



CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS
330 Harbor Drive
Sitka, AK
(907)747-1811

Meeting Agenda

City and Borough Assembly

*Mayor Matthew Hunter
Deputy Mayor Steven Eisenbeisz,
Vice Deputy Mayor Bob Potrzuski,
Aaron Bean, Kevin Knox, Dr. Richard Wein,
Benjamin Miyasato*

*Municipal Administrator: Keith Brady
Municipal Attorney: Brian Hanson
Municipal Clerk: Sara Peterson*

Thursday, April 5, 2018

6:00 PM

Assembly Chambers

SPECIAL MEETING

I. CALL TO ORDER

II. FLAG SALUTE

III. ROLL CALL

IV. PERSONS TO BE HEARD

Public participation on any item off the agenda. All public testimony is not to exceed 3 minutes for any individual, unless the mayor imposes other time constraints at the beginning of the agenda item.

V. UNFINISHED BUSINESS:

- A [18-073](#) Update from Municipal Attorney on direction given at the March 22, 2018 Assembly meeting regarding a secondary potable water supply (the need, source, permitting, risks)

Attachments: [Update secondary potable water supply.pdf](#)

- B [18-068](#) Update and Discussion/Direction/Decision from the Municipal Administrator on additional decrement scenarios totaling \$1,000,000 (operations, nonoperations, hybrid)

Attachments: [Update decrements.pdf](#)

[Assembly memo FY19 \\$1M Decrements.pdf](#)

[Assembly memo FY19 \\$1M Decrements - Capital.pdf](#)

[Assembly memo FY19 \\$1M Decrements - Recommendations.pdf](#)

VI. NEW BUSINESS:

- C** [18-067](#) Discussion/Direction/Decision of the FY2019 Sitka Community Hospital budget (Assembly action may be taken)
Attachments: [SCH Budget FY2019.pdf](#)
[Memo April 5 Budget Meeting item C.pdf](#)
- D** [18-069](#) Discussion/Direction/Decision of local support of public education to the Sitka School District contained in the proposed FY2019 General Fund and other issues pertaining to financial support of education related activities (Assembly action may be taken)
Attachments: [School District local support.pdf](#)
[Memo April 5 Budget Meeting item D.pdf](#)
- E** [18-072](#) Discussion/Direction/Decision on proposed Enterprise Fund user fees (Assembly action may be taken)
Attachments: [Enterprise Fund user fees.pdf](#)
[Memo April 5 Budget Meeting item E.pdf](#)
- F** [18-070](#) Discussion/Direction/Decision of the FY2019 General Fund and as it relates to other Funds, the School District, and the Sitka Community Hospital (Assembly action may be taken)
Attachments: [Discussion Direction General Fund budget.pdf](#)
[Memo April 5 Budget Meeting item F.pdf](#)

VII. PERSONS TO BE HEARD:

Public participation on any item on or off the agenda. Not to exceed 3 minutes for any individual.

VIII. EXECUTIVE SESSION

None anticipated.

IX. ADJOURNMENT

Note: Detailed information on these agenda items can be found on the City website at <https://sitka.legistar.com/Calendar.aspx> or by contacting the Municipal Clerk's Office at City Hall, 100 Lincoln Street or 747-1811. A hard copy of the Assembly packet is available at the Sitka Public Library. Assembly meetings are aired live on KCAW FM 104.7 and via video streaming from the City's website. To receive Assembly agenda notifications, sign up with GovDelivery on the City website.

*Sara Peterson, MMC, Municipal Clerk
Publish: April 3*



CITY AND BOROUGH OF SITKA

Legislation Details

File #:	18-073	Version:	1	Name:	
Type:	Item	Status:		AGENDA READY	
File created:	4/2/2018	In control:		City and Borough Assembly	
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Title:	Update from Municipal Attorney on direction given at the March 22, 2018 Assembly meeting regarding a secondary potable water supply (the need, source, permitting, risks)				
Sponsors:					
Indexes:					
Code sections:					
Attachments:	Update secondary potable water supply.pdf				

Date	Ver.	Action By	Action	Result
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Update from the Municipal Attorney on direction given at the March 22, 2018 Assembly meeting regarding a secondary potable water supply (the need, source, permitting, risks).

1974 EPA Safe Drinking Water Act- The federal law that protects public drinking water supplies throughout the nation. Under the SDWA, EPA sets standards for drinking water quality.

1986 Blue Lake put online as primary drinking water source- Indian River used as backup source during penstock outages. Prior to 1986 Indian River (water plant built in the 60s) and Cascade Creek (water plant built during WWII) supplied drinking water to the community. Prior to the 1960s Indian River Plant there was a treatment plant located further upstream.

June 29, 1989- Surface Water Treatment Rule- Requires most water systems to filter and disinfect water from surface water sources, establishes maximum contaminant levels goals for viruses, bacteria, and giardia and includes treatment technique requirements for filtered and unfiltered systems to protect against health effects and exposure to pathogens.

- EPA has developed the Surface Water Treatment Rules (SWTRs) to improve your drinking water quality. The regulations provide protection from disease-causing pathogens, such as *Giardia lamblia*, *Legionella*, and *Cryptosporidium*. The regulations also protect against contaminants that can form during drinking water treatment. Achieving chlorine contact time prior to the first customer is required. Contact time refers to the concentration of chlorine in water x the time of contact that the chlorine has with water, or more simply- chlorine concentration x time of contact. Water systems must demonstrate that the chlorine has had enough contact time with the water to inactivate giardia before the first customer is served.
- Pathogens, such as *Giardia*, *Cryptosporidium* and *Legionella*, are often found in water. If consumed, these pathogens can cause gastrointestinal illness (e.g., diarrhea, vomiting, cramps) and other health risks. These illnesses may be severe and sometimes fatal for people with weakened immune systems. *Cryptosporidium* is a significant concern in drinking water because it is resistant to chlorine and other disinfectants.
- The Surface Water Treatment Rules were established to protect against these pathogens. To protect public health, drinking water from lakes, rivers streams and some other sources needs to be treated. This treatment includes disinfection and, in most cases, filtration.

December 16, 1998- Interim Enhanced Surface Water Treatment Rule- Sets a maximum contaminant level goal of zero for cryptosporidium, requires that watershed protection programs address cryptosporidium for systems that do not filter, requires systems to calculate levels of microbial inactivation to address risk trade-offs with disinfection byproducts.

December 16, 1998 -Stage 1 Disinfectants/Disinfection By-Products Rule-Reduces drinking water exposure to disinfection byproducts. Disinfection byproducts are a result of chlorine reacting with the organics in drinking water. There's a fine balance between adding enough chlorine to achieve contact time and also risking elevated levels of byproducts.

January 14, 2002- Long Term 1 Enhanced Surface Water Treatment Rule- same as Interim Rule

January 4, 2006- Stage 2 Disinfectants/Disinfection By-Products Rule-Tightens compliance monitoring requirements for disinfection byproducts (Total Trihalomethanes and Haloacetic acids).

January 6, 2006- Long Term 2 Enhanced Surface Water Treatment Rule- Targets additional cryptosporidium treatment requirements to higher risk systems, provides provisions to ensure systems maintain microbial protection as they take steps to reduce the formation of disinfection byproducts, with a 2014 compliance deadline.

May 2009- CBS Water Master Plan- Chapter 3: In-depth review of the Surface Water Treatment Rules and impacts to the CBS. States need to comply with the cryptosporidium requirements no later than Oct 1, 2014. UV as preferred method (Blue Lake source) to comply with the regulations. The Master Plan also included a recommendation for a dedicated water line separate from the penstock.

May 3, 2009-Indian River put online for the last time. Boil water notice issued to residences in the Indian River subdivision and some portions of Sawmill creek due to inadequate chlorine contact time. This was the last time Indian River was put online until the dam project when a temp filtration plant was installed in order to meet current drinking water regulations.

April 21, 2010- Memo to Assembly for Drinking Water UV Disinfection Project Design Funding- Memo recommending the transfer of working capital funds for the design of the UV facility in order to comply with the Long Term Enhanced Surface Water Treatment Rule (the same rule that requires filtration and chlorine contact time at Indian River)

September 7, 2011-Letter from DEC-Stating that Indian River does not meet requirements of the Surface Water Treatment Rules due to lack of filtration and contact time and if Indian River is to be used in an emergency a system-wide Boil Water Notice must be issued.

November 22, 2011- Letter from DEC-Recap of a meeting between DEC and CBS. Letter discusses the need for planning for an alternate supply of water for the dam project as well as for future needs, the treatment requirements for Indian River and the necessity of issuing a boil water notice if treatment is not installed and the potential for water quality issues in BL after the raising of the dam.

May 2012-Treatment Alternatives-Temporary Filtration Evaluation- Evaluation of alternatives for temporary filtration at Indian River and Sawmill Creek- Discusses the various filtration options for Sawmill Creek and Indian River. Indian River ended up being the selected site due to having existing infrastructure in place such as power, pipeline and intake. Sawmill Creek would have been challenging during the dam construction due to the various construction activities happening at the GPIIP.

October 8, 2012-Indian River and Starrigavan Test Well Drilling Program- drilling performed to evaluate opportunities to develop groundwater supply sources in the lower valleys of Indian River to be used during the dam project and as the long-term back-up source. Conclusion was the aquifer system in Indian River is limited to narrow channels therefore the probability of developing a substantial groundwater supply in the Indian River study area is quite low. Starrigavan drilling showed adequate quality and quantity of water, however \$50M of distribution and treatment improvements would be needed in order to utilize.

January 2013 – Procurement of UV reactors for UV Disinfection facility. This was the option chosen for complying with the Long Term 2 Enhanced Surface Water Treatment Rule due to the lower costs associated with construction as well as operations and maintenance.

