

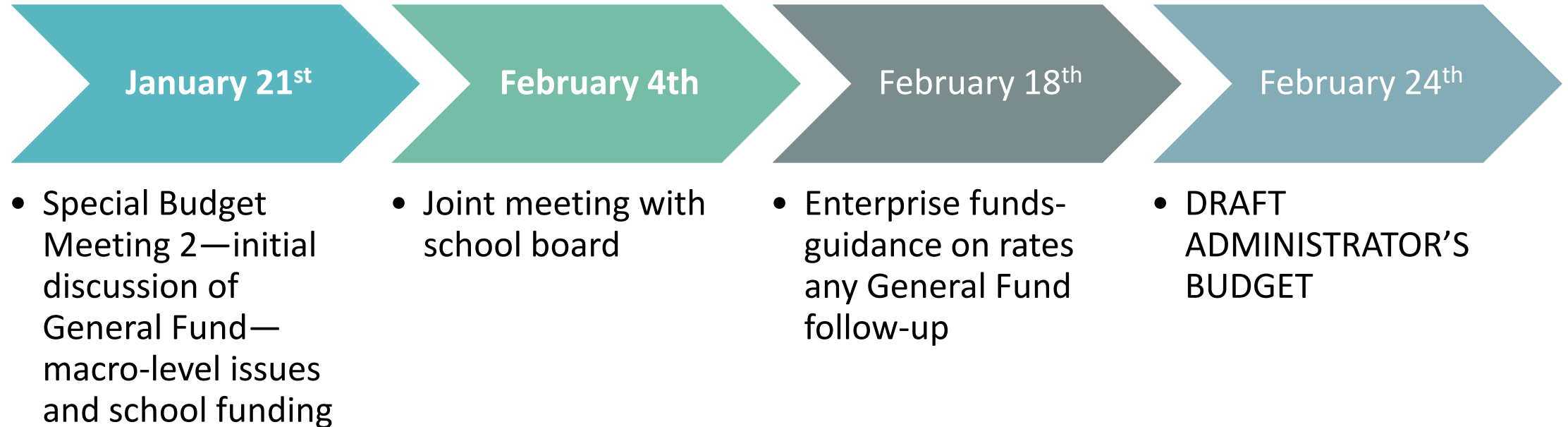
Sheet'ka

General Fund Preliminary Budget Discussion

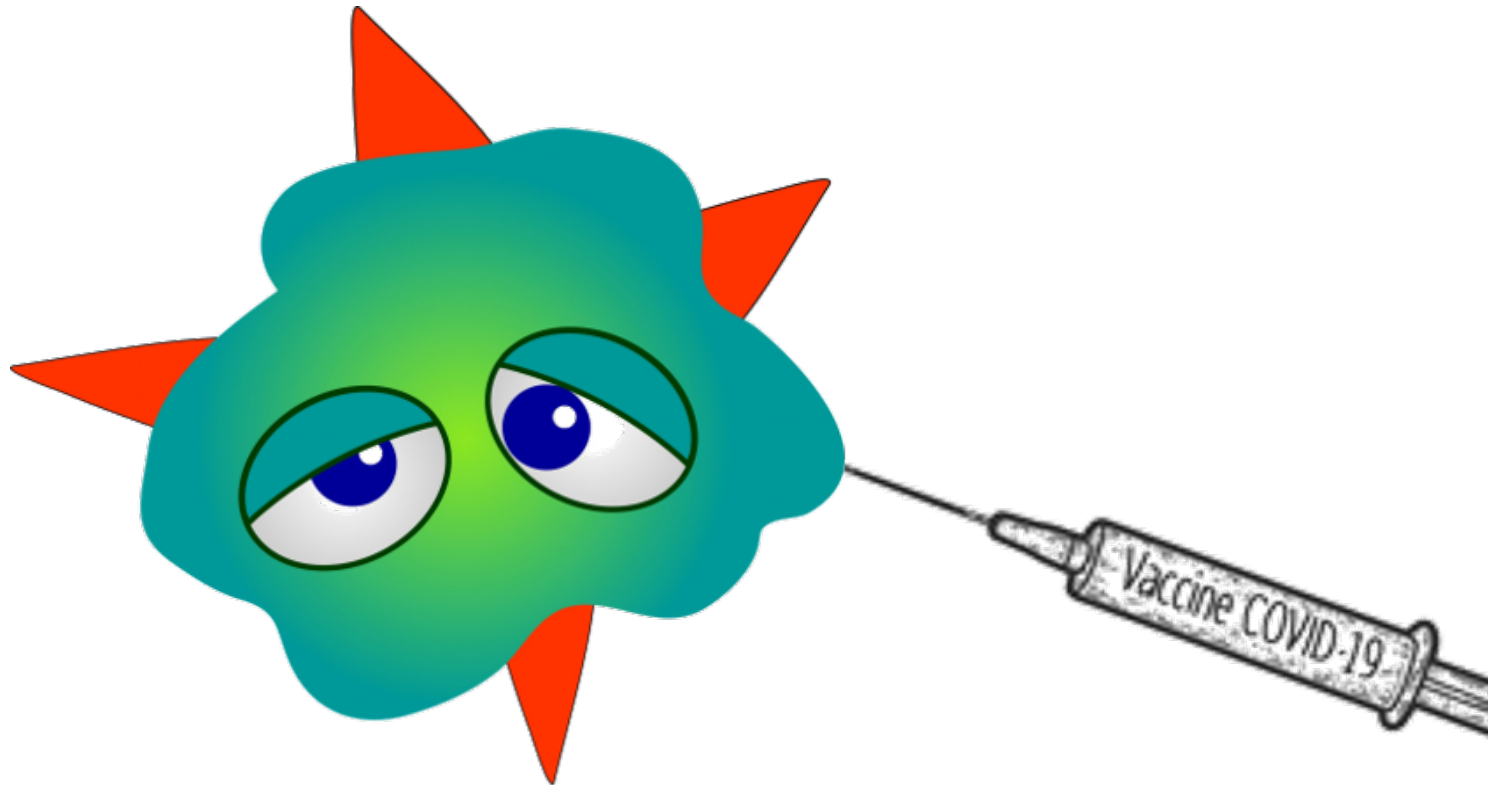
January 21, 2021



