July 15, 2013

The Honorable Mayor and Assembly
City and Borough of Juneau
Juneau, Alaska

CITY MANAGER’S BUDGET MESSAGE

It is my pleasure to forward to the Assembly and community the official Budget Book detailing the FY14 Budget, formally adopted by the Assembly June 3, 2013. This is the second year of the FY13 and FY14 biennial budget period. In the first year of each two-year budget, the Assembly adopts the first year’s budget (FY13) and approves, in concept, the second year’s budget (FY14). The conceptually approved budget is brought back before the Assembly for review and adoption.

The overall budget reflects stable funding from the State of Alaska, a $1.1 million reduction in federal funding, and an increase in local tax revenue. The increase in tax revenue continues to indicate a modest economic recovery from the slowdown in 2009 and 2010. In developing this year’s budget, significant emphasis was placed on ensuring that we maintain our core functions and services within the existing budget and resources.

COMBINED BUDGET SUMMARY

The combined budget includes: 1) general government operations; 2) school district activity; 3) enterprise business activity; 4) capital construction projects; and 5) bond debt service. The total expenditure authorization is $322 million, as summarized in the Executive Summary on page 3. Budgeted revenues total $324 million with the net $2 million surplus deposited into fund balances. The changes between the adopted FY14 budget and the FY13 budget are highlighted below.

General Government Operations

Expenditures are estimated at $64.4 million, an increase of $1.4 million (2.2%) from FY13. The increase is primarily due to an increase in grants to local organizations. Total revenues are estimated at $62.2 million with a $2.2 million draw from available fund balance. Significant changes from FY13 are: 1) $1.8 million loss of federal revenue; 2) $3.6 million increase in local sales and property taxes; and 3) $1.1 million decrease in investment income. To stay within the available revenues (no operational tax rate increases) it was necessary to implement $248,000 in public service reductions. The reductions affected five operating departments.

School District

Overall expenditures are $93.5 million, an increase of $1.28 million (1.5%) from FY13. The increase is funded equally from support from the State of Alaska, local taxes, and fund balances.

Enterprise Funds

Total expenditure authorization for all enterprise funds is $115 million, a decrease of $6 million (5%). The decrease is due to a change in budgeting for Bartlett Regional Hospital’s bad debt expense.

- Operationally the hospital’s expenses are $87 million (down 0.5%). Hospital revenues are expected to increase 1.5% resulting in a $3 million increase in fund balance.
- Airport authorized expenditures are $5.9 million (10% increase). The increase is funded through raising certain airport rates and fees and use of $22,800 of fund balance. This increase is solely due to an FAA
mandate to provide sworn officers for airport security. This mandate will be met by the hiring of 5 new police officers through the Juneau Police Department and paid for by the Airport

- Docks & Harbors authorized expenditures total $4.7 million (1% increase). Revenue projections total $5.8 million (5% increase), resulting in a $1.1 million increase in fund balance.

- Water, Wastewater, and Waste Management funds authorized expenditures total $14.6 million (a 2.7% increase). The net $400,000 increase from increased costs to ship bio-solids and 1% wage increase is partially offset by a reduction in allocation to capital projects. Revenues from Wastewater match expenditures. Revenues from Water activities results in an $800,000 contribution to fund balance. Waste Management revenues are $400,000 less than expenditures resulting in a draw on fund balance.

Capital Improvement Projects

Total capital improvement project (CIP) authorization is $22.5 million, a decrease of $3.2 million (12.5%). There is a decrease in project spending from the Water and Wastewater funds, sales tax funds and Marine Passenger fees. $1.5 million of the sales tax decrease results from allocating funds to a community grant versus CBJ CIP. There will be some capital projects for Water and Wastewater requested during FY14.

Debt Service

The total debt service expenditure authorization is $26.3M, an increase of $250,000 (1%). $3.6 million of the debt service is for revenue bonds (Hospital, Harbors and Wastewater). The remaining debt service is for general obligation bonds: $19 million for school and $3.1 for other CBJ capital projects. The funding for revenue bond payments comes from enterprise fund revenue. The funding for school bond payments comes from the State of Alaska ($13.6 million) and property taxes ($6.1 million). To meet these obligations it was necessary to increase the debt service portion of property tax mill rate by 0.11 mills to a total of 1.4 mills. The funding for other CBJ capital projects bond payments comes from sales tax ($1.5 million) and a draw on fund balance.

SUMMARY

I appreciate the hard work put in by the Assembly and CBJ staff to balance this year’s budget without raising operational tax rates. In addition to this year’s $25 million general government operations reduction the FY14 budget maintains most of the reductions in service implemented over the past three years.

At the end of FY14 we project approximately $5.6 million in general government available fund balance. In addition to the available balance, we project $11.6 in the restricted budget reserve fund balance.

By continuing with conservative budget practices, I believe we are positioning ourselves well for future years. Our property assessments and sales tax revenues are starting to grow and our population is stable. We are making prudent and fiscally responsible decisions now that will serve us well in the days ahead. Juneau is a strong and diverse community, where the citizens have come to expect responsive municipal services delivered in an efficient manner. As City Manager, I appreciate the Assembly’s and the community’s support in providing the City with the necessary resources and funding to meet the various public needs and allow us all to live in a safe and progressive community of which we can be proud.

Respectfully submitted,

Kimberly A. Kiefer
City and Borough Manager