



Kenai Peninsula Borough

Finance Department

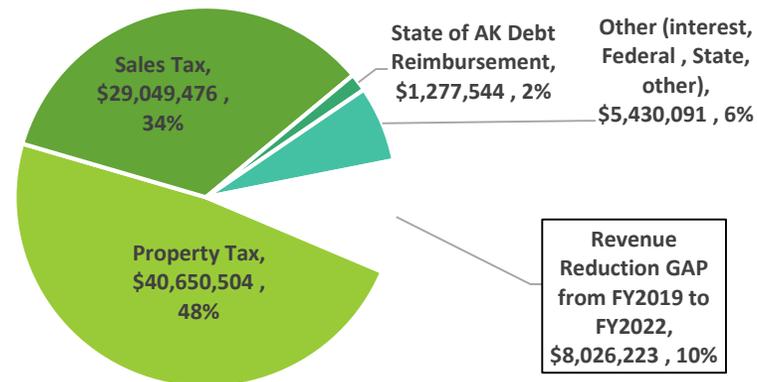
General Fund History and Budgetary Projections

February 2, 2021

General Fund Revenues FY2019-FY2022

	FY2019 Actual	FY2020 Actual	FY2021 Projected	FY2022 Projected	Change from FY19 to FY21	Change from FY21 to FY22
Property Tax	\$ 40,234,341	\$ 41,397,579	\$ 40,536,847	\$ 40,650,504	1%	0%
Sales Tax	32,878,673	32,964,904	27,666,167	29,049,476	-16%	5%
State of AK Debt Reimbursement	2,653,695	1,324,359	-	1,277,544	-100%	50%
Other (interest, Federal , State, other)	8,667,129	8,170,096	5,411,960	5,430,091	-38%	0%
Total	\$ 84,433,838	\$ 83,856,938	\$ 73,614,974	\$ 76,407,615	-13%	4%

FY2022 Projected General Fund Revenues



Revenue Loss	FY2019 to FY2022
Property Taxes	\$ 416,163
Sales Taxes	(3,829,197)
State of AK Debt Reimbursement	(1,376,151)
Interest Earnings & Other	(1,585,179)
Federal Funding	(225,898)
State Funding	(1,425,961)
Total	\$ (8,026,223)
	-9.5%

