



CITY AND BOROUGH OF SITKA

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

Meeting Agenda

City and Borough Assembly

*Mayor Gary Paxton
Deputy Mayor Steven Eisenbeisz,
Vice Deputy Mayor Valorie Nelson,
Aaron Bean, Kevin Knox, Dr. Richard Wein, Kevin Mosher*

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

Thursday, January 10, 2019

6:00 PM

Assembly Chambers

Work Session

BUDGET WORK SESSION - GENERAL FUND

[19-012](#)

Work Session Materials: General Fund

Attachments: [Agenda-work session January 10th v01](#)

[Powerpoint slides](#)

[Spreadsheet General Fund Overview](#)

[Definition of Local Support and Funding to the Cap v01](#)



CITY AND BOROUGH OF SITKA

Legislation Details

File #: 19-012 **Version:** 1 **Name:**
Type: Item **Status:** AGENDA READY
File created: 1/11/2019 **In control:** City and Borough Assembly
On agenda: 1/10/2019 **Final action:**
Title: Work Session Materials: General Fund
Sponsors:
Indexes:
Code sections:
Attachments: [Agenda-work session January 10th v01](#)
[Powerpoint slides](#)
[Spreadsheet General Fund Overview](#)
[Definition of Local Support and Funding to the Cap v01](#)

Date	Ver.	Action By	Action	Result
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Budget Work Session January 10, 2019

Overview of Preliminary FY2020 General Fund Budget

1. Big picture projections for 2020

Unknowns. Need of capital for infrastructure.

2. Revenue and expense by area

Areas of revenue and spending. Impact of preliminary budget on availability for capital improvements and school funding.

3. School funding FY2020

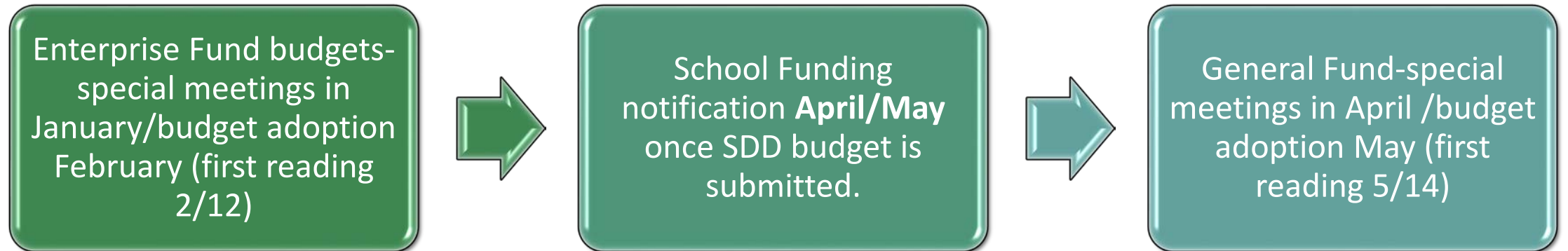
Nuances and rules relating to school funding. Recommendation of local contribution amount for school funding.

4. Preliminary direction for Administrator

January 10th, 2019 Work Session

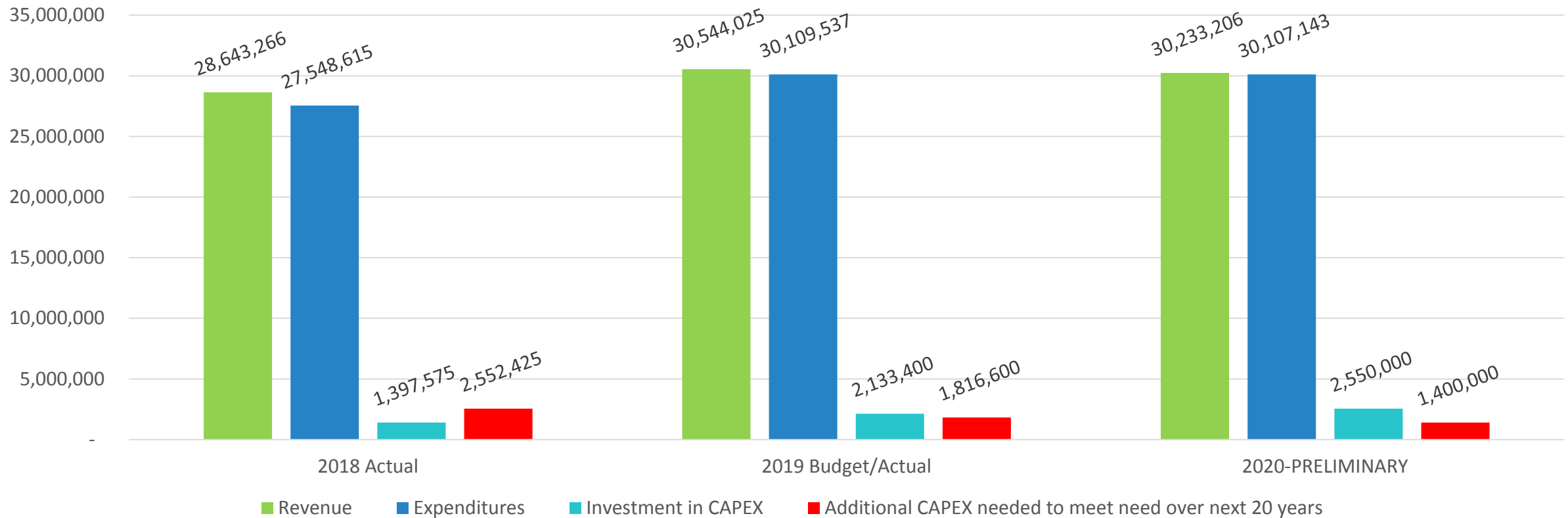
FY2020 PRE-BUDGET DISCUSSION-(PRELIMINARY DISCUSSION OF
GENERAL FUND FY2020 BUDGET DIRECTION)

