

Council Orientation

Budgeting & Finance

July 11, 2019

Workshop Agenda

- **Finance Overview**

- Sources and Uses
- Fund Structure and Fund Balances

- **Financial and Budgeting Policies**

- Long-Range Objectives vs. Short-Term Planning

- **Annual Budget Processes**

- 2020 Budget Timeline
- Mid-Year Projects Budgeting
- Review and Analysis: Finance \longrightarrow City Manager \longrightarrow Council \longrightarrow Public

- **Council Priorities: Preview of July 18th Workshop**

Citywide Appropriations and Fund Balances (2019)

All Values in Millions

	General Fund	Reserve Funds	Capital Projects	Permanent Fund	Debt Service	Utility Fund	Ports & Harbor	Other Funds	Grand Total
Beginning Fund Balance	\$71.9	\$37.8	\$54.2	\$205.3	\$7.3	\$1.9	\$4.6	\$6.9	\$390.0
Total Revenues	46.6	-	-	3.1	1.2	0.5	3.0	0.2	54.6
Transfer In (Out)	(6.8)	8.9	-	(3.1)	-	-	(0.5)	-	(1.4)
Operating Subsidy	-	-	-	-	-	0.8	0.6	-	1.4
Net of Transfer/Subsidy	6.8	(8.9)	-	3.1	-	(0.8)	(0.2)	-	-
Support	13.3	-	-	-	-	-	-	-	13.3
Administration	8.7	5.0	-	0.3	1.8	-	-	-	15.8
Facilities, Fleet & Infrastructure	7.6	3.4	-	-	-	1.4	-	0.1	12.5
Public Safety	6.4	-	-	-	-	-	-	-	6.4
Parks, Recreation & Cultural Services	3.5	-	-	-	-	-	-	-	3.5
Ports & Harbor	-	0.5	-	-	-	-	3.1	-	3.6
Total Expenses	39.5	8.9	-	0.3	1.8	1.4	3.1	0.1	55.1
Net Increase (Reduction)	0.3	-	-	(0.3)	(0.6)	-	(0.0)	0.1	(0.5)
Ending Fund Balance	\$72.2	\$37.8	\$54.2	\$205.0	\$6.7	\$1.9	\$4.6	\$7.0	\$389.5

All Values in Millions

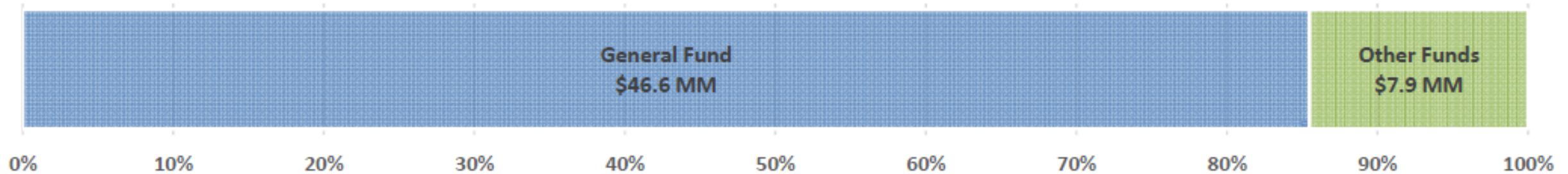
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General Fund Balance: Brief History

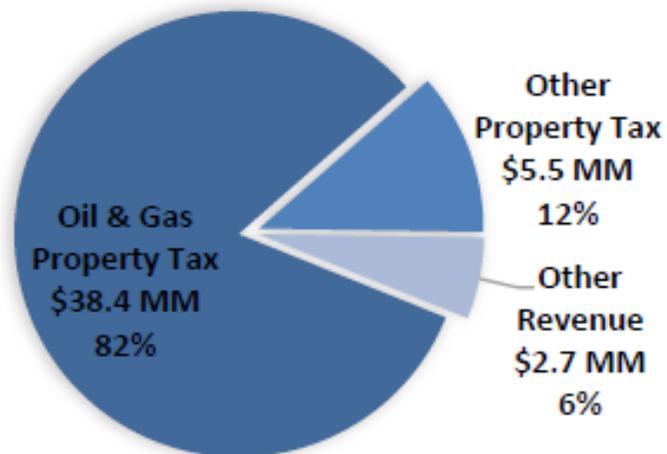
- Not a Deliberate or Gradual Target; Only Recently Decided
- Resulted from 2006-2009 TAPS Valuations
- Courts Returned Higher Valuations than SARB
- Court Valuations Determined AFTER Close of Fiscal Year
- \$76MM In Limbo with Possible Pay-Back to State, PLUS INTEREST
- Resolved in Five-Year Settlement (2015); is Now Free-and-Clear