**9.5% Recovery Gap
(\$8,026,223)**

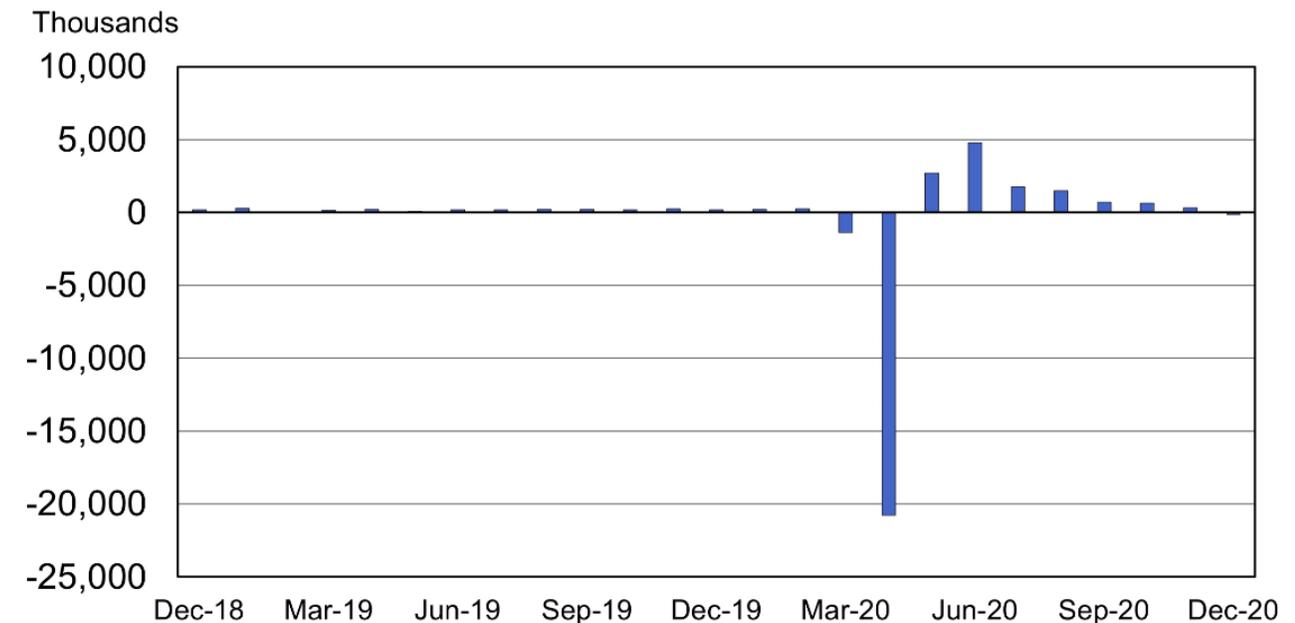
Indicators

- K shaped economic recovery
- Unemployment
- Executive Orders
- Cash flow vs reported revenue
 - Borough Sales Tax Receivable rate
- KPB Economy and dependence on outside consumerism

Bureau of Labor Statistics, U.S. Department of Labor The
Employment Situation - December 2020

Unemployment increase 140,000 in December 2020

Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, December 2018 – December 2020



Revenue Swing Potential – Sales Tax - Monthly indicators

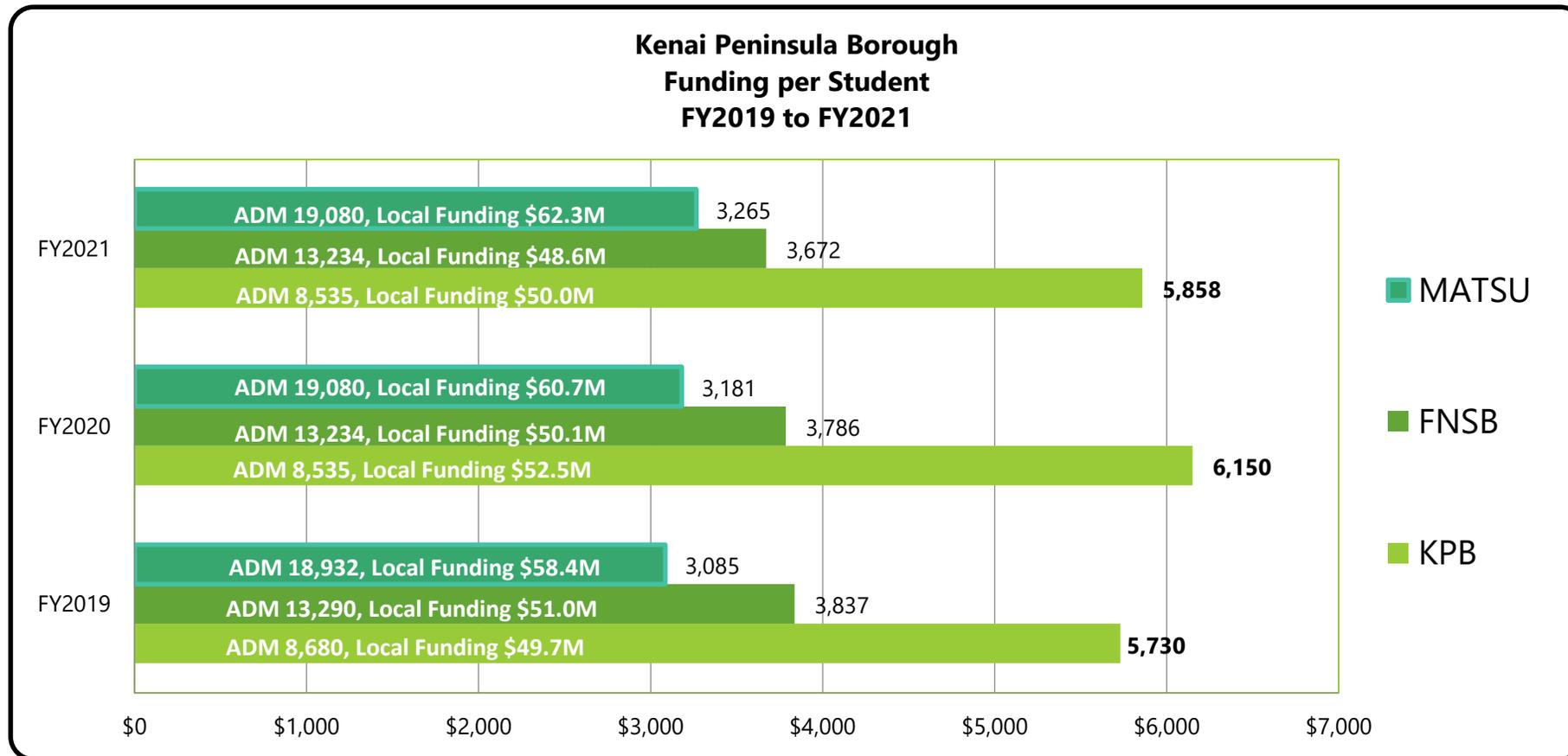
October and November 2020 Monthly Sales Tax filings	Change in Sales tax from FY19 to FY20
56% are filing reduced sales	-16%
37% are filing equal or increased sales	20%
7% have not filed	-100%
	<u>-9%</u>

