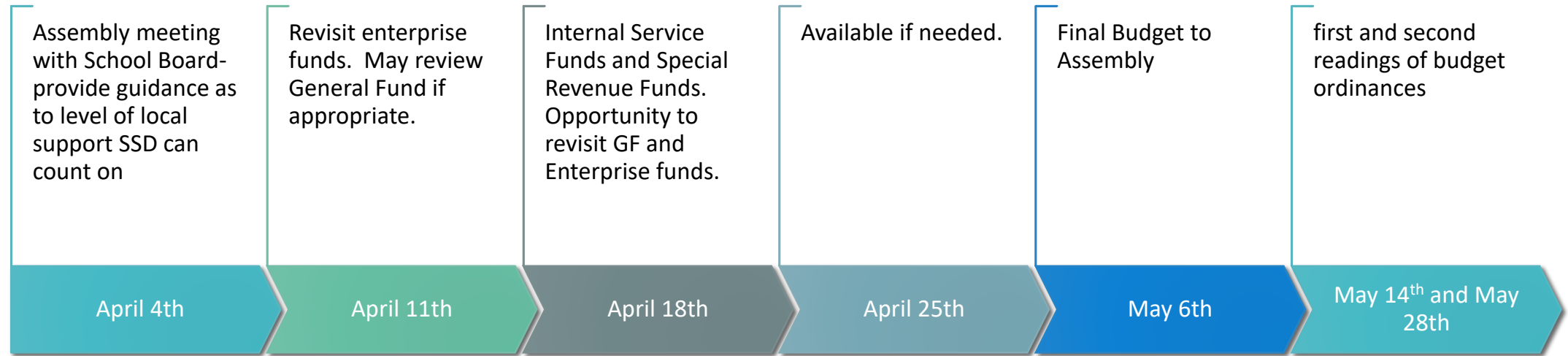




General Fund FY2020 Draft Budget:

