

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 ➡ City Manager ➡ Council ➡ Public

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

Citywide Appropriations and Fund Balances (2019)

<i>All Values in Millions</i>	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

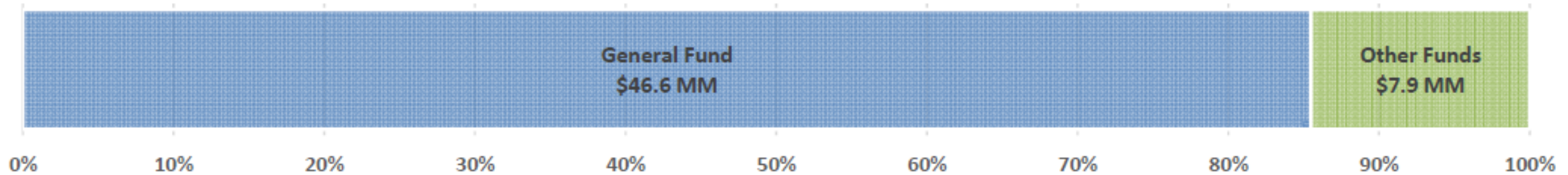
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General Fund Balance: Brief History

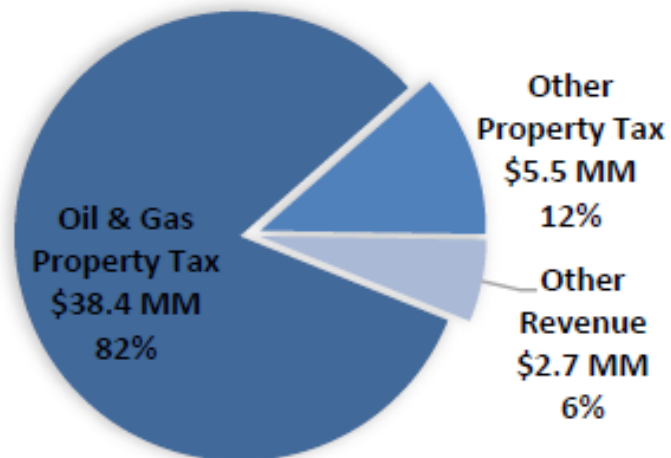
- Not a Deliberate or Gradual Target; Only Recently Decided
- Resulted from 2006-2009 TAPS Valuations
- Courts Returned Higher Valuations than SARB
- Court Valuations Determined AFTER Close of Fiscal Year
- \$76MM In Limbo with Possible Pay-Back to State, PLUS INTEREST
- Resolved in Five-Year Settlement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