Citywide Revenues

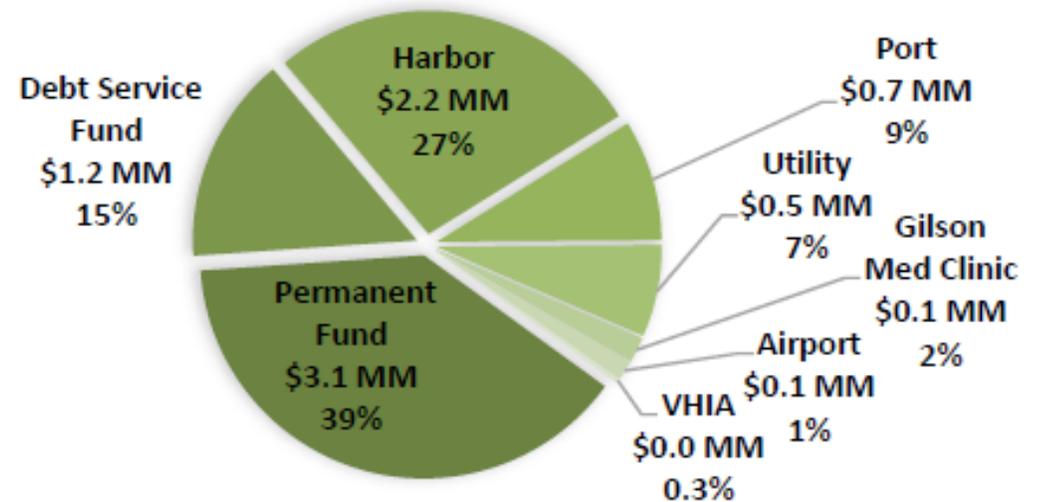
Total Revenue \$54,551,110



GENERAL FUND REVENUES \$46.6 MM



REVENUES FROM OTHER FUNDS \$7.9 MM



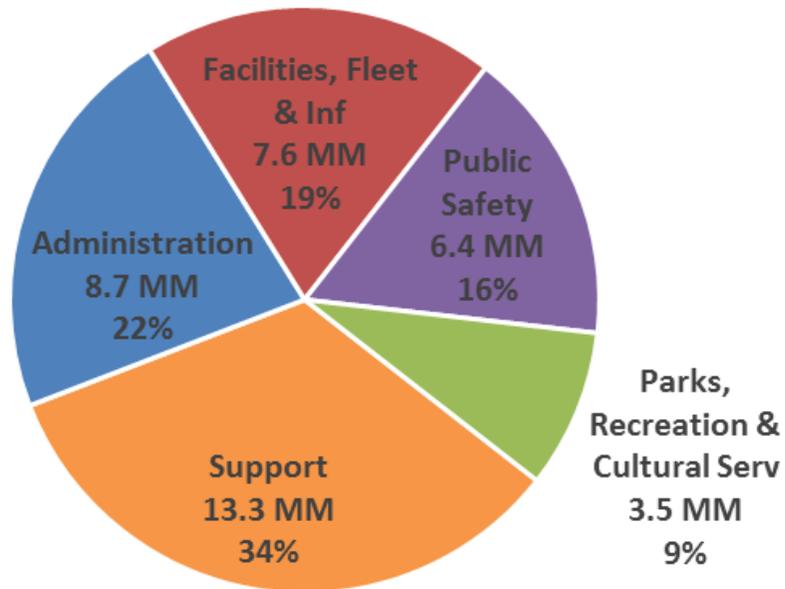
General Fund Revenue: Property Taxes & Mill Rates

- Mill Rate
 - The **mill rate** is the amount of **tax** payable per dollar of the assessed value of a property.
 - One **mill** represents \$1 of tax for every \$1,000 of taxable value.
 - Valdez levies **twenty mills** , which is 2% or **\$20 dollars** for every \$1,000 of taxable value.