Schedule for FY2020 budget

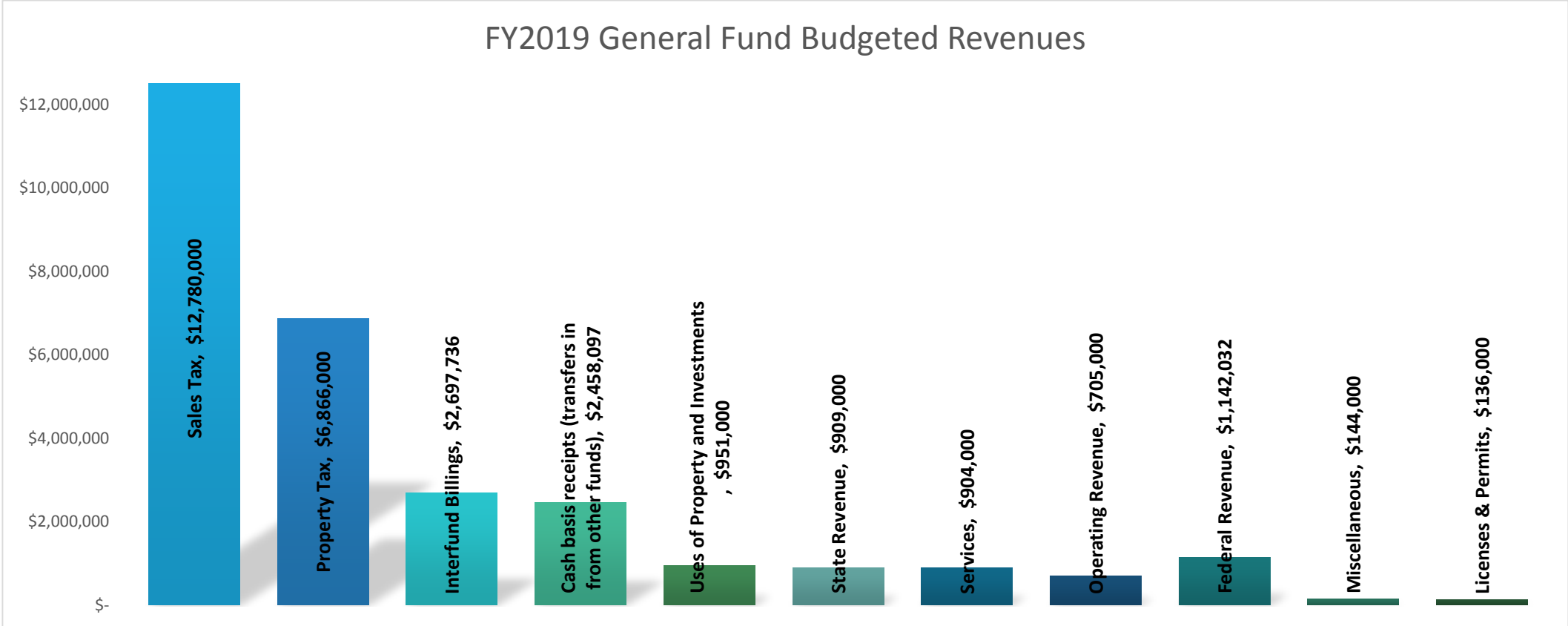


General Fund FY2018 to FY2020 (Preliminary)