Citywide Revenues

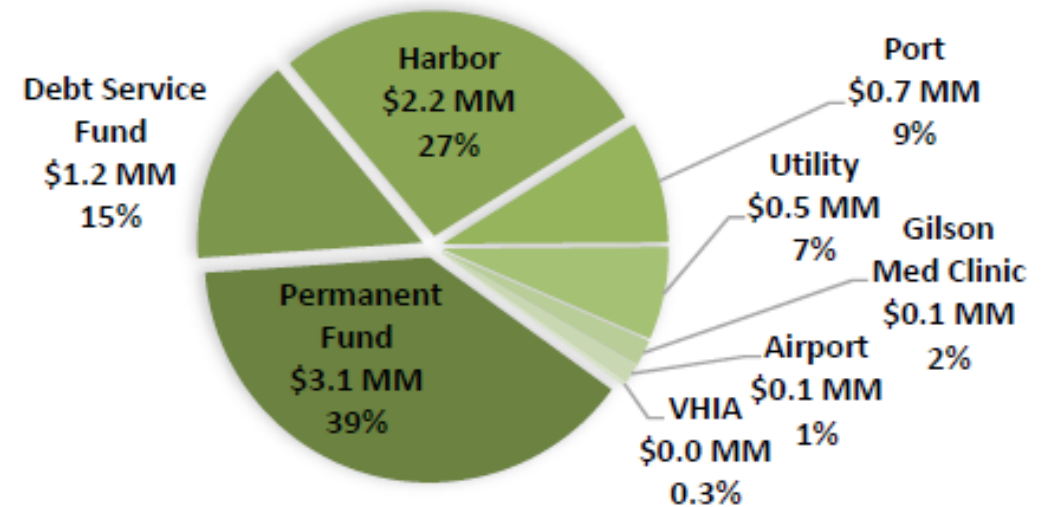
Total Revenue \$54,551,110



GENERAL FUND REVENUES \$46.6 MM



REVENUES FROM OTHER FUNDS \$7.9 MM



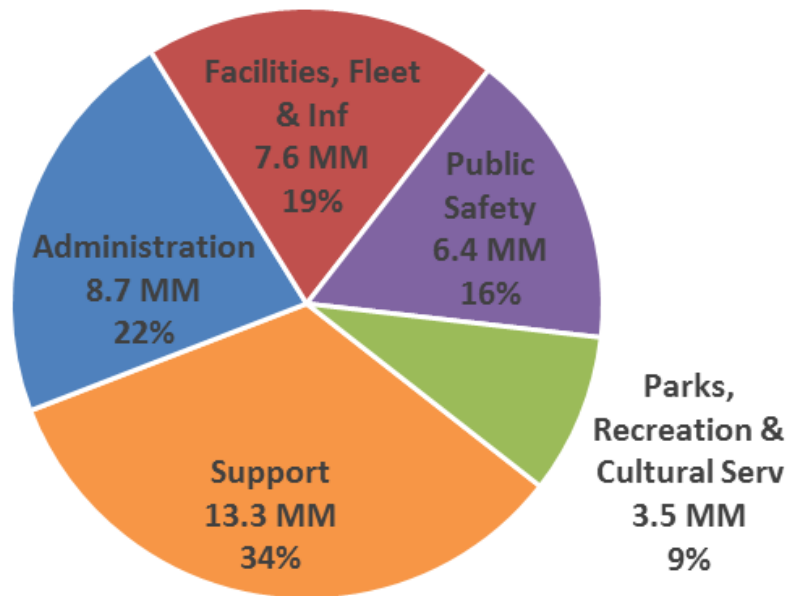
General Fund Revenue: Property Taxes & Mill Rates

- 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.

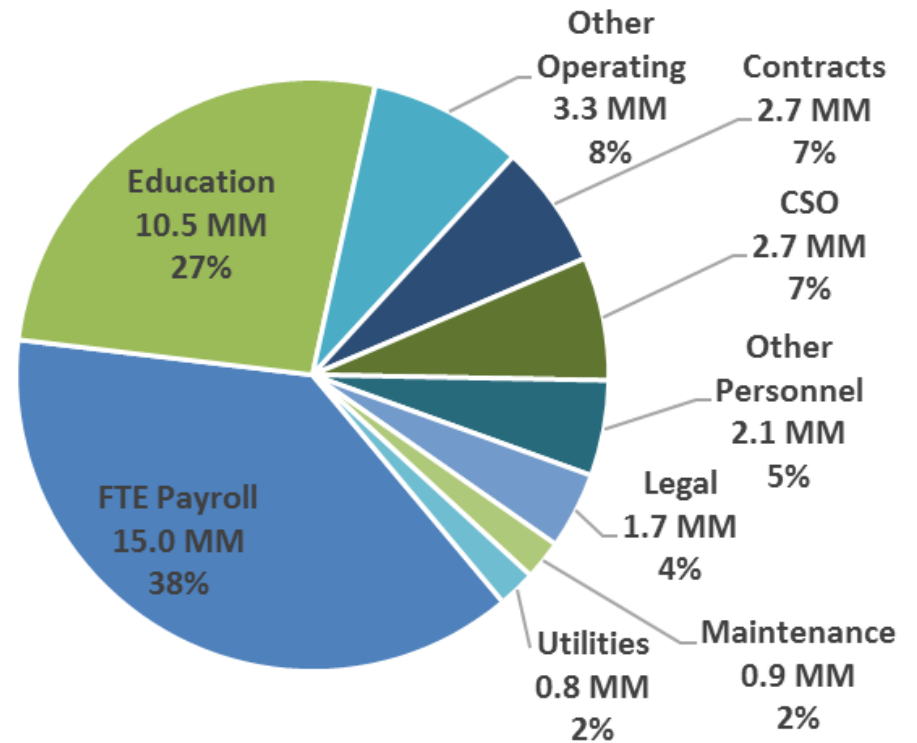
Example	Amount
Valdez Home Appraised Value	\$ 200,000
Primary Home Exemption	\$ (50,000)
Taxable Value	\$ 150,000
20 Mills Tax Levy	0.02
Taxes Due	\$ 3,000

