



City and Borough of Sitka

PROVIDING FOR TODAY...PREPARING FOR TOMORROW

Coast Guard City, USA

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

Thru: John Leach, Municipal Administrator

From: Melissa Haley, Finance Director

Date: May 4, 2021

Subject: **FY2022 budget ordinances**

Background

In prior years, staff have submitted budget ordinances separately from any ordinances increasing rates in enterprise funds. This year, given the extensive discussions during work sessions beginning in December 2020, staff has consolidated all appropriations and rate increases for the enterprise funds into one ordinance. In addition, while required to be passed only by resolution, we have included the harbor rates as part of this ordinance, having heard in the past that some assembly members wished for more opportunity for public participation.

Analysis

The direction given to staff by administration when developing the budget was to keep services at their current levels. This direction, combined with changes aimed at improving operational efficiency as well as collaboration of administration and department heads to develop rates necessary to sustain utility infrastructure in the long-term resulted in the Final Draft FY2022 and the appropriations before the Assembly. The Administrator's Letter in the included FY2022 Draft Budget outlines the unique context and circumstances around the FY2022 budget.

Fiscal Note

Governmental Funds

The FY2022 General Fund budget is unusual in that to balance the budget, we must rely on a surplus we anticipate generating in the current fiscal year (reserves). This is also the second year with no transfers out for general governmental capital improvements. While feasible in the short-term to ensure we can continue the basic

governmental services and maintain momentum on key improvements, looking forward, it will be critical to prioritize infrastructure spending.

Enterprise Funds

As always, ensuring that each fund has sufficient funding to cover needed capital repairs, while balancing debt levels is what drives the rate increases for our utilities and harbors—all are infrastructure intensive, and that infrastructure must function in order to provide the required services. This year investment in updating or creating longer term infrastructure repair plans (master plans) has been prioritized. Any rate increase proposed is the minimum that will allow us to repair our infrastructure and avoid spiked rate increases, however updating long-term plans is critical as the projections are only as accurate as the long-term capital plans.

Recommendation

Approve the FY2022 Draft Administrator's Budget including the Capital Improvement Plan via ordinances 2021-09 and 2021-10 containing the appropriations and rate increases that represent the FY2022 Draft Administrator's budget.