

CITY OF VALDEZ, ALASKA

RESOLUTION #21-34

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VALDEZ,
ALASKA, ESTABLISHING COUNCIL PRIORITIES FOR THE 2022 CITY
OPERATING BUDGET

WHEREAS, City Council holds a strategic planning session annually to articulate priorities and related action plans; and

WHEREAS, Management and Council meet annually at the beginning of the budget process to discuss budgeting parameters and how to fund strategic planning priorities; and

WHEREAS, budgeting best-practices include capturing and disseminating these discussions to management so as to guide the development of their respective budgets; and

WHEREAS, Council and Management adopt a budget priorities resolution in an effort to provide full transparency to the public and other stakeholders at each step of the planning and budgeting process.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, that the 2022 City Operating Budget will be developed in accordance with the priorities and parameters as detailed in Attachment A.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF VALDEZ, ALASKA, this 17th day of August, 2021.

City of Valdez, Alaska

 **MAYOR
PRO TEM**
Sharon Scheidt, Mayor

ATTEST:


Sheri L. Pierce MMC, City Clerk



Attachment A: Council Priorities for the 2022 Operating Budget

INTRODUCTION

Valdez City Council held its annual strategic planning retreat on July 9th, 2021 to discuss programming, service levels, and project priorities. During this meeting management also presented revised pro-forma budget summaries for 2022, as well as five-year forecasts through 2026. These data were then factored into preliminary Council direction, summarized below, for development of the 2022 Operating Budget.

SUMMARY

Management presented preliminary budget figures and five-year forecasts. The calculations reflect status-quo revenue assumptions, status-quo funding of reserve accounts, slight growth in personnel costs, and no growth in other expense categories. The resulting calculations yield an estimated deficit of \$1.5MM-\$2MM, and five-year aggregate deficit of \$7MM-\$7.5MM.

REVENUES

Property Tax – Ad Valorem Tax, i.e. property tax, continues to be the City’s primary revenue source, comprising 90% of General Fund revenues based on a twenty-mill levy. The 2022 preliminary budget will be developed based on a continued twenty-mill levy, reflecting unchanged oil and gas property valuations, and slight inflation in other property values.

Other Revenues – 2022 Revenues will reflect a return to normal, historic levels of activity. This assumption will be presented in the General Fund, for items such as Parks and Recreation program participation and hotel occupancy tax, in Utilities Fund, for historic levels of commercial water and sewer charges, and in Ports and Harbor funds, for facilities fees, leases, and shipping volume. Interest earnings on accumulated fund balances will reflect current market rates on investment instruments, which are historically low.

EXPENSES

Personnel - The City’s largest expense category is “FTE Personnel”, which is the combined costs of salary, wages, and benefits for all approved positions. Management will continue the convention of budgeting for full employment, so as to reflect the full committed costs of all approved positions. Position vacancies during the budget year will result in actual expenses below budgeted amounts. The resulting “savings” are then carried forward to the next budget-year, when they are typically appropriated to approved maintenance and capital projects. Though not reflected in the preliminary budget, management is encouraged to use position vacancies as an occasion to re-examine staffing levels for potential reductions in overall staffing.

Cost of Living Adjustment (COLA) – Salary and Wage rates will reflect a 1.7% COLA. This figure is a two-year aggregate, based on Alaska/Anchorage official Consumer Price Index (CPI) figures. Council has affirmed this preliminary calculation, acknowledging that the two-year figure reconciles the foregone salary/wage reduction that the standard CPI calculation would have yielded in the 2021 Budget.

Merit/Longevity Increases – Personnel costs will also reflect Finance and Human Resources best-estimates of scheduled raises pursuant to personnel regulations and current staffing data. Preliminary estimates reflect approximately a 1.2% increase.

Other Expenses – Management will attempt to present other expense categories with no growth over adopted 2021 budget levels. This objective is targeted to a citywide aggregate, which allows for variance among individual departments to meet programming and service-level objectives and increased staffing levels. Wherever department expense categories reflect increases, management is encouraged to present a range of offsetting expenses and enhanced revenues for Council consideration. Management is also directed to present expense figures in terms of program and/or service level aggregates whenever possible to facilitate Council’s consideration and analysis relative to their articulated program and service priorities.