General Fund Expenses

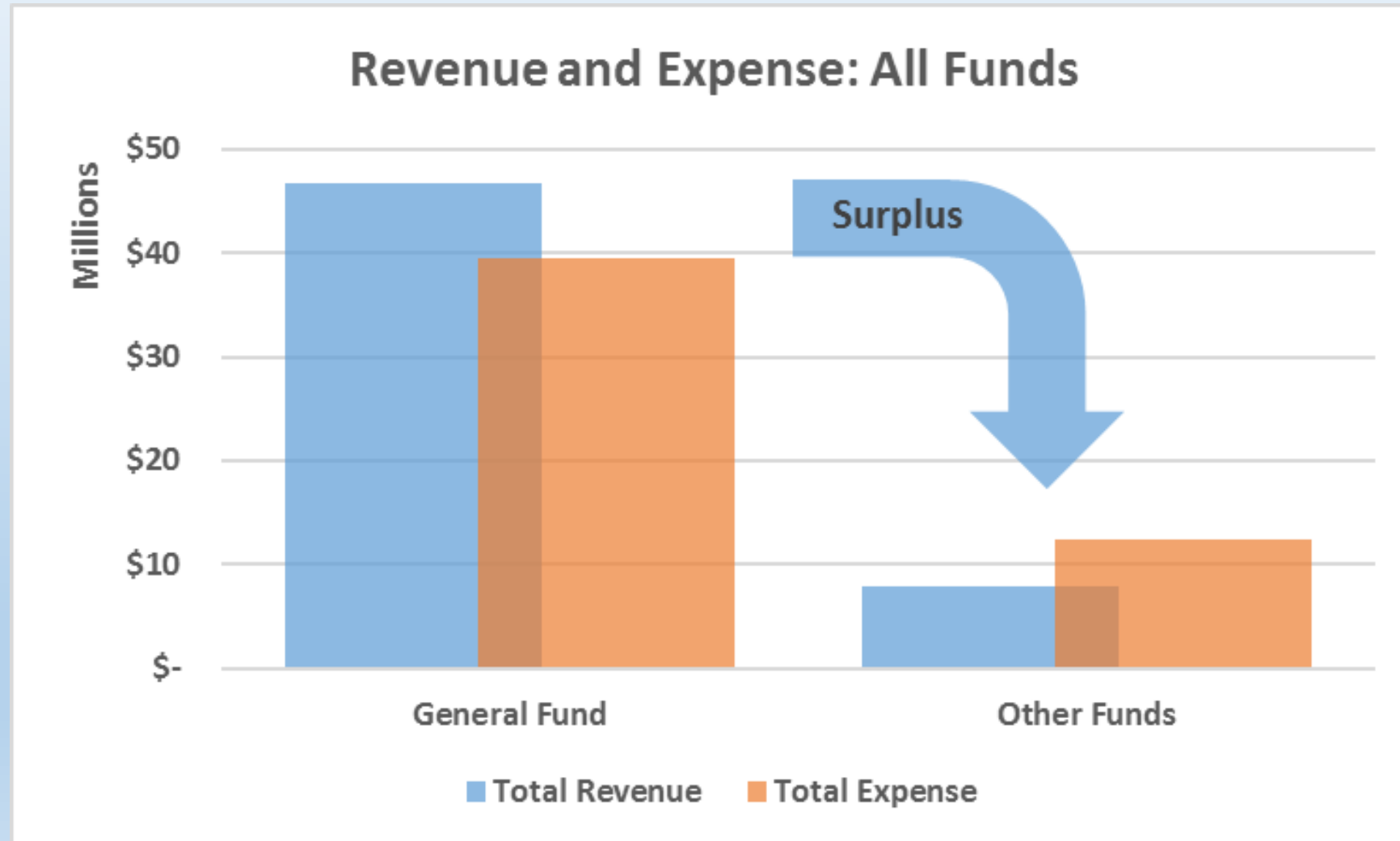
Expenses by Division \$39,518,793