Budget Snapshot 2018-2020



FY2019 Revenue by Source



CBS Expenditures by Area

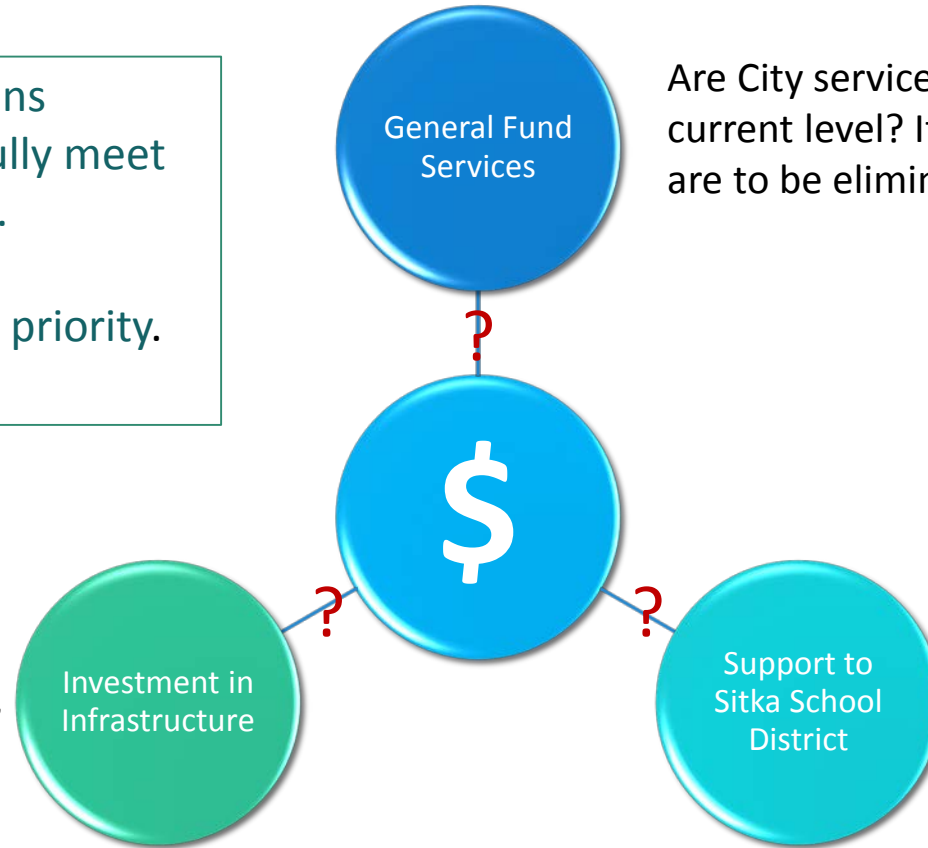
FY2019 Budget by Functional Area



Key decision points

- Current revenue projections indicate that we cannot fully meet the needs across all areas.
- We must decide what has priority.

How much do we spend to maintain Sitka's roads, buildings, parks, and other infrastructure? Do we choose not to maintain everything, or delay some projects?

