




# 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 8, 2024

**Subject:** FY2025 Budget, Capital Improvement Plan, and Rate Adjustments

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### **Background**

The Assembly's efforts over the past several months have led to this final draft of the of the FY2025 consolidated operation budget for the City and Borough of Sitka. The budget process began with a kickoff meeting for staff in October with guidance to include expenditures necessary to maintain the current level of service. Any new or expanded service required the submission of a resource proposal that was reviewed internally and then presented to the Assembly to determine whether the proposals should be included in the budget. All resource proposals presented align with the strategic plan and aim to help achieve the goals outlined in the plan. Upon receiving Assembly feedback on what new resources to include, the draft budget was presented in a series of meetings. During these meetings the Assembly made both cuts and additions to the budget resulting in the final version presented for approval.

### **Analysis**

**Revenue (General Fund):** The prevailing sentiment throughout budget meetings favored a cautiously optimistic approach to projecting revenue. Revenue projections for the General Fund hinge on maintaining prior year levels of tourism, but include only moderate growth assumptions.

**Expenditures (General Fund):** Aligned with strategic priorities, the FY2025 budget includes key investments to bolster organizational objectives. Heightened inflation, increased tourism activity, and the imperative to maintain operational momentum have contributed to a 14.6% rise in expenditures compared to FY24. A significant portion of this increase is due to staffing vacancies.

**Infrastructure (Governmental):** In addition to increased spending on operations, the FY2025 budget maintains a continuation of strong funding for infrastructure repair

projects. Some of this is possible because of success in seeking federal grants.

**Enterprise Funds and Rates:** Given the infrastructure-centric nature of enterprise funds and improving, but persistent inflationary pressures, rate increases have been recommended across all utilities and moorage services. These adjustments aim to preempt future spikes in rates and ensure the financial sustainability of essential services. Fortunately, efforts to focus on an asset management-based focus on mitigating risk and extending the life of assets has resulted in rate increases for some funds that are lower than originally anticipated. The rate increases in the omnibus ordinance are as follows:

- Electric-no rate increase, increases to the customer fee.
- Water-4%
- Wastewater-8.25%
- Solid Waste-4%
- Moorage 4%

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 \$43,620, which, should adjustments be needed mid-year, could become a deficit, which would mean that operations would be supported by our undesignated fund balance.

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.

The only new debt proposed for FY2025 is a DEC loan of \$6,000,000 to fund the sewer force main replacement project.

### **Recommendation**

Approve Ordinances 2024-11 and 2024-12 that includes the FY2025 budget, capital improvement plan, approval of new debt, and rate increases for the Electric, Water, Wastewater, Solid Waste, and Harbor Funds.