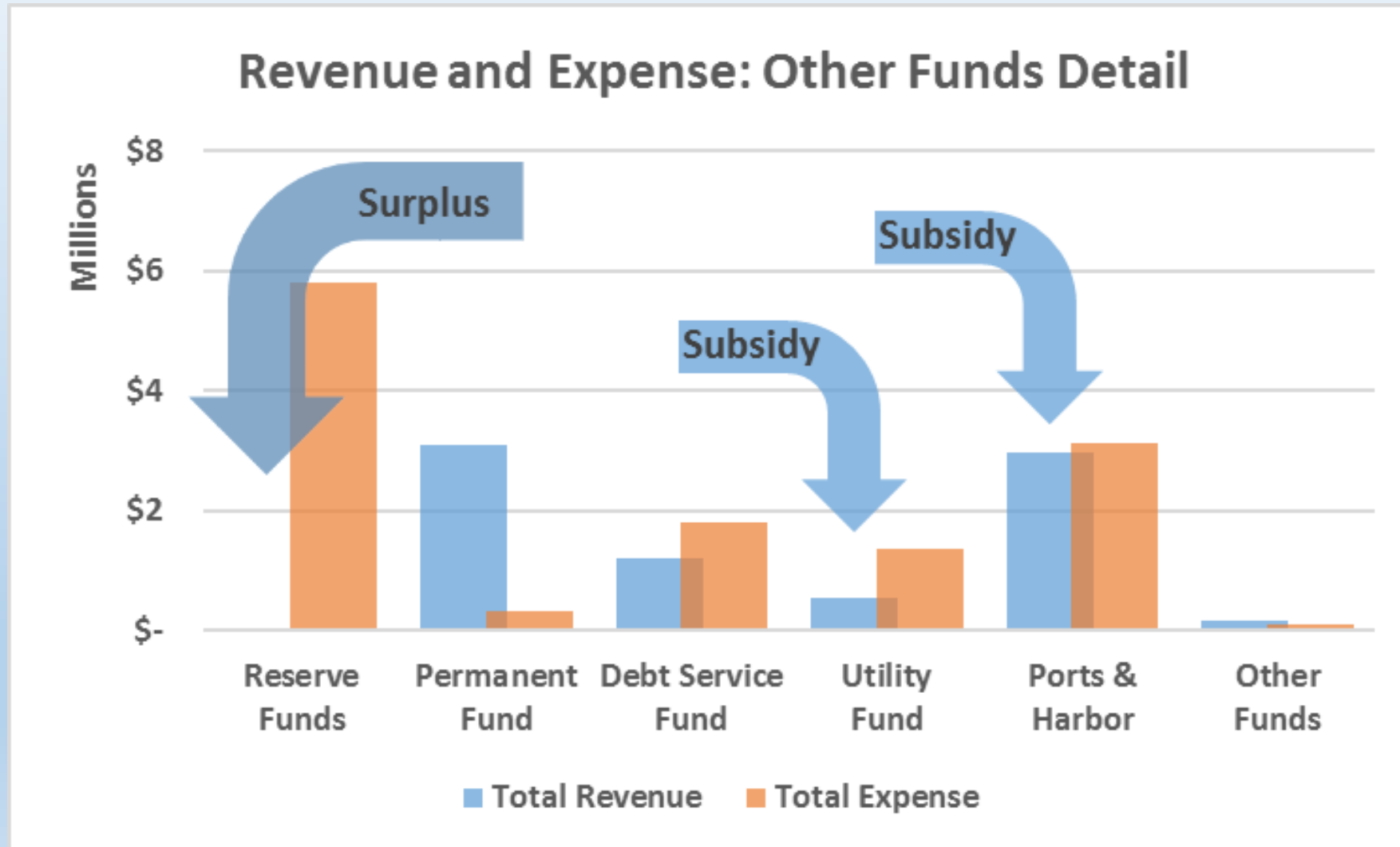
Expenses by Operational Category \$39,518,793



