

Petersburg Borough
Proposed Budget Policies FY 2017/2018

A.) General Fund Balance Policy: The Borough should maintain an unrestricted fund balance of no less than four months and no more than six months of operating expenses. These reserves are to cover unanticipated revenue shortfalls, to cover unforeseen needs and emergencies, and to cover any potential shortfall of other Borough funds.

- a. When the level of unrestricted fund balance is not within the desired range, a plan should be developed to bring fund balance within the desired range within three years.
- b. When the level of unrestricted fund balance is below the desired range, withdrawals from undesignated fund balance should be limited to emergency purposes. These types of withdrawals may only be used at the discretion of the Borough Assembly and are limited to the following: Provide temporary resources in the event of an economic downturn while expenditure reductions are implemented. Provide resources to meet emergency expenditures in the case of a flood, fire, earthquake, landslide, or other disasters.

**The current general fund four to six month target range is \$2,861,326 to \$4,291,989. The General Fund's current unrestricted fund balance is \$3,786,865, which is 5.29 months.*

B.) Community Services Budget Policy: This budget is the sole responsibility of the Petersburg Borough Assembly, and is for local nonprofit organizations that the Assembly wishes to fund for the benefit of the Community as a whole. These types of organizations will be funded out of the general fund but Visitor-related organizations could also be funded from the Transient Room Tax fund.

C.) Property Development Fund Policy: The Borough will designate 50% of the previous year's annual General Fund surplus (defined as the difference between revenues and transfers-in, and expenditures and transfers-out) into the Property Development Fund for the purpose of financing major capital maintenance and repairs (defined as items in excess of \$15,000), in any year where the General Fund undesignated fund balance is within the target range of established policy levels.

- a. **Limit on Allocation of Surplus** – The allocation of surplus funds from the General Fund to the Property Development Fund should occur only when the General Fund undesignated fund balance will continue to exceed 4 months' reserves after the transfer is made.

- b. **Property Development Appropriation Control** – Property Development Funds are to be restricted and distributed only for major capital outlay expenses. Capital expenses are defined as those in excess of \$15,000., All expenditures from these funds in excess of \$30,000 require approval by the Borough Assembly.

D.) National Forest Receipts Special Revenue Fund: The Borough will designate 85% of all US Forest Service Title 1 payments to Schools and 15% to Roads. School revenue from this program must be used only for the operation, maintenance, repair or construction of public schools and may be used as the local government contribution to public schools under AS 14.17.410. Roads payments must be used only for the operation, maintenance, repair or construction of public roads over which the municipality exercises road powers. The purchase of materials and equipment used to operate, maintain, repair or construct public roads is also permitted.

E.) Enterprise Funds: The Borough's Enterprise Funds are used to account for operations that are financed and operated in a manner similar to business-like entities. It is the intent of the Borough Assembly that the cost of providing goods and/or services through an enterprise fund be financed or recovered primarily through user fees. This includes funding the various capital needs the Enterprise may have. The Borough maintains the following enterprise funds: Electric, Water, Wastewater, Sanitation, Harbor, Elderly Housing & Assisted Living.

- a. **Annual Rate Review:** Rates will be reviewed by department heads to determine if they are adequate to maintain a minimum level of unrestricted reserves of not less than six months of operating expenses. Operating expenses shall be based on figures from the prior year audited financial statements. If the Enterprise Fund does not meet this equivalent of reserves, a plan will be submitted by the department head and approved by the assembly, on how compliance in the future will be obtained. Should forecasted annual financing for any future capital projects be projected to bring the enterprise fund unrestricted balance below the six months of operating expense policy, a financing plan will be submitted by the department head and approved by the assembly before beginning the project. Recommendations for annual rate adjustments should be made during the budget process to the Borough Assembly. This policy does not take into account capital asset replacement.

Fund	Six months Operating Expenses (FY 2016)	FY 2016 Unrestricted Funds*
Electric Fund	\$2,763,364.	\$7,938,157.

Water Fund	\$808,675.	\$1,109,163.
Wastewater Fund	\$453,653.	\$1,412,313.
Sanitation Fund	\$649,828.	\$353,413.
Harbor Fund	\$1,284,177.	\$2,793,677.
Elderly Housing Fund	\$240,132.	\$631,467.
Assisted Living Fund	\$725,899.	\$265,993.

**Does not include State PERS Unfunded Liability.*

- F.) Capital Projects:** Any capital expenditure in excess of \$5,000 must be easily identifiable in the budget in a separate line item. Capital projects in excess of \$100,000 are normally accounted for in a separate Capital Project Fund. If such projects are funded through grants, donations, or revenue generated by the project, such revenues are accounted for directly under the Capital Project Fund. If a project is funded through the transfer of equity from the General Fund or an Enterprise Fund, the transfer is budgeted as a *Transfer In* under the Capital Project Fund and a *Transfer Out* under the General Fund or Enterprise Fund.
- G.) School District Funding –** The Borough will strive to decrease reliance on National Forest Receipts used to assist in funding School district operations. This is to prepare for anticipated federal cuts to the program in the future.
- H.) Employee Travel –** Travel by Borough employees will be limited to within the State of Alaska unless essential training/certification can only be obtained outside the State.