



City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Gary Paxton and Assembly Members

From: Jay Sweeney, Chief Financial Officer

Reviewed: David Miller, Interim Administrator
Brian Hanson, Municipal Attorney
Amy Ainslie, Planner 1

Date: July 29, 2019

Subject: Supplemental Appropriations to FY2019 and FY2020 Consolidated Operating Budgets

Requested Action

Approve supplemental budget appropriation for FY2019 and FY2020 for various purposes.

Summary

Staff is requesting supplemental appropriations to the FY2019 and FY2020 Consolidated Operating Budgets.

The supplemental appropriations to the FY2019 budget are to cover two very small budget overruns in the Harbor and Pet Adoption Funds totaling \$3,393 in the aggregate, and, to provide technical appropriations in the amount of \$53,392 for pass-through funding and formulaic transfers in the Airport Terminal Fund, GPIP Contingency Fund, and Tobacco Excise Tax Funds.

The supplemental appropriations to the FY2020 Consolidated Operating Budget are to provide for reimbursement authority for State of Alaska Historic Preservation Fund and Homeland Security grants which were not fully expended in FY2019 and whose operating appropriations lapsed on June 30, 2019; to provide for reimbursement authority for a new State of Alaska Historic Preservation Fund grant received in May, 2019; and, to provide for supplemental appropriations for outside legal services, acquisition of a new telephone system, and completion of purchases of an ambulance and fire truck due to lapsing of FY2019 appropriations for these expenditures on June 30, 2019.

Background Information and Discussion

FY2019 supplemental appropriations.

The Harbor Fund had a budget overrun of \$260 pertaining to unanticipated repairs.

The Pet Adoption Fund had a budget overrun of \$3,133 pertaining to unanticipated pet adoption expenses above the FY2019 approved appropriation.

The Airport Terminal Fund had a portion of the revenue bond issuance costs related to its FY2019 revenue bond issuance paid for by the State of Alaska. Even though these costs were paid directly by the State of Alaska, accounting rules require that the full amount of the costs paid for by the State be recorded as revenue and a matching expenditure. There is no fs transaction; it is a wash.

By Assembly direction, all investment earnings in the GPIIP Contingency Fund are transferred to the GPIIP Fund. In FY2019, the total amount of investment earnings in the GPIIP Contingency Fund that were transferred exceeded the budgeted amount and an additional appropriation is needed for the excess.

Per the Home Rule Charter, all tobacco excise tax proceeds are to be transferred into the Sitka Community Hospital Dedicated Fund. In FY2019, the total amount of excise tax proceeds that were transferred exceeded the budgeted amount and an additional appropriation is needed for the excess.

FY2020 supplemental appropriations.

Historic Preservation Grants.

State of Alaska Historic Preservation Fund grants are awarded to the City and Borough of Sitka as the grantee, even though the applications are submitted by 3rd party organizations. This is because the City and Borough of Sitka previously applied for and received status as a Certified Local Government. As a Certified Local Government, the City and Borough of Sitka is obligated to administer all aspects of the Historic Preservation Fund grant program in Sitka, including solicitation and submission of project proposals and grant applications, submission of grant reports and reimbursement requests to the State of Alaska, reimbursement of reimbursement requests from 3rd party organizations, and adhering to all requirements of 2 CFR Part 200 as the funding source is the Federal government.

Authority to reimburse 3rd party organizations is accomplished through an annual operating appropriation in the General Fund, which is matched by budgeted grant revenue. These operating appropriations lapse on June 30 of each fiscal year, however, so if a grant is not fully expended during the course of a fiscal year a supplemental operating appropriation is needed to continue reimbursements to 3rd party organizations in the subsequent fiscal year.

Additionally, on May 20, 2019, the City and Borough of Sitka received notice of award of a new \$25,000 grant under the State of Alaska Historic Preservation Fund for the renovation of the interior of Fraser Hall on the Alaska Arts Southeast campus. The Assembly had previously approved a resolution to apply for the grant. The Fiscal Year 2020 Consolidated Operating Budget currently includes an approved appropriation for \$10,000 (*General Fund, Donations and Non-Profit Support, Pass-Through Grants*), but the appropriation is insufficient to cover the full amount of the grant award for the Fraser Hall Rehabilitation Grant.

Also, on July 23, 2019, the Assembly approved Resolutions supporting three additional State of Alaska Historic Preservation Fund grant applications. In anticipation of these grant applications being approved, an additional supplemental operating appropriation of \$50,000 is being requested so that authority to reimburse 3rd party organizations is accomplished if the grants are approved.

Telephone System

In the FY2019 Consolidated Operating Budget, the Assembly appropriated \$150,000 for the acquisition of a new telephone system for the Municipality. Due to both lack of staffing due to IT Director vacancy and complexities involved in the design and engineering of the new telephone system, its acquisition could not be accomplished in FY2019. Fixed asset acquisitions are considered operating expenditures and not part of the capital improvements program; therefore, appropriations for fixed asset acquisitions lapse on June 30 of each year. A supplemental appropriation is required to complete the acquisition of the new telephone system in FY2020.

Central Garage

Purchases of the Ford Ambulance and the Pierce Suburban Fire Pumper approved in the FY2019 fixed asset budget but were not completed by June 30 and thus lapsed. Both items are specialized equipment with long lead-times. The ambulance and fire truck were procured in FY2019, however delivery and customization will take place in FY2020.

Gary Paxton Industrial Park

The Assembly approved a supplemental operating appropriation in FY2019 for legal expenses associated with hiring an outside attorney to draft a purchase agreement for the GPIIP utility dock. The FY2019 appropriation was not fully encumbered and lapsed on June 30, 2019. The balance of the lapsed appropriation is still necessary and required in FY2020.

Fiscal Note

The source of funding for appropriations all State of Alaska Historic Preservation Fund grant reimbursements to 3rd party organizations is matching grant revenue. The City and Borough of Sitka retains a 10% grant administration fee from each grant to cover costs associated with administration of the Historic Preservation Fund grant program in Sitka.

The source of funding for formulaic transfers between funds is the underlying investment earnings or tax revenue.

The source of funding for supplemental appropriations necessary to complete expenditures for which operating appropriations lapsed on June 30, 2019 is underlying fund balances. As the lapsing of the FY2019 appropriations caused the funds to return to the fund balances and increase them, supplemental appropriations in FY2020 have the effect of re-appropriating the funds.

The source of funding to cover FY2019 budget overruns are the underlying fund balances.