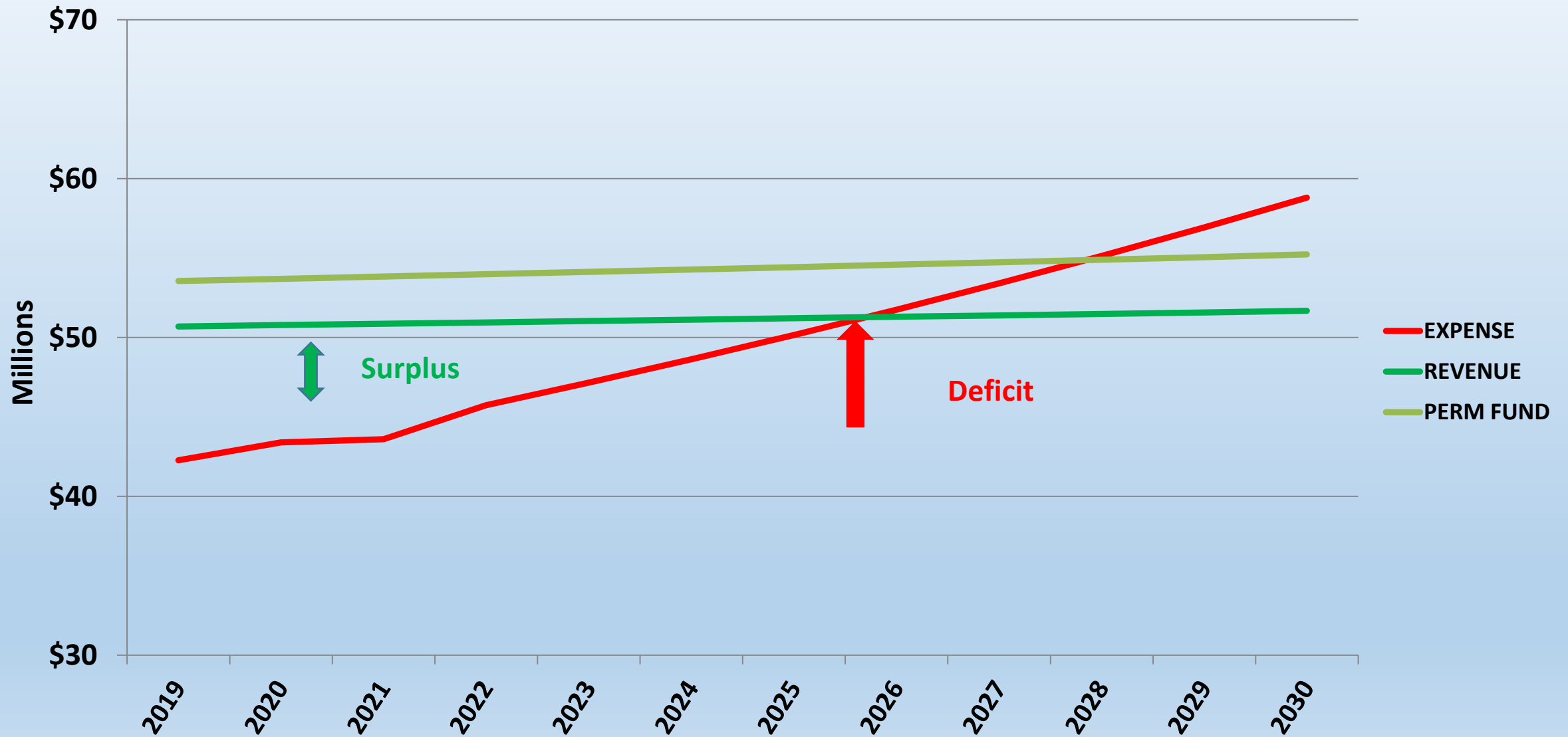
General Fund Revenue Yields a \$7MM Surplus



