
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Chris Hladick, City Manager
Date: January 20, 2023
Re: Revenue Projections and Budget Goals

Due to travel delays and other difficulties, the presentation regarding FY24 Revenue Projections was not completed in time to be included in the Council Packet. The presentation will be finalized over the weekend, and emailed to Mayor and Council on Monday, January 23 and uploaded to the City website.

Council's budget goals from last year are attached, and we will review this topic at the meeting on Tuesday in order to prepare budget goals for the next budget cycle.

FY23 Budget Goals

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2022-03

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING COUNCIL'S GOALS FOR THE FY23 BUDGET

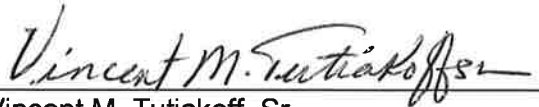
WHEREAS, budget guidelines help to ensure that the budget is prepared in a manner consistent with City Council desires; and

WHEREAS, the City Council has discussed and selected the attached set of budget goals for FY23; and

WHEREAS, management will utilize the adopted goals as guidelines when developing the FY23 budget.


NOW THEREFORE BE IT RESOLVED that the Unalaska City Council adopts the attached goals as a guideline for developing the FY23 budget.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 8, 2022.



Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:



Marjie Veeder, CMC
City Clerk



FY23 Budget Goals

CITY COUNCIL FY23 BUDGET GOALS

Personnel Goals

Goal: Any proposed increase to the total number of full-time equivalent (FTE) positions will be fully evaluated and justified during the budget approval work sessions.

The FY 2023 goal represents no change from the approved FY 2022 budget goal.

General Fund Surplus/Deficit

Goal: The General Fund operations will be budgeted without a deficit. The Council may appropriate additional funds from surplus to cover costs of capital projects.

The FY 2023 goal represents no change from the approved FY 2022 budget goal.

Proprietary Funding

Goal: Staff will continue to seek ways to balance budgets in the proprietary funds.

The FY 2023 goal represents no change from the approved FY 2022 budget goal.

Operating Expenses

Goal: The City Manager's proposed General Fund budget shall not increase more than 3 percent for non-personnel expenditures.

Goal: The total amount available to fund the Community Support Program grants will follow the formula of up to 3.50% of the five-year average revenue for the General Fund and up to all of the Bed Tax Fund fund balance for the most recently completed fiscal year. (Revenues do not include Other Financing Sources.)

Goal: City management shall continue to examine ways to reduce expenditures without significantly impacting the level and quality of services to the public.

Goal: City management shall continue to examine ways to reduce inventory without significantly impacting the level and quality of services to the public.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

FY23 Budget Goals

Capital Projects

Goal: New capital assets or maintenance of existing capital assets will be limited to projects approved by Council in the CMMP, which will include projects that are mandated or required by statute, projects that maintain our existing infrastructure, projects that address life, safety, or health issues, and projects that support the economic development of Unalaska.

Goal: The replacement and maintenance plans for all existing capital assets will be reviewed annually.

Goal: The vehicle and heavy equipment fleet requirements will be reviewed annually and reduced where appropriate without significantly impacting services provided to the public.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

Revenues

Goal: Proprietary Fund rate studies will be completed every three years and presented to council.

Goal: The mil rate will be reviewed annually to establish an appropriate mil rate to maintain infrastructure and operations.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

Debt Service

Goal: The City will not incur new debt without appropriate analysis to show impacts to rates or taxpayers, and will not incur new debt unless the capital asset purchased or constructed is eligible for a debt reimbursement program; is mandated by State or Federal government; or is needed to address life, safety or health issues.

Goal: The City may incur debt for its Proprietary Funds provided there is a documented plan to pay the debt through rate adjustments.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Erin Reinders, City Manager
Date: February 8, 2022
Re: Resolution 2022-03: Approving Council's Goals for the FY23 Budget

SUMMARY: This memo lists budget goals for Fiscal Year 2023. Based on feedback from Council at the January 24, 2022 meeting, there are no changes from FY22 Budget Goals.

PREVIOUS COUNCIL ACTION: Council has reviewed budget goals at the beginning of each budget cycle since about 2002. Council discussed the FY23 Budget goals at the January 24, 2022 Special Meeting, indicating no changes to the goals were necessary.