	Current Monthly Indicators	
	Approach (9% reduction for Oct 2020 - June 2021)	Conservative Approach (16% reduction for FY2021)
FY2020 Sales Tax	\$ 32,964,907	\$ 32,964,907
FY2021 First Quarter Sales Tax (Actual (-16%))	10,793,076	10,793,076
Sales Tax FY20 (Oct 2019 - June 2020)	20,116,007	20,116,007
56% filing reduced sales	9,462,570	9,462,570
37% filing equal or increased sales	8,931,507	6,252,055
7% have not filed	-	1,182,821
Projected Sales Tax (Oct 2020 - June 2021)	18,394,077	16,897,446
Reduction in FY2021 Sales Tax Revenue	\$ (3,777,754)	\$ (5,274,385)
Percentage Reduction in FY2021 Sales Tax Revenue		-11%
Difference between 2 approaches		\$ (1,496,631)

Educational Expenditures FY2019 – FY2022

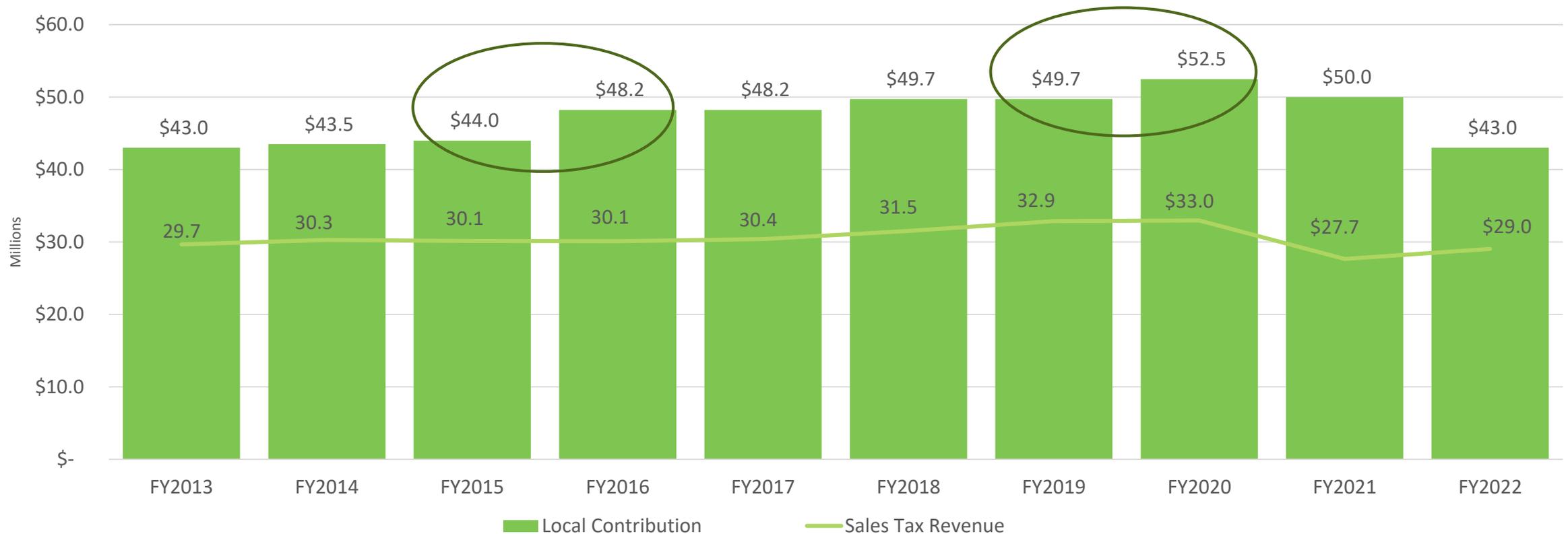
		FY2019 Actual	FY2020 Actual	FY2021 Projected	FY2022 Projected
Local Borough Contribution	Local Effort	\$ 38,883,797	\$ 41,440,829	\$ 38,637,268	\$ 31,478,540
	Maintenance	7,615,431	7,569,997	7,773,247	8,086,941
	Insurance	2,613,921	2,970,178	3,280,215	3,131,278
	Utilities	78,877	74,070	90,000	80,000
	Annual Audit Services	63,743	95,790	97,132	98,103
	Custodial Services	118,661	114,150	122,138	125,138
Capital projects on Educational Facilities		1,625,000	2,660,000	2,650,000	2,250,000
Debt Service (net of State of AK debt reimbursement)		1,139,171	2,459,496	3,754,255	2,372,581
		<u>\$ 52,138,601</u>	<u>\$ 57,384,510</u>	<u>\$ 56,404,255</u>	<u>\$ 47,622,581</u>

Funding per Student (2021 ADM held at 2020)

