



**Kenai City Council Work Session -
FY2024 Budget Goals**

December 21, 2022 – 4:45 PM

Kenai City Council Chambers

210 Fidalgo Avenue, Kenai, Alaska

****Telephonic/Virtual Information Below****

www.kenai.city

Agenda

- A. CALL TO ORDER**
- B. INTRODUCTION** – Mayor Gabriel
- C. PRESENTATION**
 - 1. FY2024 Budget Development Goals (City Manager, Finance Director)
- D. COUNCIL DISCUSSION**
- E. PUBLIC COMMENT** *(limited to 3 minutes per individual)*
- F. ADJOURNMENT**

Join Zoom Meeting

<https://us02web.zoom.us/j/84848663804>

Meeting ID: 848 4866 3804 **Passcode:** 378729

OR

Dial In: (253) 215-8782 or (301) 715-8592

Meeting ID: 848 4866 3804 **Passcode:** 378729



KENAI

City of Kenai | 210 Fidalgo Ave, Kenai, AK 99611-7794 | 907.283.7535 | www.kenai.city

MEMORANDUM

TO: Mayor Gabriel and Council Members
THROUGH: Paul Ostrander, City Manager
FROM: Terry Eubank, Finance Director
DATE: December 13, 2022
SUBJECT: **Fiscal Year 2024 Budget Development Goals Work Session**

The purpose of this memo is to introduce a list of recommended goals for the Council's consideration and to provide a recommended process for the December 21, 2022, FY2024 budget goal-setting work session.

The goals recommended by the administration include a broad statement of purpose, referred to as the "WHY," and eight specific goals. Adoption of goals by the Council will provide the administration with direction in the development of its proposed FY2024 Budget. This year will be the second time Council has worked toward establishing and formally adopting goals to guide the administration's draft budget development. Formal adoption of budget goals by a resolution of the governing body is considered a best practice by the Government Finance Officers of the United States and Canada in providing greater transparency into the City's budget process. Additionally, holding a work session to develop budget goals gives the public an additional opportunity to participate and provide input into the formation of their City's budget.

Besides taking steps to continually improve, provide greater transparency in, and seek additional public participation in the City's budget process, clear communication of the Council's goals for the administration's proposed budget will be extremely important in FY2024 considering the economic and inflationary pressures not seen in the United States for forty years. Inflation figures for 2022 are scheduled for release on January 12. Economic conditions like this amplify the basic questions the City must address every year during the formation of its budget:

1. Are the City's tax rates and fees sufficient to fund City operations and capital needs, and what are the public and Council's current and long-term goals for tax rates and fees?
2. What is the City's capacity to address employee compensation and benefits to ensure it can attract and retain qualified and talented employees to provide services to the citizens of Kenai?
3. Considering current reserve levels and revenue expectations, what is the City's capacity to provide funding beyond normal operations for the maintenance of existing and construction of new City infrastructure?
4. What is the minimum level of reserves needed in each fund to ensure sustainable operations in the future, including the ability to maintain operations when unforeseen

economic situations occur, catastrophic equipment failures occur, or other unexpected significant events happen?

At the work session, the administration recommends discussing each of the specific goals individually, beginning with an explanation of the goal by the administration. Based upon the discussion, and being mindful that Council cannot take formal action during a work session, the administration will work to incorporate any changes to the goals for inclusion in a resolution for adoption at the January 4 Council Meeting. As with any resolution, Council will be able to make amendments prior to passage of the resolution.

Your continued support of goal-setting as the first step in the City's budget process and this work session is appreciated.

Recommended Fiscal Year 2024 Budget Development Goals

Broad Statement of Purpose

It is the goal of the City to formulate and adopt a budget that is fiscally responsible and meets the needs and priorities of the community it serves. A fiscally responsible budget ensures revenues, taxes, and fees are sufficient but not excessive to fund current operations and contribute to the long-term maintenance of City infrastructure used to provide services. Meeting the needs and priorities of the community means prioritizing essential services while being mindful that non-essential services such as parks, recreation, arts, library, and senior services have significant importance in creating a vibrant, well-balanced community in which individuals desire to live and businesses seek to locate.

Specific 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.
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.
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%.
4. Seek opportunities for efficiency by striving to reduce the cost of goods and services without negatively impacting operations.
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. The City's FY2022 depreciation by fund and function were:

General Fund:	
General Government	\$ 96,584
Public Safety	229,631
Public Works	857,429
Parks, Recreation & Culture	331,898
Social Welfare Services	<u>65,584</u>
	\$1,581,126

Airport Fund:	\$2,293,403
Water & Sewer Fund	<u>1,084,273</u>
Total All Funds	<u>\$4,958,802</u>

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.

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. The ending fund balance for each fund should not be less than:

Airport Fund	\$1,598,084
Water & Sewer Fund	1,265,326
Personal Use Fishery Fund	212,291
Congregate Housing Fund	275,452

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.