

POSSIBLE MOTION

I MOVE TO approve Ordinance 2020-46 on second and final reading making supplemental appropriations for fiscal year 2021 (*FY2020 purchase orders*).




City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

Thru: John Leach, Municipal Administrator 

From: Melissa Haley, Controller

Date: 8/18/2020

Subject: **Ordinance 2020-46 (FY2020 Purchase Orders):**

Background

While there is a firm end to the fiscal year, often projects are ongoing and continue into a new fiscal year. When this happens, the committed (encumbered) portion of the budget must be moved into the new fiscal year.

Section 11.12 of the Home Rule Charter of the City and Borough of Sitka (the Charter) specifies that unencumbered surpluses of the General Fund lapse at the end of a fiscal year. The Municipality has historically interpreted this provision of the Charter to mean that encumbered appropriations at the end of a fiscal year do not lapse.

The accounting system for the Municipality is not able to maintain unexpired operating appropriations in one fiscal year, but account for expenditures against such appropriations in subsequent fiscal years. In order to ensure the provisions of Section 11.12 of the Charter are adhered to, encumbered but unexpended appropriations at the end of each fiscal year are re-appropriated through a supplemental appropriation as set forth in Section 11.10 of the Charter.

Analysis

At the end of the fiscal year, there are often open purchase orders for work that is ongoing, or a product that has been ordered, but not delivered. When this happens the budget for the fiscal year that just ended is reduced and the current fiscal year budget is increased. Year-to-year this is often a similar amount. For example, in the Water Fund the FY19 open purchase orders were \$23,776, so the FY20 budget was increased by that amount. In FY20, the open purchase orders are \$20,114, so while the FY20 budget was increased \$23,777 at the beginning of the year, the current ordinance will decrease the FY20 budget by \$20,114. Certainly, this can be very different year-to-year depending on what unfinished projects are outstanding. All open PO's are reviewed and confirmed to be active prior to being transferred to the new fiscal year.

Fiscal Note

The re-appropriation from FY2020 to FY21 of encumbered funds lowers the FY2020 budget and increases the FY2021 budget.

Recommendation

In order to comply with section 11.12 of the Home Rule Charter, it is recommended that the budgets as described in the accompanying ordinance be decreased for FY20 and increased for FY21.