February 4, 2013-Scope and Budget for Indian River Temporary Filtration Final Design and Services During Construction and Operation- Provides scope of work, costs, schedule, etc.

February 25, 2013- Approved assembly ordinance-to award a time and materials contract for the Indian River Temporary Filtration Final Design and Services During Construction and Operation for the alternate water source filtration project

May 7, 2013-Bag/Cartridge Filter Summary-Summarizes the evaluation of bag or cartridge filters for temporary filtration at Indian River. Would require unreasonably large number of filter units, large footprint, and exorbitant amount of filters needed on-hand and higher costs than other filtration options

May 2013-Temporary Filtration at Indian River-summarizes the preliminary design for the temporary filtration needed at Indian River in order to comply with the drinking water regulations

August 12, 2013- Memo to Marlene on Temp Filtration Equipment-Rental vs. Purchase- memo discusses the rental vs. purchase prices for the temporary filtration project at Indian River

August 13, 2013- Memo to Karen Rehfeld, State Budget Director- Requesting direct funding through legislative appropriations to cover costs associated with the Blue Lake Hydro and Temp Filtration Projects

February 25, 2014-Resolution 2014-02- Approving CBS to apply for an ADEC loan in the amount of \$4.32M to finance construction of the temporary water filtration plant at Indian River.

March 6, 2014-Compliance Order by Consent between ADEC and CBS-Extension to comply with the Long Term 2 Enhanced Surface Water Treatment Rule for the emergency municipal water source at Indian River. Use of Indian River requires construction and operation of a temporary membrane filtration and chlorination disinfection system at the existing Indian River facility.

June 2014 – Advertise for bids and start construction of UV Facility.

December 5, 2014- Operational Evaluation Letter to DEC- Letter explains that while CBS was using Indian River water and the temporary filtration plant that CBS violated the disinfection byproduct limits due to high total dissolved organics in Indian River and a much higher chlorine dose was needed in order to achieve contact time.

May/June 2015 – Construction of UV Facility Complete and request to DEC for final approval to operate submitted to DEC.

November 27, 2017- Indian River Emergency Water Supply Evaluation-Evaluation discussing scope of work and costs associated with putting Indian River online for emergency situations. System-wide Boil Water Notice needed to use this source unless filtration installed and chlorine contact time met. A system-wide Boil Water Notice would have huge economic repercussions. It would significantly impact the fish processors, restaurants, hospitals, dental clinics, schools, etc.

January 23, 2018- Dedicated Water Supply Report- Evaluation looking into possible options and associated costs to provide water to the community during penstock outages. Options include intake and dedicated water line from Blue Lake, filtration at Indian River/Sawmill Creek, and development of the Starrigavan Well Field.

April 2018- Filtration Evaluation for Critical Secondary Water Source-(this report is still in DRAFT form, final report expected in April) In-depth evaluation on granular and membrane filtration options and costs associated with design, construction, operation and maintenance.



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-068 **Version:** 1 **Name:**

Type: Item **Status:** AGENDA READY

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Title: Update and Discussion/Direction/Decision from the Municipal Administrator on additional decrement scenarios totaling \$1,000,000 (operations, nonoperations, hybrid)

Sponsors:

Indexes:

Code sections:

Attachments: [Update decrements.pdf](#)
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Update and Discussion/Direction/Decision
from the Municipal Administrator on additional
decrement scenarios totaling \$1,000,000
(operations, nonoperations, hybrid)



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members

From: Keith Brady, Municipal Administrator

Date: 4/5/18

Subject: \$1 Million Operations Decrements

In an effort to make \$1 million in decrements to operations in the general fund and relay the impacts on services, I have broken down the general fund into four divisions: Administration, Public Works, Public Safety, and Public Services.

Administration includes the administrator, human resources, community affairs, legal, clerk, finance, information technology, assessing, and planning.

Public Works includes public works administration, engineering, streets, parks & recreation, and buildings.

Public safety includes fire and police.

Public service includes the library and Harrigan Centennial Hall.

There are a couple of different ways to look at this. If it were to be done equitably amongst all the general fund services decrementing could be broken down according to full-time equivalents: \$285,714 from administration, \$183,674 from public works, \$408,162 from public safety, and \$122,450 from public service.

Or, if it were broken down according to cost of salary and benefits per division: \$301,000 from administration, \$200,000 from public works, \$413,000 from public safety, and \$86,000 from public services.

Another way, is to look at the list that the Citizens Task Force put together through a very public and exhaustive analysis after listening to many of the directors regarding all services that are provided to the city. The Task Force listed several areas in the general fund and labeled them either core infrastructure/public safety, core regulatory, or core community values. The ones that were not listed as core infrastructure, safety, or regulatory were the annual nonprofit grant support, SEDA, historical museum, the Ride, chamber visitors bureau, senior citizen center, search and rescue, parks and recreation, the library, and Harrigan Centennial Hall.

I have used the stated above methods as a basis for ramification on operations and services.

Administration (Decrements of \$285,714 - \$301,000)

Decrement	Cost
2 FTE:	\$112,783 average of each FTE
Travel & Training	\$10,200

There would have a significant reduction in the ability to track, calculate, and analyze data in a timely manner. Part of administration is revenue collection, a reduction here would put us further behind, especially in assessing. The inequity we currently have in assessed value of properties should be unacceptable.

There could be a limit to our ability to audit tax remittance. There is an increased risk of audit findings thus jeopardizing grant funding. There could be an increase in backlog and wait time to receive a conditional use permit, as there has been an increase load in permit applications, and business registration approvals, thereby slowing economic development. There could be a further reduction in time when the utility desk is open. Phone calls would go to voicemail. Preparation of meeting minutes could be reduced to cursory notes only. Elimination of utility payment plans.

Public Works (Decrements of \$183,674 - \$200,000)

Decrement	Cost
2 FTE:	\$116,506 average of each FTE
Travel & Training	\$10,000

Grounds maintenance could be reduced to just focus on downtown. Other grounds such as ballfields and other ancillary areas would be maintained as there were time to do so.

There could be a reduction in road maintenance, pot holes filling, dust control, street sweeping, snow plowing, gravel road grading, brush trimming in right-of-ways. Reduced road repair and repaving program. Increased number of roads returned to gravel. SSD will be impacted as well through a reduction in services to grounds, roads and buildings.

Building permits could take longer, also slowing economic development. A reduction in personnel is compounded with a delay in capital projects.

Public Safety (Decrements of \$413,000 - \$408,162)

Decrement	Cost
4 FTE:	\$109,653 average of each FTE

Travel & Training	\$8500
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A reduction of FTEs historically increases overtime costs. However, even a reduction in overtime, and/or temp costs would increase the emergency response time that police, fire, EMS or SAR could respond. Usually, seconds count in life threatening situations. No overtime also has a cumulative effect on vacation and training often resulting in turn over and higher personnel cost. A reduction of personnel could mean that no police are covering patrol at certain times of the day. Lack of operations affects the training of 120 emergency service volunteers. A house fire triples in size every minute, if the fire hall went to all volunteers there is no guarantee that any would show up. This comes at a cost of safety for citizens and our emergency responders.

A reduction or removal of animal control would mean that a patrol officer would have to get to the problem when they could.

Public Service (Decrements of \$122,450 - \$86,000)

Decrement	Cost
2 FTE:	\$75,351 average of each FTE

Library and Harrigan Centennial Hall would have to reduce hours. Currently, the library is not open on Sunday. Not hiring a part-time staff position at the library would potentially close the library for another full day.

HCH might have to close at 6 PM and close on Saturday and Sunday, offering services at a premium for afterhours. Assembly meetings may need to be held from 1 to 5 PM. We could also look at privatizing the operations at HCH, but by privatizing, the cost to use the facilities would probably go up.

Other Ideas

Decrements	Total Cost	Ramifications
Janitorial Contact for 4 buildings	\$143,500	Could be reduced to daily bathrooms and common areas. Public restrooms wouldn't be cleaned or stocked as often.
Plants, Soil, Seeds, Fertilizer, mulch, fences	\$33,000	Reduction in the beauty of the town. Lawn and ballfield maintenance reduction.
Publication/Advertising	\$45,800	All publications, unless legally required, could be put just online. Jobs, announcements, notices, bids, agendas, etc.
Assembly Meetings Broadcasting	\$9000	Assembly meetings would not be broadcast on tv.

General Supplies	\$43,600	A reduction in supplies or materials lessens the efficiency and productivity of staff.
Granicus	\$14,000	Agenda documents and packet could be created as a pdf and posted on the city website. The audio could be posted city website. May increase staff time to produce.
Temporary Employment	\$411,000	Projects would slow down and grounds would become unkempt.

General Concerns:

The largest cost to the operational budget is personnel wages and benefits. A reduction in FTEs usually results in more money budgeted for temporary employees. Materials in operations are low cost to the budget but are required for staff to do their job. Taking away materials from operations would mean that staff would have nothing or little to do or work with, examples are above.

A reduction in community safety, and aesthetic of Sitka reduces the attraction of the city for locals, tourism, and future economic growth.

General Concerns: Increased turnover and less skilled workforce

Overall, services would slow down and the backlog would grow. With the incredible staff that we have, they would feel compelled to work harder and longer; in turn creating burnout and turnover with the feeling of unsatisfactory work environment, unbalanced home life, and resentment toward the organization. Instead of having a walk-in policy we would go to appointment only, becoming inconvenient to the public.

At current staffing levels we are more reactive than proactive. All staff wants to be more proactive in what we do. We want to think through things critically and make sure that we've exhausted all possibilities thinking about the future of Sitka with emergency and master planning, and develop land and economic development plans.

Collective bargaining continues to hamper the way we can strive to save money in two significant ways: wages and benefits. Collective bargaining paralyzes progressive fiscal discipline. Due to the restrictions in the union contracts it is very difficult to make efficiency decisions in Municipal government. Coupled with this is our tie to SCH and SSD (and their union contracts) for health insurance and our effort to be more nimble with the cost of premiums.

