



KENAI PENINSULA BOROUGH

Community & Fiscal Projects

M E M O R A N D U M

TO: Nikiski Senior Service Area Board Members
THRU: Charlie Pierce, Mayor *[Signature]*
Brandi Harbaugh, Finance Director *BH*
Colette Thompson, Borough Attorney *[Signature]*
FROM: Brenda Ahlberg, Community & Fiscal Projects Manager *[Signature]*
DATE: January 11, 2018
SUBJECT: Authorized Use of Borough Funds

The Nikiski Senior Citizens, Inc., a nonprofit organization (hereinafter "Nonprofit"), owns the senior center facility located at 50025 Lake Marie Ave., Nikiski. The organization provides services and programs to area seniors funded through service area and grant funds under a Service and Operating Agreement with the Borough. Recently the Nonprofit notified the Borough that it needs to make significant building repairs and improvements in the amount of \$70,500 and intends to submit a request for the Mayor's consideration.

This memo serves to clarify two funding sources allocated to the Nonprofit: (1) the Nikiski Senior Service Area (NSSA) enacted powers and authorized use of funds; and (2) the borough Senior Grant Program as governed by KPB Code of Ordinances Chapter 5.22. Additionally, this memo serves to provide recommendations for reimbursing building repairs in order to continue uninterrupted services to area seniors.

The NSSA funds may be used to provide programs and services to senior citizens within the service area (KPB 16.70.080). Funding is provided by a mill rate levy on taxable property; the FY18 mill rate is currently set at .20 mills generating \$348,305 in property tax revenue and other revenues of the service area total \$6,948. The authorized use of funds is specific, which means that any deviation must first be approved by the voters. Therefore, capital expenditures related to the facility are not eligible for reimbursement under this funding authorization.

The second funding source provided to the Nonprofit is through the Borough Senior Grant Program in the amount of \$52,981. The allocation is based on election precincts using the latest population census and approved by the assembly through the annual budget ordinance (KPB 5.22.050; O2017-19). This grant award to the Nonprofit is treated as a transfer from the general fund to the NSSA operating budget. There is not an executed grant agreement; however, the Nonprofit is required to provide quarterly reports. The grant is governed by way of KPB 5.22, which also lists allowable and unallowable uses of the funds (KPB 5.22.070). Allowable costs include funding for certain operations and programs of senior citizens' organizations in the borough. KPB 5.22.070(I) lists unallowable costs, which include restrictions on the use of these

funds for building construction and improvements. The FY18 award is currently allocated to personnel costs.

In summary, the Nonprofit owns the senior center facility and is responsible for facility maintenance, repairs and improvements. The service area board (SAB) has made recommendation to use a portion of NSSA fund balance to pay for needed building repairs; this is not an eligible reimbursement from that fund balance. However, the Nonprofit may consider submitting an amendment to the Borough Senior Grant award to offset some of the repair costs. In reviewing the proposed projects submitted by the Nonprofit on December 19, 2017, it appears that the Kitchen flooring replacement project may be considered a repair rather than an improvement. Importantly, it is also necessary for the provision of meals to seniors, which is a program NSSI is contractually required to provide. With a formal recommendation from the SAB, and support by the mayor and or an assembly member, the budget amendment and dollar amount would go before assembly as a resolution for approval (KPB 5.22.070 E).

In closing, it is recognized that an approved amendment as described above will generate a shortfall in the Nonprofit's reimbursement for personnel costs currently funded by the grant. However, the SAB may consider making a recommendation: request supplemental funding from the NSSA fund balance to offset personnel costs, which is eligible under the authorized use of NSSA funds. Such request is subject to assembly approval and appropriation by way of ordinance.

Should the SAB choose to proceed with the above recommendations, please work with Brenda Ahlberg, Community & Fiscal Projects Manager.