

Petersburg Borough
Budget Policies FY 2021

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 \$2,908,962 to \$4,363,444. The General Fund's current unrestricted fund balance is \$4,399,698, which is 6.0 months.***

B.) Community Service Grants - 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.) General Fund Surplus from prior year: The Borough will designate 100% of the previous year's (FY2019) General Fund surplus (defined as the difference between revenues and transfers-in, and expenditures and transfers-out to remain in the General Fund for the purpose of offsetting any State of Alaska budget reductions and to increase the unrestricted fund balance for future unknowns).

D.) Property Development Fund

- a. **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.

E.) National Forest Receipts/Secure Rural Schools Funds - 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.

F.) 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. Rate Review:** Rates will be reviewed by department heads to determine if they are adequate to maintain adequate levels of working capital in its enterprise funds to mitigate current and future risks like revenue shortfalls and unanticipated expenses and to ensure stable services and fees. GFOA (Governmental Accounting Standards Board) recommends that local governments adopt a target amount of working capital to maintain in each of their enterprise funds starting with a baseline of 4 months of operating expenses and then adjusting the target base on the particular characteristics of the enterprise funds. The measure of working capital indicates the relatively liquid portion of total enterprise fund capital, which constitutes a buffer for meeting obligations. 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 during budget time and approved by the assembly, on how compliance in the future will be obtained. 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	Target Baseline Operating Expenses	Working Capital (Current Assets minus Current Liabilities)
Electric Fund	4 months = \$1,951,055.	\$7,938,947.
Water Fund	4 months = \$531,965.	\$784,684.
Wastewater Fund	4 months = \$350,214.	\$1,196,519.
Sanitation Fund	4 months = \$394,251.	\$846,495.
Harbor Fund	4 months = \$880,813.	\$3,337,627.
Elderly Housing Fund	6 months = \$215,823.	\$515,675.
<i>The Elderly Housing Facility has no control over the rates that they charge as their rates are set by HUD. Revenue constrained enterprise funds need higher levels of working capital which is why the target baseline was set to a higher target baseline of 6 months of Operating Expenses.</i>		
Assisted Living Fund	2 months; \$268,958.	\$(308,942)
<i>Enterprise funds (in this case the Assisted Living Facility) is supported with the help of general taxes which can allow for a lower level of working capital if the enterprise fund is receiving a financial buffer from general government. The Assisted Living Facility does not meet their target 2 month baseline. Suggestions to improve the Assisted Living's bottom line will be presented this winter.</i>		

G.) 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.

H.) 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. Future unknown State of Alaska funding cuts to public schools may result in the need to utilize these funds at a greater level on a short term basis.

I.) Employee Travel – Travel by Borough employees including the assembly will be approved during the budget process. Any unplanned travel by the assembly will need assembly approval prior to travel date.

J.) Marijuana Excise Tax – Proceeds from the marijuana excise tax are going into the Borough's property development fund. The purpose of the property development fund is to provide funding for the purchase and development, rehabilitation or

improvement of real property owned by the municipality and for the administration of real property transactions, including, but not limited to, the sale, lease or trade of real property.

K.) Marine Passenger Fee – The fees collected shall be placed in a special revenue fund to be used to support the marine passenger ship industry. The assembly will approve any expenditures from this fund during the adoption of the budget ordinance.

L.) Credit Card Convenience Fee – The credit card merchant fees will be passed onto the card user when a customer is paying property taxes with a credit card. This will not apply to utility or moorage credit card payments which are absorbed with rates.