

# Memo

**Thru:** Mark Gorman, Municipal Administrator  
**To:** City and Borough of Sitka Assembly  
**From:** Jay Sweeney, Chief Finance and Administrative Officer  
**Date:** March 7, 2017  
**Re:** **FY2018 Budget Special Meeting on March 9, 2017**

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Mayor Hunter and Assembly Members,

To prepare for the first FY2018 budget meeting on March 9th, I wanted to review critical aspects of what is (1) already contained in the budget documents you have received, and (2) highlight uncertainties in the budget due to external decisions pending but not yet made.

## **Critical Aspects of the FY2018 Budget Documents You Have Already Received**

As of the writing of this memo, the FY2018 preliminary General Fund budget has a beginning bottom line deficit of (\$695,387). This deficit follows on a proposal introduced by Administration to the Assembly at a previous visioning session in which a projected \$2 million dollar deficit would be addressed through three separate actions – (1) budget cuts of one third, (2) new revenue of one third, and (3) use of General Fund unassigned fund balance for the remainder.

Administration has engaged in a comprehensive process to identify and eliminate its spending of approximately \$750,000. You will see in the attached document that Administration has accomplished this goal identifying and eliminating \$762,698. In addition, the Sitka School District and Sitka Community Hospital have also been informed that Municipal support for their organizations will be reduced proportionally to the overall amount of the spending reduction.

As for the second part of the plan to address the budget, the Assembly recently voted to increase the taxable transaction limit for sales tax. This increase is projected to bring in an additional \$800,000 in FY2018 with an annualized revenue projected at \$1,200,000 in FY2019. The third part of the proposal to address the FY2018 overall budget deficit would be ultimate passage of a General Fund budget in which unassigned fund balance is used to balance the budget, or in other words, a deficit budget.

The General Fund budget has \$762,698 in reductions. These reductions include the following:

- A decrease in travel and training of \$34,674;
- Elimination of a COPS position at the police Department for \$93,743;
- A combination reduction in Public Works spending of \$214,000 which includes substantial reduction in the employment of temporary project managers;
- \$12,816 reduction in Police overtime;
- Elimination of lobbying expenditures for \$35,500
- Elimination of maintenance and fuel for Senior Center vehicles for \$38,000
- Elimination to temporary Assessing employees assisting in reevaluations for \$63,000
- Reduction in non-profit support for \$22,100
- Other combined reductions of \$248,775.

The General Fund budget does include, or is constructed in the anticipation of receiving or not receiving the following important and significant items:

- A reduction of the workforce of one FTE and no new positions;
- A pay increase for all Municipal employees. Non-represented Municipal employees are scheduled for a 1.5% pay increase and employees covered by collective bargaining agreements will receive pay increases achieved through collective bargaining negotiations;
- Capital expenditure appropriations for new Public Works capital projects of \$1,369,000. These are budgeted as transfers to other funds (Capital Project Fund);
- An earmark of \$1,000,000 for some sort of electric user fee support or subsidization, budgeted as transfers to other funds (Electric Fund);
- An earmark of \$266,757 for an anticipated 15% health insurance increase, budgeted in Department 7, General Office, Sub-department 801, 100 Lincoln Street, Other Expenses.
- Seasonal decreases in sales tax receipts for the two off-season quarters, mirroring FY2016 and 2017 experience, and increases in summer season quarters due to increased visitation and the increase in the taxable transaction limit;
- A small increase in total net property tax receipts;
- No provision for Secure Rural Schools;
- Continued receipt of Payment In Lieu of Taxes (PILT) from the Federal Government;
- No reduction in revenue sharing from FY2017 levels from the State of Alaska;
- No change in the contribution rate for PERS or TRS; and,
- No further reduction in the school bond debt reimbursement rate from the State of Alaska that would necessitate subsidization of the school bond debt fund from the General Fund.

#### **Uncertainties in the Budget due to External Decisions Not Yet Made**

The following uncertainties fall into three categories: Federal funding, State funding, and health insurance costs. In most cases, Administration has made some assumption or estimate as to the anticipated amount of revenue or expense which is built into the budget and described above.

- Federal Secure Rural Schools funding (not budgeted for);
- Federal PILT funding (budgeted for);
- State Revenue Sharing (budgeted no change)
- State PERS/TRS rate (budgeted no change)
- State school bond debt reimbursement (budgeted no change in percentage of reimbursement)
- Health care premiums (budgeted for at a 15% increase)
- State Community jail support (budgeted for no change)

City and Borough of Sitka  
FY2018 Decrement Proposal  
Version 4.1 January 11 2017

**Target CBS Budget Reduction Goal, FY 2018**

**FY2017 Original Budget**

Revenues	\$ 28,288,850
Revenues	<u>\$ 28,288,850</u>
	\$ -

**FY2018 Macro Budget - As of January 6, 2017**

2018 Current Budgeted Revenues:	\$ 26,373,912
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2018 Original Budgeted Outlays:	<u>\$ 26,785,342</u>
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Decrement List	Additional Expense	
\$ (6,474)	Administrator/Assembly/Clerk	Travel & Training
\$ (35,500)		Contracted/Purchased Serv (Lobbying)
\$ (2,000)		Admin/Mayor Contingencies
\$ (23,500)		Other Expenses
\$ (6,300)	Non-Profits	SEDA
\$ (10,800)		Historical Society
\$ (5,000)		SAFV
\$ (40,000)		Sitka Community Playground
\$ (38,000)	Senior Center	Transportation/Vehicles
\$ (16,200)	Finance	Travel
\$ (63,000)	Assessing	Temp Wages
\$ (1,000)	Planning and Com Development	Travel / Training
\$ (44,500)		Contracted/Purchased Services
\$ (1,200)		Other Expenses
\$ (75,000)	Police	Contracted/new building
\$ (93,743)		Police Officer (1 COPS Position)
\$ (10,000)		Training/travel
\$ (12,816)		Overtime
\$ (40,000)	Fire	Reduction
\$ (214,000)	Public Works	Reduction - overall
\$ (2,000)	Library	Travel/Training
\$ (300)		Cell Phone Stipend
\$ (300)		Supplies
\$ (3,040)		Repairs/Maintenance
\$ (525)		Contracted/Purchased Services
\$ (500)		Tools/Small Equip
\$ (500)		Advertising
\$ (500)		Rent Equipment
\$ (10,000)		Books & Publications
\$ (3,000)		Other Expense
\$ (3,000)	Centennial Hall	Reduction
<u>\$ (762,698)</u>		
\$ 1,000,000		Electric Department Subsidization
\$ 46,655	Transfers Out	Fish Box Tax to Fisheries Enhancement
		<u>\$ (695,387)</u>

2018 Current Budgeted Outlays:	\$ 27,069,299
Shortfall/Surplus	

**FY18 Anticipated/Possible Changes:**

Premiera Increase?		*Note Approximate 15% Increase \$266,757
State Impacts	?	
Projected Shortfall:		<u>\$ (695,387)</u>

**FY2018 Budget Balancing Macro Plan**

New Revenue:	\$ -
Use of Reserves:	<u>\$ (695,387)</u>
Final Projected Bottom Line:	<u>\$ (695,387)</u>