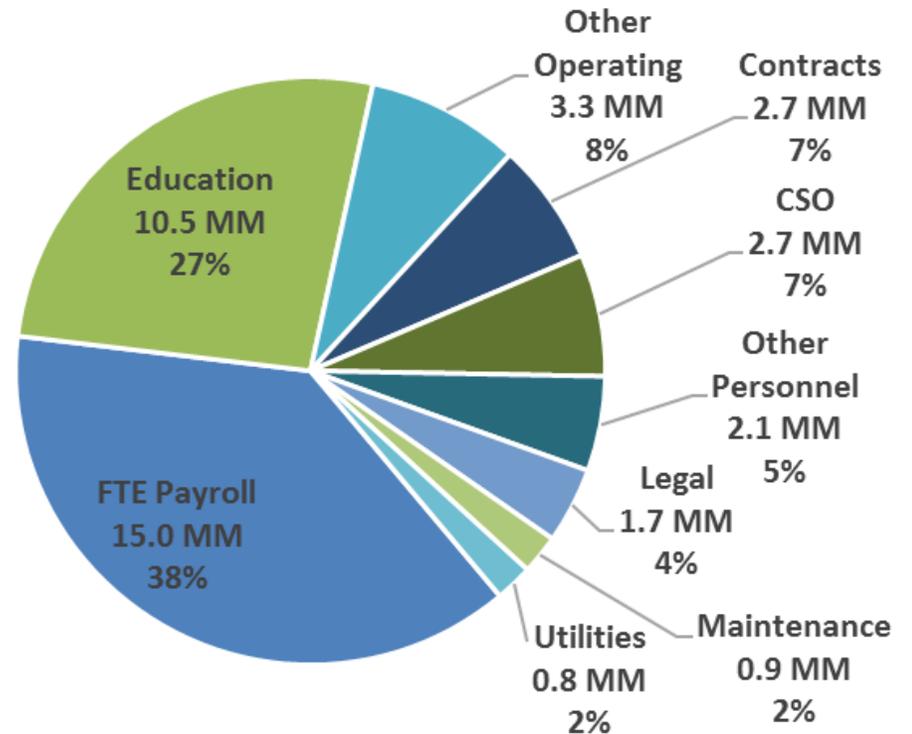
Example	Amount
Valdez Home Appraised Value	\$ 200,000
Primary Home Exemption	\$ (50,000)
Taxable Value	\$ 150,000
20 Mills Tax Levy	0.02
Taxes Due	\$ 3,000