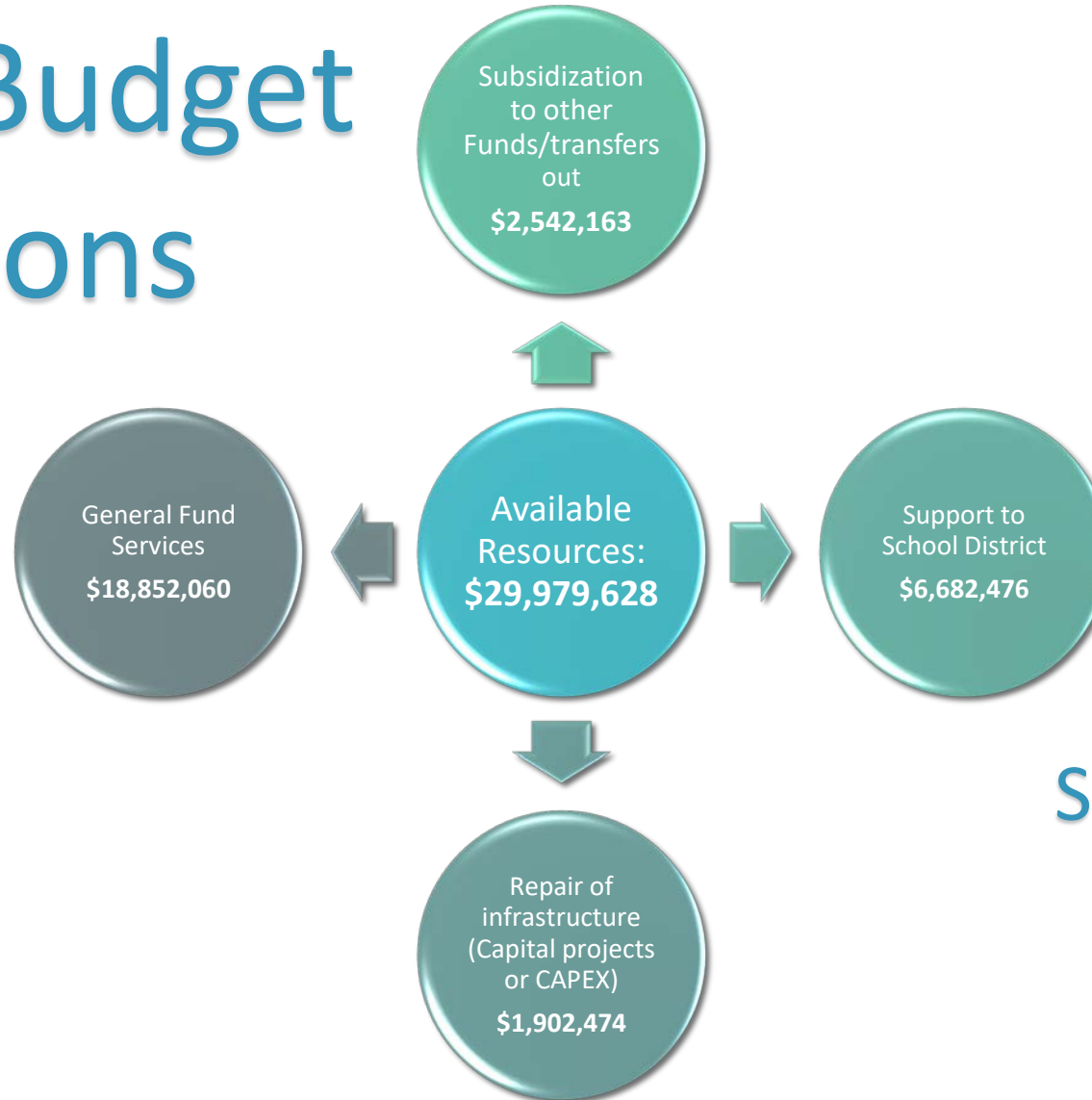
SPECIAL BUDGET MEETING 3

MARCH 14, 2019



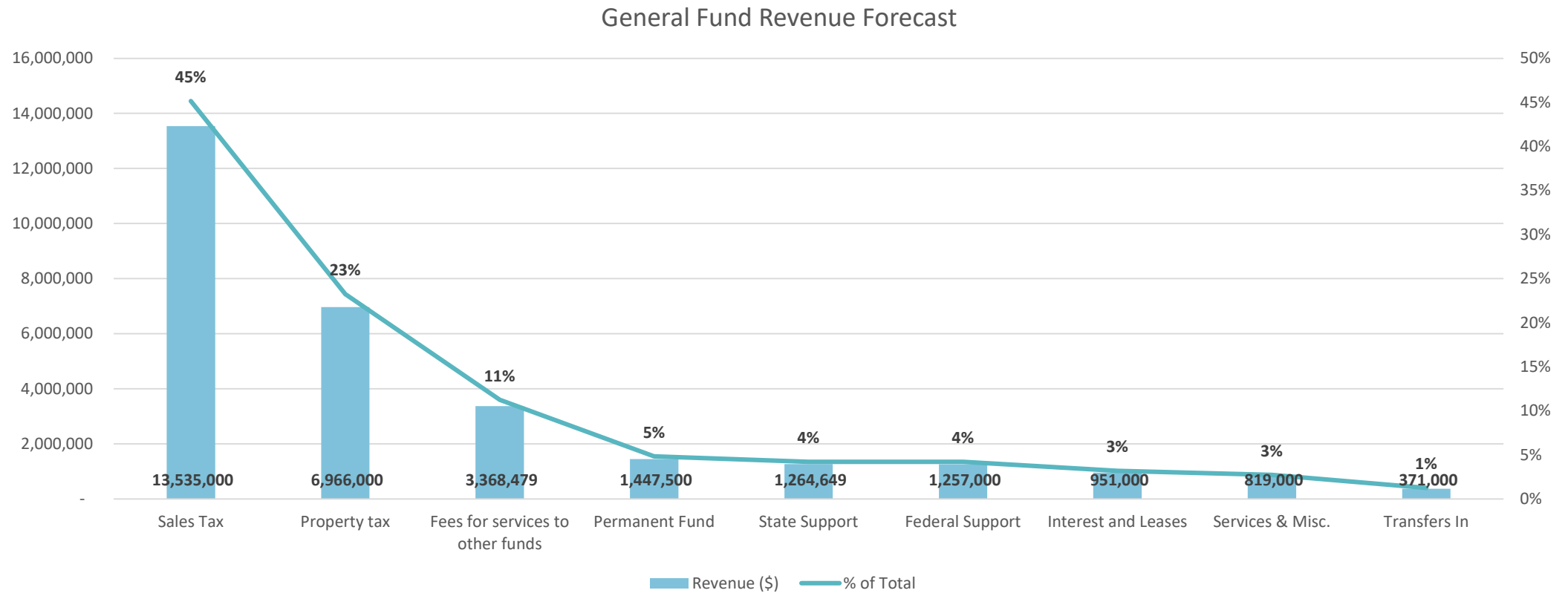
Process from this point:

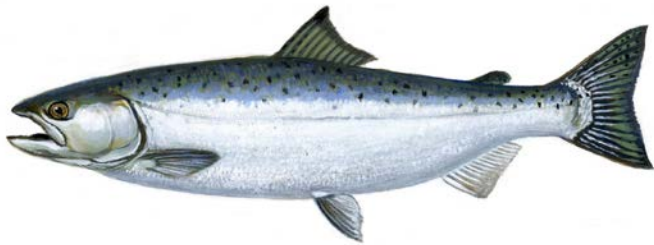
FY2020 Budget Decisions



Surplus / (Deficit)
Draft Budget:
\$455

Available Resources—\$29,979,628





Unknowns: Revenue in to General Fund

- True impact of sales tax collection by online retailers
 - Secure Rural Schools (traditionally split 50/50 between infrastructure and Sitka School District)
 - Public Infrastructure Sinking Fund
 - PILT-will increased amounts continue?
-
- Revenue impacting other funds that impact GF outlays:
 - Raw Fish Tax (elimination would require GF subsidization)
 - School Bond Debt Service Reimbursement