Special Budget Meeting 2



KEY CHALLENGES & AREAS IN WHICH ASSEMBLY GUIDANCE IS NEEDED



Goal is to present draft budget that reflects overall direction of Assembly

- REVENUE

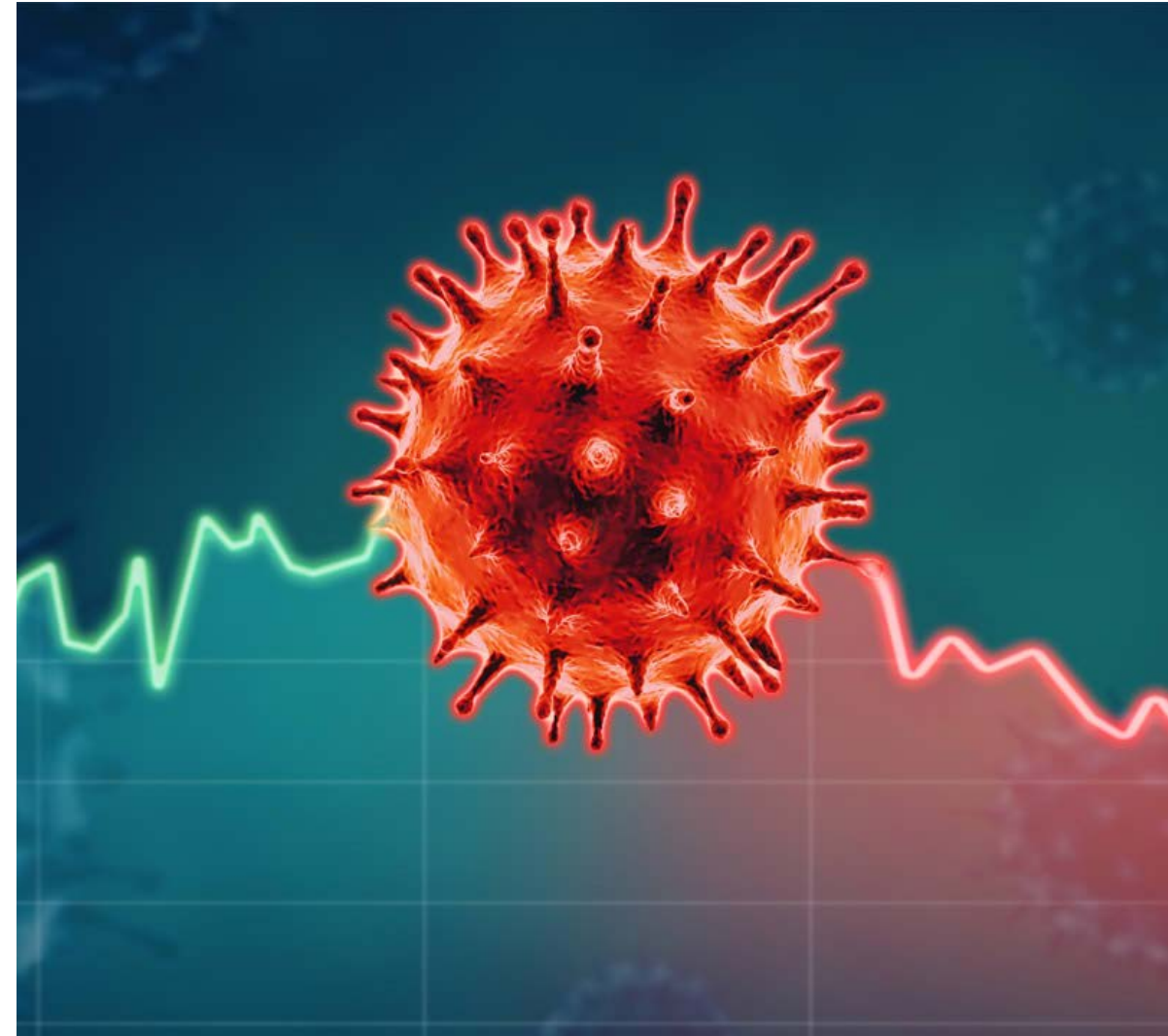
- How quickly do we see improvements in sales tax revenues? How do we budget?
- Application of FY2021 surplus to FY2022