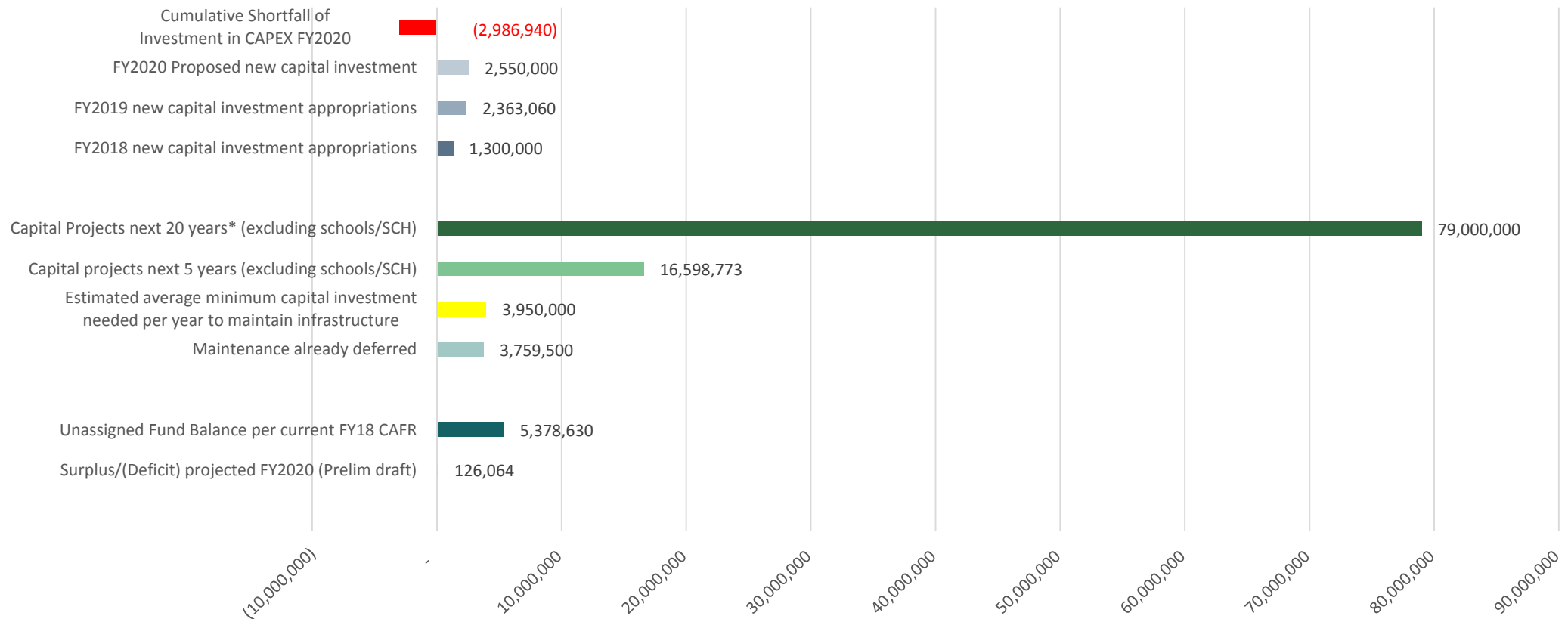


Are City services maintained at current level? If not, what services are to be eliminated/changed?

At what level do we support local schools?

Primary challenge for General Fund— Investing in City Infrastructure

General Fund-Capital Needs vs. Availability of Resources



Local contribution to Sitka School District

Citizens' Task Force Recommendation:

School Funding @ 92% of Maximum allowable local contribution

Minimum Allowed by law FY2020: **\$3,404,173**

Maximum allowed by law FY2020: **\$7,100,517**

Both minimum and maximum **DROPPED** from 2019

What counts towards local contribution?

Differences between what counts as local support

- Historically municipality counts all outlays (less building maintenance)
- School district counts all instructional moneys (less community schools, part of the pool, and part of the PAC)

Unknowns: State funding base student allocation has been flat since 2017-will there be any change?

Historical

	2020 (Prelim)	2019 (Budgeted)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Maximum Annual Contribution	\$7,100,517	\$7,209,815	\$7,054,570	\$6,984,523	\$6,984,078	\$7,064,612	\$6,839,617	\$6,791,975	\$7,099,880	\$7,035,364	\$6,851,117	\$6,430,959
Funding as % of Cap	92%	100%	97%	95%	96%	86%	87%	82%	82%	85%	94%	90%
Minimum Annual Contribution	\$3,404,173	\$3,493,854	\$3,299,264	\$3,168,072	\$3,174,144	\$3,081,916	\$3,051,149	\$3,054,025	\$3,517,143	\$3,628,338	\$3,604,320	\$3,403,806
Full Value Determination (FVD) ⁽¹⁾	\$1,284,593,700	\$1,318,435,400	\$1,245,005,400	\$1,195,498,800	\$1,197,790,200	\$1,162,987,200	\$1,151,376,900	\$1,152,462,400	\$1,194,784,900	\$1,178,401,100	\$1,166,392,200	\$1,066,134,900
Average Daily Membership (ADM) ⁽²⁾	1187	1225	1257	1275	1315	1315	1338	1313	1312	1299	1315	1316
Sitka Population	8,689	8,748	8,748	8,748	8,914	8,922	9,085	9,051	9,065	9,023	8,881	8,747
Local Funding (Governed by the Cap)												
General Fund Revenue	\$ 6,532,476	\$ 6,678,292	\$ 6,578,292	\$ 6,617,521	\$ 6,717,521	\$ 5,717,520	\$ 5,527,521	\$ 5,320,344	\$ 5,320,342	\$ 5,428,920	\$ 5,731,484	\$ 4,976,490
One time transfers from other funds	\$ -	\$ 300,000										
Secure Rural Schools-Per AAC 3 AAC 132.100 (SRS) ⁽³⁾	\$ -	\$ 245,916	\$ 258,859	\$ -	\$ -	\$ 376,042	\$ 400,254	\$ 226,799	\$ 536,675	\$ 575,457	\$ 719,861	\$ 809,778
City & Borough of Sitka Annual Contribution (RLC)⁽⁴⁾	\$ 6,532,476	\$ 7,224,208	\$ 6,837,151	\$ 6,617,521	\$ 6,717,521	\$ 6,093,562	\$ 5,927,775	\$ 5,547,143	\$ 5,857,017	\$ 6,004,377	\$ 6,451,345	\$ 5,786,268
Other School Expenditures Outside the Required Local Contribution												
Contracted Services (Community Schools, Student Travel, Pool)	\$ -	\$ -	\$ -	\$ -	\$ 272,483	\$ -	\$ -	\$ 140,392	\$ 140,392	\$ 143,257	\$ 150,796	\$ 146,400
Major Maintenance Reimbursement	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$139,956	\$138,802
Total Expenditures	\$6,682,476	\$ 7,374,208	\$6,728,292	\$6,767,521	\$7,140,004	\$6,243,562	\$6,077,775	\$5,837,535	\$6,147,409	\$6,297,634	\$6,742,097	\$6,071,470
Total Expenditure Per-Student (\$/Student)	\$5,630	\$6,020	\$5,353	\$5,308	\$5,430	\$4,748	\$4,542	\$4,446	\$4,684	\$4,847	\$5,127	\$4,613
Additional in-kind services provided to S	\$ 100,000	\$ 100,000	\$ 77,067									

(1) FVD – is the total taxable real and personal property taxbase for the City and Borough of Sitka for the fiscal year, two years prior to the current fiscal year.