General Concerns: Decreased support for Boards and Commissions

If there is a reduction in personnel, a recommendation would be to reorganize or reduce the Boards and Commissions. Staff would have less time to prepare for or attend board and commission meetings. Many already cover the same or similar information. There are currently numerous vacancies that seem hard to fill.

General Concerns: Travel and Training

Travel and training is beneficial for staff and the work and service we provide the public. It helps to know best practices, to be a more productive and proactive workforce. There are many new staff in need of training to fulfill their job duties. Some travel and training has already been deferred where we can defer no longer without detriment or possible penalty to the work that is provided to the citizens. Reducing travel and training reduces our effectiveness and the service we would provide.

In some cases we have senior staff that belong to boards and committees in the state. It's good for Sitka to be involved in state matters, for networking, collaboration, and for Sitka to be on the minds of state agencies. Some travel and training is grant funded. Most of the travel and training is required for certification, to be licensed, receive credits, and continuing education. Some of the training requires no travel, especially with our emergency services. All is needed. A reduction in some areas of training would reduce our ability to perform certain work and thus our contracted dollars would need to increase.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members

From: Keith Brady, Municipal Administrator

Date: 4/5/18

Subject: \$1 Million Non-Operational Decrements

Non-operational decrements include fixed assets, capital projects, and donations given by the city to various organizations. Below you'll see the cost and ramifications of the possible decrementing from the FY19 budget.

Decrement	Cost	Ramifications
Suburban Fire Pumper	\$150,000	We would have another year or two to pay into the vehicle sinking fund, We risk not having adequate fire trucks to respond to emergencies. This truck is already overdue for replacement. At a maximum it should not extend over 2 more years.
Lincoln Street Paving	\$910,000	By resurfacing the asphalt we significantly reduce the cost of an overall repair of the road.
Lincoln Street Building HVAC	\$500,000	This project has been cut out of the budget for the last seven years, putting us at a continued higher risk of failure than we should be at. Parts for the system are no longer being produced and are continuingly harder to find. Failure of the system would result in lack of air flow in the building and possible heater use in the winter, dramatically increasing our electricity usage.
Crescent Park Bathrooms	\$150,000	Total for the project is \$300,000, 50% of the project being budgeted from the CPET fund. There is a possibility of bathroom closure if maintenance became dire. We are continuing to work out the justification of CPET funds for projects.
Financing Police CAD/RMS & Phone System	\$316,724	This can be made into an internal loan at 3% for 5 years. Due to interest the projects with ultimately cost more. Though the interest will be transferred to the building maintenance fund and

		thus still utilized for CBS purposes. Parts for the phone system are no longer being produced and are continually harder to find.
SCH Capital Contribution	\$150,671	Reduction in support to the hospital. Hospital is projecting a positive cash flow of \$1.8M. May be eliminated in future years.
Sitka Historical Society	\$97,200	Reduced support to local non-profits that regularly receive these donations. Possible that they may lack funding for grant opportunities. However, grant and grant matching can be looked at on a case by case basis. May be eliminated in future years.
The Ride	\$25,000	Although not in the budget, it has been requested.
Senior Center/Buses	\$97,764	This would probably result in a lack of senior programs and transportation for seniors.
SAFV, Other Non-Profit Donations	\$100,000	Reduced support to local non-profits that regularly receive these donations. Possible that they may lack funding for grant opportunities. However, grant and grant matching can be looked at on a case by case basis. May be eliminated in future years.

Revenue minus operations leaves about \$800k in the budget for capital improvements every year. Fortunately, wise budgeting has left a surplus in years past that can then be transferred to the Public Infrastructure Sinking Fund to be used later. FY19 capital projects are budgeted at \$2.1M. To be on target and meet our infrastructure needs to maintain our current level of service we should have about \$4M for capital projects each year. The citizens' task force recommended we have \$3M. Without the state or federal funding coming in as it used to, there is a real and serious need for more revenue to stay current with our infrastructure needs.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members

From: Keith Brady, Municipal Administrator

Date: 4/5/18

Subject: Current Deficit, Recommended Decrements from General Fund

Decrement	Cost	Beginning Deficit (596,420)
Travel & Training	-\$18,700	(577,720)
Suburban Fire Pumper	-\$150,000	(427,720)
Crescent Park Bathrooms	-\$150,000	(277,720)
Financing Police CAD/RMS & Phone System	-\$316,724	(39,004)
1 FTE: Assistant Fire Chief	-\$100,000	60,996
Additional Local Effort to SSD	+\$200,000	(139,004)

Existing personnel are not in the decrements. However, included in an additional \$200,000 in local effort for the school district to possibly fund an additional two teacher positions. With the amount that's already budgeted for the school district, they have an opportunity to save all teachers jobs. It might require limited access to the pool and PAC, or closing of community schools. A reduction of personnel from either the city, the school district or both could have significant impacts and could affect the community as a whole.

In an effort to increase staffs productivity and proactiveness, I would also recommend a reduction of boards and commissions to alleviate the time and energy of staff and Assembly. Support to boards and commission costs time and money. Also, many boards cover the same or similar information. For example, police and fire could be consolidated with local emergency planning commission; trees and

landscape can combine with parks and rec; and planning commission can combine with historical preservation committee, etc. Special boards or commissions may be convened from time to time as appropriate but with an expiration date.

Unfortunately, with each yearly approved budget the amounts becomes the new normal for CBS and SSD. There are real needs in city infrastructure. Revenue minus operations leaves about \$800k in the budget for capital improvements every year. Fortunately, wise budgeting has left a surplus in years past that can then be transferred to the Public Infrastructure Sinking Fund to be used later. FY19 capital projects are budgeted at \$2.1M. To be on target and meet our infrastructure needs to maintain our current level of service we should have about \$4M for capital projects each year. The citizens' task force recommended we have \$3M. Without the state or federal funding coming in as it used to, there is a real and serious need for more revenue to stay current with our infrastructure needs.

Other potential recommendations are listed below to get us in a surplus budget. These additions are suggested by the Citizens Task Force final report.

Decrement	Cost	Beginning Deficit (139,004)
Sitka Historical Society	-\$97,200	(41,804)
Senior Center/Buses	-\$97,764	55,960
SAFV, Other Non-Profit Donations	-\$100,000	155,960
SCH Capital Contribution	-\$150,671	306,631

Again the Citizens Task Force put together a list of places to look through a very public and exhaustive analysis after listening to many of the directors regarding all services that are provided to the city. The Task Force listed several areas in the general fund and labeled them either core infrastructure/public safety, core regulatory, or core community values. The ones that were not listed as core infrastructure, safety, or regulatory were the annual nonprofit grant support, SEDA, historical museum, the Ride, chamber visitors bureau, senior citizen center, search and rescue, parks and recreation, the library, and Harrigan Centennial Hall.



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-067 **Version:** 1 **Name:**

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Title: Discussion/Direction/Decision of the FY2019 Sitka Community Hospital budget (Assembly action may be taken)

Sponsors:

Indexes:

Code sections:

Attachments: [SCH Budget FY2019.pdf](#)
[Memo April 5 Budget Meeting item C.pdf](#)

Date	Ver.	Action By	Action	Result
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Step 1

Discussion/Direction/Decision of the FY2019 Sitka Community Hospital budget.

Step 2

After discussion, a possible motion is:

I MOVE TO affirm the proposed operating, debt service, and capital expenditure appropriations in Sitka Community Hospital's FY2019 draft budget for inclusion in the adopting ordinance without change.*

*This motion is OPTIONAL and is to only affirm that the Assembly does not want to make any changes to the proposed budget after review. The Assembly does not need to make this motion, as the budget will proceed to ordinance as is, unless the Assembly changes it. This motion has, however, been made in the past in order to help the Assembly keep track of what it has reviewed and approved to go forward to ordinance. THE BUDGET ADOPTION ORDINANCE AND CAPITAL EXPENDITURE ADOPTION RESOLUTION ARE THE OFFICIAL ACTIONS THE ASSEMBLY TAKES TO APPROVE THE BUDGET.



Sitka Community Hospital

FY19 Budget

Assembly Presentation

April 5, 2018



Our Mission

Restore, maintain, and improve the health of those in our community through competent and compassionate delivery of care.

Sitka Community Hospital – FY19 Budget

Who We Are

Sitka Community Hospital (“the Hospital”) is a municipal general hospital governed by a Board of Directors appointed by the Assembly of the City and Borough of Sitka. The Hospital provides acute inpatient and outpatient, long-term care and other community healthcare services. The Hospital is licensed for 12 acute care beds which includes one nursery bed and 15 long-term care beds.

The Hospital is considered to be a component unit of the City and Borough and is designated by Medicare as a Critical Access Hospital (“CAH”) which provides for cost based reimbursement from Medicare – a favorable reimbursement methodology that was part of the 1997 Balanced Budget Act to stem the closure of small, rural hospitals that were suffering under the prospective payment system that had been introduced by Medicare.

As is the case with most CAH’s, more than half of the Hospital’s revenue is generated by outpatient services. In fact, Outpatient Revenue is 67% of Gross Patient Revenue in the FY19 budget. Historically, the balance of Gross Patient Revenue was split fairly evenly between Long-term Care and Inpatient. However with increased volumes in long-term care, it now contributes 19% to gross revenue followed by inpatient at 14%.

The hospital’s two largest payors are Medicare and Medicaid. In FY18, 59.1% of the Hospital’s gross revenue has been from Medicare and Medicaid beneficiaries, followed by Blue Cross with 19.3%, all other insurances combined at 18.9% and Self Pay at 2.7%.