- EXPENSE

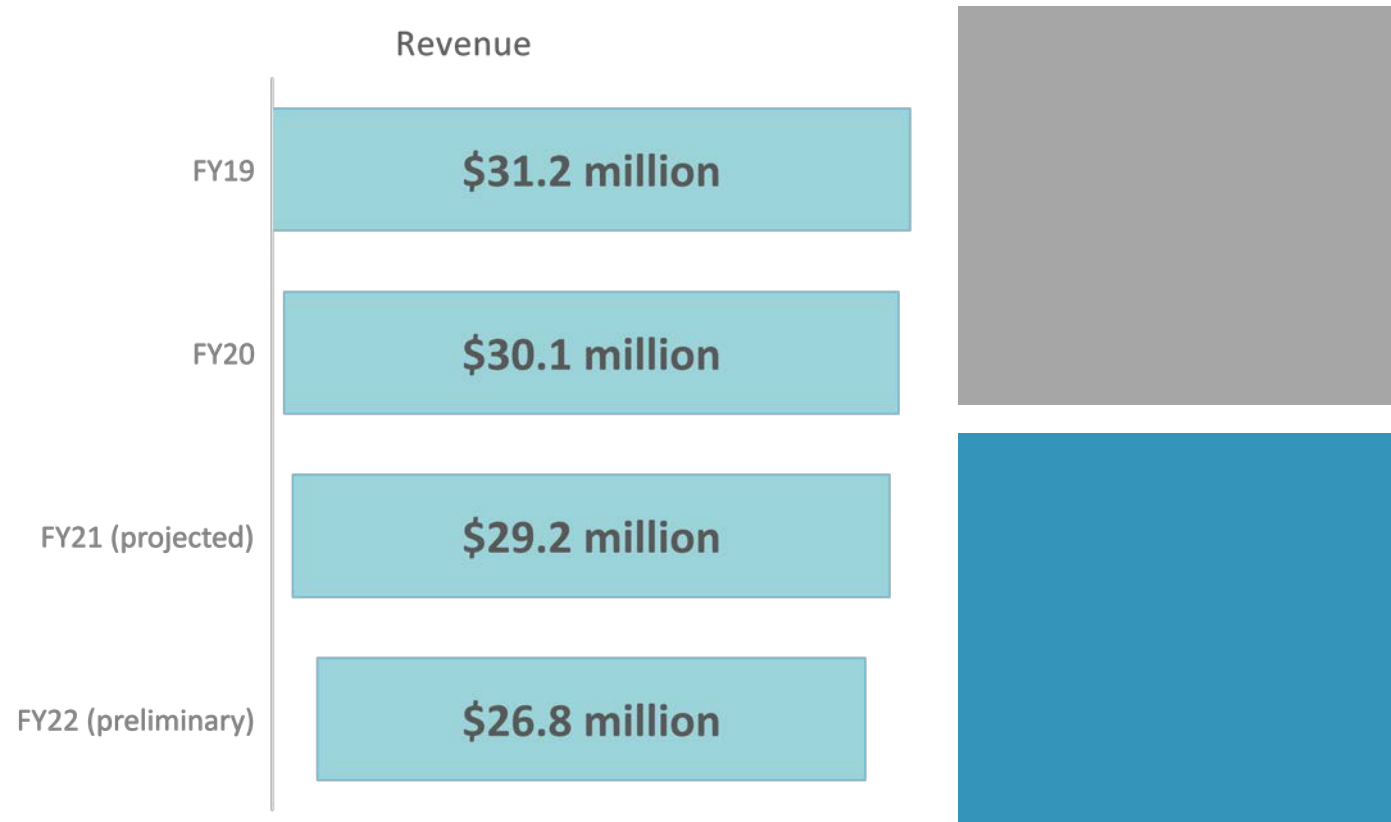
- Review appropriations of non-core services
- Confirm potential new areas of spending (aligned with current service goals)
- Capital spending
- Level of school funding

Context

- How quickly will tourism rebound? Charters vs. cruise ship?
- Initial revenue projections fairly conservative.
- New stimulus-impact unknown.
- In preliminary budget, services remain status quo.
- Analysis and projection for FY2021 budget (project \$1.5M surplus).
- In some cases, new expenses are required to maintain momentum on current initiatives.



Overall Revenue trends



- FY2020 actual \$30.1M
- FY2021 projected \$29.2M
- *Preliminary* FY2022 @ revenue \$26.8
 - Sales tax
 - Assume less interest
 - No SRS (no news on reauthorization)
 - Property tax, State revenue, permits, services, flat
- Projected FY2021 year end surplus \$1.5

Calendar quarter	Last "Non-COVID" Quarter	Actual COVID	PERIOD	SCENARIO 1	SCENARIO 2	SCENARIO 3	SCENARIO 4
Q1	1,920,576		Jan-Mar 2022	1,852,500	1,855,000	1,900,000	1,950,000
Q2	4,040,342	2,668,019	Apr-Jun 2022	2,694,700	3,030,000	3,535,171	4,000,000
Q3	5,287,676	3,629,323	Jul-Sep 2021	3,662,600	3,965,000	4,626,338	5,000,000
Q4	2,040,256	2,040,256	Oct-Dec 2021	2,040,300	2,050,300	2,050,300	2,200,000
Total	13,288,850			10,250,100	10,900,300	12,111,809	13,150,000
Decrease from last pre-pandemic quarter				(3,038,750)	(2,388,550)	(1,177,041)	(138,850)
% change from last pre pandemic quarter				-22.9%	-18.0%	-8.9%	-1.0%

