

POSSIBLE MOTION

I MOVE TO approve Ordinance 2017-23 on
second and final reading.

City and Borough of Sitka Finance Department

Memo

Thru: Phil Messina, Interim Municipal Administrator
To: Mayor Hunter and Assembly Members
From: Jay Sweeney, Chief Finance and Administrative Officer
Date: July 3, 2017
Re: FY2018 Supplemental Budget Ordinance 2017-23

Mayor Hunter and Assembly Members,

The purpose of FY2017/18 Supplemental Budget Ordinance 2017-23 is to adjust the FY2018 operating budget by re-appropriating unspent funds in the FY2017 operating budget.

Per Section 11.2 of the Home Rule Charter of the City and Borough of Sitka (the Charter), Lapse of Appropriations and Surpluses, every unencumbered surplus or appropriation lapses at the end of the fiscal year. No provision is made within the Charter for “roll-overs” of funds, with the exception of encumbrances.

Financial accounting rules generally require that expenditures be recorded in the period in which made and in which the related service was provided to the public. Thus, even if funds are encumbered in one year and that appropriation does not lapse, per the Charter, expenditures are recorded in subsequent years when the purchase is completed. This, in turn, causes an expenditure to be recorded against the subsequent year’s budget. For this reason, Sitka has always adjusted its newly-passed operating budget at the start of the new fiscal year by passing an ordinance to increase appropriations for unspent encumbrances. This has the practical effect of “rolling over” encumbrances. The ordinance for re-appropriating encumbered funds is usually introduced at the second or third Assembly meeting of the new fiscal year, in order for the Administrative staff to determine the final amount of unexpended encumbrances at fiscal year-end.

Unencumbered operating appropriations, on the other hand, can’t be “rolled over”. If a Department Head wishes to retain the ability to spend unencumbered operating appropriations on into a new fiscal year, a new supplemental appropriation must be made (a re-appropriation). The administrative procedure that Sitka employs in regards to re-appropriation requests is twofold: (1) all such requests must be first approved by the Administrator, then (2) a supplemental budget ordinance must be passed, with the requisite two readings, to re-appropriate the funds. The accompanying ordinance accomplishes the second part of the process.

As an important note, when considering the annual operating budget within the context of just one fiscal year, re-appropriations of encumbered funds and re-appropriations of unencumbered, unspent funds have the effect of causing an otherwise balanced operating budget to become unbalanced with a projected deficit, unless new revenues are identified. The practical effect, however, is that unencumbered, unspent appropriations constitute a surplus generated in the previous year and re-appropriation is a mechanism which provides for an ability to spend part of that surplus in the new fiscal year.

In regards to the specific rationale for each re-appropriation request, individual Department Heads will be prepared to speak to and justify their individual requests.

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CITY AND BOROUGH OF SITKA
ORDINANCE NO. 2017-23
AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA
ADJUSTING THE FY17/FY18 BUDGETS

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 FY17/FY18 budgets for known changes.
- 4. **ENACTMENT.** The Assembly of the City and Borough of Sitka hereby adjusts the FY17/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, 2016 and ending June 30, 2017 is hereby adjusted as follows:

<u>FISCAL YEAR 2017 EXPENDITURE BUDGETS</u>
GENERAL FUND
Assessing Department – Operations: The Assessing Director has requested to re-appropriate \$5,147 of their surplus funds from FY17 to FY18 to allow the completion of island inspections which was something that was not accounted for in the approved FY18 Budget.
Police Department – Operations: The Police Chief has requested to rollover from FY17 to FY18 in the amount of \$74,417 for the Justice Center Design Project.
Search and Rescue – Operations: The SAR Captain has requested to rollover from FY17 to FY18 the amount of \$2,000 from the Search and Rescue department and \$5,000 from the Fire Department and re-appropriate those funds in the Search and Rescue department for the purpose of funding the Mountain Rescue Association (MRA) accreditation re-test.
Support Payments – Hospital: The Sitka Community Hospital has requested to rollover from FY17 to FY18 the remaining funds in the amount of \$156,192 for capital support.
Engineering Department – Operations: The Public Works Director has requested a rollover the amount of \$70,000 from FY17 to FY18 to revise and update the 2002 CBSSS (City and Borough of Sitka Specification Standards for Construction) and the development of standards.
Streets Department – Operations: The Public Works Director has requested to rollover the amount of \$16,500 from FY17to FY18 to purchase sand utilized for snow removal.
Planning Department – Operations: The Community Affairs Director has requested to rollover from FY17 to FY18 the amount of \$15,994 for the completion of the Comprehensive Plan 2030.

