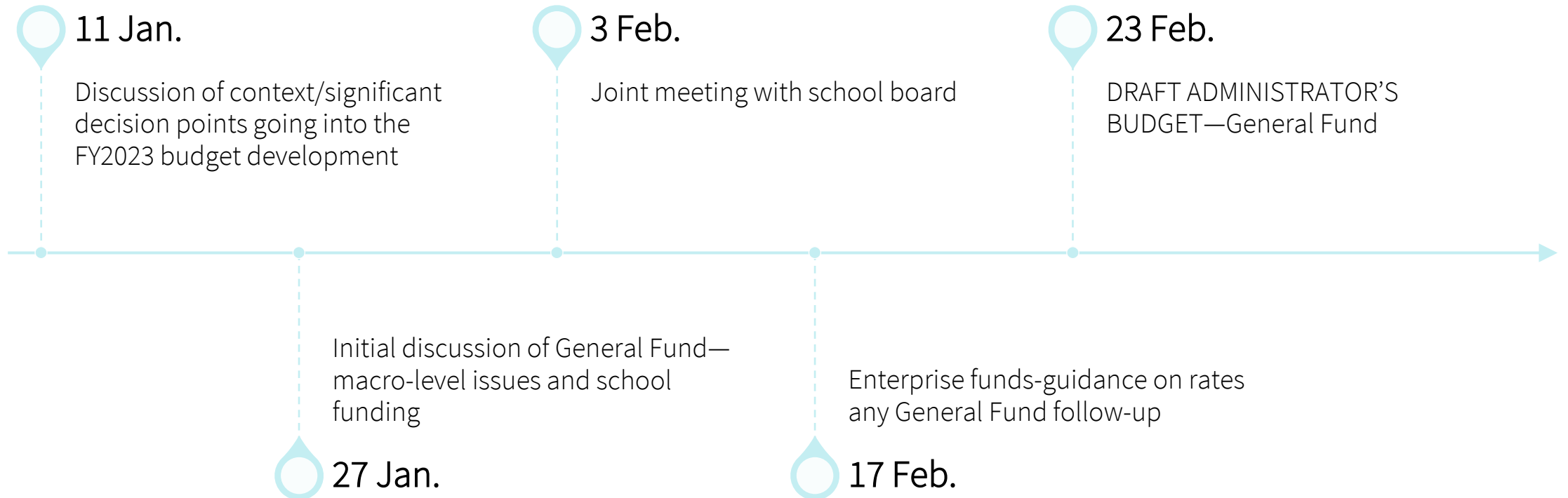


A close-up photograph of grass blades covered in a thin layer of white frost. The background is a soft, out-of-focus bokeh of light blue and white, suggesting a bright, overcast day. The lighting is soft and diffused, highlighting the texture of the frost on the blades.

FY2023 Initial Budget Direction

January 11, 2022

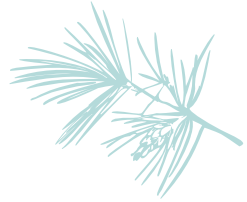
Initial budget meetings to solicit direction/develop draft budget that reflect Assembly input