Surplus is Allocated to Operation Subsidies and Reserve Funds

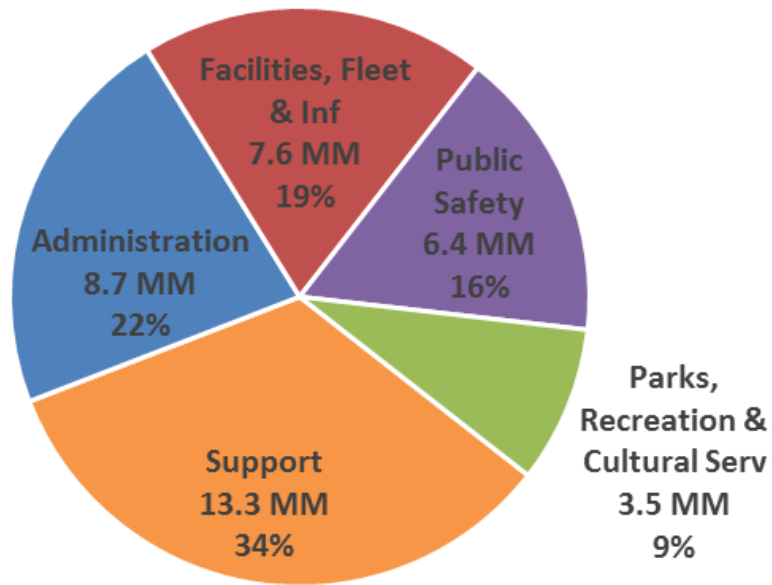


Surplus and “The Lines”

