



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: January 22, 2025

Subject: Mid-year supplemental appropriation

Background

As we are now more than halfway through the fiscal year, we have identified a number of areas in which changes to appropriations are needed. In some cases, additional funding is needed, in others, a change to the nature of the appropriation is needed, as changes between certain categories are restricted by Charter.

Analysis

Increases in appropriations are needed in the following areas:

GENERAL GOVERNMENTAL

Clerical/Accounting:

1. CAPITAL PROJECT LIST (GENERAL FUND)—The alerting system for fire department was a late addition to the capital project list. The transfer of funding from the General Fund to the Capital Project Fund was included in the budget, but the capital sheet did not include the Project. A correct capital spreadsheet for the adopted budget is attached.
2. PERMAENT FUND/GENERAL FUND—Move FY2025 appropriation of \$49,500 for investment expenses from the Permanent Fund to the General Fund (and budget this item out of the general fund in the future) and increase transfers out from the General Fund to the Permanent Fund by \$110,000. The reason for this adjustment is that the Permanent Fund does not hold any equity in the CBS central treasury (all assets are tied up in investments), so paying the investment expenses results in a negative investment in the central treasury, which will require a transfer into the Permanent Fund from the General Fund. The most simple option to address this would be to

budget the investment expenditures in the finance department as we do investment expenses for our pooled investments.

Increase in appropriation:

1. LEGAL—Increase legal expenses under the Attorney division by \$100,000. The budget for legal expenses has been depleted due the vacancy in the position for the beginning of the fiscal year. In addition, there are known needs for outside counsel anticipated through the end of the year. This increase should cover what is known now, but it is possible that more funding could be needed, should other needs arise.
2. CLERK—The Clerk’s department has made significant progress in their efforts to digitize records. An increase in \$20,000 under contracted services will support further digitization of records taking up room in space that could be otherwise used.
3. HUMAN RESOURCES—\$20,000 in legal expenses is requested to ensure adequate support for upcoming labor negotiations for collective bargaining agreements as well as ensuring resources for other HR-related legal counsel.
4. CAPITAL PROJECT FUND—90939 (City Hall Carpet Replacement) \$150K original funding is insufficient to complete the project for the entire City Hall building based on the recent rates experienced with the Fire Hall Carpet replacement project. The additional \$100k is requested to replace carpet throughout City Hall with a small contingency based on our current cost evaluation. This increase in appropriation is requested at the mid-year with a goal to complete the project prior to FY26.
5. PARKS AND RECREATION—Addition of \$5,000 in temporary wages for pool coverage as requested by the Sitka School District.
6. STUDENT ACTIVITIES FUND—Increase appropriations (support to Sitka School District for Student Activities and Travel) by \$50,000 based on higher projections for tax remittances.

ENTERPRISE FUNDS

Increase in appropriation:

1. MARINE SERVICE CENTER—90995 (MSC Assessment) Original Project \$185K. Project bid last fall, clarification of scope and timeline revealed insufficient funding. Additional \$40K requested to cover elements identified through the first bidding process and to have project funded for Bid prior to July 1. This time goal is in order to coordinate the next shutdown with the contractor’s schedule.

2. WATER FUND—Former McDonald’s water line replacement – \$150,000 is needed to repair and re-route this water line that has had multiple breaks and is the existing line is buried under a significant amount of electrical conduit which does not allow for a successful repair.
3. WASTEWATER—Project 91005 (Kirkman Street Utilities) – \$410,000. While the original intent was to include this in the FY2026 budget (see attached project charter), it would be ideal to advance this project now in order to keep a better pace with the design that’s already happening for water. To incorporate the wastewater aspect into the design phase and keep it rolling with the advancements on the water side we are asking for the full allocation of the Wastewater Funds (\$410K). We are looking to coordinate the construction phase of this project with the Maksoutoff waterline replacement. That project currently has \$260k allocated to the budget and is moving into design.

Changes to appropriations with net zero impact:

1. SOLID WASTE—Change \$35,000 fixed asset appropriation for tire cutter to a tire derimmer. Staff have determined that this is a priority tool, particularly to ensure staff safety. An appropriation for a tire cutter may come at a future date.
2. ELECTRIC FUND—Upon taking over leadership of the electric utility, Ron Vinson has done a great deal of work on looking at the capital plan for the utility and has proposed a reallocation of funding from current appropriations. Mr. Vinson has taken the approach of creating a much more detailed capital plan than in the past and in many cases, the funding, rather than being allocated to one big bin, has been reallocated to much more specific projects. A detailed spreadsheet with the proposed change is attached.

Fiscal Note

The total previously unbudgeted increases by fund are as follow:

- General Fund—\$194,500 in operations and \$210,000 in transfers out (to the capital project fund and the permanent fund).
- Student Activities—\$50,000 to go to the Sika School District.
- Water Fund—Transfer out of \$150,000 to the Water Fund capital project fund
- Wastewater Fund—Transfer out of \$410,000 to the Wastewater Fund capital project fund.
- Marine Service Center—Transfer out of \$40,000 to the MSC capital project fund

Recommendation

Approve Ordinance 2024-03 making supplemental appropriations to the FY2025 budget.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2025-03
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA MAKING SUPPLEMENTAL
APPROPRIATIONS FOR FISCAL YEAR 2025
(Mid-year Supplemental Appropriations)

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 make a supplemental Operation and Capital appropriation for FY2025.

4. ENACTMENT. In accordance with Section 11.10 (a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriation for the budget period beginning July 1, 2024 and ending June 30, 2025.

Table with 1 column and multiple rows detailing fiscal year 2025 expenditure budgets. Sections include: GENERAL FUND (Human Resources, Parks and Recreation, Municipal Clerk, Finance, Legal, Transfers Out), PERMANENT FUND, STUDENT ACTIVITIES FUND, and CAPITAL PROJECTS.

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| Fund 700 – Increase appropriations for project 90939 – City Hall Carpet Replacement by \$100,000 with funding transferred from the General Fund. |
| <u>ENTERPRISE AND INTERNAL SERVICE FUNDS</u> |
| Solid Waste – Fixed Assets: Reallocate funding (\$35,000) for purchase of a tire cutter to purchase of a tire derimmer. |
| <u>CAPITAL PROJECTS</u> |
| Fund 710 Electric Fund – Reallocate capital appropriations in the amount of \$2,133,651 |
| Fund 720 – Water Fund: Increase appropriations by \$150,000 to repair and re-route water line by former McDonald’s building. |
| Fund 730 Wastewater Fund – Increase appropriations by \$410,000 for the project 91005 – Kirkman Street Utilities |
| Fund 770 Marine Service Center Fund – Increase appropriations by \$40,000 for project 90995 – MSC Assessment (with funding from the Marine Service Center Fund) |

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EXPLANATION
The need for additional funding or to reallocate existing appropriations has been identified as FY2025 has progressed.

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 11th day of February 2025.

ATTEST:

Steven Eisenbeisz, Mayor

Sara Peterson, MMC
Municipal Clerk

1st reading: 1/28/2025
2nd and final reading: 2/11/2025

Sponsor: Administrator