

Notes to the FY 2012 Proposed Budget

General and Enterprise Funds

Overview Note: In many cases the FY 2010 Budget projections were derived at mathematically. Work on the budget started in April which was the 10th month into the current budget year. Where contracts or several years of historical data were unavailable, the projection was calculated by taking the amounts expensed (or received) as of April 25th, dividing that amount by 10 and then multiplying by 12. Where more definite data was available it was applied and where deviation from this formula occurred, the notes below have been provided.

1. As of April 25, the actual **Sales Tax Revenue** received was at 82.9% of the projected amount. Typically an increase would be expected, but considering that a local restaurant closed this past year, there will be an anticipated reduction in sales tax revenue instead. As such the projected amount of \$184,443 that was derived mathematically has been reduced to \$150,000 to allow for the anticipated loss in sales tax revenue.

2. With only two months remaining in the 2011 Fiscal Year, the **Building Rental** revenue amount is only at 51% of its projected amount. Conducting a mathematical analysis explained in the overview note above would result in a projected amount of \$18,581. Assuming that the Community Building will be repaired and placed back into full service combined with the historical revenue, an increase in projected revenue to \$20,000 seems justifiable.

3. The **Sales** revenue category has been reduced from the typical mathematical projection as a portion of this account includes historical land sales. With no city land currently available for sale, the mathematical model would be skewed. The reduced projected amount of \$20,000 seems appropriate as gravel sales were in excess of \$20,000 as of April and agreements have already been initiated for Fiscal Year 2012.

4. The **Other** revenue category has been reduced from its mathematical projected amount for two reasons. First, the FY 2011 Budget amount included a one-time contribution resulting from a mitigation agreement with Aircell. Second, the actual revenues for FY 2011 include \$20,000 from Totem Pole Park, and another \$6,425 from City Services. For audit and management purposes, beginning in FY 2012 any activity that receives or expends more than \$500 will have its own account created.

5. The \$27,000 or 7.4% reduction in projected local revenues should not be viewed with panic but rather confidence in the budget proposal process. While the areas that have experienced reductions are cause for concern, they should not be cause for alarm. Identifying these weak areas will help the city council and the administration determine what action to take to stabilize these revenue sources.

6. The **State Revenue Sharing** dollar figure is a known amount and the FY2012 amount reflects the additional \$20million the State Legislature added to the program.

7. **State Payment in Lieu of Taxes** is an amount provided each year from the State of Alaska to jurisdictions in the Unorganized Borough. For unknown reasons the amount has not been recorded for previous years. It is reflected in this budget with a \$0 as no estimate is available.

8. The **Raw Fish Tax Refund** amount is more of a reflection of FY 2011 activity than a mathematical formulation. In the absence of a substantial history, the FY 2012 amount is held at \$10,000 rather than the \$12,000 amount that was based on mathematical extrapolation.

9. With no **Fish Tax** revenue recorded in 2010, and with none collected to date in 2011, no amount is projected for FY 2012.

10. In the absence of historical data, agreement, formula, or other written process, the amount projected for **Federal Payment In Lieu of Taxes (PILT)** will be left the same as it was for FY 2011. Should a significant change be determined, a budget amendment will be submitted to reflect that change.

11. With one of the goals of 2012 to better define the **Enterprise Funds** and to separate them from the **General Fund**, it will be necessary for the City Manger to take an active managerial role. For both audit purposes and more accurate accounting, the salary of the City Manger will be divided between the General Fund, the Harbor Fund, and the Water/Wastewater Fund. Time and salary will be at 70% for the General Fund and 15% each for the Harbor and Water/Wastewater Funds. For employee privacy, the payroll calculation worksheet is not included but is available for council-member review.

12. In previous years **Payroll Taxes** was a combination of FICA and Alaska Employment Security Tax (ESC). These items have been separated in this budget to provide greater accuracy in accounting.

13. In previous years there has been no budget allocation for **Workers Compensation** expenses. It has been included in the FY2012 Budget at the current rate of 2.6% of the first \$34,100 in wages, salary, or other compensation.

14. The **Travel** category is unbudgeted in all departments for FY 2012. Given the increasing cost in fuel and an undetermined amount of estimated travel required, any amount proposed would be speculative at best. Additionally, all travel must be approved by the City Council in advance so the elimination of initial appropriations will allow for greater scrutiny in any proposed travel plans. Also it should be noted that the \$1,500 Travel amount in the Administration Department was for moving expenses for the outgoing City Manager.