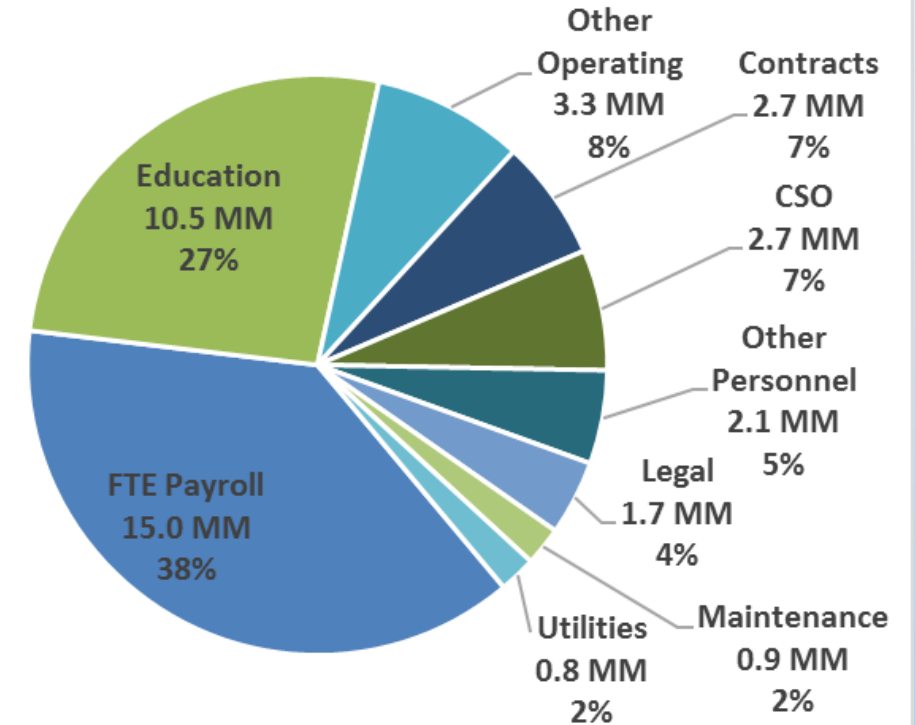


General Fund Expenses

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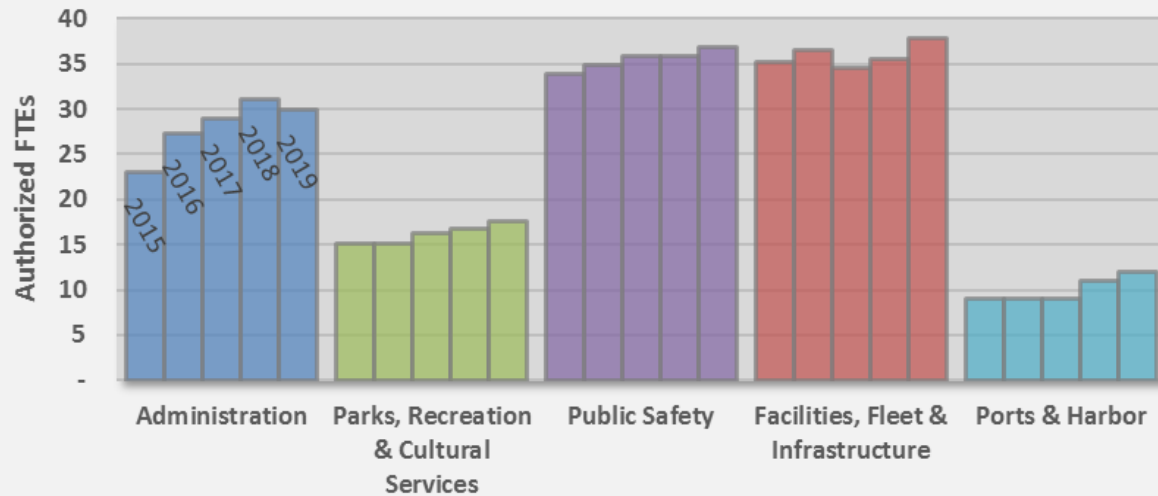


Personnel Count and Costs

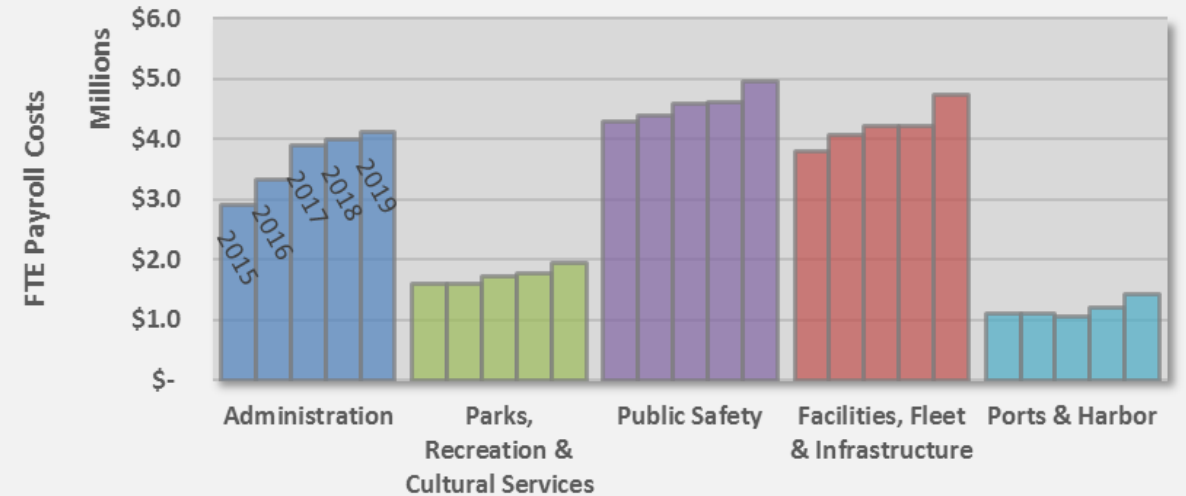
	2015		2016		2017		2018		2019		2015-2019 Growth			
	Authorized FTEs	FTE Payroll Costs	Authorized FTEs	FTE Payroll Costs	Authorized FTEs	FTE Payroll Costs	Authorized FTEs	FTE Payroll Costs	Authorized FTEs	FTE Payroll Costs	Authorized FTEs		FTE Payroll Costs	
Administration	23.00	\$2.9 MM	27.30	\$3.3 MM	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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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)**