Primary goal of initial budget meetings

Develop draft budget that reflects Assembly consensus

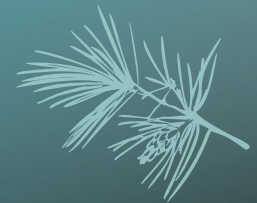


General Fund Outlook for FY2023

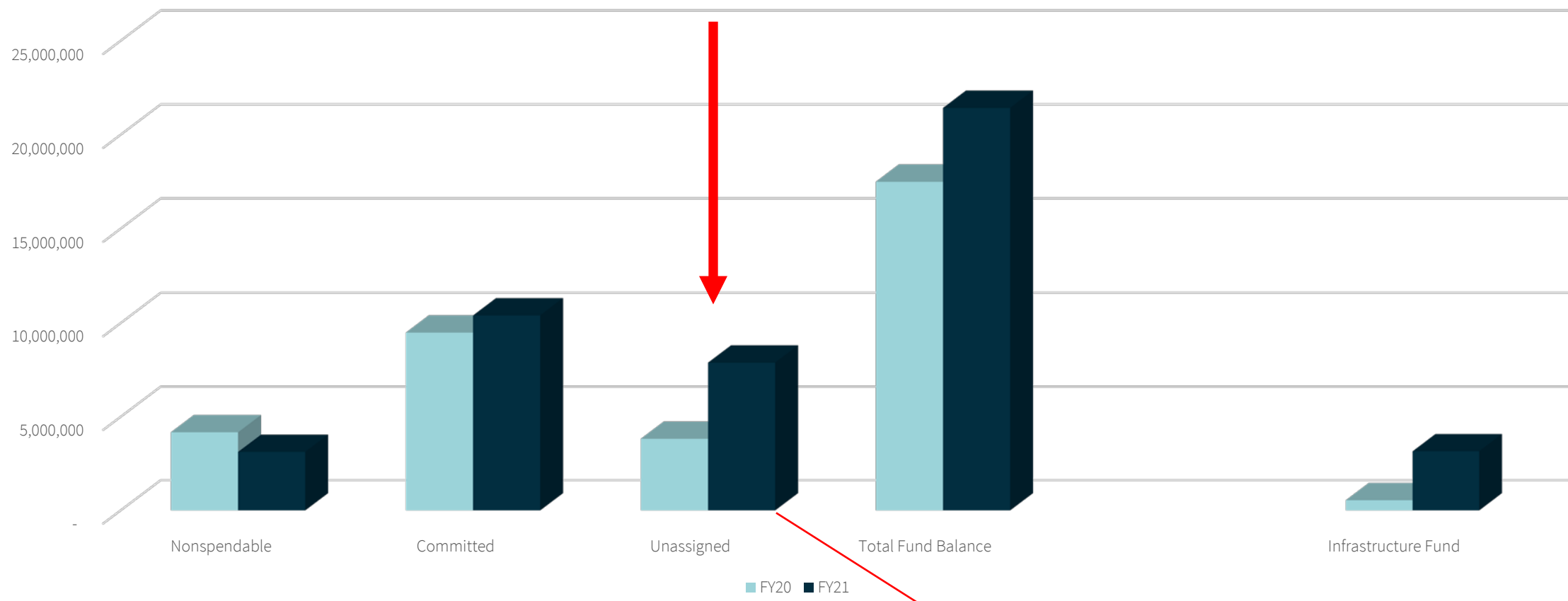
From pandemic to
recovery?



