



City and Borough of Sitka

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Coast Guard City, USA

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator

From: Melissa Haley, Finance Director

Date: April 16, 2021

Subject: Supplemental Appropriation SCH Dedicated Fund

Background

The SCH Dedicated Fund is used to track both tobacco tax proceeds as well as any residual revenue and expenses related to the former Sitka Community Hospital (SCH).

Analysis

During the FY2021 budget process the accounting treatment of the SCH Dedicated Fund was still being determined. The original budget did not include certain liabilities that were to be paid, as they were originally determined to be a liability rather than an expense. As more research was completed, as well as many discussions with our auditors, it was determined that a key remaining liability (the Cerner EHR liability) should be accounted for using the modified accrual basis, which means that, at the fund level, the payments should be included in the expense budget. While we were able to exercise an early termination clause of the Cerner contract in March, we paid out approximately \$366,000 in FY2021. In addition to the Cerner expense, we expect to pay out on a deductible for legal expenses related to lawsuits against the form SCH. Finally, unemployment expense for SCH has increased (nearly double the prior year).

Fiscal Note

To ensure we have sufficient appropriations to cover expenses through the end of the fiscal year, we propose increasing appropriations by \$425,000, to reflect anticipated expense through the end of the fiscal year.

Recommendation

Increase appropriations in the Sitka Community Hospital Fund by \$425,000.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2021-08

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA MAKING SUPPLEMENTAL
APPROPRIATIONS FOR FISCAL YEAR 2021
(Sitka Community Hospital Dedicated Fund)

BE IT ENACTED by the Assembly of the City and Borough of Sitka, Alaska as follows:

1. **CLASSIFICATION.** This ordinance is not of a permanent nature and is not intended to be a part of the Sitka General Code of the City and Borough of Sitka, Alaska.

2. **SEVERABILITY.** If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person and circumstances shall not be affected thereby.

3. **PURPOSE.** The purpose of this ordinance is to make a supplemental Operational appropriation for FY2021.

4. **ENACTMENT.** In accordance with Section 11.10(a) of the Charter of the City and Borough of Sitka, Alaska, the Assembly hereby makes the following supplemental appropriation for the budget period beginning July 1, 2020 and ending June 30, 2021.

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| <u>FISCAL YEAR 2021 EXPENDITURE BUDGETS</u> |
| CAPITAL PROJECTS |
| |
| Fund 190 – Sitka Community Hospital Dedicated Fund: Increase appropriations in the amount of \$425,000 to cover long-term contracts, legal expenses, and increased unemployment costs. |
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EXPLANATION

This supplemental appropriation addresses both final determination of accounting treatment of certain contracts as well as previously unknown legal expenses, and an increase in unemployment costs for previous SCH employees.

5. **EFFECTIVE DATE.** This ordinance shall become effective on the day after the date of its passage.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 11th Day of May 2021.

ATTEST:

Steven Eisenbeisz, Mayor

Sara Peterson, MMC
Municipal Clerk

1st reading: 4/27/2021
2nd and final reading: 5/11/2021

Sponsor: Administrator