Assumption and decisions— Revenue to General Fund

MIDDLE OF THE ROAD

- Online sales tax revenue—better information early May
 - No way to know how much is spent online.
 - Budget assumes \$360,000 additional (average of 3000 people spending \$200/ month).
- Secure Rural Schools—unlikely, but may know in April or May
 - Contingent on federal appropriation but not in budget now-would have to be tacked on to other legislation.
 - Budget assumes no reauthorization—may decide now how we would treat funding if reauthorized.
- Public Infrastructure Sinking Fund—decision by assembly
 - Budget assumes \$340,000 of about \$800,000 transferred into GF for infrastructure—remaining could be available (via supermajority vote) for other purpose.

Assumptions and Decisions— Revenue to other funds

Raw Fish Tax—better information upon passage of state budget

- Budget assumes that the state budget will completely eliminate revenue to the Harbor Fund from Raw Fish Tax (\$1.28 million last year). This assumption means that the General Fund must subsidize the Harbor Fund in the amount of \$520,000 to meet the requirement that cashflow from operations = 125% of the debt service. The assembly could direct staff to use a more middle of the road assumption that would require less subsidization.

School bond debt service reimbursement

- In FY2019 the CBS expects to receive \$2.6 million against debt service of \$3.2 million. The seasonal sales tax more than covers the difference. For FY2020, the projected seasonal sales tax will fall short by \$1.3 million. The current GF budget includes \$200K subsidy that will ensure that the fund balance will be available to support the debt payments for 3 years (with a 200K subsidy each year)

Possible Scenarios (options nearly endless)

	1	2	3	4	5	6	7	8	9	10	11	12
	"Middle of the Road"	"More Optimistic Revenue"	"More school funding (CBS and State)"	"Middle of the Road Revenue+Maximize SSD funding"	"Middle of the Road Revenue+Maximize SSD funding w/ GF deficit"	"More optimistic & no school bond debt subsidization)"	"Secure Rural Schools 50/50"	"Secure Rural Schools all to SSD"	"More investment in CAPEX"	"Fund some deferred CAPEX"	"More optimistic Funding scenario-fund CAPEX"	"Seasonal sales tax extended to increase SSD support"
	Administrator's Budget-maintain level of service currently provided-not enough to fund infrastructure or meet SSD funding request.	Raw fish tax not eliminated split between CAPEX/SCHOOLS	Assume 12% rather than 23% reduction in governor's budget (Max allowable local contribution increases)	Max out school funding per Governor's budget (GF subsidizes all SSD electricity \$750K) Cuts to CAPEX and Services	Max out school funding per Governor's budget (GF subsidizes all SSD electricity (\$750K)) no cuts in GF services or CAPEX	Do not subsidize School Bond Debt Service Fund FY20 and assume Raw Fish Tax not eliminated (Governor's budget)	Administrator's budget + SRS @ \$500K 50/50 split with SSD	Administrator's budget + SRS @ \$500K 100 split with SSD	Transfer Max possible out of Public Infrastructure Sinking Fund	Fund schools at 92% of current "cap", assume no GF subsidization for School bonds, max transfer from PISF, receive raw fish tax and SRS	Max PISF transfer, receive SRS, Receive Raw fish tax, no subsidization of school bond debt service	6% sales tax year-round to support additional funding to SSD
REVENUE	29,979,628	29,979,628	29,979,628	29,979,628	29,979,628	29,979,628	30,479,628	30,479,628	30,439,628	30,939,628	30,939,628	30,786,028
Governmental Services	18,852,060	18,852,060	18,753,810	18,332,060	18,852,060	18,852,060	18,852,060	18,852,060	18,852,060	18,852,060	18,852,060	18,852,060
Infrastructure	1,902,474	2,162,474	1,804,224	1,382,474	1,902,474	1,902,474	2,152,474	1,902,474	2,362,474	4,236,974	3,382,474	1,902,474
Transfers/Subsidies	2,542,163	2,022,163	2,542,163	2,542,163	2,542,163	1,822,163	2,542,163	2,542,163	2,542,163	1,822,163	2,022,163	2,542,163
SSD-Instructional	6,389,084	6,389,084	6,585,640	6,389,084	6,389,084	6,389,084	6,389,084	6,389,084	6,389,084	5,877,957	6,389,084	6,389,084
SSD-Maintenance	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
SSD-Non-instructional	143,392	403,392	143,392	433,758	433,759	143,392	143,392	143,392	143,392	-	143,392	433,758
SSD-additional outside local support limit in-kind (as subsidy to Electric and or Water/Sewer/Solid Waste Fund)	-	-	-	750,000	930,000	720,000	250,000	500,000	-	-	-	516,000
Surplus (Deficit)	455	455	399	89	(1,219,912)	455	455	455	455	474	455	489