The Hospital has been developing and implementing strategic and operating improvement plans. Such efforts are driving efficiencies and effectiveness into the organization which will ultimately increase revenues, decrease costs, and increase satisfaction for patients and customers alike. It’s the perfect embodiment of the Hospital’s mission to:

Restore, maintain, and improve the health of those in our community through competent and compassionate delivery of care.

Sitka Community Hospital – FY19 Budget

The Budget Process – Our Approach

The budget we are presenting for approval came to fruition through the collective efforts of many within the organization and across all levels. This was the second year during which we constructed the budget using a zero-based budgeting approach that included training for department managers, budget review meetings, intensive senior leadership involvement and Finance Committee review. This process generated a detailed, complete and well documented budget to successfully guide the hospital through the upcoming year.



Sitka Community Hospital – FY19 Budget

The Budget at a Glance – Helpful Hints

Please consider the following helpful hints in reviewing the accompanying financial information:

- For the sake of cross year comparisons and to more clearly reflect true operating results, historical and current amounts for the following accounting transactions have been removed from the financial presentation:
 - GASB68 (new in FY16 – accounting pronouncement for pensions)
 - PERS In-kind (The State’s PERS contribution on behalf of employees)
 - USAC In-kind (Federal funding of rural internet services)
- The FY18 Baseline is included for analytical review purposes. For net revenue, the baseline is February 28, 2018 year to date actual plus the remaining budget for March – June. In other words, it assumes making budget for volumes through the remainder of the year. Expenses, which are generally fixed, assume the year to date trend through June 30, 2018 with the exception of Labor and Delivery as those expenses would not continue through the end of the year.
- “Variances” compare the FY19 Budget to the FY18 Baseline. Negative variances indicate that revenues are budgeted to decrease or expenses are budgeted to increase. Positive variances indicate that revenues are budgeted to increase or expenses are budgeted to decrease.

Sitka Community Hospital – FY19 Budget

The Budget at a Glance – The Highlights

- Positive Bottom Line of \$1,050,000
- Positive Cash Flow of \$1,845,000
- Debt repayment to the City of \$421,000 which nearly pays off the line of credit by June 30, 2019
- Capital investment in EHR of \$1,100,000 with a go-live on May 1, 2019. Operating expense of \$549,000 for Software as a Service (SaaS) agreement with Cerner and \$165,000 of related operating expense contingency.
- Capital investment in building and equipment of \$201,000
- Pension plan funding of \$2,200,000 - a significant portion of which reduces the unfunded liability (annually)

Sitka Community Hospital – FY19 Budget

The Budget at a Glance – Summary Financials

	FY16 Actual	FY17 Actual	FY18 Budget	FY18 Baseline	FY19 Budget	\$ Variance	% Variance
1. Total Operating Revenue	\$ 23,569,316	\$ 27,183,191	\$ 26,926,376	\$ 25,919,517	\$ 25,969,056	\$ 49,539	0.2%
2. Total Expenses	24,605,888	26,955,521	27,479,489	28,160,344	25,923,699	2,236,645	7.9%
3. Income (loss) from Operations	(1,036,572)	227,670	(553,113)	(2,240,827)	45,357	2,286,184	102.0%
4. Non-operating gains (losses)	84,292	57,208	89,384	58,338	22,542	(35,796)	-61.4%
5. Income (loss) before transfers	(952,280)	284,878	(463,729)	(2,182,489)	67,899	2,250,388	103.1%
6. Transfers in - City Capital	131,972	265,621	150,671	150,671	150,671	0	0.0%
7. Transfers in - Tobacco Tax	490,365	879,156	679,995	846,766	831,500	(15,266)	-1.8%
8. Total income (loss) after transfers	(329,943)	1,429,655	366,937	(1,185,052)	1,050,070	2,235,122	188.6%

The improved performance for FY19 is largely driven by a decrease in expenses as outlined on the following slide.



Sitka Community Hospital – FY19 Budget

The Budget at a Glance – Summary of Expense Reductions/Additions

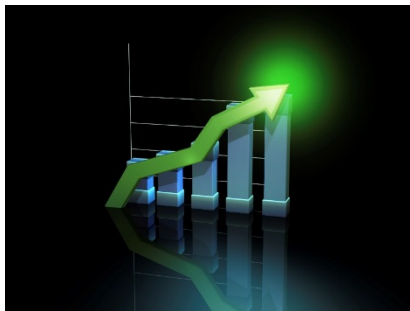
	<u>Expense Reductions</u>	<u>Explanation</u>	<u>Amount</u>
1.	Salaries & Benefits	Staffing Review	755,000
2.	Labor & Delivery	Discontinue Program	506,665
3.	Surgical Services	Change to Weekday Schedule - 3 weeks/mo	436,000
4.	Supplies	340b Program (300k) & FY18 high acuity patient	350,000
5.	Administration	Purchased Services, Legal & Other	170,000
6.	Fiscal Services	Financial Management Services	157,000
7.	Healthland	Maintenance Agreement	132,000
8.	Repairs & Maintenance	FY18 Survey Projects not repeating	100,000
9.	Salaries & Benefits	Discontinue Premium Pay for PRN Call In	65,000
10.	Salaries & Benefits	Reduce Other Premium Pay	52,000
11.	Minor Equipment	Reduced need due to Cerner Capital	51,000
12.	Patient Financial Services	Purchased Services	50,000
13.	Travel	Budgeted Only Required/Essential	45,000
14.	Salaries & Benefits	Changed Employee Share of Health Premium 1%	33,000
15.	Various	Net Increases/Decreases	207,980
16.	Total Expense Reductions		<u>3,110,645</u>
	<u>Expense Additions</u>		
17.	Cerner	Software as a Service	549,000
18.	Cerner	Implementation Contingency from Capital	165,000
19.	Health Insurance	Premium Increase of 6%	160,000
20.	Total Expense Additions		<u>874,000</u>
21.	Net Reduction to Expenses		<u><u>2,236,645</u></u>

Sitka Community Hospital – FY19 Budget

Cash Flow

The FY19 budgeted cash flow is sufficient to cover operations, fund the Cerner implementation and \$200k of other capital while continuing to pay down debt to the City. Thus the current cash position of \$3,000,000 is expected to hold pending a favorable Medicare audit.

Days cash on hand at 06/30/19 is estimated to be at 44 days.



1. FY19 Total Income (loss) from Operations	45,357
2. Add Back: Depreciation	<u>794,687</u>
3. Cash Flow from Operations	840,044
4. Cash from Non Operating Revenue	<u>22,542</u>
5. Total Cash Flow before City Transfers	862,586
6. City Capital	150,671
7. Tobacco Tax	<u>831,500</u>
8. Total Cash Generated - FY19	1,844,757
9. Cash required for Capital and Debt	
10. Cerner - Implementation Costs	1,089,041
11. Due to City - Line of Credit	340,000
12. Due to City - Long-term Debt	81,088
13. Capital - City Funded	150,671
14. Capital - SCH Funded	50,000
15. Due to Medicaid	<u>100,000</u>
16. Total Cash Required for Capital & Debt	<u>1,810,800</u>
16. Cash Generated in Excess of Requirements	<u><u>33,957</u></u>

Sitka Community Hospital – FY19 Budget

Summary of Budget Request – Authorization to Spend

	Source	Amount
Operating		
Total Expenses	Page 19, Line 32	25,923,699
Less: Depreciation - Non Cash Expense	Page 19, Line 20	(794,687)
Plus: Due to Medicaid	Page 8, Line 15	100,000
Total Operating Request		<u>25,229,012</u>
 Capital **		
Capital - City Funded	Page 8, Line 13	150,671
Capital - SCH Funded	Page 8, Line 14	50,000
Total Capital		<u>200,671</u>
 Debt Service		
Due to City - Line of Credit	Page 8, Line 11	340,000
Due to City - Long-term Debt	Page 8, Line 12	81,088
Interest on City Debt	Page 20, Line 38	7,572
Total Debt Service		<u>428,660</u>
 Total Request - Authorziation to Spend		<u><u>25,858,343</u></u>

** Cerner Implementation listed on page 8, line 10 was previously approved and appropriated by CBS and, therefore, is not included in the FY19 request for authorization to spend.

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Programmatic Changes/Assumptions - Surgery

Surgical Services

- The FY19 Budget assumes that surgical services will be provided Monday through Friday for three weeks of each month. We have secured the commitment of two surgeons currently participating in the surgery rotation to cover those three weeks (one of them for two consecutive weeks) and a tentative commitment for a third to round out the rotating team. This model provides a stabilization in the surgical coverage at a significantly reduced cost to the hospital. Volume is expected to increase slightly given the continuity of the surgeon coverage and our ability to schedule procedures. We have seen an increase in the surgery volume over the last three months as December through February averaged 20 surgeries per month. The FY19 budget assumes 200 surgeries which is just over 16 per month or slightly more than one per surgical day.

This model assumes that trauma cases would be referred to SEARHC, that we would maintain 24x7 anesthesia coverage for ER purposes and focus primarily on outpatient surgeries.

SCH has secured lower per day professional fees with the surgeons and identified other savings such as low to no “on call” salaries for the OR nursing team. ***These two items alone translate into savings of approximately \$450,000 annually with no anticipated downside to volume.***

As a result, this model provides an opportunity to continue a valuable service to the community in a much more cost effective manner. It also provides a solid stepping stone to a more permanent solution pending outcome of the RFP process and post Cerner implementation.

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Programmatic Changes/Assumptions – OB Services

OB Services

In January, 2018, Sitka Community Hospital discontinued the Labor and Delivery program. In order to provide a smooth transition for existing patients, SCH agreed to provide two physicians for the OB call rotation at SEARHC and planned to evaluate the impact of doing so after a reasonable length of time.