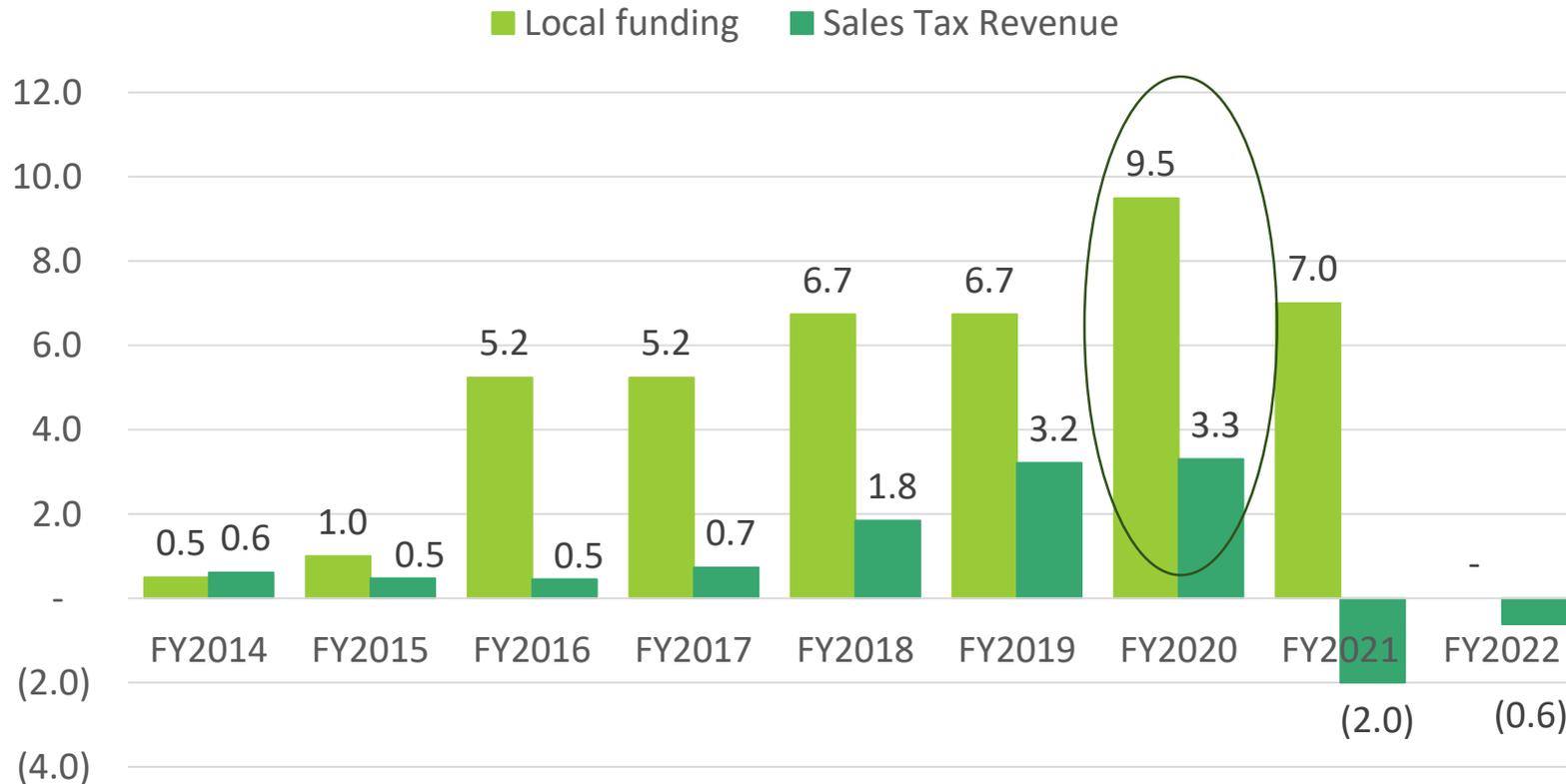


Actual Local Contributions Compared to Sales Tax Revenues FY2013-FY2022

Historic Local Contribution Comparison (millions)
Actual Local Contributions Compared to Sales Tax Revenues



Local Contribution Over-the-Year Change Compared to Sales Tax Change From FY2013 to FY2022



(0.6%) GAP between the increase in Sales tax and the increase and Local Contributions over past 9 years

Assigned Fund Balance Gap

Fund Balance Category	Fiscal Year 13 Actual	Fiscal Year 14 Actual	Fiscal Year 15 Actual	Fiscal Year 16 Actual	Fiscal Year 17 Actual	Fiscal Year 18 Actual	Fiscal Year 19 Actual	Fiscal Year 20 Actual
Nonspendable	6,944,837	8,879,667	11,345,210	5,298,396	4,103,792	3,582,332	3,041,560	2,469,391
Restricted	70,000	105,020	90,000	51,000	145,178	71,000	81,000	91,000
Committed	638,937	243,157	458,748	292,830	671,004	351,388	230,095	1,616,385
Assigned	15,326,705	14,658,934	16,244,676	20,136,610	18,314,053	16,486,079	20,520,399	21,727,845
Unassigned	330,506	994,594	-	-	-	2,309,200	3,029,557	-
Total	23,310,985	24,881,372	28,138,634	25,778,836	23,234,027	22,799,999	26,902,611	25,904,621
GAP in Reporting Minimum Fund Balance	-	(1,231,620)	(846,814)	-	(534,784)	-	-	(4,908,207)
Assigned Fund Balance Breakdown								
General Government Assignments	704,237	1,251,901	2,469,022	5,514,142	3,030,042	1,014,149	4,771,503	10,887,156
Minimum Fund Balance Policy Assignment	14,622,468	14,638,653	14,622,468	14,622,468	15,818,795	15,471,930	15,748,896	15,748,896
Total Assigned Fund Balance	15,326,705	15,890,554	17,091,490	20,136,610	18,848,837	16,486,079	20,520,399	26,636,052

