

**CITY OF WHITTIER
RESOLUTION #05-2021**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF WHITTIER, ALASKA,
AUTHORIZING A TRANSFER OF \$1,014,900 IN GENERAL FUND RESERVES TO A
NEWLY-CREATED CAPITAL INFRASTRUCTURE FUND**

WHEREAS, the City of Whittier has established budget policies aimed at strengthening the City's financial condition over time; and

WHEREAS, one of those policies seeks to build the General Fund's fund balance to a level equal to between nine (9) and twelve (12) months' operating expenditures and transfers-out, while another set of policies utilizes proceeds from the sale of City capital assets for capital rather than operating purposes; and

WHEREAS, the City completed construction of the new Public Safety Building (PSB) in 2018 and upon completion, was \$1,854,592 short of funding to pay for the capital infrastructure costs. As required by Generally Accepted Accounting Principles, the accounting department transferred \$1,854,592 out of General Fund Reserves into the capital project fund to close out the project. This transaction reduced the City's Fund Balance from \$3,260,360 to \$1,405,768 or from 13.6 to 5.8 months' reserves, a loss of 7.8 months of reserves; and

WHEREAS, the City then sold the P12 building for \$850,500 and City-owned condo units in Begich Towers for \$164,400, for a combined \$1,014,900, with proceeds deposited in the General Fund. This action in effect, reimbursed the General Fund for 54% of its investment in new City infrastructure (the Public Safety Building) and restored 4.2 months of the 7.8 months of lost City's reserves. The action was consistent with the budget policies aimed both at using proceeds from the sales of fixed assets toward investments in other City-owned assets, as well as in strengthening City General Fund reserves; and

WHEREAS, the City could elect not to restore General Fund reserves with proceeds from the sale of the P12 building and the BTI condos and instead place those proceeds into a Capital Fund. Such action would reduce the City's current level of reserves from an estimated \$2.5 million to \$1.48 million, or from 10.8 to 6.4 months' reserves, falling well below the City's minimum goal of 9 months' of reserves, but would create a new source of capital infrastructure funding of \$1.0 million to fund future capital needs; and

WHEREAS, alternatively, the City could decide that it already utilized 100% of the proceeds from the sale of City-owned assets (\$1,014,900) toward funding new City infrastructure when it contributed more than \$1.8 million of General Fund reserves to close out the new capital investment in the Public Safety Building, and that the General Fund was reimbursed 54% of the lost reserves spent to close out the PSB. This action is also consistent with both budget goals ensuring that proceeds from fixed asset sales are used for investments in other capital assets, and also that General Fund reserves are strengthened to meet the City's primary goal of improving the City's overall financial condition.

NOW THEREFORE, the Whittier City Council hereby resolves;

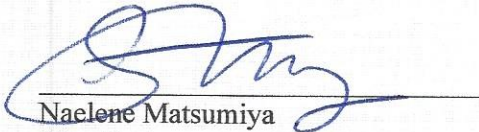
Section 1: The City Council hereby authorizes creation of a Capital Infrastructure Fund which is distinguished from the City's current Fund 14 – Public Works Equipment Fund, and is to be used for funding either major repair and/or replacement of existing capital infrastructure, or construction of new capital infrastructure.

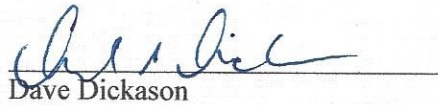
Section 2. The amount of \$1,014,900 is hereby transferred from the General Fund reserves account (01-990-9992) to a newly-established Capital Infrastructure Fund.

Section 3: This resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED by a duly constituted quorum of the City Council for the City of Whittier, Alaska on this 16th day of February, 2021.

ATTEST:


Naelene Matsumiya
City Clerk


Dave Dickason
Mayor

Ayes: 4
Nays: 2
Absent: 1
Abstain: 0