

HB

101

HOUSE COMMITTEE REPORT

(11)

Date Referred: March 17, 1989

FURTHER REFERRALS:

Date of Committee Action: 3/6/90

The FINANCE Committee considered:

HB 101

HOUSE BILL NO. 101 [INCREASE MUNIC. & COMMUNITY ENTITLEMENTS]
"An Act relating to entitlements for municipalities and unincorporated communities; and providing for an effective date."

RECOMMENDATIONS:

- [] be replaced with CS HB 101 (FIN) [] the same title
[] have attached amendment(s) [] a new title
[] do pass
[] do not pass
[] no recommendation
[] individual recommendations
[] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Date/Dept)

- [] fiscal impact CRA \$3,400.
[] zero fiscal note _____
[] zero with analysis _____

- [] fiscal note(s) _____
[] zero fiscal note(s) _____
[] zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
_____ Ronald J. Jones		X	
_____ R. E. Peck		✓	
_____ Steve Rees		✓	

Ronald J. Jones
Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to entitlements
for municipalities..."
Sponsor: Reps MacLean, Foster & Jacko
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Municipal Revenue Sharing
Components: State Revenue Sharing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	3,400.0	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS						
TOTAL OPERATING	3,400.0	-0-*	-0-*	-0-*	-0-*	-0-*
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	3,400.	-0-*	-0-*	-0-*	-0-*	-0-*
FEDERAL FUNDS						
OTHER						
TOTAL	3,400.	-0-*	-0-*	-0-*	-0-*	-0-*

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal effect for FY 90.
*It is assumed that the amount of funds identified in Section 3 of this bill would become the new base amount for the State Revenue Sharing Program for subsequent fiscal years.

Prepared by: Jim Plasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: 3/7/90

Approved by Commissioner: David G. Bellman
Agency: Community & Regional Affairs

Date: 3/7/90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Adopted

Original sponsor(s): REP. MacLean, Foster, Jacko, Kubina

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 101 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 Fo. titled: "An Act relating to entitlements for municipalities
7 and unincorporated communities; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 29.60.140(a) is amended to read:

11 (a) The department shall pay to each unincorporated community an
12 entitlement of \$50,000 [\$25,000] each fiscal year to be used for a
13 public purpose. The department with advice from the Department of Law
14 shall determine whether there is in each unincorporated community an
15 incorporated nonprofit entity or a Native village council that will
16 agree to receive and spend the entitlement. If there is more than one
17 qualified entity in an unincorporated community, the department shall
18 pay the money under the entitlement to the entity that the department
19 finds most qualified to receive and spend the money. The department
20 may not pay money under an entitlement to a Native village council
21 unless the council waives immunity from suit for claims arising out of
22 activities of the council related to the entitlement. A waiver of
23 immunity from suit under this subsection must be on a form provided by
24 the Department of Law. If there is no qualified incorporated nonprofit
25 entity or Native village council in an unincorporated community that
26 is willing to receive money under an entitlement, the entitlement for
27 that unincorporated community may not be paid. Neither this subsection
28 nor any action taken under it enlarges or diminishes the governmental
29 authority or jurisdiction of a Native village council.

* Sec. 2. AS 29.60.290(a) is amended to read:

(a) A municipality qualifying for an entitlement under AS 29.-60.010 - 29.60.080 or 29.60.100 - 29.60.180 shall receive a minimum payment of \$50,000 [\$25,000] plus an area cost-of-living differential for each fiscal year if

(1) the municipality has conducted a regular election during the state fiscal year preceding the year in which the department's determination of the municipality's millage rate equivalent is made under AS 29.60.030 and has reported the results of the election to the commissioner;

(2) regular meetings of the governing body are held in the municipality during the state fiscal year preceding the year in which the department's determination of the municipality's millage rate equivalent is made under AS 29.60.030 and a record of the proceedings is maintained;

(3) a municipal budget has been adopted for the fiscal year during which payment of an entitlement is authorized by AS 29.60.010 - 29.60.080 or 29.60.100 - 29.60.180 and an audit or financial statement for the fiscal year preceding the year in which the department's determination of the municipality's millage rate equivalent is made under AS 29.60.030 has been prepared and furnished to the department in accordance with AS 29.20.640(a); and

(4) local ordinances adopted by the municipality have been codified in accordance with AS 29.25.050.

* Sec. 3. This Act takes effect on the effective date of an appropriation to the Department of Community and Regional Affairs for state revenue sharing for fiscal year 1991 that equals at least \$41,747,000.