Why We need Unassigned Fund Balance

Some Unexpected Funding Requirements for FY2012 through FY2021 and Beyond

- 2019-2020 Disaster Declaration Appropriations related to Health and Safety
 - Floods, Fires, Earthquake, Covid Pandemic and Winter Storms

\$1.8 Million

- 2012-2018 Disaster Declaration Appropriations related to Health and Safety
 - Floods, Fires and Winter Storms

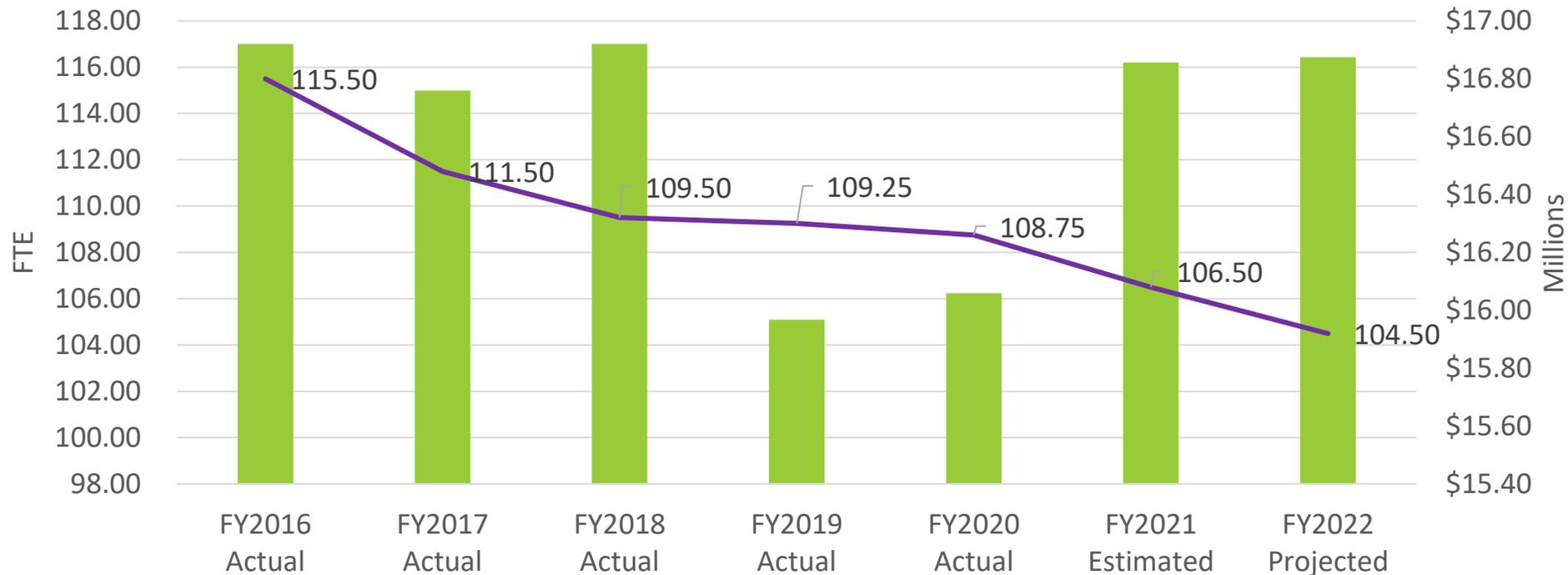
\$3.1 Million

- School Closures, The KPBSD Board voted to close Soldotna Prep on June 3, 2019 , creating Annual Reoccurring Non-Educational Expenditure for the KPB starting July 2019.

