




City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

From: John Leach, Municipal Administrator 

Date: September 15, 2020

Subject: Recommendation for Transfer to the Public Infrastructure Sinking Fund

Background

Per the Sitka General Code 4.45.020 the Administrator must make a recommendation to the assembly on an amount to transfer to the Public Infrastructure Sinking fund:

Within ninety days after the start of each fiscal year, the administrator shall prepare an analysis of the general fund balance with an accompanying recommendation as to an amount of the general fund balance available for potential transfer to the public infrastructure sinking fund. This analysis shall first take into account any portions of the general fund restricted by Chapter 4.44A before recommending any further amounts for potential transfer to the public infrastructure sinking fund. (Ord. 12-30 § 4 (part), 2012.).

Analysis and Fiscal Note

June 30 of each year normally represents the cyclical period of lowest cash balances for the General Fund. For this reason, we base the recommendation for transfer to the Public Infrastructure Sinking fund on our financial position as of June 30. In 2020, due to the impact of the COVID-19 pandemic on sales tax receipts and also due to the resolution of the settlement of the Stark anti-kickback liability, we are unsurprised to find that analysis of net assets or fund balance at June 30, 2020 show that there are no funds available to transfer to the public infrastructure sinking fund for FY2021 (see analysis below). As we move further into FY2021 our position improves as we collect on quarter 2 sales tax returns and issue property tax billings, however we expect quarter 3 sales tax returns to be significantly lower than in prior years and, it is unlikely that our financial position will be significantly improved by June 30, 2021. Ultimately the fact that we have carefully monitored the growth of our fund balance, while prioritizing investment in our town's infrastructure means that for the short-term we will likely maintain required liquidity, however this is at the expense of repairing our streets, buildings, and other infrastructure. Overall preliminary projections show an increase in total fund balance of from FY2019 to FY2020, however a decrease in unassigned fund balance. This is primarily due to the fact that the General Fund advanced funds to cover the Stark liability to the Sitka Community Hospital Dedicated Fund - while still an asset of the General Fund that will

be repaid, these funds are not free and available.

Recommendation

Administration recommends that, in light of the ongoing pandemic and uncertainty as to how long Sitka's economy will be impacted by COVID-19, no funds be transferred to the Public Infrastructure Sinking Funds transfer in FY2021.

**City and Borough of Sitka
Administrator's Recommendation of Assets Available For Transfer
to the Public Infrastructure Sinking Fund**

Calculation of cash/equivalent required liquidity balance per SCG 4.44A.010		
	Budgeted Expenditures FY21 (less Transfers)	Divided by 4 = minimum required liquidity
Total Budgeted Expenses:	\$ 28,203,415	
Encumbrances from FY20/budget adjustments	\$ 547,165	
Less Interfund Transfers	\$ 1,925,019	
	\$ 26,825,561	\$ 6,706,390
Total General Fund analysis of adjusted net assets		
Total Assets		\$ 18,722,711
Liabilities		\$ (1,556,927)
Preliminary 6/30/2020 total Net Assets/Fund Balance		\$ 17,165,784
Fund balance committed-liquidity		\$ 6,706,390
Non spendable (advances to other funds)		\$ 4,175,552
Fund balance made up of receivables		\$ 4,730,451
Non-spendable portion of fund balance		\$ 1,319,154
Fund balance committed for emergency purposes		\$ 1,500,000
Assets available for transfer into PISF		\$ (1,265,763)
Fund Balance June 30, 2019		\$ 15,757,890
Change June 30, 2019 to June 30, 2020		\$ 1,407,894
Unassigned fund balance June 30, 2019		\$ 5,716,004
Preliminary unassigned fund balance June 30, 2020		\$ 4,783,842
Recommended Transfer to Public Infrastructure Sinking Fund:		\$ -