A recent review of the anticipated costs of continuing to participate in the OB call rotation at SEARHC indicates that the net financial impact is approximately \$90,000 per year. As a result, we anticipate discontinuing our participation in the call rotation effective July 1, 2018 and have excluded this net cost from the FY19 budget.

SCH # of Days of Call per Year	103
Est. Deliveries During SCH Rotation	24
Revenues Received from Deliveries	96,000
Lost Clinic net Revenue for 2 hours of AM rounding	(78,280)
OB Call Pay	(74,400)
C-Section Call Expense paid to SEARHC	(31,200)
Total Call Cost	(105,600)
Net Revenue(Loss)	<u>(87,880)</u>

Budget Assumptions – Programmatic Changes/Assumptions – USAC Funding

The Hospital participates in the Rural Health Care Program (RHC) of the Universal Service Fund (USF), which is administered by the Universal Service Administrative Company (USAC). RHC is a support program authorized by Congress and designed by the Federal Communications Commission (FCC) to provide reduced rates to rural health care providers for telecommunications services and internet access charges related to the use of telemedicine and tele-health. RHC is intended to ensure that rural health care providers pay no more for telecommunication in the provision of health care services than their urban counterparts. Payments under RHC are made directly by USF to the Corporation's telecommunications provider upon submission by the Corporation of the required FCC forms. The Hospital's contribution benefit under the program, which meets the definition of contributed services under generally accepted accounting principles, has been approximately \$1M per year for the last several years. This amount is recorded in revenue and expense and thus has no impact to the bottom line nor has been included in the budget in prior years. **(FY17 Audit Report Footnote)**

Though there has historically been no bottom line impact, we learned at the end of last year's budget process, that federal funding may decrease. The impact, if any, for FY18 remains unknown today and we are also uncertain if there will be any impact for FY19. It appears that our exposure could be anywhere from "zero" to several hundred thousand dollars. We have received verbal assurance from our internet provider that they do not anticipate passing any negative impact on to their customers. The FY19 budget does not include an amount for reduced USAC funding. It introduces some element of risk but we are unable to assign any level of probability of impact based on information currently available.

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Revenues

All Patient Revenue Categories

- Overall price increase of 3% was included in the budget. Prior year price increases were as follows:

FY16 10%

FY17 6%

FY18 10%

Inpatient Revenue

- Inpatient revenue is budgeted for \$4,759,000 in FY19 which is a \$946,000 or 17% decrease from the FY18 baseline. The patient day volumes for acute care and swing bed were developed assuming an average daily census of 1.9 and 1.8, respectively which is reflective of the decreased volumes experienced in the first six months of the fiscal year. We believe that the swing bed assumption is conversative as we have seen an uptick in volume in the last two months – more closely matching prior year volumes. In addition to the impact of the swing bed volumes, inpatient revenue is decreasing from the baseline due to the discontinued OB services in FY19 and the assumption that the surgeries in FY19 will primarily be outpatient. A breakdown of the \$946,000 variance follows:

Swing Bed	(239,000)
OB	(300,000)
Surgical Services	(305,000)
Other	<u>(102,000)</u>
Change from Baseline	<u><u>(946,000)</u></u>

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Revenues

Outpatient Revenue

- Total Outpatient Revenue is budgeted for \$21,880,000 which is 8.2% or \$1,667,000 higher than the baseline.
- Clinic volumes are projected to increase 8.7% over FY18 February year to date annualized or 14% over the baseline.
- Rehab services are budgeted to increase 34% due to the filling of the Speech Therapist position which was vacant for a majority of FY18 and the return of a previously established Physical Therapist.
- Outpatient surgery revenue is expected to increase due to the change in surgical services (see decrease for inpatient on previous slide)
- A breakdown of the positive variance follows:

Rehab	753,000
Clinic	280,000
Surgery	370,000
Radiology/CT	133,000
Lab	129,000
Other	<u>2,000</u>
Change from Baseline	<u><u>1,667,000</u></u>

Long-term Care

- Long-term Care Revenue is budgeted for \$6,097,000 which approximates the FY18 baseline. An anticipated decrease in revenue due to a drop in census from the FY18 baseline is offset by the 3% price increase. FY19 budget assumes 13 residents.

Other and Non-operating Revenue

- Zero-based or FY18 baseline where appropriate. Decrease due to loss of school contract and change in mix of rehab contracts.

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Deductions from Revenue – Contractual Adjustments

Deductions from Revenue represent the amount of gross revenue that we do not collect from insurance companies and patients.

Contractual Adjustments

Contractual adjustments are the amounts that we charge for services that are not reimbursed by insurance companies or other payors such as Medicare or Medicaid.

For FY19, contractual adjustments have been budgeted at \$5,625,000 or 17.1% of Gross Patient Revenue.

- Using our own historical experience, we determined a % for each major category of payors and adjusted for the impact of our price increases, known changes to payment rates from our third party payors such as Medicare/Medicaid and estimated impact of reduced expenses.
- These percentages were applied to the FY18 gross revenue budget assuming the same payor mix in FY19 as we have trended in FY18.

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Deductions from Revenue – Bad Debt & Charity

Bad Debt

Bad debt represents the amounts that we write-off because a patient has not responded to collection efforts by paying the balance in full, establishing a payment plan or completing a charity application. For SCH, the Bad Debt line item also includes other types of account adjustments which could be (and will be on the new financial system) more appropriately classified as “Other Deductions from Revenue” – such as Administrative Adjustments and Employee Discounts.

Bad Debt Expense is budgeted at \$1,440,000 in FY19 which is 4.4% of Gross Revenue. While this percentage is equal to the FY18 percentage, expense is increasing \$32,000 in FY19 due to the increase in Gross Revenue. When considering true “Bad Debt Expense” only, the percent of Gross Patient Revenue is 3.23%. The national average for Bad Debt Expense for Critical Access Hospitals published in a 2017 article in the Healthcare Financial Management Journal was 3.44%.

Charity and Other

Charity care represents the amounts that we write-off for services rendered to patients who meet our charity care guidelines and demonstrate that through an application and approval process.

Charity care has been budgeted at \$8,800 which approximates the FY18 baseline. Charity care has decreased considerably over the last two calendar years due largely to Medicaid expansion. For example, after removing the impact of one large, outlier charity case in FY17, the annual expense would have been approximately \$10,000 which is consistent with level of charity we have experienced for the last 24 months.

***Total Deductions from Revenue are budgeted at 21.6% of Gross Revenue in FY19.
This means that, on average, we write off \$21.60 of every \$100.00 we charge.***

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Expenses

Salaries and Benefits

Salaries and Benefits represent 67.8% of total expenses. When combined with traveler and contracted physician expense, total compensation as a percent of total expenses increases to 76.4%

As a result and in order to achieve the necessary financial performance for FY19 to fund ongoing operations, the Cerner EHR and to position Sitka Community Hospital for the future, it was necessary to explore cost savings opportunities in staffing and benefits. The schedule below represents adjustments made through specific cost reduction review and analysis and does not include the impact of discontinuing OB and changing the model for surgical services:

Staffing Review	755,000
Discontinue Premium Pay for PRN Call In	65,000
Reduce Other Premium Pay	52,000
Changed Employee Share of Health Premium 1%	33,000
Health Insurance Premium of 6%	(160,000)
	<u>745,000</u>

It is anticipated that the staffing review savings will be achieved through a variety of methodologies including known, upcoming vacancies that will not be filled, changes to staff scheduling, restructuring of departments and tighter controls on the use of premium pay such as overtime. It is unlikely that the entire savings will be achieved without the need to eliminate positions other than through attrition – though the goal is to implement the new staffing plan to achieve the savings with the least amount of disruption to the organization and our employees.

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Expenses

Salaries and Benefits

	FY16 Actual	FY17 Actual	FY18 Budget	FY18 Baseline	FY19 Budget	\$ Variance	% Variance
Salaries & Benefits							
1. Salaries	11,327,132	12,528,548	12,061,640	12,532,767	11,810,139	722,628	5.8%
2. Benefits	5,391,659	6,048,282	6,416,861	6,076,072	5,767,373	308,699	5.1%
3. Total Salaries & Benefits	16,718,791	18,576,830	18,478,501	18,608,839	17,577,512	1,031,327	5.5%
Salaries/Benefits as % of Total							
4. Expenses	67.9%	68.9%	67.2%	66.1%	67.8%	-1.7%	-2.6%
5. Regular FTE's	154.6	159.6	164.5	166.5	161.0	5.5	3.3%
6. Salaries per FTE	73,267	78,500	73,319	75,276	73,355	1,921	2.6%
7. Salaries & Benefits per FTE	108,142	116,396	112,324	111,772	109,177	2,594	2.3%
8. Employee Benefits as a % of Salaries	47.6%	48.3%	53.2%	48.5%	48.8%	-0.4%	-0.7%
Total Staffing Costs							
9. Salaries and Benefits	16,718,791	18,576,830	18,478,501	18,608,839	17,577,512	1,031,327	5.5%
10. Traveler Costs	652,856	888,947	1,158,648	1,440,142	1,309,766	130,376	9.1%
11. Professional Fees	1,331,543	1,535,132	1,412,913	1,760,280	922,801	837,479	47.6%
12. Total Staffing Costs	18,703,190	21,000,909	21,050,062	21,809,261	19,810,079	1,999,182	9.2%
13. Total Expenses	24,605,888	26,955,521	27,479,489	28,160,344	25,923,699	2,236,645	7.9%
14. Total Staffing Costs as % of Total Expenses	76.0%	77.9%	76.6%	77.4%	76.4%	1.0%	1.3%

Sitka Community Hospital – FY19 Budget

Budget Assumptions – Expenses

Supplies

- Various inflation and department specific increases applied

Depreciation and Amortization

- Projection based on current assets with assumption for capital additions the largest of which is Cerner – estimated to be placed into service on May 1, 2019. Healthland will be fully depreciated on June 30, 2019.

