

TO:	Mayor and Borough Assembly
FROM:	Brad Ryan, Borough Manager
DATE:	November 2, 2022
SUBJECT:	Ordinance No. 22-09 Establishing the FY23 Budget

Mayor and Assembly, I appreciate your attendance at the three Assembly of the Whole meetings at which my staff and I presented the draft FY2023 Municipality of Skagway (MOS) budget. The MOS is once again facing an uncertain fiscal future with the potential impacts of rockslides on the Railroad Dock and the development of an Alternative Mooring Plan to bring in the Very Large Cruise Ships (VLCS) to the Ore Dock. With these uncertainties, the budget was developed using an estimate of 750,000 cruise ship passengers arriving in Skagway in 2023 (60% of maximum capacity). My intention was to build a budget based on a conservative estimate that we can hopefully exceed.

The department heads worked hard to develop budgets that would provide the operations necessary to host 1.2 million cruise ship passengers, utilizing the revenue of only 750,000 cruise passengers. This resulted in the appropriation of \$1.99 million from sales tax reserves and \$7.25 million from Excise Tax reserves. This left a balanced budget with 50% of the operating budget in sales tax reserve, as required by Resolution No. 22-21R. However, with the recommendation to fulfill the school's additional funding request, the reserve fund would be dangerously close to dipping below the 50% requirement.

To offset the additional funding suggestions from the school and stay safely above the 50% reserve requirement for the operating fund, I increased the property tax mill rate by 1.00, eliminated or reduced a few projects funded by sales tax in the capital project budget, cut the clinic budget by \$365,500, and the school provided an additional \$290,420 from their fund balance. I think it is important to remember that the MOS is going to have to provide greater services as cruise ship passenger numbers increase, and we are going to need a sustainable tax base to support these services. In the future, I would like to see an increase in seasonal sales tax and the elimination of sales tax for the two winter quarters. In this way, the primary users (tourists) of MOS services would bear the cost for these services.

After the Assembly of the Whole meetings, the following changes to the draft budget have been made:

- **General Fund- No net change**
 - Increased mill rate by 1 (\$300,000 increase to property tax revenue)
 - Reduced Sale Tax transfer into the General Fund by \$300,000
- **Visitor Fund- Increased revenue by \$100,000**
 - Added \$100,000 to SMART revenue based on expected new contract rate of \$1/passenger; this additional revenue is allocated to the SMART Bus Electrification Feasibility study in the Capital Projects budget.

- Reduced the Visitor Fund deficit by \$75,000
- ***Clinic Fund- Reduced expenses by \$365,500***
 - Reduced Locum by 1 provider (current budget includes 2 locums + 1 employed provider)
 - Reduced Registered Nurse by half
 - Reduced board travel to \$2,000
 - These cuts reduced the subsidy from Sales Tax by \$365,500
- ***Capital Projects- Increased by \$410,000***
 - Added Harbor Anodes for \$325,000 (Harbor Reserves)
 - Added SMART Bus Electrification Feasibility for \$100,000 (Visitor Revenues)
 - Reduced AB Hall ADA Access by \$15,000 (Sales Tax)
 - Reduced Pullen RV Restroom/Shower by \$75,000 (Visitor Reserves)
 - Removed Stream Walk Phase II at \$25,000 (Sales Tax)
 - Increased Wastewater Treatment Plant upgrades by \$200,000 (CPV & Sales Tax)
 - Removed Well Controls & Pump Design at \$100,000 (CPV & Water Reserves)
- ***Sales Tax Fund- Reduced deficit by \$141,500***
 - Increased School special programming by \$500,000
 - Reduced General Fund transfer by \$300,000
 - Reduced Clinic Fund transfer by \$365,500
 - Increased Capital transfer by \$24,000
- ***CPV Excise Fund- Increased deficit by \$68,000***
 - Increased Wastewater Treatment Plant upgrades by \$136,000
 - Removed Well Controls & Pump Design at \$64,000