FY2020 Draft Budget Expenditures

Staff were directed to budget to keep services as current level:

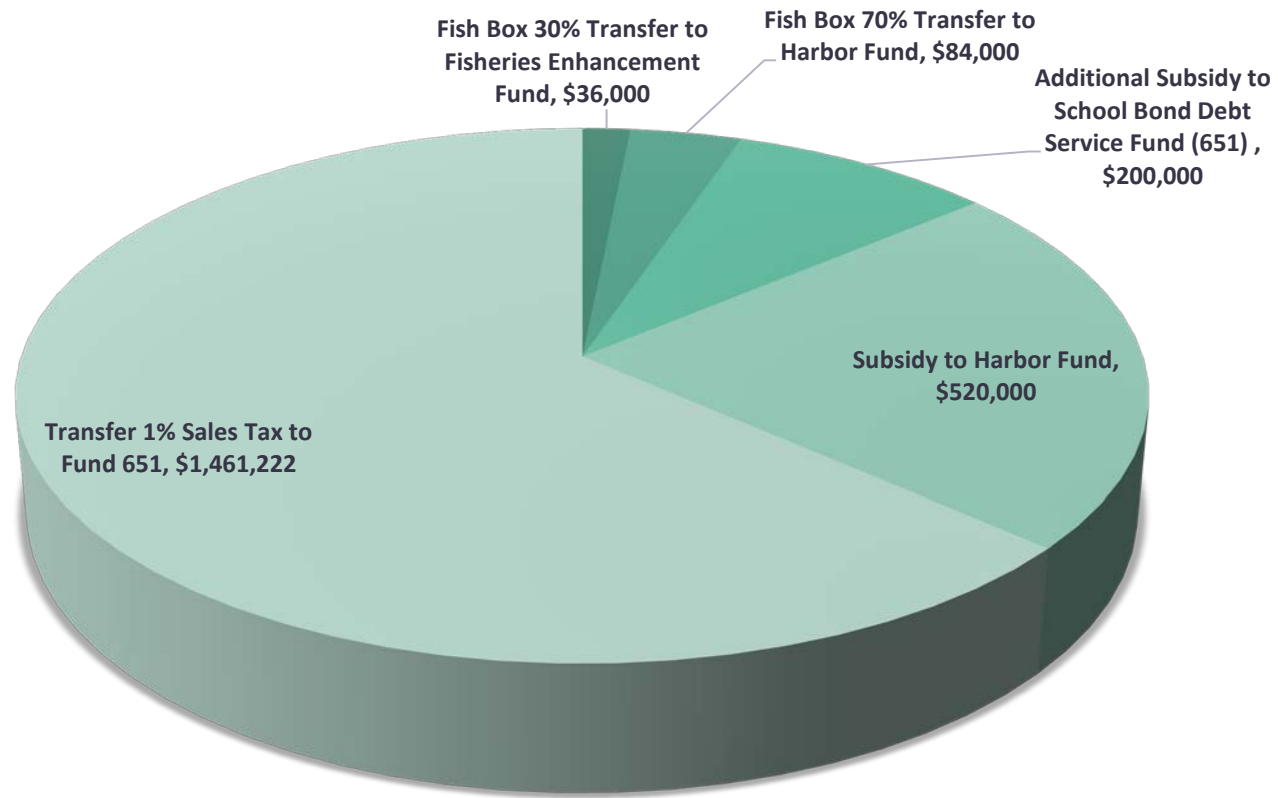
- In areas this will result in less spending (for example, if there was a significant 1-time expense last year).
- In some areas, maintaining the same level of service may cost more than the prior year.

School support:

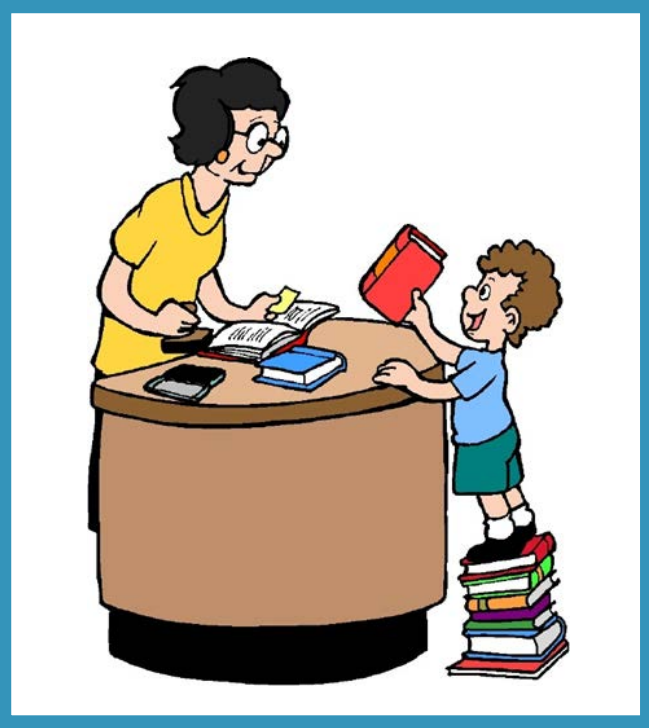
- As a starting point for the budget cycle, staff used the citizen's task force recommendation of funding to 92% of the maximum allowable (this included both instructional and non-instructional). The current budget maintains the same level of funding school funding as was presented in January. What was 92% of the original maximum allowable local contribution is now 100% of the maximum, plus \$143,000 of non instructional support.