General Fund Expenses

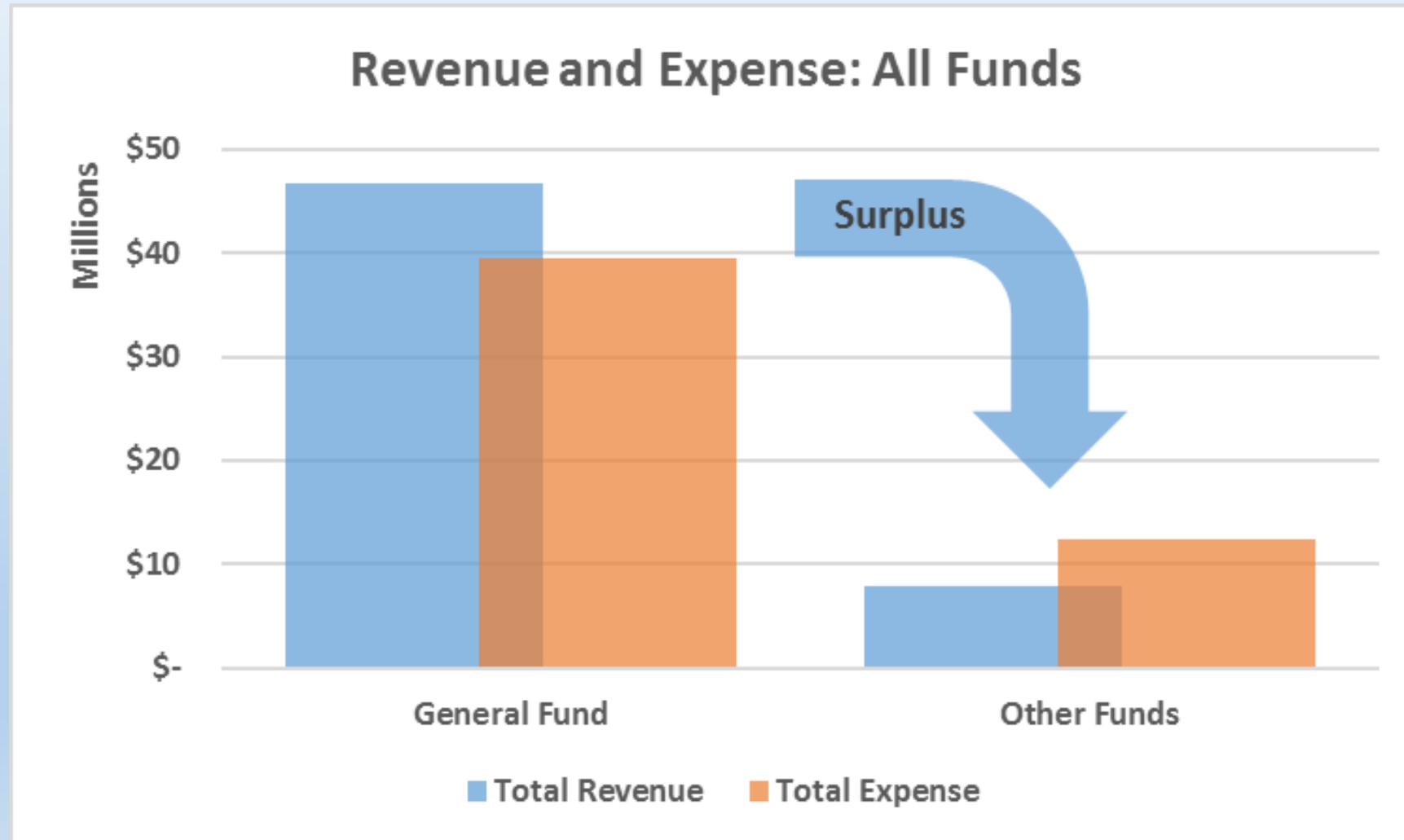
Expenses by Division \$39,518,793



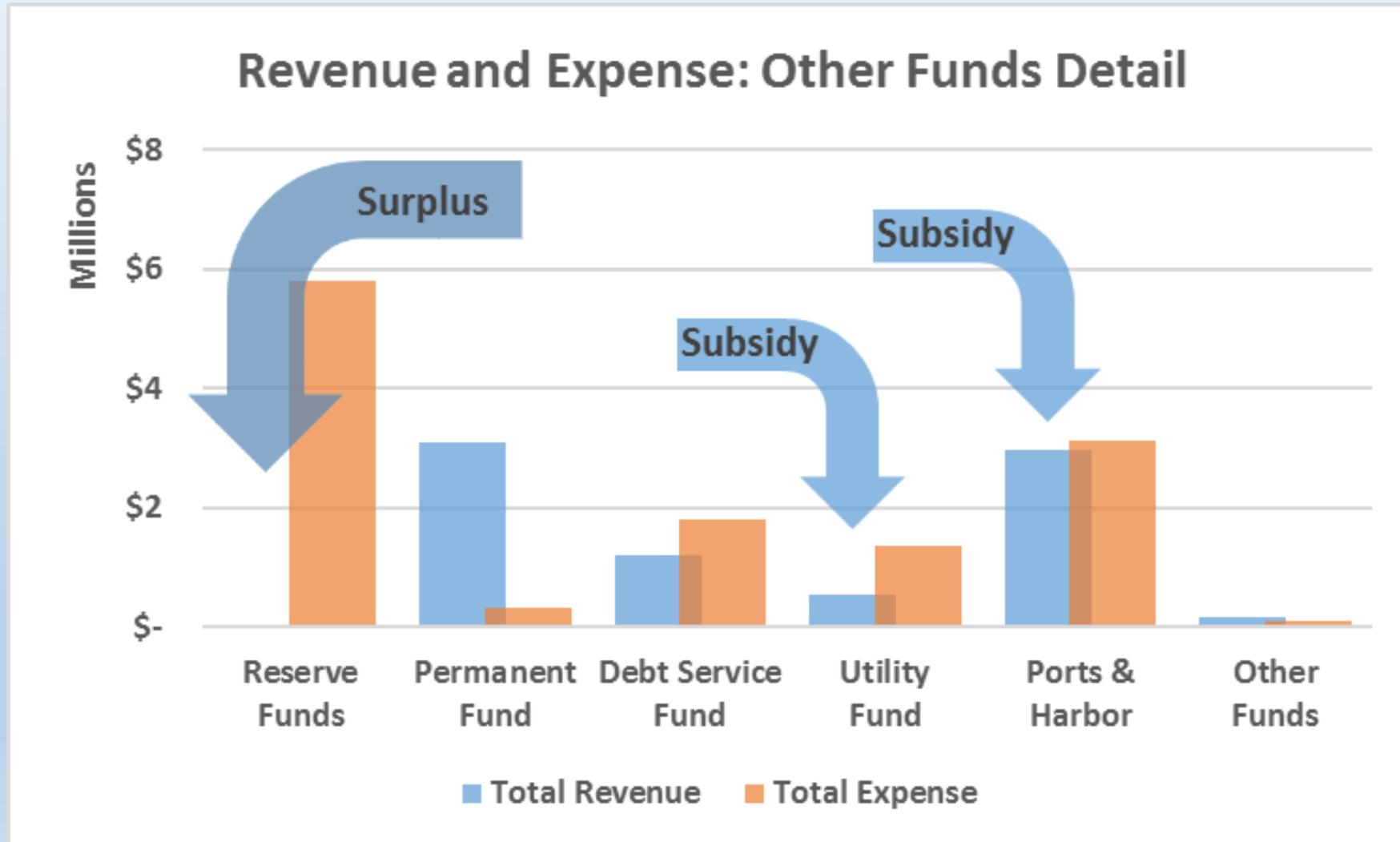
Expenses by Operational Category \$39,518,793



