




City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members
Thru: John Leach, Municipal Administrator 
From: Jay Sweeney, CFAO
Date: April 24, 2020
Subject: Discussion and Direction on Expenditure of FY20 Secure Rural Schools (SRS) Funding

Background

On April 17, 2020, the City and Borough of Sitka (CBS) received notification from The State of Alaska Department of Commerce, Community, and Economic Development (DCCED) that Sitka has been awarded \$458,071.35 in SRS funding for State fiscal year 2020 (SFY20) / Federal fiscal year 2019 (FFY19) (attached).

In the FY20 CBS Municipal Budget, we did not budget for the receipt or expenditure of SRS funding. As a result, no appropriation was made by the Assembly in the FY20 budget for any potential sharing of FY20 SRS with the Sitka School District (SSD).

In the formal notification to the SSD on May 14, 2019, the amount of funding to be made available from local sources for education, the following statement was included regarding potential FY20 SRS funding: ***“At this point we do not anticipate receiving Secure Rural Schools (SRS) funding in FY2020. Should SRS be received by the municipality, the Assembly will determine how the funds will be split”.***

Analysis

Based on no appropriation for sharing potential of FY20 SRS funding with the SSD having been included in the FY20 CBS budget, and based on communication to the SSD in May, 2019 that if SRS funding did materialize, the pending receipt of SRS is an appropriate topic for Assembly discussion and direction.

Fiscal Note

The FY20 CBS Budget did not include estimated SRS revenues from the Federal Government, nor did the Budget provide for an appropriation to share such revenues with the SSD.

By Federal law, SRS funds can only be lawfully be used by a Municipality for roads or education. Federal law does not specify any set percentage of funding, or minimum or maximum amount of SRS funds received, that must be dedicated to either roads or schools.

SRS funds can be either used to offset road or school expenditures in the same fiscal year as received.

The full amount of SRS funding received will be recorded in the General Fund as revenue from the Federal Government. Any expenditures of SRS funding, other than to offset FY20 expenditures for road repair and maintenance, will require an appropriation through a supplemental budget ordinance; this includes any distribution to the SSD or new unplanned outlays for road repair not already in the Budget. The reason that a supplemental budget ordinance is required is because no provision was made in the FY20 CBS Budget for potential SRS funding.

Recommendation

Recommend that the Assembly review the lawful uses of SRS funding, discuss the pros and cons on various possible uses of such funds, and provide guidance to the Administrator in how to expend the funds, preparing supplemental budget ordinances as necessary.