

**KENAI CITY COUNCIL WORK SESSION  
FY2024 BUDGET GOALS  
DECEMBER 21, 2022 – 4:45 P.M.  
KENAI CITY COUNCIL CHAMBERS  
210 FIDALGO AVE., KENAI, AK 99611  
MAYOR GABRIEL, PRESIDING**

**NOTES**

Council present: B. Gabriel, H. Knackstedt, J. Baisden, A. Douthit, D. Sounart  
T. Winger (*remote participation*)  
V. Asking (*remote participation*)

Others present: City Manager P. Ostrander, Finance Director T. Eubank, City Clerk S. Saner, Police Chief D. Ross, Human Resource Director C. Cunningham

**A. Call to Order**

Mayor Gabriel called the work session to order at approximately 4:45 p.m.

**B. Introduction – Mayor Gabriel**

Mayor Gabriel noted the purpose of the work session was to review, discuss and provide guidance to the administration regarding goals for the development of the FY2024 budget.

**C. Public Comment**

There was no one wishing to be heard.

**D. FY2024 Budget Adoption Goals**

Finance Director Eubank identified that this process began a year ago and the purpose was to formally establish budgetary goals and the process was valuable in guiding the administration in preparing the budget.

He noted that the majority of the goals for FY2024 were similar to the ones adopted in FY2023; and initiated the goal review starting with goals three through eight.

**Goal #3:** Improve the sustainability of and maintain the quality of employee medical, dental and life insurance while continuing toward an employee cost share of 15%; a process that began in FY2021 and continued in FY2023 by increasing the employee cost share by 1% per year. A 1% increase in the employee cost share for FY2024 would bring the employee's share to 14%.

Finance Director Eubank noted the process to bring the employee cost share to 15% began in FY2021 and the 1% increase in FY2024 would bring the employee cost share to 14%; and reported that health care savings were achieved this year which would could be a reduction in costs to the employees.

**Goal #4:** Seek opportunities for efficiency by striving to reduce the cost of goods and services without negatively impacting operations.

Finance Director Eubank noted this would be reaffirming the commitment from the City that we are always looking for ways to reduce costs through efficiency initiatives.

**Goal #5:** Compile a list of capital projects, costing \$35,000 or more, for Council adoption. The investment in maintaining infrastructure over time should, at a minimum, equal the depreciation, an accounting process by which the cost of an asset is spread over its useful life, recorded annually on City capital assets and infrastructure.

Finance Director Eubank noted that the Capital Project list had already been presented to Council at a previous work session; the importance of maintaining the infrastructure; and he summarized the depreciation values by fund.

**Goal #6:** Adjust rates, charges and fees in all funds commensurate with inflation as measured by the Alaska Consumer Price Index for All Urban Consumers, second half over second half. The monthly rents at Vintage Pointe should not increase more than \$35.00 per month over FY2023 rates for existing tenants as of June 30, 2023.

Finance Director Eubank reported the adjustments to rates, charges and fees commensurate with inflation as measured by the Alaska consumer price index, with the exception of the Vintage Point monthly rental rates.

There was discussion regarding the Vintage Point rental rate cap increase of \$35 versus the consumer price index.

**Goal #7:** For the Airport, Water & Sewer, Personal Use Fishery, and Congregate Housing Funds, the proposed budget should project ending fund balance/retained earnings of at least 50% of the FY2023 budgeted expenditures net of any projected lapse, and any use of fund balance should be for one-time or capital purchases and not for reoccurring expenditures/expenses.

Finance Director Eubank noted this goal somewhat establishes a fund balance policy for the airport, water and sewer; and reported that the rate study would establish levels where the fund balance should remain and it would be based on a percentage of the capital assets.

**Goal #8:** Senior Citizen Fund fees and rates should be adjusted to a level sufficient to limit the increase in required transfer from the General Fund to no more than a 10% increase, \$28,159, over FY2023 amounts.

Finance Director Eubank noted this goal is really about creating a target and doing our best to try and meet it and that borough funding should change this year based on the census data.

**Goals #1:** Submit a budget for consideration that maintains the City's current mill and sales tax rates and complies with the General Fund, Fund Balance Policy codified in KMC 7.25.

Finance Director Eubank stated this is a critical goal and very much tied to goal two. There was discussion regarding revenues from online sales tax vs local sales tax; property tax assessment values were not yet known from the KPB; this goal sets the entire budget plan in place and establishes importance of maintaining the current rates for our citizens.

**Goal #2:** Incorporate a salary schedule increase of 2% that was provided as a one-year-only bonus to employees in the FY23 budget, provide an additional salary schedule increase equal to one-half the change in the 2022 Alaska Consumer Price Index for All Urban Consumers, second half over second half, and complete a compensation and classification study to determine if the City's salary

schedule provides appropriate compensation to employees comparable to other places of public employment and which allows the City to recruit and retain competent employees without a reduction in critical services or infrastructure support.

**Goal # 2 Alternative:**

Incorporate a salary schedule increase of 2% that was provided as a one-year-only bonus to employees in the FY23 budget, provide an additional salary schedule increase that meets the City's Fund Balance Policy / Goals, does not increase the rate of taxation, does not reduce the level of the Capital Budget contribution by the General Fund or result in a reduction of services, not to exceed inflation as measured by the 2022 Alaska Consumer Price Index for All Urban Consumers, second half over second half, and complete a compensation and classification study to determine if the City's salary schedule provides appropriate compensation to employees comparable to other places of public employment and which allows the City to recruit and retain competent employees without a reduction in critical services or infrastructure support.

Finance Director Eubank noted that the Alternative Goal #2 provided a bit more flexibility; establishes that the increase cannot be over the consumer price index; taxes will not be increased; services will not decrease; and ensures continued contribution to the capital structure.

There was consensus of the Council in support of the Goal 2 alternative.


E. **Council Discussion** – None.

F. **Public Comment** – None.

G. **Adjournment**

The work session adjourned approximately at 4:45 p.m.

Notes were prepared by:

  
Michelle M. Saner, MMC  
City Clerk