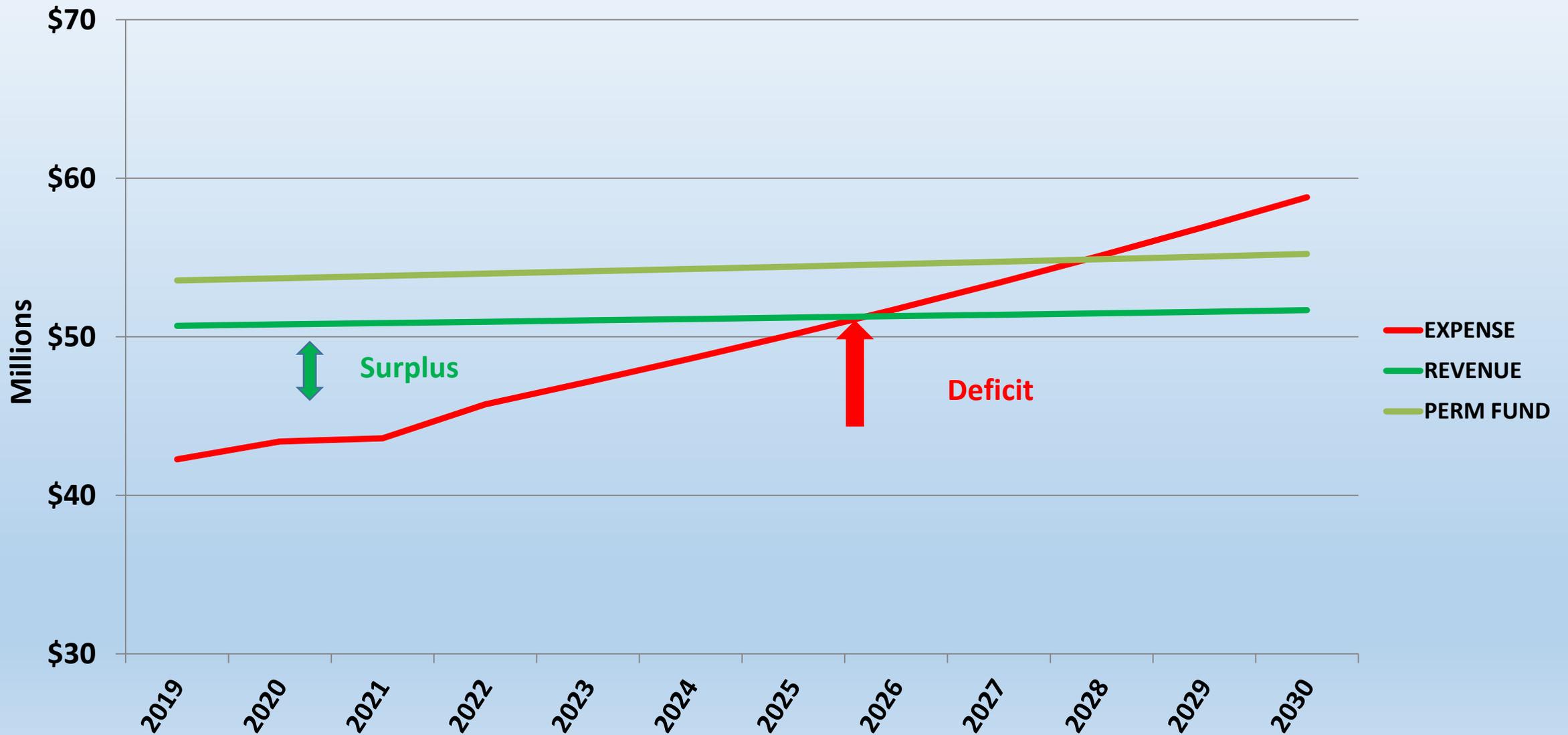
General Fund Revenue Yields a \$7MM Surplus



