

Item F needs to be pulled from the Consent Agenda.

Discussion/Direction/Decision of the Municipal Administrator's recommended reductions to achieve a FY2016 balanced budget.

POSSIBLE MOTIONS

I MOVE TO approve the Municipal Administrator's recommended reductions to achieve a FY2016 balanced budget with the exception of the Non-Profit Grants which will be considered separately.

AND

I MOVE TO approve the Municipal Administrator's recommendation to eliminate Non-Profit Grants from the FY2016 budget in order to achieve a balanced budget.

Note: It is anticipated at least three Assembly members may need to recuse themselves from the discussion of eliminating Non-Profit Grants from the FY2016 budget.



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

Coast Guard City, USA

Memo

To: Mayor McConnell and Members of the Assembly

From: Mark Gorman, Administrator *AG*

Date: June 3, 2015

Re: Administrator's Recommended Reductions to Achieve a FY 2016 Balanced Budget

The attached spreadsheet provides recommended reductions in the proposed FY 2016 operational budget that will achieve a balanced budget for the next fiscal year. Built in to this are two assumptions: the tobacco tax and the increase in sales cap ordinances will be passed. If the Assembly approves these operational reductions, there will be no need to pass additional revenue ordinances in the immediate future. This will allow time for more deliberate and engaged conversations with the community about service levels, budget sustainability, and the most appropriate revenue streams to support our current service levels.

The Charter and Sitka General Code have guided where reductions are being proposed. None of the listed cuts are impactful in terms of the Assembly's responsibility to carry out its charge under the aegis of these two documents. Moreover, these reductions are reflective of considerable public comment that has been received at City Hall and by the Assembly. Comments indicate that prior to asking Sitkans to pay more, there first needs to be meaningful reductions within our municipal government.

One of the proposed reductions is to not provide nonprofit grants in this next budget year. It is important to note that this does not include SEDA, Sitka Historical Society, The RIDE, the Senior Center, and SAFV. Currently, these nonprofits are all identified in the FY 2016 budget.

This balanced budget also includes changing the Permanent Fund withdraw from 4.5% to 6%. The Charter states "the assembly shall annually appropriate to the Sitka General Fund six percent of average market value of the Sitka Permanent Fund for the past three years". The current budget uses 4.5%, anticipating that an October Ballot initiative will pass amending the Charter, to reduce the annual draw from the Permanent Fund in order to inflation proof it. If the Assembly approves the attached budget revision, the Administrator will recommend that if there is a FY 2016 budget surplus part of it will be used to help inflation proof the Permanent Fund. This was done with part of the FY 2015 budget surplus.

Many of the other listed reductions are deferring maintenance on municipal infrastructure. Delaying these projects does not eliminate the need to do them in the future and may in fact result in higher costs.

If the financial picture improves during the 2016 budget year, the Assembly will have the opportunity to consider restoring some of these reductions.

There exists a perception among some in our community that there has been continued growth over the years in the municipal workforce. In 2005, City Hall employed 154 Full Time Equivalents (FTE). If the Assembly approves these proposed budget reductions, our workforce will be 155 FTEs. During this 11 year period, the scope of services including municipal infrastructure has expanded, but without a commensurate increase in workforce. The Municipal Solutions report recommended an increase in our FTEs in several departments. Further, it remarked on the complexity of the municipal services that we, in our isolated island community, are expected to deliver and was impressed with the fact that we accomplished it successfully with such a small workforce. We are at the point where additional reductions in the workforce will need to be balanced by reductions in services to our community. To avoid this scenario, we, as a community, need to find new sources of revenue either from growing our economy or asking our citizens to give more.

Proposed Budget Balancing Operational Reductions

Summary	Reductions
	\$100,000 Non-profit Grants
	\$30,000 Snow Removal Services
	\$40,000 New Carpet - Fire Hall
	\$50,000 Painting Epoxy on Bay Floors
	\$43,513 Multi-Service Officer 1/2 time
	\$83,000 Animal Shelter Roof Replacement
	\$40,000 Employee Travel/Training
	\$4,500 Streamline Newspaper PSAs
	\$14,735 .5 Centennial Bldg Attendant until HCR reopens 1/2017
	\$12,000 Employee Benefits
	\$15,000 Library Hours by 8/week
	\$302,218 Change Permanent Fund Draw from 4.5% to 6% per the Charter
	\$5,500 Administrator/ Assembly Support
	\$20,000 Police Department - Jail Budget
	\$10,000 Lobbying Cost - Administration
Total Operational Reductions	<u>\$770,466</u>
Tobacco Tax Passage	<u>\$256,000</u>
Total FY 2016 Budget Reduction	<u>\$1,026,466</u>
Current FY 2016 Budget Deficit	<u>-1,026,466</u>
FY 2016 Budget Surplus/Deficit	<u>\$0</u>