Utilities

- Water expense included a 20% increase while sewer and rubbish were each budgeted for a 6% increase.

Business Insurance

- Insurance is showing a 10% increase over the FY18 baseline but is budgeted to approximate prior year levels.

Purchased Services

- Zero base budgeted and includes approximately \$380,000 of decreased expenses as consulting fees for ECG, Stroudwater and EHR legal fees will no recur in FY19. This reduction includes \$157,000 for financial management services as part of the planned transition and a lower utilization of HRG.

Professional Fees

- ER Physicians and Surgeons. Significant decrease due to surgery schedule. See prior slide.
- Anesthesia

All Other Expenses

- Zero-based or FY18 projection where appropriate

Income (Loss) from Operations

	FY16 Actual	FY17 Actual	FY18 Budget	FY18 Baseline	FY19 Budget	\$ Variance	% Variance
<i>Gross Patient Revenue:</i>							
1. Inpatient revenue	\$4,174,013	\$5,787,740	\$5,856,178	\$5,705,102	\$4,759,138	(\$945,964)	-16.6%
2. Outpatient revenue	16,754,297	17,870,761	20,921,977	20,213,758	21,880,347	1,666,589	8.2%
3. Longterm care revenue	4,142,181	5,162,946	6,256,765	6,075,932	6,096,512	20,580	0.3%
4. Total gross patient revenue	25,070,491	28,821,447	33,034,920	31,994,792	32,735,997	741,205	2.3%
<i>Deductions from Revenue:</i>							
5. Contractual adjustments	1,427,271	2,228,019	4,738,089	5,119,167	5,625,111	(505,944)	-9.9%
6. Prior year settlements	0	(1,388,204)	0	0	0	0	n/a
7. Bad debt expense	399,365	1,064,095	1,736,101	1,407,771	1,439,959	(32,188)	-2.3%
8. Charity and other deductions	59,280	121,146	66,071	8,753	8,836	(83)	-0.9%
9. Total deductions from revenue	1,885,916	2,025,056	6,540,261	6,535,691	7,073,906	(538,215)	-8.2%
10. Net patient revenue	23,184,575	26,796,391	26,494,659	25,459,101	25,662,091	202,990	0.8%
<i>Other Revenue</i>							
11. Inkind Service - PERS/USAC	0	0	0	0	0	0	n/a
12. Other revenue	384,741	386,800	431,717	460,416	306,965	(153,451)	-33.3%
13. Total other operating revenue	384,741	386,800	431,717	460,416	306,965	(153,451)	-33.3%
14. Total operating revenue	23,569,316	27,183,191	26,926,376	25,919,517	25,969,056	49,539	0.2%
<i>Expenses:</i>							
15. Salaries and wages	11,327,132	12,528,548	12,061,640	12,532,767	11,810,139	722,628	5.8%
16. Employee benefits	5,391,659	6,048,282	6,416,861	6,076,072	5,767,373	308,699	5.1%
17. Supplies	1,632,454	1,529,017	1,712,901	1,897,728	1,570,075	327,653	17.3%
18. Purchased services	1,505,216	1,687,002	1,509,314	1,545,978	1,884,560	(338,582)	-21.9%
19. Professional services	1,331,543	1,535,132	1,412,913	1,760,280	922,801	837,479	47.6%
20. Depreciation and amortization	910,584	732,864	765,000	740,492	794,687	(54,195)	-7.3%
21. Utilities	373,631	437,437	652,733	461,462	525,345	(63,883)	-13.8%
22. Repairs and maintenance	602,234	644,806	626,696	701,173	479,130	222,043	31.7%
23. Insurance	180,773	147,047	147,072	129,380	143,300	(13,920)	-10.8%
24. Rentals and leases	173,645	157,438	218,901	143,830	148,156	(4,326)	-3.0%
25. Traveler service	652,856	888,947	1,158,648	1,440,142	1,309,766	130,376	9.1%
26. Other expense	122,604	143,333	223,335	262,504	196,075	66,429	25.3%
27. Minor equipment	119,959	157,709	166,337	142,564	91,634	50,930	35.7%
28. Training and education	106,813	120,371	190,682	109,550	72,658	36,892	33.7%
29. Collection fees	57,276	80,993	72,480	81,782	80,000	1,782	2.2%
30. Advertising	59,989	77,918	88,320	76,124	70,000	6,124	8.0%
31. Recruitment and relocation	57,520	38,677	55,656	58,516	58,000	516	0.9%
32. Total expenses	24,605,888	26,955,521	27,479,489	28,160,344	25,923,699	2,236,645	7.9%
33. Income (loss) from operations	(1,036,572)	227,670	(553,113)	(2,240,827)	45,357	2,286,184	102.0%

Nonoperating Gains (losses)

	FY16 Actual	FY17 Actual	FY18 Budget	FY18 Baseline	FY19 Budget	\$ Variance	% Variance
<i>Nonoperating Gains(Losses):</i>							
34. Donations	14,892	17,972	20,000	31,793	20,000	(11,793)	-37.1%
35. Grant revenue	80,185	44,681	75,000	54,600	6,900	(47,700)	-87.4%
36. Gain (loss) on disposal of assets	(192)	(2,463)	0	(820)	0	820	100.0%
37. Interest revenue	5,609	10,863	6,384	3,215	3,214	(1)	0.0%
38. Interest expense	(16,202)	(13,845)	(12,000)	(30,450)	(7,572)	22,878	75.1%
39. Net nonoperating gains (losses)	84,292	57,208	89,384	58,338	22,542	(35,796)	-61.4%
40. Income (loss) before transfers	(952,280)	284,878	(463,729)	(2,182,489)	67,899	2,250,388	103.1%
<i>Transfers In:</i>							
41. City Support - Capital	131,972	265,621	150,671	150,671	150,671	0	0.0%
42. City Support - Tobacco Tax	490,365	879,156	679,995	846,766	831,500	(15,266)	-1.8%
43. Total transfers in	622,337	1,144,777	830,666	997,437	982,171	(15,266)	-1.5%
44. Total income (loss) after transfers	(\$329,943)	\$1,429,655	\$366,937	(\$1,185,052)	\$1,050,070	\$2,235,122	188.6%

Volumes

	FY16 Actual	FY17 Actual	FY18 Budget	FY18 Baseline	FY19 Budget	\$ Variance	% Variance
Hospital Inpatient							
1. Patient Days - Acute	574	725	702	666	702	36	5.4%
2. Patient Days - Swing Bed	712	920	1,098	908	670	(238)	-26.2%
3. Patient Days - Total	1,286	1,645	1,800	1,574	1,372	(202)	-12.8%
4. Average Daily Census - Acute	1.6	2.0	1.9	1.8	1.9	0.1	5.4%
5. Average Daily Census - Swing	1.9	2.5	3.0	2.5	1.8	(0.7)	-26.2%
6. Average Daily Census - Total	3.5	4.5	4.9	4.3	3.8	(0.6)	-12.8%
7. Percentage of Occupancy - Total	29.3%	37.6%	41.1%	35.9%	31.3%	-4.6%	-12.8%
Newborn							
8. Patient Days	35	70	30	28	-	(28)	-100.0%
9. Deliveries	25	37	15	21	-	(21)	-100.0%
Long Term Care							
10. Resident Days	3,637	4,597	5,110	4,888	4,745	(143)	-2.9%
11. Average Daily Census	9.9	12.6	14.0	13.4	13.0	(0.4)	-2.9%
12. Percentage of Occupancy	66.2%	84.0%	93.3%	89.3%	86.7%	-2.6%	-2.9%
Surgical Services							
13. Inpatient	25	46	20	25	-	(25)	-100%
14. Outpatient	307	218	200	181	200	19	10%
15. Total	332	264	220	206	200	(6)	-3%
16. Emergency Room Visits	2,127	1,822	1,800	1,902	2,000	98	5.2%
17. Outpatient Visits	28,968	29,202	30,969	28,885	32,367	3,482	12.1%
18. Total	31,095	31,024	32,769	30,787	35,367	3,580	11.6%
19. Pharmacy - IP - All Acute Days	1,286	1,645	1,800	1,574	1,372	(202)	-12.8%
20. Pharmacy - OP - ER & Infusion Visits	2,335	2,063	2,100	2,249	2,350	101	4.5%
21. Radiology Procedures	4,567	4,125	4,408	4,072	3,795	(277)	-6.8%
22. Lab Tests	23,360	24,058	23,813	25,081	25,370	289	1.2%
23. Rehab Services Units	23,466	24,542	25,595	24,434	29,356	4,922	20.1%
24. Infusion Services	208	241	300	347	350	3	0.9%
25. Home Health Visits	1,000	2,845	3,000	3,322	3,000	(322)	-9.7%
26. Clinic Visits	9,492	10,750	12,748	11,041	12,534	1,493	13.5%

Financial Indicators

	FY16 Actual	FY17 Actual	FY18 Budget	FY18 Baseline	FY19 Budget	\$ Variance	% Variance
1.Contractual Adj. as a % of Gross Revenue	5.7%	7.7%	14.3%	16.0%	17.2%	-1.2%	-7.4%
3.Bad Debt as a % of Gross Revenue	1.6%	3.7%	5.3%	4.4%	4.4%	0.0%	0.0%
2.Charity/Other Ded. as a % of Gross Revenue	0.2%	0.4%	0.2%	0.0%	0.0%	0.0%	1.3%
4.Total Deductions as a % of Gross Revenue	7.5%	7.0%	19.8%	20.4%	21.6%	-1.2%	-5.8%
5.Operating Margin	-4.4%	0.8%	-2.1%	-8.6%	0.2%	8.8%	102.0%
6.Total Margin before Transfers	-4.0%	1.0%	-1.7%	-8.4%	0.3%	8.7%	103.1%

