



2018 BUDGET POLICY STATEMENT

PURPOSE

The annual budget articulates the City's spending plan for the coming year. This plan reflects the priorities set by City Council, which are developed during numerous venues for discussion and public input throughout the year, and which were articulated during a workshop held on August 3, 2017.

COUNCIL GOALS

City Council has identified the following priorities for incorporation into the 2018 Budget:

- Completion of the New Boat Harbor project
- Fire Department/Public Safety Building design, and Citywide evaluation of space needs and space utilization
- Improved planning and budgeting for flood-mitigation and related infrastructure
- Resolution of the Aleutian Village housing and relocation issues

- Development and implementation of procurement and contracting best practices via third-party engagement
- Full utilization of Kelsey Dock Uplands Interpretive Center Grant for site improvement
- Development of visioning and branding with Kimley-Horn
- Improved budget sustainability and efficiency by reducing rates of increase across all expense categories
- Exploration of needs and options for affordable housing, including opportunities for public-private partnerships and grants
- Development of master maintenance plan to ensure timely completion of work and adequate budgeting
- Increase quantity and pace of work on back-logged CIP and major maintenance projects via contracted project managers
- Continued exploration of economic development and diversification initiatives
- Increased code enforcement

REVENUE ASSUMPTIONS

TAPS and Property Taxes: As General Fund revenues are comprised primarily (over 80%) of the TAPS property tax, and those figures are static through 2020, there are no material revenue changes anticipated in the 2018 budget.

Permanent Fund Appropriation: The City will continue to appropriate 1.5% of the Permanent Fund value, Pursuant to

City Charter (see *Section 6.7a*), in the 2018 Budget. This figure is estimated to be \$2.8 million, and will be reflected as a revenue transfer from the Permanent Fund to the General Fund.

Debt-Service Reimbursement: Administration anticipates ongoing debt-service reimbursement from the State of Alaska for its 2004 and 2012 School bonds, and its 2004 Harbor bonds. The reimbursement program does not apply to the 2015 Harbor bonds. Assuming continued annual appropriation at the State level, this program will provide a revenue stream to the Debt Service fund through 2034.

Intergovernmental Revenues: The 2018 Budget will reflect status quo or diminished Federal and State financial assistance for existing programs. The City will continue to supplement local tax dollars whenever possible by seeking outside funding sources for operational and capital needs. The City will evaluate any associated new commitments as they would relate to grant administration, long term operations, and/or maintenance/replacement costs.

Operations and Special Revenue Funds: The 2018 Budget will reflect status-quo assumptions for the City's "business-type" activities, i.e. utilities, ports and harbor. These services and facilities are subsidized by General Fund revenues, and City Council has not mandated changes to fee structures or cost-recovery goals.

Annual Revenue Carry-Forward: Each year following the financial audit, the net variance between final budgeted and audited revenues, or "carry-forward", is calculated and made available for appropriation via revision to the current year's budget. The 2018 budget reflects continued efforts to reduce

the carry-forward via accurate revenue forecasting and expenditure controls. In keeping with established practice, carry-forward figures are not included in the draft budget, but will instead be incorporated mid-year following the final audit.

EXPENDITURE GUIDELINES

Capital Improvements and Major Maintenance: To facilitate efficient contracting and project planning relative to our short construction season, the City will continue to review construction projects annually in the spring and early summer. Approved projects will be incorporated via budget revision using project reserve funds.

Personnel: Personnel changes, particularly increases to full-time employees, will be considered insofar as they support explicit Council priorities. A COLA will be discussed during a dedicated Council budget workshop, which will include detailed cost analysis and input from the Employee Relations Team.

Technology and Major Equipment Reserve: Annual funding of these reserves reflects five and ten-year scheduled averages, respectively, for replacement and augmentation of existing equipment, plus inflation.

Community Service Organizations (CSOs) and Events: CSO and Events applicants will have a dedicated budget workshop to present their requests and to provide operational and mission-related information directly to Council. To mitigate the increased demand for funding and in-kind services, Council will consider a formula-driven cap, to be distributed among applicants according to Council objectives.

CITIZEN PARTICIPATION

The City Council encourages maximum public participation in the annual budget process, in the formation of City goals, and in the planning of all public operations and projects. To that effort, the City Administration will continue to use the local print media, website, social media and radio to the fullest advantage in informing the public of all major initiatives.

CONCLUSION

In addition to being an exhaustive ledger showing allocations of public monies, a budget commonly includes a summary of departmental activities, a departmental operating and staffing plan, and an analysis of meaningful trends and quantifiable objectives. With these features, a budget becomes a tool for analysis and accountability. It increases public awareness and understanding of operational details and mission, enables Council to manage by broad objective, and establishes and tracks management performance metrics.

Dated this 15th Day of August, 2017

Ruth E. Knight, Mayor

Attest:

Sheri L. Pierce, MMC, City Clerk