FUND BALANCE—GENERAL FUND



Analysis of Fund Balance



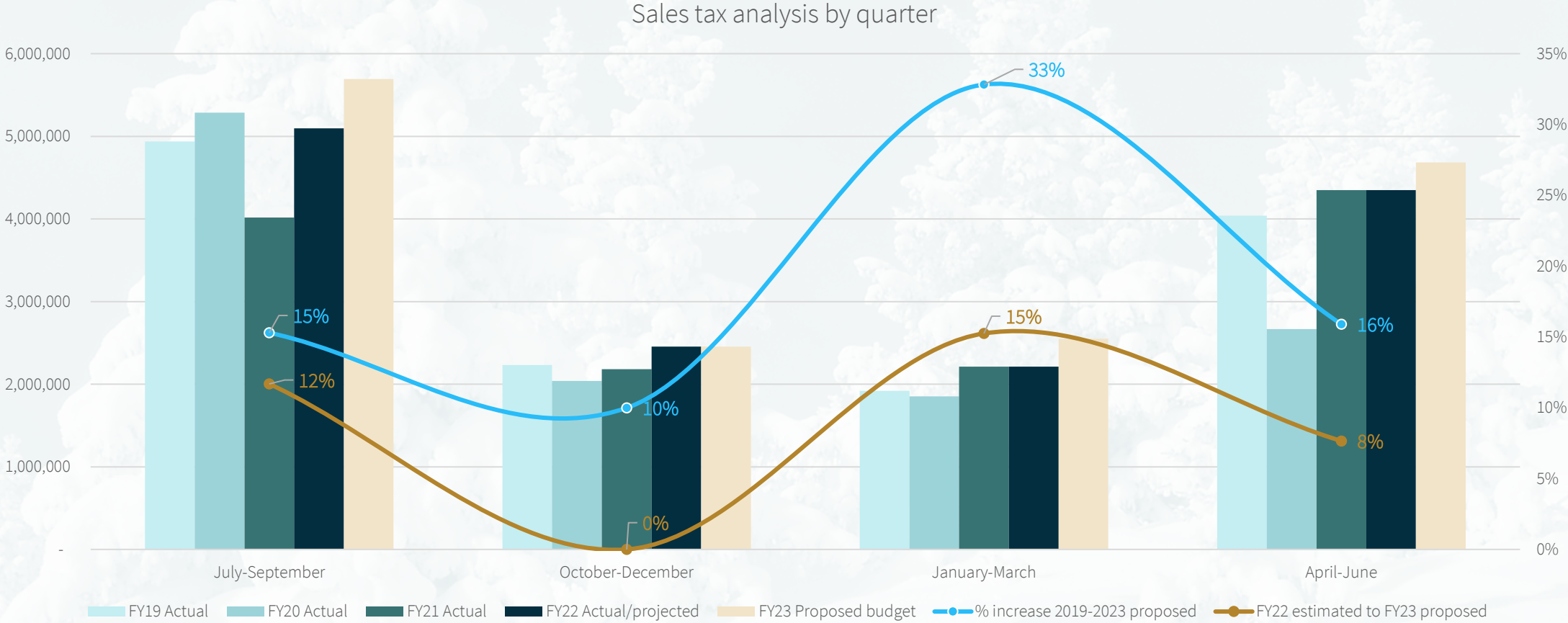
AFTER Transfer out to PISF

Uncertainties remaining in FY2022 going into FY2023

- THE GOOD:
 - FY2021 sales tax rebounded almost to 2019 levels despite significant impacts in July-Sept 2020 (overall, revenue exceeded budget by \$377K). FY2022 on track to exceed pre-pandemic revenue.
- THE UNCERTAIN
 - Ongoing impact of pandemic on revenue, esp. sales tax revenue/increased cruise passengers vs. pandemic impacts
 - Impact/continued rate of increase of inflation
 - Funding for infrastructure?

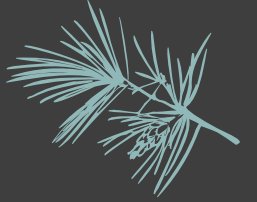


Sales Tax Budget Estimate for FY2023



Initial estimate is optimistic, yet cautious

Impact of inflation



- Maintaining status quo of services will cost more.
- Related supply chain issues may make maintaining status quo more challenging/not feasible
- Labor negotiations/staff retention/turnover
- Cost of capital projects
- What assumption do we use in projections?
 - Assume rate of inflation levels? (continued increases would mean coming forward with supplemental appropriations/artificially high bottom line in budget.
 - Assume inflation continues to increase? (if it does level off, then we may delay important projects unnecessarily)



In order to maximize potential for Federal infrastructure funding we need to make investments to projects shovel ready

- Allocate resources needed to ensure the CBS has eligible projects
- How to prioritize?
- Balance needs with fit for federal funding
- Assume no new infrastructure?

BUILD BACK BETTER 10 PRINCIPLES

1. New green infrastructure socially just & ecologically safe

2. Green infrastructure provisioning

3. P

4.

One Hundred Seventeenth Congress
of the
United States of America

AT THE FIRST SESSION
Begun and held at the City of Washington on Sunday,
the third day of January, two thousand and twenty-one