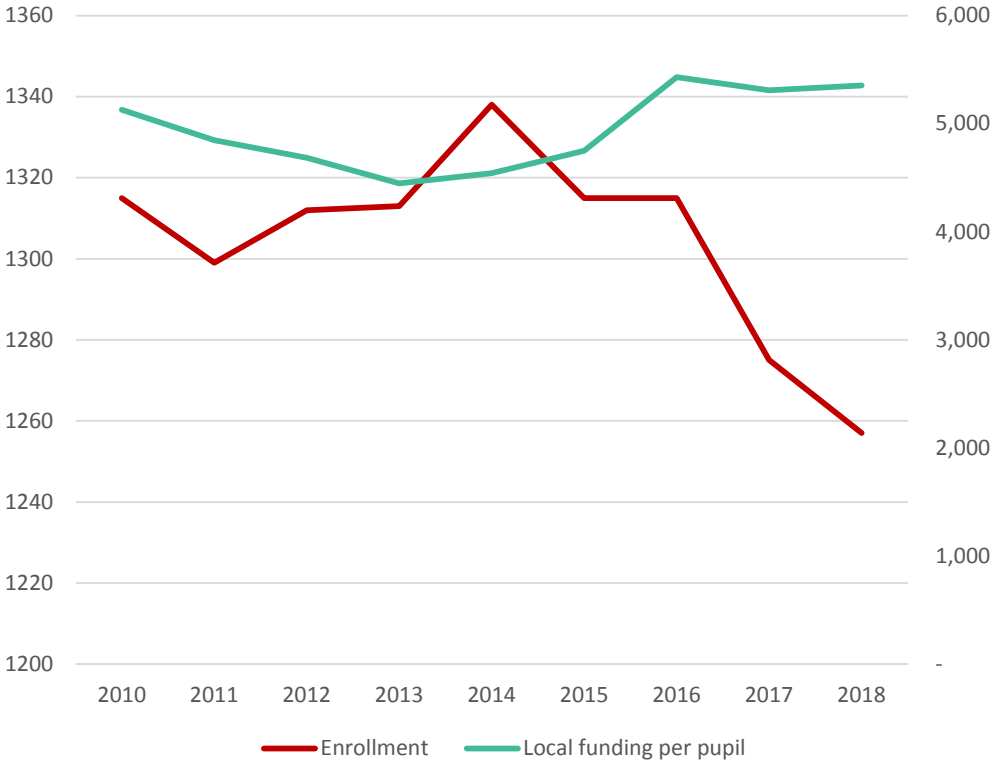
(2) ADM – is the average number of enrolled students during the 20-school day count period. The 20-school day count ends the fourth Friday of October. Reports are due within two weeks after the end of the 20-school day count period.

(3) SRS – Secure Rural Schools funding is also known as National Forest Receipts and has historically been appropriated by Congress; these funds must be appropriated by Congress and therefore are not included for FY20

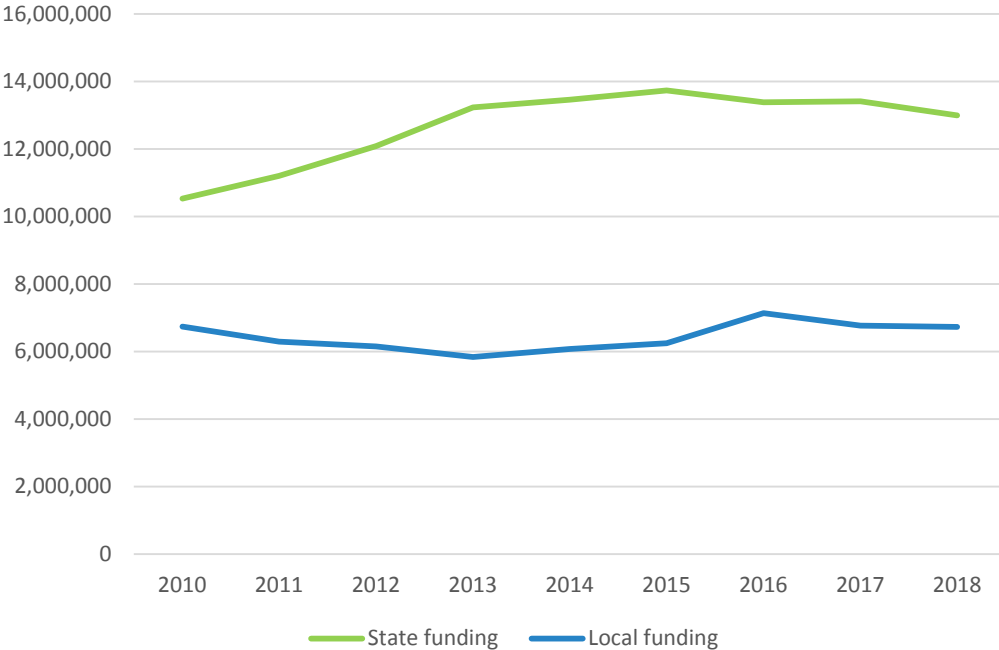
(4) RLC – is the school funding required local contribution, subject to the Maximum and the Minimum Annual Contribution Limits