UNKNOWNNS:

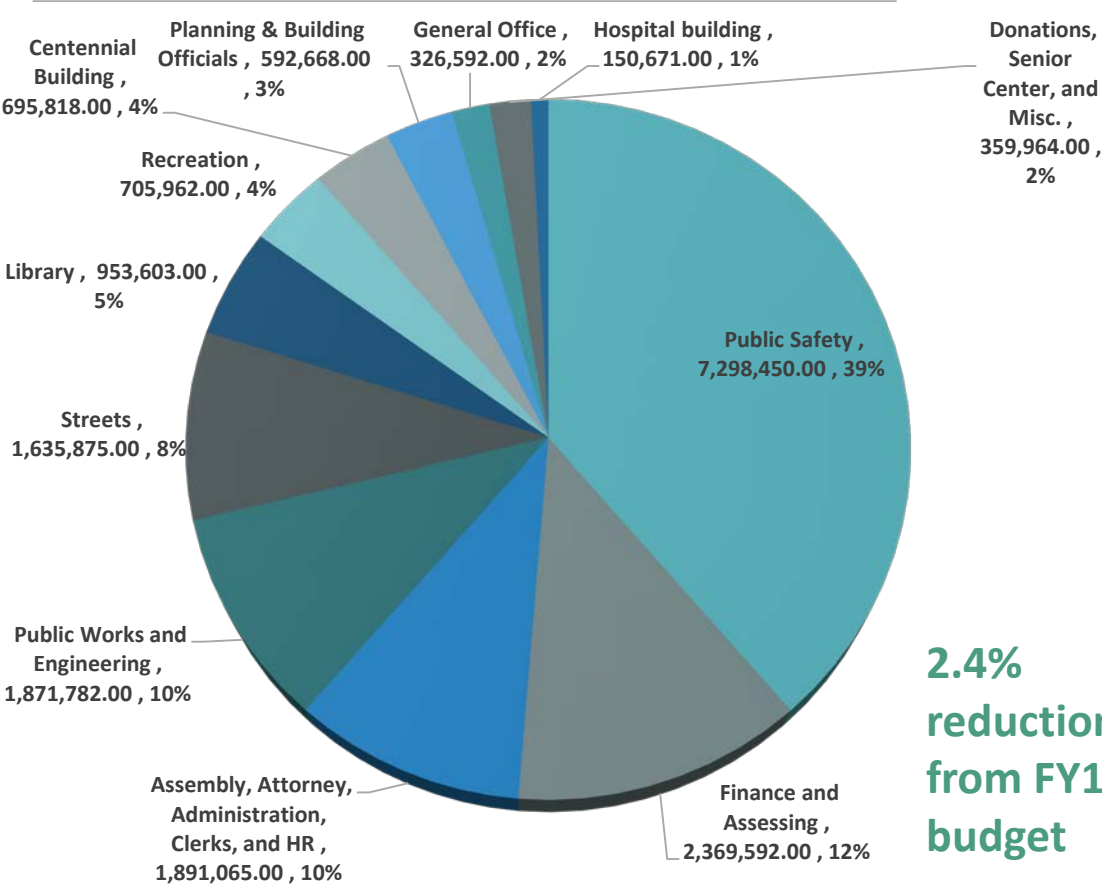
- The biggest unknown that is related purely to expenditures is that of costs related to the health care plan. At this point, the budget assumes no rate increase from prior year, which is unlikely, and will require plan changes to meet.