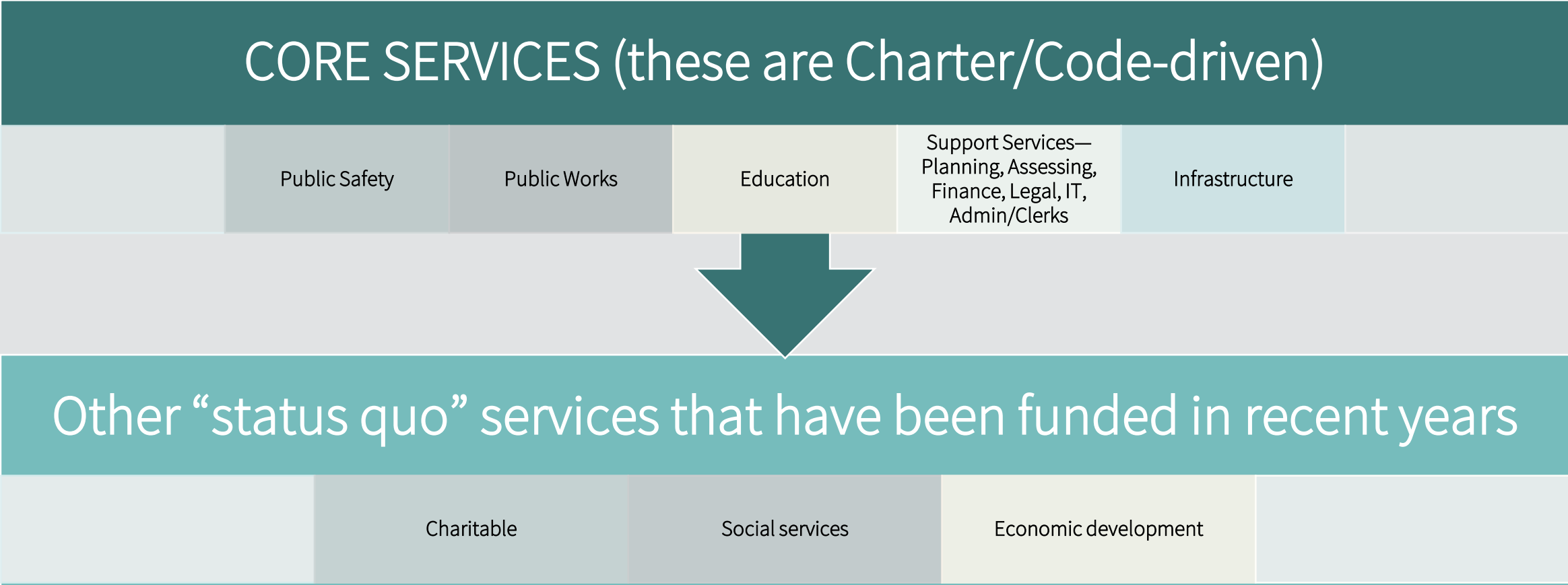
An Act

To authorize funds for Federal-aid highways, highway safety programs, and transit programs, and for other purposes.
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.
(a) SHORT TITLE.—This Act may be cited as the “Infrastructure Investment and Jobs Act”.
(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

10. Public co

Maintain current level of core services?



Core Services-weakness or potential desired improvements in current level of service in several areas.

Code enforcement-primarily voluntary

- Bear/trash, parking, litter, noise, sidewalk shoveling, junkyards, abandoned vehicles, etc.)

Funding of local education

- While the CBS funds above the maximum allowable, the lack of increases in the base student allocation result in a challenging financial situation for the Sitka School District
- Future of Community Schools/Community Recreation Initiative

Sustainability

- While there are ongoing efforts, there are not resources dedicated to ensuring the ongoing sustainability of municipal operations

Tourism

- While services maintained by the CBS have been adequate for current/prior levels of tourist traffic, significant efforts will be required to ensure that visitor and local experience is maintained (and maximum sales tax collected) with increase in cruise passengers. This includes impacts public safety (Fire, EMS, and PD), Harrigan Centennial Hall, Buildings and Grounds, Library, and IT

Infrastructure

- Levels of deferred maintenance have increased over the last 2 years
- Work to evaluate the risks of and urgency of repairing critical infrastructure is needed across the board (asset management)
- Probable opportunities for outside funding are on the horizon, we need to be poised to have projects that are eligible for funding

Growth

- SEARHC and Coast Guard expansion will create a strain on the already stretched permitting office





General Fund- Next Steps

Revenue budget:

- Sales tax-optimistic, but cautious
- Medicaid ambulance reimbursement-something, but conservative until more is known
- A final ARPA distribution/revenue replacement