Historical

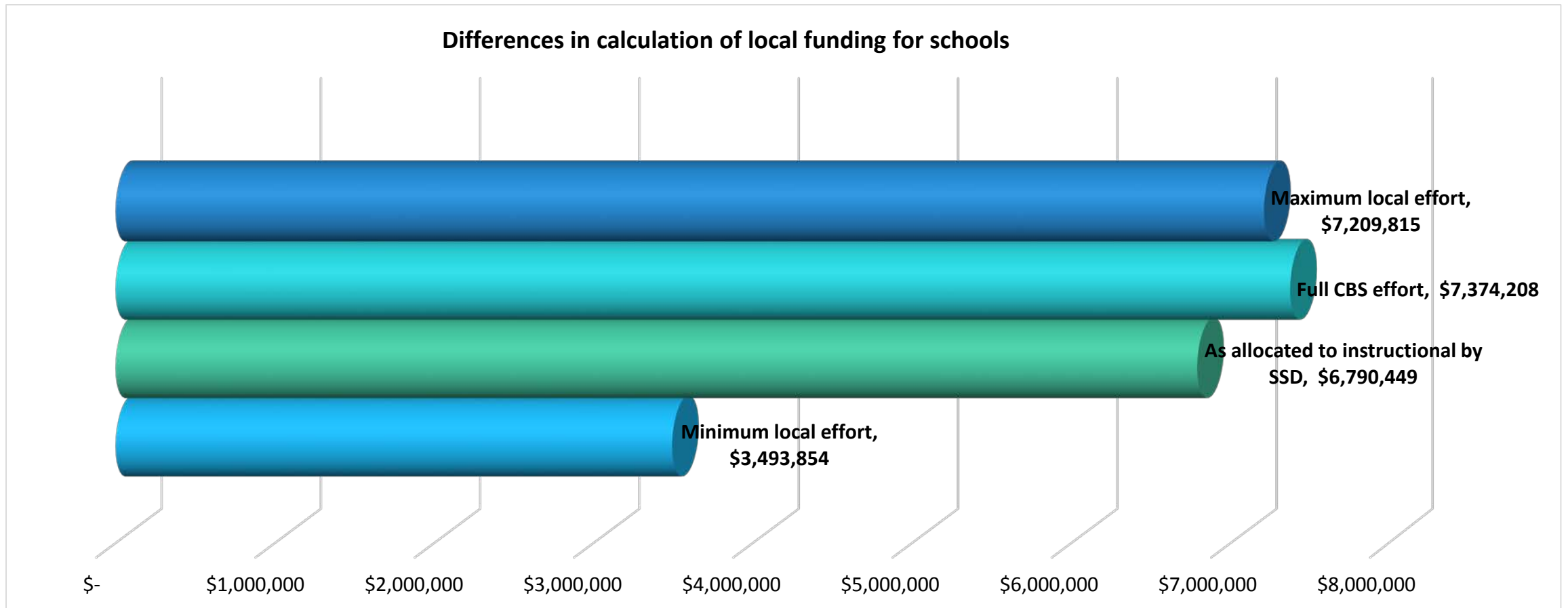
Local funding per pupil



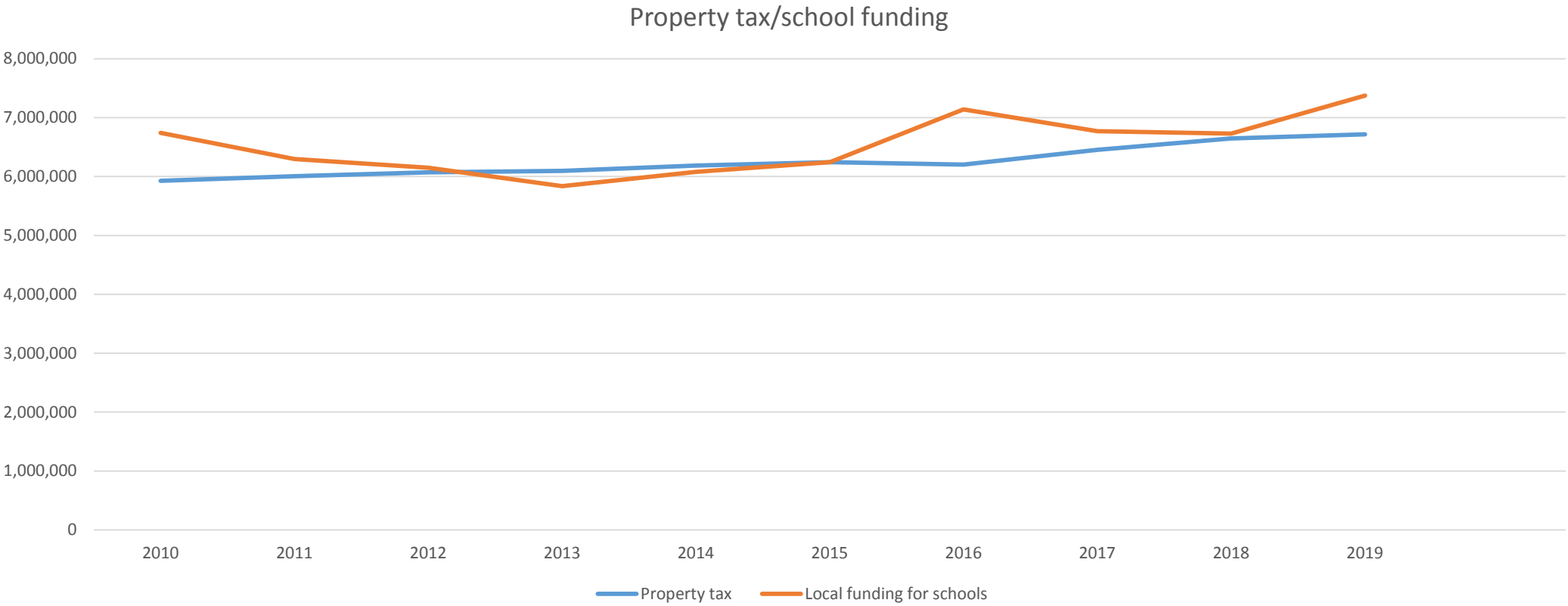
Local and state funding trends



Varying views of FY2019 Funding



Property tax



Possible future direction

As the single largest area of outlay, the level of school funding greatly impacts the General Fund budget. Early and clear direction on this matter can greatly facilitate the budget process for both the City and the School District:

An example is:

We direct the administrator to include school funding to be set at **92%** of the FY2020 maximum allowable local contribution (**\$6,532,476**) plus **\$150,000** to maintain the schools for a total outlay of **\$6,682,476**.

Other Options:

- The assembly could direct that all CBS funding aside from the \$150,000 be designated as instructional (which would preclude the use of this funding for Community Schools, the pool, and the PAC).
- The assembly could choose to include in-kind support as part of the municipality's local contribution as well.
- The assembly could choose to split SRS (if it comes in) with the SSD and provide that funding in addition to the base amount (and the assembly may or may not direct that it be included as part of the local contribution; or
- The assembly could use SRS to cover what is in the commitment above.

General Fund
Revised Budget Estimate
FY2020 (Version 4.0)
As of January 8, 2019

- Major Unknowns**
1. What is the true increase in sales tax?
 2. Will stumpage (SRS) be reauthorized?
 3. Was last year's PILT an anomaly or a new normal?
 4. What will the State do with revenue sharing?
 5. Will the State increase the PERS/TRS percentage?
 6. Will State continue school bond debt reimbursement?
 7. What will School support be?
 8. What will the net outlay for SCH be?

Shaded Blue are Fuzzy Estimates Due to Lack of Solid Information or Subject to Federal or State Decisions

Shaded Yellow is the Possible Effect of Secure Rural Schools (Stumpage) Which Has Not Yet Been Appropriated By Congress For FY19