Surplus is Allocated to Operation Subsidies and Reserve Funds

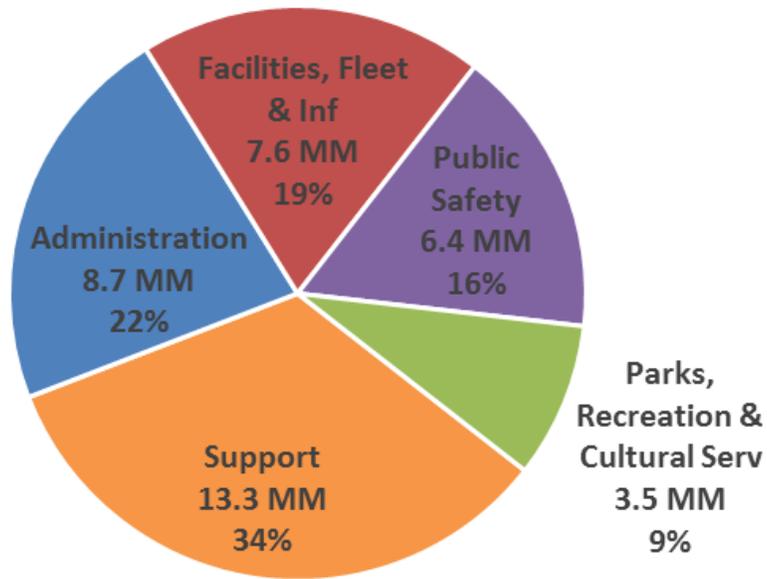


Surplus and "The Lines"

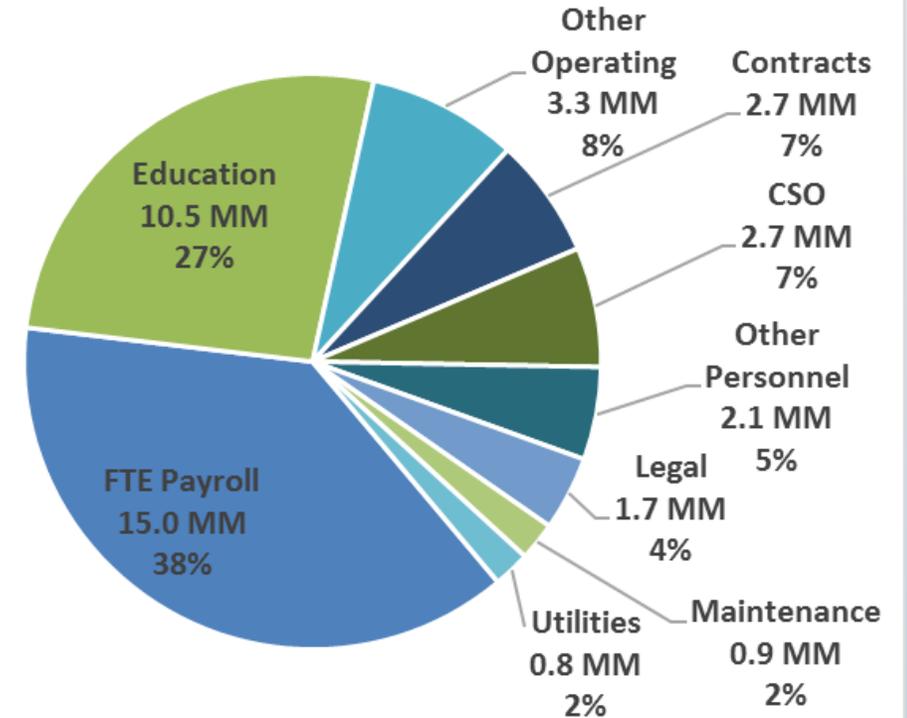


General Fund Expenses

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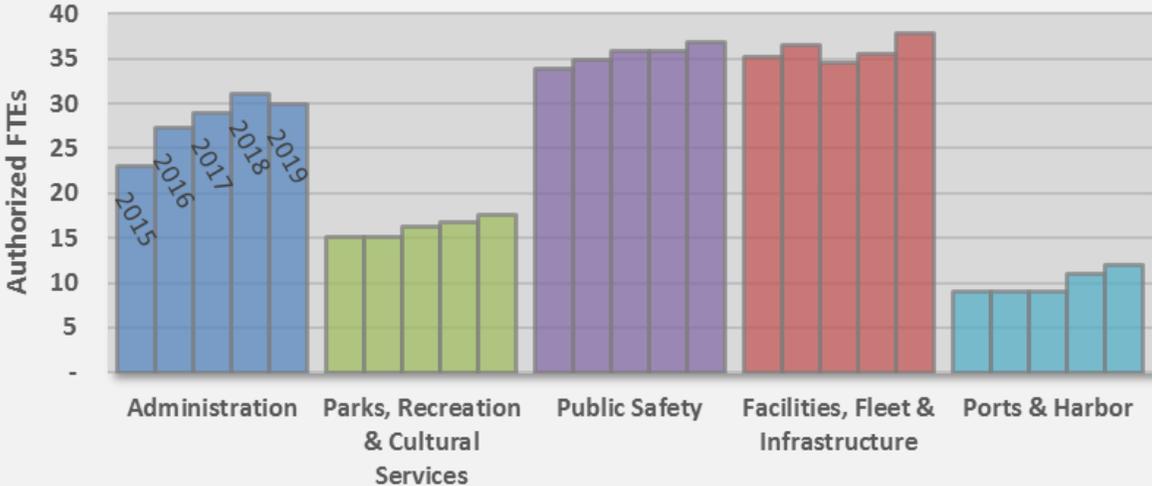


