


# Kenai Peninsula Borough

## Office of the Borough Mayor

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### MEMORANDUM

**TO:** Wayne Ogle, Assembly President  
Kenai Peninsula Borough Assembly Members

**FROM:** Charlie Pierce, Mayor 

**DATE:** April 19, 2018

**RE:** Amendment to Ordinance 2017-19-21, Providing for an Exception to KPB 5.20.080 Transferring \$3,000,000 from the Land Trust Fund to the General Fund as Part of the Fiscal Year 2019 Budget Appropriation (Mayor)

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Concerns have been expressed that transferring funds from the land trust fund to the general fund is simply “robbing Peter to pay Paul” or taking funds out of one pocket and putting them into the other. In fact, there are legitimate reasons for using the land trust fund one time to help close the budgetary gap rather than using the general fund. Maintaining a strong general fund, fund balance is important to help the borough preserve its favorable credit rating for borrowing money or selling bonds. Restricted funds, such as the land trust fund, are not given the same consideration as is the general fund for such purposes. The general fund also serves to protect the borough from unplanned events such as emergencies, natural disasters, state and federal changes such as debt reimbursement reductions, unexpected expenses incurred as the result of referendums or initiatives, and other unplanned events.

Additionally, maintaining a healthy general fund, fund balance will ensure that the interest earned on those funds remain with the general fund. Interest earned on the land trust funds stays with the land trust fund and does not benefit the general fund. Further, maintaining a healthy general fund, fund balance helps to ensure there is adequate cash flow available for borough operations. Land trust funds are not generally available for these purposes. Finally, maintaining a healthy general fund, fund balance avoids being designated as a negative high risk by granting agencies, which again would negatively impact the borough's revenues. These are some of the reasons we have proposed transferring funds from the land trust fund instead of simply resorting to dipping into the general fund to temporarily address the budgetary shortfall. If this is approved, we intend to explore options to replenish the land trust fund and reimburse these funds over time.

As discussed in my memorandum of April 5, 2018 to the assembly a major concern has been raised by many members of the public and the school district that the borough provide enough education funding to support the retention of teachers. I propose that ordinance 2017-19-21 be amended to increase the transfer from the land trust fund by \$1.5 million to make it possible for the school board to maintain existing teacher staffing formulas and potentially alleviate a significant reduction in teacher staffing around the school district.

The administration respectfully requests the following amendments to this ordinance to increase the transfer of land trust funds to \$4,500,000. (Please note the bold underlined language is new and the bold strikethrough language in brackets is to be deleted.)

- Amend the title, as follows:

AN ORDINANCE PROVIDING FOR AN EXCEPTION TO KPB 5.20.080 **AND**  
TRANSFERRING \$~~[3,000,000]~~ **4,500,000** FROM THE LAND TRUST FUND TO THE  
GENERAL FUND ~~[AS PART OF THE FISCAL YEAR 2019 BUDGET~~  
**APPROPRIATION]**

- Amend the sixth whereas clause, as follows:

**WHEREAS,** one option that would provide some protection for the general fund during fiscal year 2019 is to transfer \$~~[3,000,000]~~ **4,500,000** from the land trust fund to the general fund to help close this deficit for one year **and provide an additional \$1,500,000 for education funding;** and

- Amend Section 1, as follows:

**SECTION 1.** That, notwithstanding the restrictions in KPB 5.20.080 limiting the amount of land trust funds that may be available for appropriation to the general fund, the sum of up to \$~~[3,000,000.00]~~ **4,500,000** shall be appropriated ~~[to account 250.21210.00000.50100]~~ **from the Land Trust Fund fund balance** to be transferred to the general fund ~~[as part of the FY 2019 budget appropriation].~~

➤ Amend Section 2, as follows:

**SECTION 2.** That the sum of ~~\$(3,000,000)~~ **4,500,000** is hereby appropriated from the Land Trust Fund **fund** balance to account 250.21210.00000.50100 to be transferred to the general fund.

Your support of this amendment would be appreciated.

FINANCE DEPARTMENT ACCOUNT / FUNDS VERIFIED	
Acct. No.	<u>250.27910 (FB)</u>
Amount:	\$ <u>4,500,000.00</u>
By:	<u>pp</u> Date: <u>4/19/18</u>
	<u>Buy</u>