Capital – FY17 and FY18 Status

Dept #	Dept Name	Description	(1) Approved Budget	(2) Substitutions	(3) Revised Budget	(4) Committed	(5) Paid	(6) Total Paid/Committed	(7) Budget Remaining
8203	Operations	Med Gas Upgrades	48,000.00		48,000.00		14,199.45	14,199.45	33,800.55
8203	Operations	ER Parking Lot Paving		60,171.00	60,171.00		16,625.00	16,625.00	43,546.00
		Contingency	1,726.00	35,750.49	37,476.49		-	-	37,476.49
		Total - FY17	49,726.00	95,921.49	145,647.49	-	30,824.45	30,824.45	114,823.04
6001	Acute Care	Servo I Universal Ventilator	29,000.00		29,000.00			-	29,000.00
6001	Acute Care	Portable Bladder Scanner	8,000.00		8,000.00			-	8,000.00
6401	Birthing/Del	Transcutaneous Bilimeter	7,214.00		7,214.00			-	7,214.00
6501	Nursing Admin	Omnicell Medication Dispensing System	27,000.00	(27,000.00)	-			-	-
6601	Surgery	Arthroscopy Shaver Units	26,500.00		26,500.00			-	26,500.00
6601	Surgery	Arthroscopy Graspers (2nd set)	24,000.00		24,000.00			-	24,000.00
6601	Surgery	Olympus Bronchoscope	27,500.00		27,500.00			-	27,500.00
8203	Operations	Long Term Care Dining Room	30,000.00	-	30,000.00			-	30,000.00
8203	Operations	Sterile Central Services Remodel	85,000.00		85,000.00			-	85,000.00
8203	Operations	Reorient loading bay and rear entrance	20,000.00		20,000.00			-	20,000.00
8203	Operations	Air rebalance	25,000.00		25,000.00			-	25,000.00
8203	Operations	Used Vehicle - Snow Removal	12,000.00		12,000.00			-	12,000.00
8303	Biomed	EQ2 Medical Equip Management System	7,800.00	(7,800.00)	-			-	-
8303	Biomed	INCU II-BT, Incubator Analyzer	8,500.00	(8,500.00)	-			-	-
8604	IS	Proximity Card Single Sign on Network Security	65,000.00		65,000.00			-	65,000.00
8855	Clinic	Modular Building		400,000.00	400,000.00		1,678.50	1,678.50	398,321.50
		Contingency	212,538.00	43,300.00	255,838.00		-	-	255,838.00
		Total - FY18	615,052.00	400,000.00	1,015,052.00	-	1,678.50	1,678.50	1,013,373.50
		Funding Sources - FY18							
		City	150,671.00	-	150,671.00				
		SCH Line of Credit Deferral	400,000.00	-	400,000.00				
		SCH Operations	464,881.00	-	464,881.00				
		Total	1,015,552.00	-	1,015,552.00				

Capital – FY19 Requested by Departments – Under Review

Dept #	Dept Name	Description	(1) Approved Budget	(2) Substitutions	(3) Revised Budget	(4) Committed	(5) Paid	(6) Total Paid/Committed	(7) Budget Remaining
<u>FY19 Capital Budget Analysis</u>									
6001	ACUTE CARE	Servo I Universal Ventilator	32,000.00		32,000.00			-	32,000.00
6001	ACUTE CARE	Bariatric Bed	35,000.00		35,000.00			-	35,000.00
6001	ACUTE CARE	12-Lead EKG Machine	6,000.00		6,000.00			-	6,000.00
7062	CT	CT 64 slice Revolution Scanner	569,953.00		569,953.00			-	569,953.00
8003	FOOD SERVICES	Steamer	6,695.00		6,695.00			-	6,695.00
8003	FOOD SERVICES	Refrigerator - Reach in	5,982.00		5,982.00			-	5,982.00
7052	IMAGING	DR GE Portable and Upgrade	430,520.00		430,520.00			-	430,520.00
7052	IMAGING	Philips Epiq US	155,210.00		155,210.00			-	155,210.00
6551	LTC	Mechanical Lifts - 2	12,000.00		12,000.00			-	12,000.00
8203	PLANT OPS	Boiler Piping - DA Tanks	9,000.00		9,000.00			-	9,000.00
8203	PLANT OPS	Grease Interceptor - Kitchen R&M	9,000.00		9,000.00			-	9,000.00
8203	PLANT OPS	Vacuum Pump	4,500.00		4,500.00			-	4,500.00
8203	PLANT OPS	Air Compressor	5,000.00		5,000.00			-	5,000.00
8203	PLANT OPS	Air Handler	20,000.00		20,000.00			-	20,000.00
8203	PLANT OPS	New Vehicle/Truck	35,000.00		35,000.00			-	35,000.00
8303	PLANT OPS	Honeywell - Building controls update	25,000.00		25,000.00			-	25,000.00
8303	PLANT OPS	Exterior Doors - outside Kitchen	8,000.00		8,000.00			-	8,000.00
8604	PLANT OPS	Chemical Feed	9,000.00		9,000.00			-	9,000.00
6601	SURGERY	Surgical Bed with attachments	60,000.00		60,000.00			-	60,000.00
6601	SURGERY	Fluid/Blanket Warmer	15,000.00		15,000.00			-	15,000.00
6601	SURGERY	Electrosurgical Generator	27,000.00		27,000.00			-	27,000.00
6601	SURGERY	Olympus tower with accessories	175,994.82		175,994.82			-	175,994.82
6601	SURGERY	Chemical Sterilizer	43,000.00		43,000.00			-	43,000.00
6601	SURGERY	Central Services Remodel	85,000.00		85,000.00			-	85,000.00
6601	SURGERY	C02 Endoscope	5,431.00		5,431.00			-	5,431.00
7002	LAB	Refrigerator	7,000.00		7,000.00			-	7,000.00
		Contingency							
Total - FY19			1,796,285.82	-	1,796,285.82	-	-	-	1,796,285.82

Thank you!





City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: April 2, 2018

Subject: **FY2019 Budget Special Meeting On April 5, 2018**

Mayor Hunter and Assembly Members,

The fourth FY2019 budget special meeting is scheduled for April 5th and will focus on Sitka Community Hospital's budget as well as critical unresolved budgetary issues (local support of education, utility user fee increases, general governmental service reductions). To prepare for this special meeting, I would like to highlight, from my perspective as Chief Finance and Administrative Officer, the key issues relating to these particular funds.

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As is the case with Municipal enterprise funds, Sitka Community Hospital (SCH) conducts its financial business on a full accrual basis. As such, it records expenses as opposed to expenditures. Again as with enterprise funds, in order to obtain consistency in terminology across all funds, the proposed financial operations of SCH for the next fiscal year have been characterized in terms of appropriations. SCH will be presenting proposed appropriations for the next year in three categories: operating outlays, capital expenditures, and debt service. The major differences between SCH's method of accounting and financial reporting and its proposed appropriations are (1) depreciation and amortization is not appropriated (it is not an outlay, and (2) debt principal is appropriated (it is not an expense, rather reduction of a liability).

Also, as with other municipal enterprise funds, capital appropriations do not lapse and are not required to be re-appropriated. Thus, the capital appropriations being requested by Sitka Community Hospital are new capital outlays. During the upcoming year, however, actual outlays may differ, to the extent that previous year's capital appropriations are expended and the proposed capital outlays are not completed by the end of FY2019.

As with other enterprise funds already reviewed, I would advise the Assembly to focus its attention in three areas: (1) what will the cash flow for SCH be if its budget is executed as proposed; (2) what will the resulting financial position (i.e., balance sheet) be if the budget is executed as proposed; and, (3) what will working capital be in comparison to future capital requirements. It would also be helpful to examine what the capital structure (debt compared to equity) of SCH is, both at the end of FY2018 as well as forecasted to the end of FY2019.

Local Support of Education

The Municipality is now in a critical two-week window wherein the need to determine local support for public education is becoming key. The issue is becoming key because the municipality and Sitka School District are not currently planning for the same amount of local support, and, deadlines are approaching.

At its work session on March 29, the Sitka School Board provided direction to SSD Administration (no vote was possible as it was a work session) to include an additional \$594,882 in local support from the Municipality in its budget. This \$594,892 is not currently in the Administrator's budget.

The SSD Superintendent is now commencing a 2-week period in which the SSD will prepare its budget for presentation to, and adoption by, the School Board on April 19th, and it is very likely that that budget will include the extra \$594,892 in support directed by the School Board. SSD Administration has also clarified that adoption of its proposed budget by the School Board, especially in regards to where funding from the Municipality is budgeted, will constitute the local support of the Municipality as set forth in AS 14.17.410 (funding as a percentage of the "cap").

Thus, unless specific action is taken by the Assembly, or the School Board, or both, within the next two weeks, there is an increasing likelihood that the Assembly will be presented with a formal budget from the School Board containing a different amount than is in the Administrator's budget. This will force the Assembly to either decide on a funding amount, or if no decision is made within 30 days, to give de facto approval to the increased \$594,892 in the School Board's budget as State statute will automatically approve the request.

In summary, it will be in the best interest of all parties for local funding of schools to be resolved in the next two weeks.

Enterprise Fund User Fee Increases

At its meeting on March 22, the Assembly was presented proposals for user fee increases for the Water, Wastewater, Solid Waste, and Harbor enterprise funds. As explained by the Administrator at that meeting, the revenue from the proposed fee increases has been budgeted for in FY2019. In addition, significant capital improvements have also been planned to be financed with the cash flows resulting from the user fee increases. Unless a motion is made to direct the Administrator to take actions other than planned presented in regards to user fee increases and capital expenditures, appropriations for the capital expenditures will be included in the adopting ordinance and resolution, and, ordinances will be introduced in the new fiscal year to adopt the fee increases.

