

Readers' Guide

FISCAL POLICIES

I. Borough Organization

The Annual Borough Budget is organized to reflect the organizational structure of the Borough which is: Department, Division, Section and Sub-Section under the following criteria: 1) by general programmatic function, and 2) by fund.

II. Operating Budget Policies

- A. All general government current operating expenditures are to be paid from current and from excess revenues. The Borough will avoid budgetary and accounting procedures that balance the current budget at the expense of meeting future years' obligations. The use of one-time revenues for on-going operations will not be encouraged.
- B. All budgetary procedures will conform to existing state law and FNSB Code.
- C. The budget development process will examine and effect changes in program delivery responsibilities or management to improve productivity, lower costs, enhance service, and further communication with the public.
- D. Where appropriate, the Borough's Boards and Commissions will be encouraged to be involved in the planning, programming, and budgeting process in order that the annual budget best reflects the current requirements of the Borough residents.
- E. The Borough's annual operating budget is to reflect known salary and benefits adjustments.
- F. The Borough will maintain a budgetary control system to ensure adherence to the budget and will prepare monthly reports comparing actual expenditures to current appropriations.
- G. As is practical, the various taxing jurisdictions, special functions, and operating and capital grant projects will be charged for the services received from general government.
- H. If it becomes apparent that revenue shortfalls or extraordinary expenses will create a deficit, efforts will be made first to reduce the deficiency through budgetary management techniques. On an exception basis and not depleting the fund balances to an inappropriate level, the use of existing reserve funds may be recommended to cover revenue shortfalls.
- I. Debt will not be used to cover current operating expenses.
- J. The Borough is expected to continue its scheduled level of facility maintenance and replacement of its facilities and equipment in order to maintain its facilities and equipment in good operating condition.

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III. Revenue Policies

- A. The Borough will attempt to develop a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.
- B. The Borough will aggressively seek Federal and State grants, with a target emphasis to capital improvements funding.
- C. The voter approved tax limitation (tax caps) will be conservatively applied.
- D. Additionally, whenever possible, other revenue sources will be designed or modified to include provisions to automatically allow the collections to grow at a rate that keeps pace with the cost of providing the service.
- E. The Borough will endeavor to pursue that the Borough receives a fair proportion of all State shared taxes and revenue.
- F. The Borough will take all cost-effective actions available to collect delinquent revenues.
- G. The Borough will set fees and rates for each enterprise fund (e.g. Transportation - except Transit Operations, Community Activity Center, Land Management, and Solid Waste Disposal), at a level that fully supports the total direct, indirect, and capital costs of the activity.
- H. Interest earnings of the central treasury will be allocated on a month-end cash basis to the funds as provided by the FNSB Code and to the enterprise funds that are not supported by a contribution of general fund revenues.

IV. Reserve Policies

- A. Adequate reserves shall be maintained for all known liabilities, including employees' leave liabilities, workers' compensation liabilities, and self-insured retention limits.
- B. The Borough will endeavor to maintain a reserve in each operating fund to cover cash flow requirements, normal variance in revenue and expenditure estimates, abnormal variance in state revenue estimates versus state appropriations, potential for unreserved litigation expenses and judgments, and expenditures of an emergency nature. The target amount of reserves for operating funds with expenditure levels in excess of \$500,000 is 7 to 10 percent of the prior year's expenditure level (approximately one month's cash flow); the target amount for each operating fund with expenditure levels of less than \$500,000 is 20 percent of the prior year's expenditure level (approximately 90 days' cash flow).

The amount of the reserve requirement will be reviewed annually and may be increased by the amount necessary to meet future identified, one-time, and specific expenditures requiring the accumulation of funds over a given period.

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V. Debt Policies

- A. Tax and revenue anticipation borrowing shall be consistent with state and federal laws and regulations.
- B. Under Alaska law, the Borough may issue general obligation bonds, revenue bonds, and assessment bonds. To date, it has issued only general obligation bonds. General obligation bonds may be issued without limitation upon approval by a majority of Borough voters. There are no constitutional or statutory debt limitations under Alaska law, but the voters must approve all general obligation debt.

The issuance of long-term debt will be only for construction and acquisition of land, capital improvements, or equipment when the useful life of the asset will exceed the term of the debt.

- C. Debt financing will not be considered appropriate for current operating or maintenance expenses or for any recurring purposes.
- D. Debt financing based on a projects revenue generating capacity will be used only when the project revenues or other identified revenue sources are sufficient to service the debt.
- E. The Borough will endeavor to consolidate small debt issues or financing of equipment through lease-purchase financing to the maximum extent possible in order to obtain the lowest market rate of interest.
- F. When the Borough obtains debt financing on behalf of or benefiting a third party (as with a special assessment district) such debt will be issued in conformance with existing Borough priorities and policies without contingent liability of the Borough and with all costs of issuance and administration fully reimbursed. When the Borough obtains debt financing on behalf of or benefiting a third party (non-borough entity), the Borough will charge a debt issuance fee to cover the cost of the administrative time required in preparation of the issuance, in addition to the cost of issuance.
- G. The Borough's preference is to issue fixed-rate long-term debt with level debt service. Other debt service structures may be considered if an economic advantage is identified for a particular project. The Borough's preference is to place the debt through a public bid process. It is recognized that a sale through negotiation may be considered due to fluctuating market conditions, time constraints, size, or nature of the issue.
- H. The Borough will actively endeavor to maintain a minimum bond rating objective for all debt issues in a Moody's and Standard & Poor's rating of A or better. Credit enhancements will be used to achieve higher ratings when there is an economic benefit.