Sales Tax Revenue

Scenario 1

- Maintain COVID levels—includes impact of strict travel mandates for Q2 2020

Scenario 2

- Show a slight improvement

Scenario 3

- Some rebound—not to pre-pandemic levels

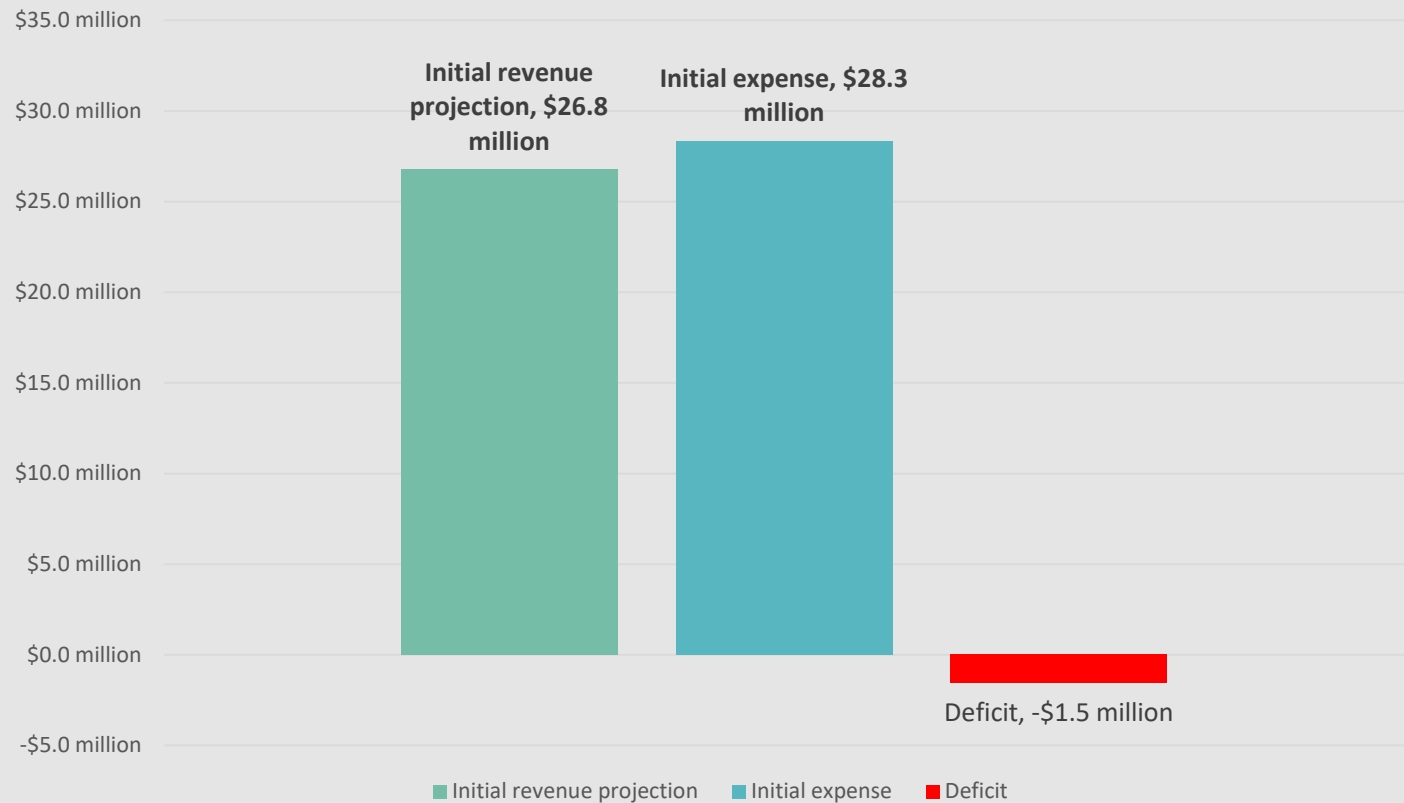
Scenario 4

- Almost back to pre-pandemic levels—no growth

In current draft budget

- Scenario 2 for Q3/Q4—only 6-9 months out
 - More mandates may mean this is high
 - Stimulus/opening up cruise industry may mean this is overly conservative
- Scenario 3 for Q2/Q4—a full year out—assume more recovery
 - Should be seeing more rebound, but post stimulus more systemic impacts of pandemic on economy may be felt.

Where does this leave us?

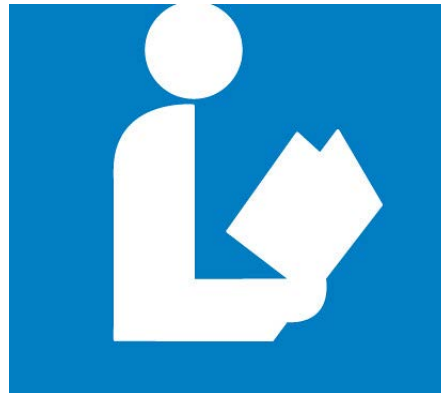


- Options

- Use surplus (\$1.5 M) from FY2021 to make up for deficit (overall fund balance would remain flat)
- Identify cuts to existing services
- Identify additional sources of revenue

Initial FY2022 General Fund Expense

- FY2021 expected to fall 2% from FY2020
 - FY2020 expense (\$28.3 M) fell far below budget because of vacancies and pandemic-related spending cuts
 - FY2020 included \$1.9 M new capital appropriations
 - FY2021 (est. \$27.8 M) includes much closer full staffing, NO new capital appropriations
- Maintaining current level of service for FY2022 expected to cost ~\$28.3 M (2% increase from FY21 projected) with NO new appropriations for capital projects.



Areas of expense

Core Services

- Local support of education
- Public safety (fire and police)
- Streets
- Library
- Grounds and recreation
- Infrastructure
- Planning (to include long-term and strategic)
- Functional support to GF and other funds (Finance, Admin, Clerk, Legal)

Other Currently Provided Services

- Donation/contract to local nonprofits
- Economic development
- Senior Center