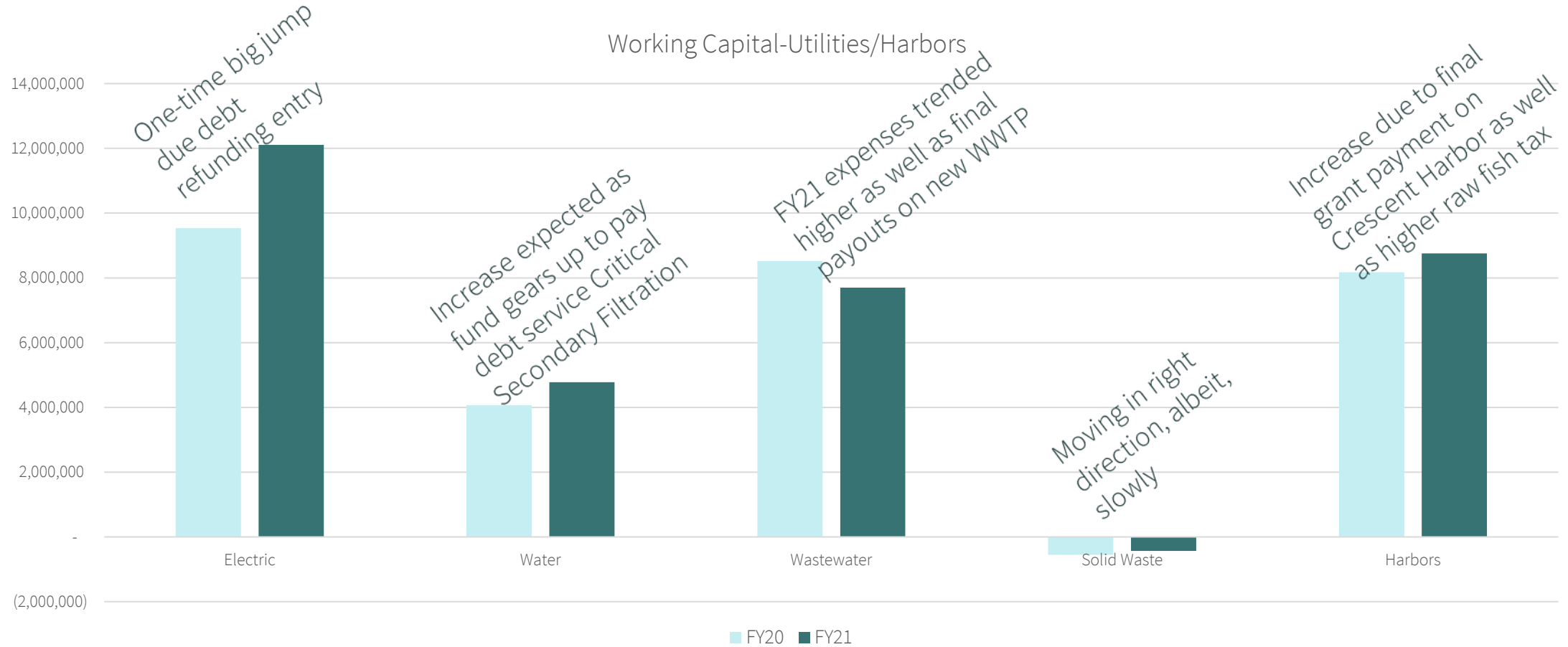
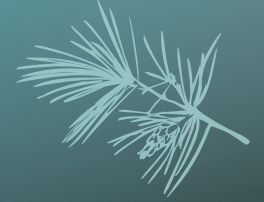
Expenditure side:


- Budget for current level of services, with middle of the road inflation increases (assume it inflation continues through calendar Q1 2022 and then levels off)
- At next meeting we'll discuss improving levels of service in some areas and make decisions on allocating resources.
- We have over \$3 million that we can dedicate to capital projects from the PISF—recommend prioritizing investments that will help leverage federal funding

Enterprise Funds Outlook for FY2023



Working Capital—Enterprise Funds





Uncertainties remaining in FY2022 going into FY2023

- THE GOOD:
 - Prior rate increases have kept the funds fairly steady on the revenue side (the exception has been harbors which was impacted more by the pandemic)
- THE UNCERTAIN:
 - Strain of increased cruise passengers on the utilities/harbors
 - Impact/continued rate of increase of inflation
 - Funding for infrastructure, especially with inflation?



Enterprise fund areas of risk/weakness

Infrastructure

- Impact of inflation on capital projects and on operations—inflationary rate increase become even more important, but optically more difficult.
- Funds remain dependent on loans—will become more of a challenge in a higher interest rate environment
- Work to evaluate the risks of and urgency of repairing critical infrastructure is needed across the board (asset management)

Spread thin/lack of expertise

- The CBS operates its own harbors, industrial park, airport terminal, seaplane base, and cold storage without adequate resources (Port Authority)

The influx of cruise passengers may strain some of our systems (Solid Waste, Harbors, Wastewater)

- Challenging to justify CPET use to cover costs for wear and tear on infrastructure, security/MARSEC, etc...

Enterprise funds— next steps

Rates/long-term outlook

- Internal team will update fiscal models and look at various rate increase scenarios to present to the assembly

Expenditure side:

- Budget for current level of services, with middle of the road inflation increases (assume it inflation continues through calendar Q1 2022 and then levels off)
- At next meeting we'll discuss improving levels of service in some areas and make decisions on allocating resources.



An aerial photograph of a vast, dense forest of evergreen trees, likely spruce or fir, covering a mountain slope. The trees are heavily laden with snow, giving the entire scene a white and light blue appearance. The forest extends to the top of the mountain, where it meets a clear, pale blue sky. A semi-transparent white rectangular box is overlaid on the left side of the image, containing the text "THANK YOU" in a bold, black, sans-serif font.

THANK YOU