Personnel Count and Costs

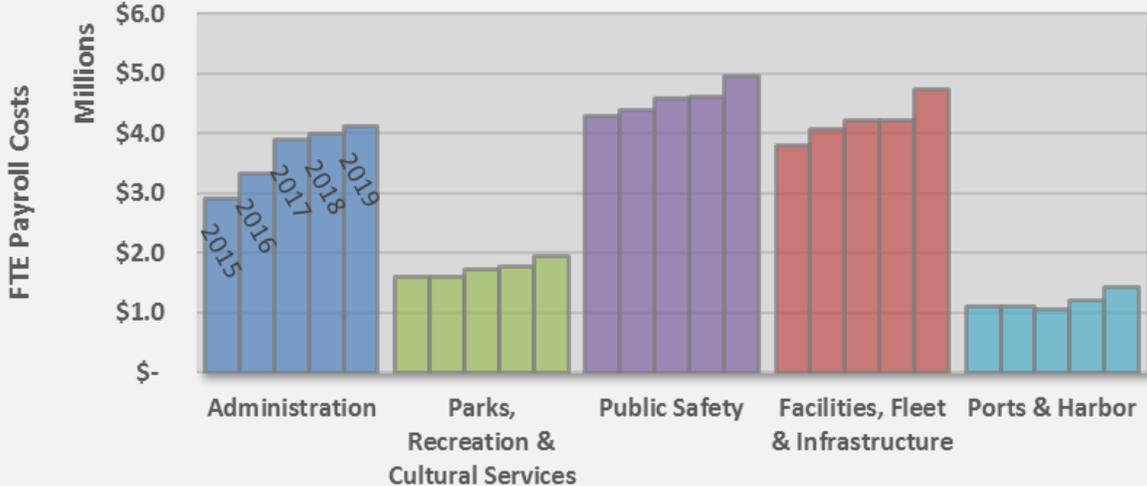
	2015		2016		2017		2018		2019		2015-2019 Growth		
	Authorized FTEs	FTE Payroll Costs	Authorized FTEs	FTE Payroll Costs									
Administration	23.00	\$2.9 MM	27.30	\$3.3 MM	29.00	\$3.9 MM	31.00	\$4.0 MM	30.00	\$4.1 MM	30%	7.0	41% \$1.2 MM
Parks, Recreation & Cultural Services	15.18	\$1.6 MM	15.18	\$1.6 MM	16.18	\$1.7 MM	16.78	\$1.8 MM	17.53	\$1.9 MM	15%	2.4	21% \$0.3 MM
Public Safety	33.80	\$4.3 MM	34.80	\$4.4 MM	35.80	\$4.6 MM	35.80	\$4.6 MM	36.80	\$5.0 MM	9%	3.0	16% \$0.7 MM
Facilities, Fleet & Infrastructure	35.20	\$3.8 MM	36.50	\$4.1 MM	34.50	\$4.2 MM	35.50	\$4.2 MM	37.75	\$4.7 MM	7%	2.6	25% \$0.9 MM
Ports & Harbor	9.00	\$1.1 MM	9.00	\$1.1 MM	9.00	\$1.1 MM	11.00	\$1.2 MM	12.00	\$1.4 MM	33%	3.0	27% \$0.3 MM
Grand Total	116.18	\$13.7 MM	122.78	\$14.5 MM	124.48	\$15.5 MM	130.08	\$15.8 MM	134.08	\$17.2 MM	15%	17.9	25% \$3.4 MM

Personnel Count and Costs

**Authorized FTEs by Division
Five-Year History: 2015-2019**



**FTE Payroll Costs by Division
Five-Year History: 2015-2019**



General Fund Policies and Priorities:

- **Fund Balance Target**
 - Set at two months; \$6.5MM
 - Assign remaining balance; \$65MM
 - Economic Development
 - Specific Initiatives
- **Mill Levy**
 - Continue at 20 Mills (maximum)
 - Explore possible 30 Mills (legal)
 - Adjust based on a target
- **TAPS Litigation**
 - Settlement Ends after 2020
- **School Funding**
 - Continue at Statutory Cap (\$10MM)
- **Personnel**
 - FTE Targets and Limits
 - Health Insurance
 - COLA
- **Carry-Forward Funds (\$3-\$4MM)**
 - Set a Target to Drive Budgeting Practices
 - Earmark for Specific Purpose
- **Community Orgs (CSOs)**
 - Set a Cap; % or \$
 - Use Earmarked Funds
- **Operating Surplus / Deficit**
 - Evaluate Operations and Initiatives by “The Lines”