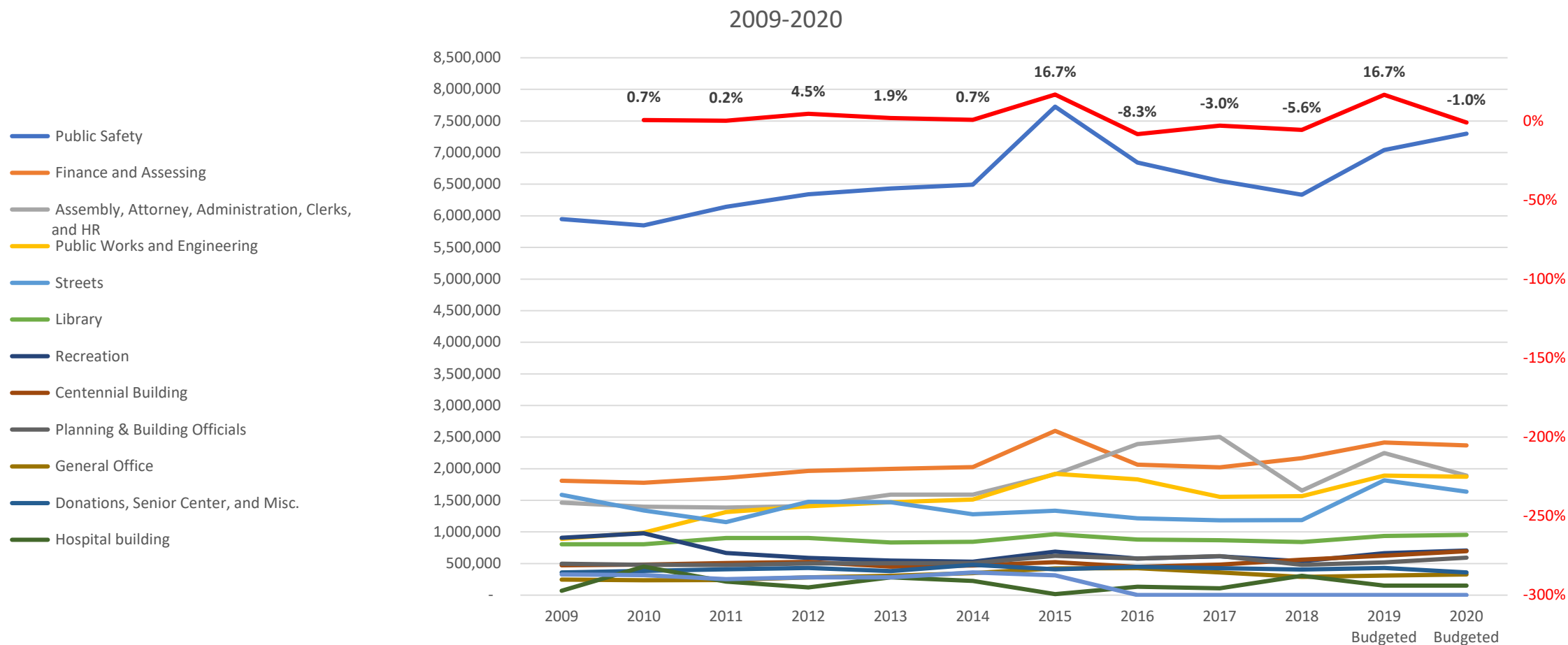
Subsidies
and/or
transfer to
other funds