	FY18 <u>Actual</u>	FY19 <u>Actual or Budget</u>	FY20 <u>Estimated</u>	FY20 <u>Estimate Over FY19</u>	<u>Effect Of Possible Stumpage</u>
Property tax	6,647,675	6,866,000	7,199,578	333,578	
Sales Tax	12,088,013	12,780,000	13,516,000	736,000	
Stumpage	613,224	491,832	-	(491,832)	491,832
PILT	1,026,892	566,200	887,000	320,800	
Other Federal	268,835	470,938	370,000	(100,938)	
Revenue Sharing	595,992	543,229	488,906	(54,323)	
Jail Contract	391,194	391,000	391,000	-	
Other State	279,836	404,993	384,743	(20,250)	
Permanent Fund	1,375,900	1,427,097	1,447,500	20,403	
Public Infrastructure Sinking Fund	-	1,000,000	340,000	(660,000)	
Other Transfers In	232,003	456,000	31,000	(425,000)	
Management Fees	2,855,203	2,697,736	2,663,479	(34,257)	
Licenses	155,943	136,000	136,000	-	
Services	590,682	513,000	596,000	83,000	
Jobbing	758,795	705,000	705,000	-	
Uses of Property	638,805	951,000	951,000	-	
Miscellaneous	124,274	144,000	126,000	(18,000)	-
Revenue:	28,643,266	30,544,025	30,233,206	(310,819)	491,832
<u>Expenditures</u>					
<u>Controllable Costs</u>					
Wages and Benefits	11,204,316	11,730,954	12,282,309	(551,355)	
Other Operating Costs	6,445,118	6,404,238	6,500,302	(96,064)	
Debt Service	33,222	90,741	33,222	57,519	
School Support	6,837,151	6,678,292	6,532,476	145,816	
School building maintenance	150,000	150,000	150,000	-	
SSD Support - Share of Stumpage	-	245,916	-	245,916	245,916
School support one-time transfer from other funds		300,000	-	300,000	
SSD Support	150,671	150,671	150,671	-	
Fixed Asset Acquisitions	13,999	523,067	56,000	467,067	
<u>Transfers</u>					
0.75% to Permanent Fund	57,329	118,925	180,941	(62,016)	
1% Seasonal Sales Tax	1,316,563	1,433,333	1,461,222	(27,889)	
Fish Box Tax	150,000	150,000	150,000	-	
Transfer to CGF (Asphalt Reclaimer)	-	-	60,000	(60,000)	-
Subtotal, Non-Capex Expenditures	26,358,369	27,976,137	27,557,143	418,994	245,916
Surplus Before CAPEX	2,284,897	2,567,888	2,676,064	(108,176)	245,916
CAPEX	1,397,575	2,133,400	2,550,000	(416,600)	-
Net Surplus/Deficit	887,322	434,488	126,064	308,424	245,916