Education – Council reaffirms its commitment to funding Valdez Schools to the maximum permitted by statutory formula. Management will also present College and dual-credit funding requests as-received for Council consideration. These three expenses reside in the City’s “Education” department within the General Fund, and will be scheduled for coordinated presentation and discussion during regular October budget workshops.

Community Service Organizations (CSOs) – During 2021, a Council working-group revisited CSO funding procedures and parameters. The resulting policies have been drafted by management and approved by Council, and will be incorporated into comprehensive citywide budgeting policies upon completion. For 2022, Council will strive to keep overall CSO funding within a reasonable range of growth, and consistent with established Council priorities. Council also acknowledges the likelihood of increased funding requests following reductions in other CSO funding sources, and reflecting economic pressures in the wake of recent health-related events. Council has eliminated CSO funding restrictions for needed equipment, personnel, and capital, and encourages funding levels not to exceed 50% of the applicant’s total expense budget. Council also requests enhanced programming narratives and metrics so as to enable multi-year review and analysis of City-provided funds. These parameters notwithstanding, CSO requests will be compiled by staff and forwarded to Council as-received, for council consideration on a case-by-case basis.

INTER-FUND TRANSFERS

Reserve Funds - Reserve Funds are established via transfers from General Fund, and reflect costs-items that span multiple years, are unpredictable in nature, and/or serve to mitigate drastic annual variances. Examples include maintenance and capital projects, liquidation of accrued leave-time, and purchase of major equipment items, respectively. Management will continue with conventional reserve-fund levels to ensure adequate coverage of related expenses and liabilities. Maintenance and Capital Project appropriations will be set in the Spring of 2022 per established convention.

Energy Assistance – Among the Reserve Funds is a specific appropriation for the Energy Assistance program. Council has affirmed their continued support of this program at historic levels, which are \$550 per residential and commercial customer. Management estimates this cost to be approximately \$800,000.

Special Revenue Funds and Fee Subsidies – Council has historically approved fee-levels that are less than full cost-recovery levels, so as to provide reduced cost of living and enhanced quality of life for the benefit

of residents. The imbalance of revenues and costs for related services are reflected in transfers from General Fund to impacted funds, specifically Ports, Harbor, and Utilities. Council has affirmed their support of continued service subsidies at historic levels, and management will present preliminary 2022 budget transfers accordingly.

Valdez Housing (“VHIA”) Fund – Management proposed additional appropriations in support of Council’s emphasis on the pursuit of new/additional housing development. The preliminary budget will reflect appropriation of accumulated VHIA housing fund balances of approximately \$2.8MM, plus additional transfers of previously appropriated land-development reserves, toward specific housing development programming. The source fund and/or department for this programming is yet to be determined. Council expressed support for this appropriation, and acknowledges that it represents a deduction from accumulated savings.

Permanent Fund – Pursuant to City Charter, Council may annually appropriate up to 1.5% of the Permanent Fund for any purpose. This figure currently totals \$3.8 million. Council has articulated that this appropriation will be reflected in the 2022 Budget, and set aside for funding of Major Maintenance priorities in the Spring, at which time it may be specifically distributed among approved projects at the discretion of Council.

CONCLUSION

The directives and parameters articulated in this document represent a starting-point for the 2022 budget and the emerging five-year financial plan. The final adopted operating budget may ultimately reflect revised priorities and parameters following a review of preliminary budgets during related work sessions in October. Council acknowledges a preliminary 2022 Operating Budget deficit, and the necessity of appropriating funds from accumulated savings to balance the shortfall. Council has established a preliminary plan to fund Major Maintenance project priorities in the Spring of 2022, using a combination of the 1.5% Permanent Fund appropriation, 2021 “Carry-Forward” funds, and re-purposed funds previously appropriated. Council further acknowledges that the preliminary budget does not reflect Capital Project needs, and that these costs will be considered as deductions from accumulated savings and/or funded via issuance of additional debt, which will impact future operating budgets.

Council continues to strive to evaluate budget requests within a multi-year context, with an emphasis on sustainability, continuity, flexibility, and pursuit of articulated programming and service-level priorities.