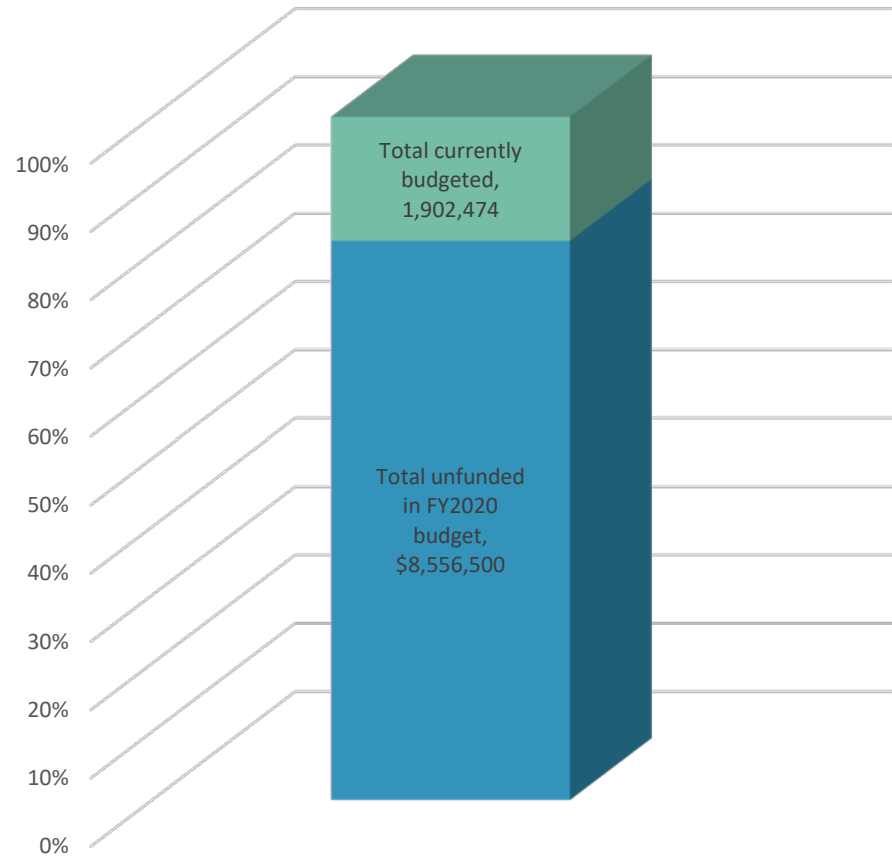
General Fund Services: \$18,852,060



Historical trends-General Fund Services



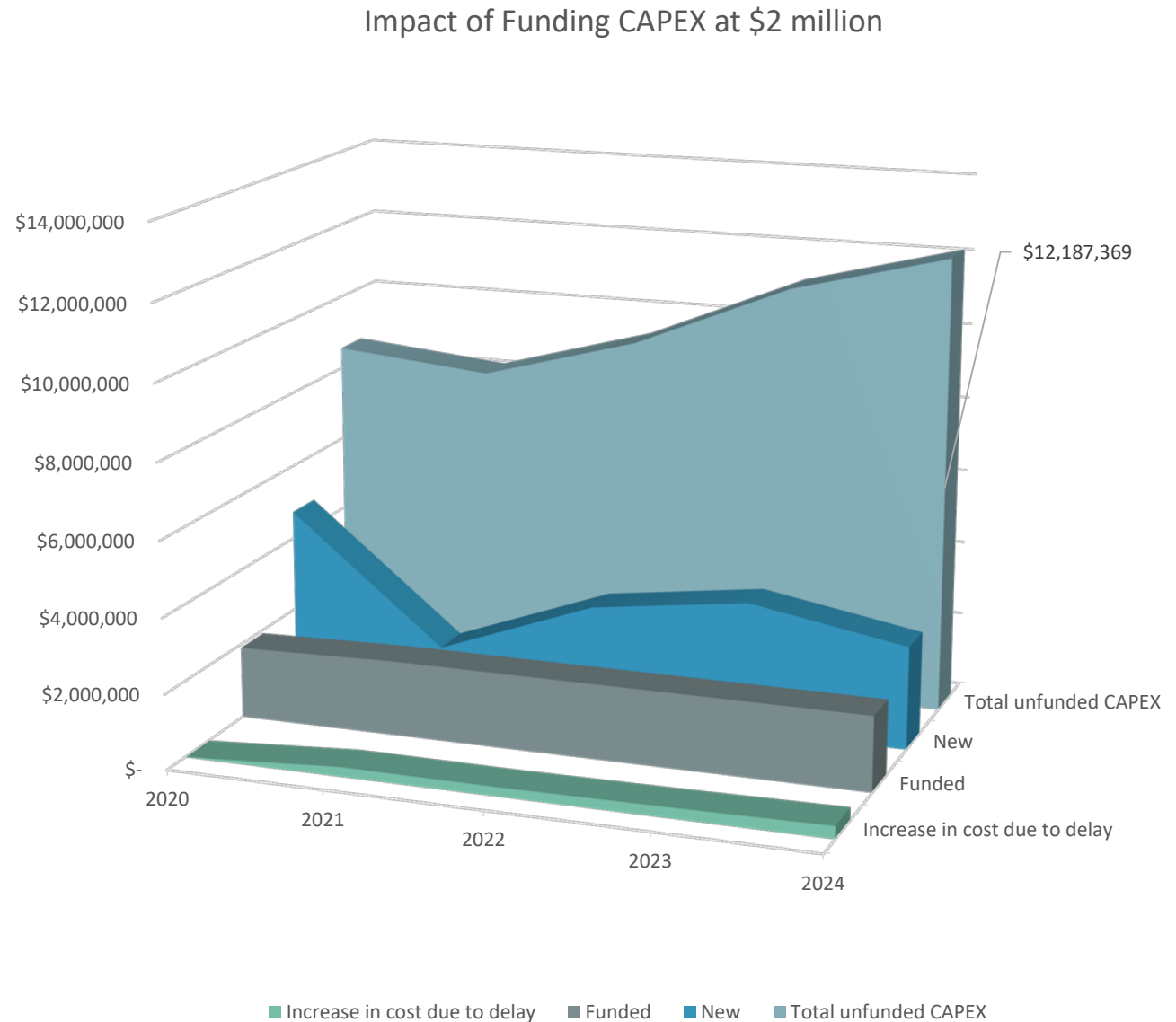
FY2020 new and deferred Capital Projects



