

Step 1

Discussion / Direction / Decision
of the Municipal Administrator's annual recommended transfer to the Public Infrastructure Sinking Fund.

Step 2

I MOVE TO transfer \$4 million to the Public Infrastructure Sinking Fund and make this transfer effective June 30, 2024.




CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator 

Date: September 17, 2024

Subject: Recommendation for Transfer to the Public Infrastructure Sinking Fund

Background

Per Sitka General Code (SGC) 4.75.020, the Administrator must make a recommendation to the Assembly on an annual amount to transfer to the Public Infrastructure Sinking Fund (PISF) for future appropriation to infrastructure projects:

“Within 90 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 4.50 SGC before recommending any further amounts for potential transfer to the public infrastructure sinking fund.”

Analysis

June 30 each year typically represents the period with the lowest cash balances for the General Fund. Therefore, we base the recommendation for the transfer to the PISF on our financial position as of June 30.

Our overall surplus has increased compared to last year, even though our spending was higher than last year. Although our revenue exceeded the budget, it was slightly lower than the previous year due to reduced federal relief funding and seasonal sales tax, which had a net zero impact as it was transferred out.

Revenues:

The revenues for FY24 were \$1.7 million ahead of the budget but lower than the FY23 revenues. It's important to note that both the budget and prior year numbers assumed a 6% seasonal sales tax for the periods of July-September 2023 and April-June 2024. However, the seasonal sales tax expired on 6/30/23 and was later reinstated to be in place permanently between April and September, with the proceeds supporting school district infrastructure maintenance beginning in April 2024. Therefore, the seasonal sales tax was collected only for April-June in FY24. While sales tax revenue was lower, so were

transfers out, as the 1% additional tax is transferred into the School Infrastructure Fund. Overall, while under budget due to the sunset of the seasonal tax in 2023, sales tax revenues came in higher than anticipated. Along with a final federal relief disbursement and a more favorable investment climate, this resulted in strong FY24 revenues. For FY24, unrealized losses on investments decreased from \$1.1 million to just over \$500,000, which increased the investment income booked for the fiscal year. While we are required to book the market value of investments as of 6/30, it's important to note that the gains and losses recorded are unrealized—this is just a snapshot of what it would look like if the municipality sold all its investments at 6/30, rather than letting them reach maturity.

Expenditures:

General Fund expenditures at year-end were 87% of the amended budget, excluding transfers. Expenditures are \$2.9 million higher than last year, driven by factors such as inflation, rising health insurance costs, filling staff vacancies with contract labor, and undertaking large-scale projects including the reorganization and compensation study, and the port governance and harbor rate study. However, spending for the period is nearly \$4.5 million under the expected amount. Transfers out were lower than the prior year, mainly because only one quarter of seasonal sales was transferred out of the General Fund. It's important to note that as of now, the Administrator's recommendation for a transfer to the Public Infrastructure Sinking Fund, to be recorded on 6/30/24, has not yet been presented to or approved by the Assembly. Any transfer out will impact the fund balance.

Capital Project Fund:

By the end of the year, the unspent appropriations of working capital in the Capital Project Fund amounted to \$14.4 million, including new appropriations of working capital totaling \$6.3 million. Several projects are still in the planning or design stage, and some are gradually accumulating enough working capital to fund the project. It's important to note that inflation continues to impact project costs. Although the CBS engineering staff is fully staffed, this team serves the entire organization, not just the General Fund. Current priorities include projects such as the GPIIP haul-out, the airport terminal, the seawall, the seaplane base, and significant wastewater projects. Some of these projects, particularly those funded by grants, have time constraints, which increases their priority.

Fiscal Note

The recommended amount to transfer to the Public Infrastructure Sinking Fund for FY2024 is \$4 million. This funding will be available for appropriation during the FY2026 budget process. With this transfer, the total fund balance for FY2024 would be \$23.5 million, with \$9.6 million unassigned. This transfer amount ensures that there is enough funding available for key projects, including leveraging federal funding for priority capital projects and implementing the ongoing compensation study, for FY2025 and beyond. It also maintains a healthy overall fund balance.

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

Calculation of cash/equivalent required liquidity balance per SCG 4.44A.010

| | Budgeted Expenditures FY24 (less Transfers) | Divided by 4 = minimum required liquidity |
|-------------------------------------|--|--|
| Total Budgeted Expenses: | \$ 44,461,139 | |
| Encumbrances rolling to FY25 | \$ (427,420) | |
| Less Interfund Transfers | \$ (8,871,249) | |
| | \$ 35,162,470 | \$ 8,790,618 |

| Total General Fund analysis of adjusted net assets | Preliminary FY24 |
|---|-------------------------|
| Total Assets | \$ 32,122,869 |
| Liabilities | \$ (4,621,323) |
| Preliminary 6/30/2024 total Net Assets/Fund Balance | \$ 27,501,545 |
| Fund balance committed-liquidity | \$ 8,741,367 |
| Non spendable (advances to other funds) | \$ 3,128,442 |
| Minimum unassigned fund balance | \$ 6,630,000 |
| Fund balance committed for emergency purposes | \$ 2,000,000 |
| Assets available for potential transfer into PISF | \$ 7,001,737 |
| Preliminary unassigned fund balance June 30, 2024 (prior to PISF transfer) | \$ 13,631,737 |
| Unassigned fund balance June 30, 2023 | \$ 6,501,358 |
| Unassigned fund balance June 30, 2022 | \$ 6,502,122 |
| Unassigned fund balance June 30, 2021 | \$ 7,893,414 |
| Unassigned fund balance June 30, 2020 | \$ 3,827,823 |
| Unassigned fund balance June 30, 2019 | \$ 5,716,004 |
| <u>Other considerations:</u> | |
| Foreseeable need for match or additional funding for significant federally-funded and community priority projects including the Marine Service Center seawall repair, the GPIP haul out, and the airport terminal as well as the implementation of results of the compensation study. | \$ 3,000,000 |
| Recommended transfer to Public Infrastructure Sinking Fund 6/30/2024: | \$ 4,000,000 |
| Preliminary unassigned fund balance at 6/30/2024 after transfer | \$ 9,631,737 |
| Preliminary total fund balance at 6/30/2024 after transfer | \$ 23,501,545 |

Recommendation

Approve the transfer of \$4 million to the Public Infrastructure Sinking Fund, effective June 30, 2024.