813
Additional Revenue Which Can Be Budgeted For:				\$ 430,770
FY2018 Projected Cash Surplus (Deficit)				
		Revenues:	\$ 4,232,865.00	
		Cash Outlays:	<u>\$ 4,550,879.00</u>	
				\$ (318,014.00)
Working Capital as of 6/30/2017				<u>\$ 125,600.00</u>

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2017-32
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA
ADJUSTING THE FY18 BUDGET

BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. CLASSIFICATION. This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. SEVERABILITY. If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. PURPOSE. The purpose of this ordinance is to adjust the FY18 budgets for known changes.

4. ENACTMENT. The Assembly of the City and Borough of Sitka hereby adjusts the FY18 budget for known changes. In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the budget for the fiscal period beginning July 1, 2017 and ending June 30, 2018 is hereby adjusted as follows:

Table with 1 column and 3 rows. Row 1: FISCAL YEAR 2018 EXPENDITURE BUDGETS. Row 2: CAPITAL PROJECTS. Row 3: Solid Waste Fund - Operations: A budgeting error has been discovered in the FY18 operating budget for the Solid Waste Fund, wherein appropriations for contractual costs are too low and will not fully cover projected costs. The error stems from an oversight in not including the costs of new solid waste disposal contracts in FY18 appropriations. Revenue estimates were also under-projected for FY18, mitigating the budgeting error. The overall FY18 expenditure appropriation for the Solid Waste Fund is hereby increased by \$928,800, with the contracted and purchased service budget for collection costs increased by \$348,000, for off-island shipping by \$222,000, for transfer station operations increased by \$358,800. Budgeted revenue projections are also increased as follows: collection fees increased by \$376,000 and recycling scrap revenue increased by \$55,000.

EXPLANATION

Necessary revisions in the FY 2018 budget were identified. These changes involve the increase of expenditure accounts and causes decreased cash flows to the fund balance of various funds. A short explanation of each budget revision is included.

5. EFFECTIVE DATE. This ordinance shall become effective on the day after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 26th Day of September, 2017.

ATTEST:

Matthew Hunter, Mayor

Sara Peterson, CMC
Municipal Clerk

1st reading 9/12/17
2nd reading 9/26/17