Note: 92% of maximum allowable local

Note: May be considered part of local contribution

Note: Additional revenue to CBS IF the Assembly decides to share 50% of stumpage with SCH AND does not include it in the local contribution

Note: This amount is less than half of the minimum amount necessary to keep deferred maintenance from growing

Definition of “Local Contribution” as Used in Alaska Statutes Regarding Public School Funding

And

What “Funding to the Cap” Means

Alaska law regarding local support of public education is set forth in Chapter 14.17 of the Alaska Statutes, “Financing of Public Schools”.

The key section of Chapter 14.17 is Section 14.17.410, “Public School Funding”. AS 14.17.410 sets forth mathematical formulas for determining:

1. The required local contribution, as set forth in AS 14.17.410 (b) (2); and,
2. The maximum amount of an additional local contribution, as set forth in AS 14.17.410 (c).

AS 14.17.990 sets forth definitions of terms used within Chapter 14.17. A key definition is that of “local contribution”, which is as follows:

(6) “Local contribution” means appropriations and the value of in-kind services made by a district.

Aside from AS 14.17.990 (6), Alaska Statutes do not further define the term “local contribution”. Additionally, and importantly, Alaska statutes do not contain any terminology referring to “the cap” or “funding to the cap”. These terms are slang which have entered into the lexicon of public discussions regarding local contributions over the years. Importantly, since “funding to the cap” is neither contained in nor defined in Alaska Statutes, its slang meaning must be deduced from sections of AS 14.17 regarding local contributions.

Furthermore, AS 14.17 does not contain any specific reference to a division of local contributions into “instructional” and “non-instructional”. The Alaska Department of Education has regulations which make such distinctions and require the Sitka School District to report local support in subtotals for “instructional” and “non-instructional”, but the distinction between “instructional” and “non-instructional” is not mandated by AS 14.17.

The difference in interpretations of what “local contribution” means in regards to the maximum amount of an additional local contribution, as set forth in AS 14.17.410 (c), has been the source of historical confusion and disagreement. It is critical to note that the interpretation of what, exactly, constitutes the local contribution only matters if a Municipality intends to fund to the maximum amount calculated under AS 14.17.410 (c).

If an Assembly, however, does decide that it wants to fund local support to the maximum amount allowed under Alaska statutes, then what constitutes local support must be agreed upon by the Assembly. Here is where the vagueness of State statutes and what they mean complicate matters. The definition of “local contribution” AS 14.17.990 (6) shown above included this specific clause: “and the value of in-kind services made by [the city]”. In addition, Federal Secure Rural Schools funding (stumpage) may specifically be included as a portion of the local contribution. So whether or not the

Assembly decides to include in its local contribution all, some or no in-kind services (whether instructional or non-instructional in nature), or, some or no Secure Rural Schools funding, makes a critical difference in what constitutes local support of education, and more specifically to the maximum local contribution.

In the end, the Assembly controls the conversation over what, exactly, can constitute the local contribution. The law states that the appropriation of funds is the local contribution. If the Assembly determines that it wants to include the value of valid in-kind services or Federal Secure Rural Schools funding as a portion of the local contribution up to the maximum level set by Alaska Statutes, it may do so. The School District may define the contributions differently in its reporting to the Alaska Department of Education and adherence to DOE regulations, but this does not impact the Assembly's actions. On the other hand, if an Assembly determines to fund local education in hard, direct-dollar support to the maximum local contribution level, it may do so, using School District definitions of what constitutes local support for instructional purposes.

The difference of Alaska statutes to DEED reporting requirements as to what, exactly, constitutes "local support" is what causes the annual difference (and often, disagreement) over what "funding to the cap" means. *It is therefore incumbent on the Assembly to define what constitutes local support of education in order to eliminate this controversy.*