Circle-Around

Finally, the Assembly may wish to revisit the General Fund budget or Enterprise Fund budgets previously presented. Significant unresolved issues remain in these funds.



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-069 **Version:** 1 **Name:**
Type: Item **Status:** AGENDA READY
File created: 4/2/2018 **In control:** City and Borough Assembly
On agenda: 4/5/2018 **Final action:**
Title: Discussion/Direction/Decision of local support of public education to the Sitka School District contained in the proposed FY2019 General Fund and other issues pertaining to financial support of education related activities (Assembly action may be taken)

Sponsors:

Indexes:

Code sections:

Attachments: [School District local support.pdf](#)
[Memo April 5 Budget Meeting item D.pdf](#)

Date	Ver.	Action By	Action	Result
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Discussion/Direction/Decision of local support of public education to the Sitka School District contained in the proposed FY2019 General Fund and other issues pertaining to financial support of education related activities.

Possible Options/Motions

Option #1 – (Funding Local Contribution At Level Currently In Administrator’s Budget With All Funding Intended As Instructional)

I MOVE that a total of amount of money to be made available from local sources for school purposes of **\$6,728,292** be reflected as a proposed appropriation in the Administrator’s FY2019 Draft General Fund Budget, with the intention that the funding be used by the Sitka School District for the following specific purposes:

Local Funding Intended For Instructional Activities (**Funding Counting as Local Contribution As Set Forth in AS 14.17.410) \$6,728,292**

Local Funding Intended For Non-Instructional Activities (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$0**

Local Funding Intended For Minor Repairs and Maintenance (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$0**

Option #2 - (Funding Local Contribution At Level Currently In Administrator’s Budget And Keeping SSD’s Non-Instructional Breakout)

I MOVE that a total of amount of money to be made available from local sources for school purposes of **\$6,728,292** be reflected as a proposed appropriation in the Administrator’s FY2019 Draft General Fund Budget, with the intention that the funding be used by the Sitka School District for the following specific purposes:

Local Contribution Towards Instructional Activities (**Funding Counting as Local Contribution As Set Forth in AS 14.17.410) \$6,144,533**

Local Contribution Towards Non-Instructional Activities (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$433,759**

Local Contribution for Minor Repairs and Maintenance (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$150,000**

Option #3 - (Funding Local Contribution At Level Currently In Administrator's Budget Plus Additional \$250,000 Instructional And Keeping SSD's Non-Instructional Breakout)

I MOVE that a total of amount of money to be made available from local sources for school purposes of **\$6,978,292** be reflected as a proposed appropriation in the Administrator's FY2019 Draft General Fund Budget, with the intention that the funding be used by the Sitka School District for the following specific purposes:

Local Contribution Towards Instructional Activities (**Funding Counting as Local Contribution As Set Forth in AS 14.17.410) \$6,394,533**

Local Contribution Towards Non-Instructional Activities (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$433,759**

Local Contribution for Minor Repairs and Maintenance (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$150,000**

Option #4 - (Funding To Local Contribution Amount School Board Intends To Ask For And Keeping SSD's Non-Instructional Breakout)

I MOVE that a total of amount of money to be made available from local sources for school purposes of **\$7,323,194** be reflected as a proposed appropriation in the Administrator's FY2019 Draft General Fund Budget, with the intention that the funding be used by the Sitka School District for the following specific purposes:

Local Contribution Towards Instructional Activities (**Funding Counting as Local Contribution As Set Forth in AS 14.17.410) \$6,739,435**

Local Contribution Towards Non-Instructional Activities (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$433,759**

Local Contribution for Minor Repairs and Maintenance (**Funding Not Counting as Local Contribution As Set Forth in AS 14.17.410) \$150,000**

Option #5 - (Funding To Maximum Local Contribution And Keeping SSD's Non-Instructional Breakout)

I MOVE that a total of amount of money to be made available from local sources for school purposes of **\$7,793,564** be reflected as a proposed appropriation in the Administrator's FY2019 Draft General Fund Budget, with the intention that the funding be used by the Sitka School District for the following specific purposes:

Local Contribution Towards Instructional Activities (**Funding Counting as Local Contribution As Set Forth in AS 14.17.410) \$7,209,805**

Local Contribution Towards Non-Instructional Activities (**Funding Not Counting as
Local Contribution As Set Forth in AS 14.17.410**) **\$433,759**

Local Contribution for Minor Repairs and Maintenance (**Funding Not Counting as
Local Contribution As Set Forth in AS 14.17.410**) **\$150,000**



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: April 2, 2018

Subject: **FY2019 Budget Special Meeting On April 5, 2018**

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CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-072 **Version:** 1 **Name:**

Type: Item **Status:** AGENDA READY

File created: 4/2/2018 **In control:** City and Borough Assembly

On agenda: 4/5/2018 **Final action:**

Title: Discussion/Direction/Decision on proposed Enterprise Fund user fees (Assembly action may be taken)

Sponsors:

Indexes:

Code sections:

Attachments: [Enterprise Fund user fees.pdf](#)
[Memo April 5 Budget Meeting item E.pdf](#)

Date	Ver.	Action By	Action	Result
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Discussion/Direction/Decision on proposed
Enterprise Fund user fees
(Assembly action may be taken)



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: April 2, 2018

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In summary, it will be in the best interest of all parties for local funding of schools to be resolved in the next two weeks.

Enterprise Fund User Fee Increases

At its meeting on March 22, the Assembly was presented proposals for user fee increases for the Water, Wastewater, Solid Waste, and Harbor enterprise funds. As explained by the Administrator at that meeting, the revenue from the proposed fee increases has been budgeted for in FY2019. In addition, significant capital improvements have also been planned to be financed with the cash flows resulting from the user fee increases. Unless a motion is made to direct the Administrator to take actions other than planned presented in regards to user fee increases and capital expenditures, appropriations for the capital expenditures will be included in the adopting ordinance and resolution, and, ordinances will be introduced in the new fiscal year to adopt the fee increases.

Circle-Around

Finally, the Assembly may wish to revisit the General Fund budget or Enterprise Fund budgets previously presented. Significant unresolved issues remain in these funds.



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 18-070 **Version:** 1 **Name:**

Type: Item **Status:** AGENDA READY

File created: 4/2/2018 **In control:** City and Borough Assembly

On agenda: 4/5/2018 **Final action:**

Title: Discussion/Direction/Decision of the FY2019 General Fund and as it relates to other Funds, the School District, and the Sitka Community Hospital (Assembly action may be taken)

Sponsors:

Indexes:

Code sections:

Attachments: [Discussion Direction General Fund budget.pdf](#)
[Memo April 5 Budget Meeting item F.pdf](#)

Date	Ver.	Action By	Action	Result
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Discussion/Direction/Decision of the FY2019
General Fund and as it relates to other Funds, the
School District, and the Sitka Community Hospital
(Assembly action may be taken)



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Hunter and Assembly Members
Keith Brady, Municipal Administrator

From: Jay Sweeney, Chief Finance and Administrative Officer

Date: April 2, 2018

Subject: **FY2019 Budget Special Meeting On April 5, 2018**

Mayor Hunter and Assembly Members,

The fourth FY2019 budget special meeting is scheduled for April 5th and will focus on Sitka Community Hospital's budget as well as critical unresolved budgetary issues (local support of education, utility user fee increases, general governmental service reductions). To prepare for this special meeting, I would like to highlight, from my perspective as Chief Finance and Administrative Officer, the key issues relating to these particular funds.

Sitka Community Hospital

Sitka Community Hospital is a component unit of the City and Borough of Sitka. As such, its financial position and performance is separately reported in the government-wide financial statements found in the Municipality's Comprehensive Annual Financial report. As a component unit, Sitka Community Hospital accomplishes its own financial reporting (Section 11.13 (g) of the Charter). As a Department of the City and Borough of Sitka (SGC 2.08.010), however, the budget of Sitka Community Hospital is subject to the same approval and adoption requirements of the Charter as apply to other Departments.

As is the case with Municipal enterprise funds, Sitka Community Hospital (SCH) conducts its financial business on a full accrual basis. As such, it records expenses as opposed to expenditures. Again as with enterprise funds, in order to obtain consistency in terminology across all funds, the proposed financial operations of SCH for the next fiscal year have been characterized in terms of appropriations. SCH will be presenting proposed appropriations for the next year in three categories: operating outlays, capital expenditures, and debt service. The major differences between SCH's method of accounting and financial reporting and its proposed appropriations are (1) depreciation and amortization is not appropriated (it is not an outlay, and (2) debt principal is appropriated (it is not an expense, rather reduction of a liability).

Also, as with other municipal enterprise funds, capital appropriations do not lapse and are not required to be re-appropriated. Thus, the capital appropriations being requested by Sitka Community Hospital are new capital outlays. During the upcoming year, however, actual outlays may differ, to the extent that previous year's capital appropriations are expended and the proposed capital outlays are not completed by the end of FY2019.

As with other enterprise funds already reviewed, I would advise the Assembly to focus its attention in three areas: (1) what will the cash flow for SCH be if its budget is executed as proposed; (2) what will the resulting financial position (i.e., balance sheet) be if the budget is executed as proposed; and, (3) what will working capital be in comparison to future capital requirements. It would also be helpful to examine what the capital structure (debt compared to equity) of SCH is, both at the end of FY2018 as well as forecasted to the end of FY2019.

Local Support of Education

The Municipality is now in a critical two-week window wherein the need to determine local support for public education is becoming key. The issue is becoming key because the municipality and Sitka School District are not currently planning for the same amount of local support, and, deadlines are approaching.

At its work session on March 29, the Sitka School Board provided direction to SSD Administration (no vote was possible as it was a work session) to include an additional \$594,882 in local support from the Municipality in its budget. This \$594,892 is not currently in the Administrator's budget.

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