BACKGROUND: Much of what we do as a municipal government is legislatively or code driven. City staff will continue to seek ways to provide service to the community more efficiently in an effort to reduce costs and increase our effectiveness.

DISCUSSION: Proposed Budget Goals for FY23 are attached to the resolution and include narrative related to any changes from the prior fiscal year. Key points on various issues impacting the budget goals are provided below.

Personnel: In an effort to meet other Council Budget goals, we will not be proposing additional personnel for consideration in the FY23 budget process. Council is reminded that in the FY22 budget process, Staff brought forward Fire and Public Safety staffing needs, namely positions to focus on emergency preparedness as well as administrative support for the Fire Department. Additionally, we highlighted an expanded role for a Resource Analyst position, especially in light of the geothermal Power Purchase Agreement and the desire for an increased role in Economic Development. None of these positions were supported by Council.

General Fund Surplus/Deficit: Staff will work to develop a budget in which the General Fund will operate without a deficit. To accomplish this, and other related Council Budget Goals, Directors are working to keep overall operating budgets (including personnel) the same as last year. Given that we have employee merit/step increases, other related personnel costs required per code and CBA's, this means Directors are looking to effectively cut operating budgets for FY23. To that end, certain departments may make temporary reductions for services not needed this year, but that may be necessary in future years. This will be the third consecutive year that staff has proposed a budget limiting spending increases and proposing spending decreases wherever possible, all while inflation has eroded purchasing power. This has been accomplished with minimal, if any impact to the level of service provided to the community.

Proprietary Funds: Staff will continue to review operating expenditures so as to budget and operate at a break-even point. However, increased revenue is most likely the only way proprietary fund budgets will operate without a deficit in the near term.

FY23 Budget Goals

Operating Expenses: Although the goal is set at a maximum increase of 3% for non-personnel expenses, the Directors will prepare their proposed budgets understanding any non-personnel increases will have to be justified and evaluated to ensure that the level and quality of services to the public is maintained or improved. Certain departments may request one-time increases in order to purchase items that do not qualify as a capital purchase, but would otherwise not be purchased at their existing operating budget levels.

As described in the previous goal, this will be the third year in a row where staff has been charged with reducing costs wherever possible, while at the same time striving to maintain the level of service the Community has come to know and expect. Staff has been able to do so while also experiencing an overall rise in prices of goods and services. The 3% increase in this goal is related to inflation. Generally speaking, our operating budgets have not, and are not this year, fully accounting for inflation. To place this in context, the FY19 General Fund operating budget totaled \$27,966,634; for FY22 it was \$29,403,494, an increase of \$1,436,860, or 5.14%. During that same time frame, budgeted personnel costs increased by \$2,307,314 (15.65%), requiring reductions from non-personnel operating costs (\$157,544; 2.46%), capital outlay (\$401,013; 41.24%) and other (\$311,897, 5.33%).

Capital Projects: The CMMP is currently being developed. A presentation of the initial draft projects, with a special focus on FY23, was provided to Council at the January 11, 2022 meeting. Projects proposed for FY23 are focused on maintaining our current infrastructure and continuing currently funded projects. The draft CMMP presentation to Council is planned for March.

Revenues: Projected FY23 General Fund revenues were presented on January 24, 2022. Council considers the property tax millage rate annually as part of the budget process. Projected revenues for the Proprietary Funds will be presented along with the draft budget later in the budgeting process.

Debt Service: In prior years, the City incurred debt in their Proprietary Funds; specifically, each of the utilities and Ports. Each debt obligation requires annual debt service; debt service amounts are included in each of their respective budgets. In early FY21, the City refunded (aka “refinanced”) a portion of its bond debt, specifically as it relates to the Electric and Ports Proprietary Funds. This action will result in significant cost savings over the remaining term of the debt obligation. The City paid off the remainder of the non-proprietary fund debt in FY20 and does not anticipate a need for additional debt at this time.

ALTERNATIVES: Various alternatives exist. As staff completes the budget process, we will seek ways to perform our work more efficiently in an effort to reduce costs and increase effectiveness.

FINANCIAL IMPLICATIONS: Financial implications will be brought forward during the budget presentations.

STAFF RECOMMENDATION: Staff recommends approval.

PROPOSED MOTION: This is a consent agenda item and will be included in the motion to adopt the consent agenda.

CITY MANAGER COMMENTS: I support Staff’s recommendation.

ATTACHMENTS: None.