\$225,000 Annually

General Government Expenditures and FTEs FY2016-FY2022

KPB General Fund Staffing & Expenditure
FY2016-FY2022

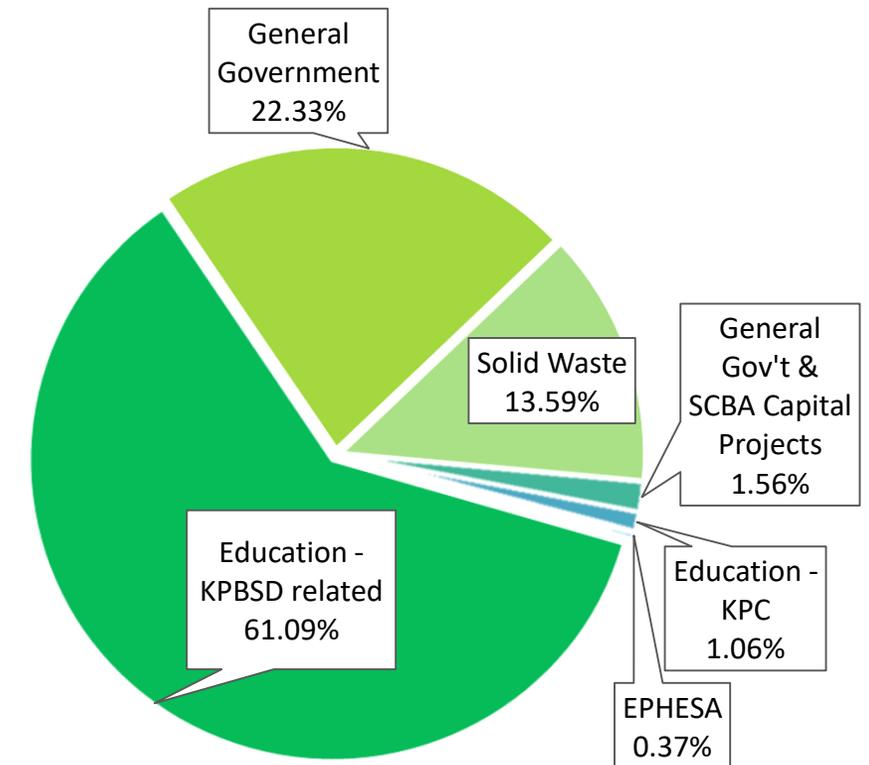


**(\$46,012)
(0.3%)
Reduction in
General
Government
Expenditures
from FY2016 to
FY2022**

FY2022-FY2025 Projections

	<u>FY2022</u> <u>Projected</u>	<u>FY2023</u> <u>Projected</u>	<u>FY2024</u> <u>Projected</u>	<u>FY2025</u> <u>Projected</u>
<u>Revenues:</u>	\$ 76,407,615	\$ 77,999,793	\$ 80,028,205	\$ 81,192,889
-				
<u>Expenditures:</u>				
Education - KPBSD related	48,900,125	48,900,125	50,400,125	50,400,125
General Government	17,872,208	17,961,569	18,051,377	18,141,634
Solid Waste	10,877,757	11,040,923	8,408,249	8,534,373
General Gov't & SCBA Capital Projects	1,250,000	1,250,000	250,000	250,000
Education - KPC	849,848	862,596	862,596	862,596
EPHESA	300,000	300,000	300,000	300,000
Total	80,049,938	80,315,213	78,272,347	78,488,727
Projected Net Results of Operations	(3,642,323)	(2,315,420)	1,755,858	2,704,162
Projected Lapse	997,899	997,899	997,899	997,899
Beginning Fund Balance 7/1/2021	15,517,411	12,872,987	11,555,466	14,309,223
Projected Ending Fund Balance	12,872,987	11,555,466	14,309,223	18,011,284
Minimum Fund Balance Gap	\$ (2,875,909)	\$ (4,193,430)	\$ (1,439,673)	\$ 2,262,388

FY2022 Preliminary General Fund Allocation



Revenue Options

Potential Revenue Projections

- **Raising the Sales Tax Cap from \$500 per invoice to \$1,000**

Requires legislation from the Assembly allowing a change to the Cap

\$3.3 to \$3.5 Million Annually

- **Changing the Non Prepared Food Exemption to match quarters, effective October 1 - March 31 each year (6 Months)**

Currently effective September 1 - May 31 each year (9 months)

\$1.1 to \$1.5 Million Annually