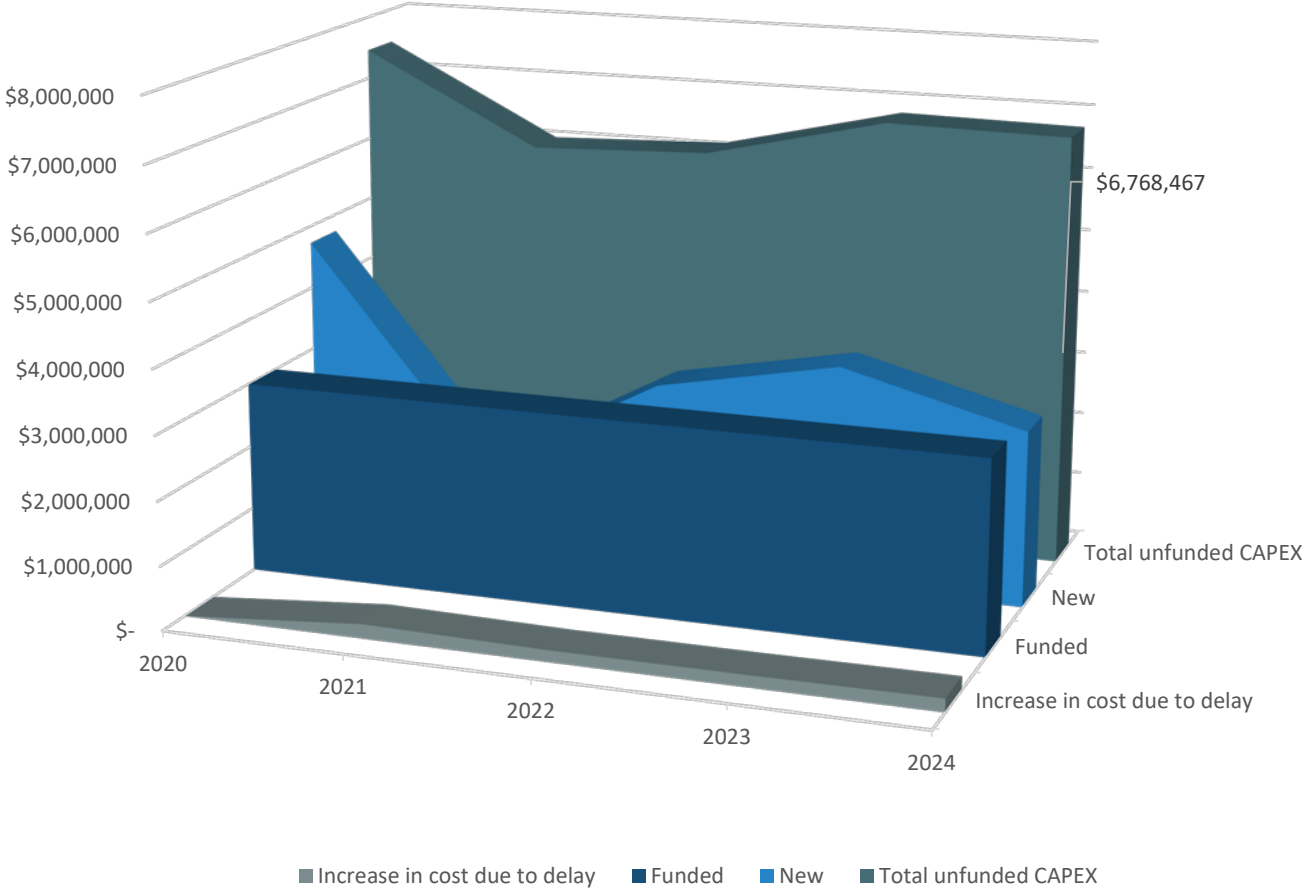
Funding for infrastructure



Growth of Deferred CAPEX at current funding level



Impact of Funding at \$3 million



Growth of
Deferred
CAPEX at
increased
funding level

School Funding:

Significant unknowns:

- Funding level in draft budget set at 92% of maximum allowable based on originally published foundation formula based on flat base student allocation (BSA).

Challenges:

- Even without Governor's 23% cut to BSA, SSD facing significant shortfall.
- Difference between SSD preliminary budget and CBS draft budget (excluding \$150K building maintenance)
 - SSD Preliminary Budget (instructional and non instructional) **\$7,078,700**
 - CBS budget (instructional and non-instructional) **\$6,532,476**
 - Difference between SSD and CBS budget for local support **\$546,224**





School
funding
decision
points:

Possible Motions:

*I move to direct
the administrator
to...*

(Dealing with assumptions around unknowns)

- ...eliminate the \$520,000 subsidy to the Harbor Fund (thus assuming that Raw Fish Tax will ultimately be received by the Harbor Fund)
- ...change assumption that Secure Rural Schools funding will not be authorized by congress and to split fund 50/50 with schools
- ...increase/decrease transfer in from Public Infrastructure Sinking Fund and increase/decrease capital expenditures accordingly
- ...increase/decrease/eliminate subsidization of school bond debt service (which will either increase or decrease how long the fund balance of F651 will last)

(Changes to appropriations (bold text replaceable))

- ...increase appropriation for **school support** by **\$200,000** and decrease appropriation for **School Bond Debt service subsidization** by same amount; or
- ...increase appropriation for **school support** by **\$200,000** acknowledging that this will result in a deficit budget, using up a portion of the General Funds undesignated fund balance
- ...decrease appropriations for **snow removal overtime** and no longer **plow streets outside of regular working hours**
- ...increase payroll vacancy factor from 3% to 4%