- Chamber (Visitor Enhancement fund is negative and may need subsidy from GF)
- Funding of utilities for PAC
- Utility subsidization (transfer out of GF)

Decision points

Previously unspent or unbudgeted personnel expense needed to maintain adequate levels of service

Community Affairs Director	<ul style="list-style-type: none">-Coordination of lobbying/grant efforts-Public information-Community outreach (annual report to community, CG City)
Assistant fire chief	<ul style="list-style-type: none">-Department training officer-Administrative support-Continuity for Fire Chief and other Captains
Procurement specialist	<ul style="list-style-type: none">-Support centralized procurement and lease management-Manage debt collection process

Other decision points



Lobbying efforts

Continue existing contract?

Identify new opportunities

Increase chance of securing outside grant funding



Capital Projects/Public Infrastructure Sinking Fund

No capital projects in preliminary budget?

As no capital budgeted for FY21, will not spend available funding (\$525K). PISF could be used for capital or emergency (only with supermajority)



School funding (largest expense)

What level of funding do we budget for local education?

Preliminary level=>FY21 less Secure Rural Schools (\$7.37M)

State funding has been flat mean SSD relies more on CBS

Unknowns around new COVID funding for school districts



Deficit budget

Use FY21 surplus to balance budget?

If we maintain current revenue projections, then to maintain current services, we will have to use the surplus generated in FY21

Fund balance would remain near current level

Alternative would mean deep cuts to services and additional guidance will be required.



Next step

- Take feedback from today and finalize preliminary budget for presentation by February 24th



Photo credit: Don Kluting