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Two Budget Cycles: Operations (Fall) and Projects (Spring)

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Process or Milestone	Annual Operations Budget			Adopt Budget	Budget Year Begins	Projects Budget Audit and Carry-Forward			Budget Revision
Appropriations				Reserve Funds				Projects	
Expenditures	Ongoing				Ongoing				

Reserves and Projects: Policies and Priorities

- Continue with Existing Processes and Dates
- Use(s) of Surplus and Carry-Forward
- Continue with Energy Assistance Program
- Targets for Equipment and Technology Reserves
- New Reserves, New Initiatives

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Permanent Fund Investment Allocation

	<i>Allocation</i>
	<i>12/31/2018</i>
Domestic Equity	54,089,198
International Equity	37,067,777
Fixed Income	80,477,742
Real Estate	20,191,108
Grand Total	191,825,825
<i>Appropriation Policy</i>	<i>1.50%</i>
<i>Subtotal Funds</i>	<i>191,825,825</i>
Appropriation Available	2,877,387

Permanent Fund Policies and Priorities

- Mission, Strategy, Tactics
- Appropriations & Liquidations
 - 1.5% Annually Per City Charter (\$3MM); Ballot Measure to Change
 - When to Use Annual Appropriation?
 - Earmark for Specific Initiative(s)
- Additions
 - Whether / When to Add Funds; Greater Investment Flexibility

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Debt Service Fund: Policies and Priorities

- Use of Debt to Retain Excess Revenue
- SB57; Oil and Gas Properties
- Five-Year Settlement and Ongoing TAPS Valuation

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Special Revenue Funds: Policies and Priorities

- How to Plan, Budget, and Evaluate Operations?
 - Manage Rates – Maintain “Affordable” Costs for Citizens
 - Manage Subsidies
 - Maintain a Percentage Range
 - Maintain a Dollar Range
 - Manage Toward Self-Sufficiency and/or Profitability
 - Equipment and Capital Improvement Funded via General Fund
 - Allow Managers Greater Authority if Targets Are Met
 - Clarify Management Objectives

Department	2019 Budgeted \$ Subsidy	2019 Budgeted % Subsidy	Rate Changes Since 2015
Airport	264,798	70%	None
Harbor	None	None	Increase
Port	352,772	34%	Increase
Sewer	318,020	53%	None
Water	521,361	69%	None
Total Subsidies	1,456,951		

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Other Funds: Policies and Priorities

- Housing Fund: \$2.7MM Balance
 - Inactive Since Inception in 2016
- Health Insurance Fund
 - Not Directly Budgeted; Indirect via “Benefits” Expense
 - What are Triggers for Plan Design Change?
 - Fund Balance
 - Premium Renewal Rates
 - Participant Requests
- Providence Valdez Medical Center (PVMC)
 - External Fund – Not on City’s Books
 - Apprx. \$7MM Unassigned Fund Balance

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Public Safety	6.4	-	-	-	-	-	-	-	6.4
Parks, Recreation & Cultural Services	3.5	-	-	-	-	-	-	-	3.5
Ports & Harbor	-	0.5	-	-	-	-	3.1	-	3.6
Total Expenses	39.5	8.9	-	0.3	1.8	1.4	3.1	0.1	55.1
Net Increase (Reduction)	0.3	-	-	(0.3)	(0.6)	-	(0.0)	0.1	(0.5)
Ending Fund Balance	\$72.2	\$37.8	\$54.2	\$205.0	\$6.7	\$1.9	\$4.6	\$7.0	\$389.5

Budget Document: Review, Analysis, Presentation

- **Comparisons to Prior Years**
 - Adopted vs Revised Budgets
 - Actual Expenses
 - Multi-Year Averages
- **Council Priorities**
 - Identification of Budget Impacts
- **Department Budgets**
 - Work Plans and Budget Impacts
 - Personnel Requests
 - “A La Carte”
- **Personnel**
 - Budget for Full Employment
 - “A La Carte”
- **Annual, Bi-Annual**
 - Begin Bi-Annual with 2021 Budget
- **Council Binders**

Next Workshop: July 18th, Council Priorities

- Review of 2019 Council Priorities
- Discussion of 2020 Priorities
- Direction re July 11th Workshop Topics
- Citywide Work-Plans by Department (Reference)
- **2020 Budget Policy Statement (August 6th Council Agenda)**