15. **Telephone** expense is of growing concern with much of the expense attributable to the use of cell phones. To reduce this expense, this budget eliminates city-owned cell phones and provides an allowance to those personnel needing phones. One or two of the existing phones will remain in

service and will be assigned to employees on a case-by-case short term basis. The initial allowance of \$30 per month will be paid to the Water & Wastewater department, Roads department, Building Maintenance department, and the City Manager. The Administration department's phone budget has been reduced to reflect \$400 per month for basic telephone and Internet service and \$30 per month for the City Manager's cell phone allowance.

16. The increase *in Electricity* expense is due to the anticipated increase in usage should the Community Building be placed back into greater use.

17. The projected *Fuel Oil* expense for FY-2012 is more than 213% higher than the amount adopted in the FY-2011 budget. This increase is based on the 179% difference between the FY-2010 actual and the FY-2011 actual year-to-date expense.

18. The *Repairs—Building* category has been budgeted at \$0 as a grant is in place that is to be used for repairs to the Community Building. With in excess of \$80,000 still remaining in the grant there is no need to allocate or appropriate funds from the General Fund.

19. Most *Small Claims Filings* are for collections for utilities or moorage and most of this expense has now been transferred to those Enterprise Funds. However, a budget of \$100 per month has been retained for administrative related filings.

20. *Professional Services—Computer Support* is a new category that is deemed necessary to provide maintenance and support to our computer network system.

21. In years past all *Insurance* expense was made through the Administration department. The FY-2012 Budget distributes the insurance across several departments.

22. *Phone* expense for the Council is for the cell phone provided to the Mayor. In keeping with the spirit of the attempt to reduce expenses, the budget allocation for the mayor is proposed to be \$40 per month which is \$10 per month more than for the city employees.

23. Police *Salaries* now reflect only the use of dispatchers as the police law enforcement functions have been transferred to the VPSO program.

24. Police *Phone* expense is based on anticipated usage under existing conditions. As with other departments, the use of cell phones will be greatly restricted as more economical plans or personal usage allowances are considered.

25. Police *Electricity* expense has been reduced to reflect limited current use of the facility. Should the building receive substantial repairs during the 2012 Fiscal Year, it may be necessary to increase the budget amount.

26. No budget amount has been included for the *Search & Rescue Boat* as sufficient grant funds remain for final equipment acquisition and initial training. Likewise, any expense incurred as the result of using the boat for S&R purposes will be reimbursed by the State of Alaska.

27. Up through FY-2011, **Fuel Oil** expense included both diesel for vehicles and heat. Beginning in FY-2012 sub-accounts will be created to better track usage. Additionally, the significant increase in the budget amount is to reflect the significant increase in fuel costs.

28. The **Building Maintenance & Repairs** category is an account that has not been budgeted in the past, but rather expenses were recorded only as they occur. Appropriating funds to this account will permit conducting much-needed and past-due repairs. It should be noted that the amount indicated is for repairs and not for capital improvements which will require much larger sums.

29. The significant and substantial increase in the **Repairs—Vehicles, Machinery, & Equipment** category is necessary to address and correct years of deferred maintenance. In addition to direct appropriations from the General Fund, other sources of funding will be pursued as well.

30. This **Building Maintenance** department includes a new position that was created after the FY-2011 Budget was adopted. The position exists within the General Fund, but services are provided to all departments that occupy buildings. Janitorial services provided for the community building are also included in this account.

31. The **Insurance** account category within this department consists of property damage coverage for all city-owned buildings.

32. **Facility Repairs** consists of daily maintenance issues associated with the community building, courthouse, old city shop, and city docks. The proposed amount of \$6,000 is for maintenance only and any capital improvements or substantial repairs will come from other sources. This amount also includes \$1,500 for the acquisition of basic hand and power tools.

33. Until collection efforts stabilize, the projected **Water & Wastewater** revenue amounts are based on amounts collected to date rather than amount billed to date as of April 27, 2011.

34. **Garbage Collection** revenue has been reduced based on FY-2010 actual and the absence of significant FY-2011 recorded activity.

35. The significant increase in **Vehicle Maintenance** in both the FY-2011 year-to-date total and the projected FY-2012 amount is the result of extreme deferred maintenance on equipment.

36. With only two months remaining in the 2011 fiscal year, **Chemical** expense at the water treatment is less than half of the amount budgeted and is below the actual usage for FY-2010. Attributing this significant reduction in expense to improved management and expecting the trend to continue, the proposed budget for FY-2012 is 75% of the FY-2010 actual expense.

37. **Wharfage Fees** are not a normal revenue source for harbor activities. Wharfage Fee revenue is being transferred to the Harbor Enterprise Fund from the General Fund until only such time the Harbor Fund becomes self-sustaining.