ENTERPRISE AND INTERNAL SERVICES FUNDS
Wastewater Fund – Fixed Assets: The Public Works Director has requested to rollover the following fixed assets from FY17 to FY18: CCTV Lateral Equipment -\$70,000; Dimminutor Spare Parts - \$25,000;and Replacement of Lift Station Pumps -\$12,900.
Building Maintenance Fund – Operations: The following are projects that were budgeted, but were not completed and are requested to be rolled over from FY17 to FY18: Airport Exterior Painting - \$72,000; City Hall Exterior Paint -\$65,000; City Hall Dryvit Repair -\$25,000; Fire Hall Pressure Wash & Seal Building Exterior -\$8,000; WWTP Paint Exterior Generator Buildings -\$24,000; MSC Pressure Wash & Seal Building Exterior -\$12,000; MSC Replace Compressor -\$4,200; Senior Center Exterior Paint -\$16,000 and WWTP Repainting Thickener Room Ceiling & Girders -\$50,000.

In accordance with Section 11.10 (a) of the Charter of the City and Borough of Sitka, Alaska, the budget for the fiscal period July 1, 2017 and ending June 30, 2018 is hereby adjusted as follows:

FISCAL YEAR 2018 EXPENDITURE BUDGETS
GENERAL FUND
<p>Personnel: At the June 28th, 2016 meeting, the Assembly approved the ASEA Union Contract. There will be an appropriation in the FY18 Budget for each union employee for the \$500 lump sums as follows: General Fund will be \$15,000; Water Fund will be \$1,500; Wastewater Fund will be \$3,500; Harbor Fund will be \$3,000; Management Information Systems Fund will be \$500; Central Garage Fund will be \$1,000 and the Building Maintenance Fund will be \$1,000.</p>
<p>Personnel: In the FY18 Budget, 15 percent was budgeted for Health Insurance and the actual percent came back at 12 percent. The following are adjustments to each Fund: General Fund – (\$65,859); Electric Fund – (\$18,460); Water Fund – (\$3,494); Wastewater Fund – (\$3,604); Harbor Fund – (\$6,229); Management Information Systems – \$5,743; Central Garage Fund – (\$1,065); and Building Maintenance Fund – (\$2,736).</p>
<p>Assessing Department – Operations: The Assessing Director has requested to re-appropriate \$5,147 of their surplus funds to FY18 from FY17 to allow the completion of island inspections which was something that was not accounted for in the approved FY18 Budget.</p>
<p>Support Payments – Hospital: The Sitka Community Hospital has requested to rollover to FY18 from FY17 the remaining funds in the amount of \$156,192 for capital support.</p>
<p>Engineering Department – Operations: The Public Works Director has requested a rollover the amount of \$70,000 to FY18 from FY17 to revise and update the 2002 CBSSS and the development of standards.</p>
<p>Streets Department – Operations: The Public Works Director has requested to rollover the amount of \$16,500 to FY18 from FY17 to purchase sand utilized for snow removal.</p>
<p>Search and Rescue – Operations: The SAR Captain has requested to rollover to FY18 from FY17 the amount of \$2,000 from the Search and Rescue department and \$5,000 from the Fire Department and re-appropriate those funds in the Search and Rescue department for the purpose of funding the Mountain Rescue Association (MRA) accreditation re-test.</p>
<p>Planning Department – Operations: The Community Affairs Director has requested to rollover to FY18 from FY17 the amount of \$15,994 for the completion of the Comprehensive Plan 2030.</p>
ENTERPRISE AND INTERNAL SERVICES FUNDS
<p>Wastewater Fund – Fixed Assets: The Public Works Director has requested to rollover the following fixed assets to FY18 from FY17: CCTV Lateral Equipment -\$70,000; Dimminutor Spare Parts -\$25,000; and Replacement of Lift Station Pumps -\$12,900.</p>

ENTERPRISE AND INTERNAL SERVICES FUNDS (cont.)
Building Maintenance Fund – Operations: The following are projects that were budgeted, but were not completed and are requested to be rolled over to FY18 from FY17: Airport Exterior Painting - \$72,000; City Hall Exterior Paint -\$65,000; City Hall Dryvit Repair -\$25,000; Fire Hall Pressure Wash & Seal Building Exterior -\$8,000; WWTP Paint Exterior Generator Buildings -\$24,000; MSC Pressure Wash & Seal Building Exterior -\$12,000; MSC Replace Compressor -\$4,200; Senior Center Exterior Paint -\$16,000 and WWTP Repainting Thickener Room Ceiling & Girders -\$50,000.
CAPITAL FUNDS
Police Department – Operations: The Police Chief has requested to rollover to FY18 from FY17 the amount of \$74,417 for the Justice Center Design Project. These funds will be re-appropriated as a capital project.

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EXPLANATION

Necessary revisions in the FY 2017/ FY 2018 budgets 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 25th Day of July, 2017.

ATTEST:

Matthew Hunter, Mayor

Sara Peterson, CMC
Municipal Clerk

1st reading 7/11/17
2nd reading 7/25/17