A M E N D M E N T - Adopted

OFFERED IN THE HOUSE

BY REP. MACLEAN

TO: HB 101

Page 2, line 27:

Delete "1990"

Insert "1991"

Delete "\$44,283,400"

Insert "\$41,747,000"

Alaska
MUNICIPAL
League

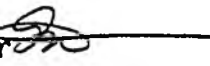
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February 22, 1990

MEMORANDUM

TO: Representative Ron Larson, Co-Chair
Representative Lyman Hoffman, Co-Chair
Members of the House Finance Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: HB 101 - Increasing the minimum entitlements under the State Revenue Sharing Program

The Alaska Municipal League strongly supports HB 101 with a \$3.5 million fiscal note and an amendment in Section 3, as introduced, to change "FY 1990" to "FY 1991." This legislation was a top priority of the AML last year and the League supports the legislation even more with the additional 6 percent cut the Revenue Sharing and Municipal Assistance Programs received in FY 90. I have attached a copy of the AML position paper from last year.

The AML supports restoring the FY 90 cuts in Municipal Assistance and Revenue Sharing. These programs have suffered cuts of over 35 percent since FY 86 and municipalities are having difficulty meeting the basic service needs in their communities. These cuts have affected the smaller minimum entitlement communities to an even greater extent, and, therefore, the AML supports the increase in the minimum entitlement under the Revenue Sharing Program with a hold harmless provision.

Because of reduced funding, some municipalities and all unincorporated communities do not receive even the \$25,000 minimum entitlement currently. With the proposed increase, the minimum entitlement municipalities and unincorporated communities will receive additional funds to assist them in meeting basic needs, albeit less than \$50,000.

Again, the AML supports HB 101 with sufficient funding to hold current recipients and funding harmless.

Attachment

cc: Rep. Eileen MacLean ✓

Increase in Minimum Entitlements under the State Revenue Sharing Program

The Alaska Municipal League supports an increase in the minimum entitlement level under the State Revenue Sharing Program from \$25,000 to \$50,000 to benefit Alaska's smallest, and most needy, communities and an increase in the FY 91 appropriation for the State Revenue Sharing Program to fully fund this increase without penalizing other communities.

BACKGROUND

The 1980 revision of the State Revenue Sharing Program included a provision that each incorporated community would receive a minimum entitlement of \$25,000, to be adjusted by an area differential for the cost of living. Each unincorporated community is also entitled to a minimum entitlement of \$25,000, to be used for a public purpose. The intent of this legislation was to ensure a sharing of the State's resource wealth by all its residents, no matter how small the area in which they lived. Over time the buying power of these dollars has declined, and many of the State's smallest communities are not able to operate with the minimum entitlement grants they receive. As a result, these communities have been forced to cut back on basic life, health, and safety services.

In FY 88, 83 municipalities received the minimum grant of \$25,000 (with adjustments for geographic differentials) under the minimum municipal entitlement program. It was estimated that an increase in the base level to \$50,000 would add an additional 25 municipalities to the group receiving the minimum grant.

The 74 unincorporated communities eligible for the minimum entitlement would benefit from an increase in the minimum entitlement level as well as full funding of the Miscellaneous Municipal Services Account. The payments to unincorporated communities come from that account, and they have been prorated because of continuing underfunding of the account. In FY 88, the entitlements to the unincorporated communities eligible for these payments were prorated at about 55.52 percent, so that they received only \$13,898 of the \$25,000 to which they were entitled.

Inflation is not the only factor affecting the communities' ability to survive financially: Alaska's smallest cities have been hurt the most by the decreases in federal and state funds, and the cities with small populations and tax bases have the most trouble raising local revenues. An increase in the minimum entitlement will benefit both small municipalities and unincorporated communities and enable the State to protect its investment in rural Alaska by helping the small communities maintain their infrastructure.

It is important to note that increasing the minimum grant will require an increase in the total appropriation for the State Revenue Sharing Program so that existing municipalities are not penalized. It is estimated that \$3.51 million will be necessary to hold communities harmless given current funding levels of other parts of the program.

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

February 22, 1990

POSITION PAPER

RE: House Bill 101

SPONSORS: Representatives MacLean, Foster and Jacko

Program Effects of Bill

This bill would increase the minimum entitlement for municipalities under the State Revenue Sharing Program from \$25,000 to \$50,000. It would also increase the entitlement for unincorporated communities from \$25,000 to \$50,000. The effective date of the bill is when the appropriation for state revenue sharing for fiscal year 1990 is at least \$44,283,400.

Comments

The department and the administration strongly support this increase in state revenue sharing entitlements with the understanding that such an increase must be accompanied by the additional funding needed to insure that other recipients of state revenue sharing do not have their entitlements reduced by the increase. Small municipalities in the state are coming under tremendous pressure as resources to support local services and governmental functions become more scarce at the same time that responsibilities have increased. The state has spent billions of dollars on capital projects in rural Alaskan communities to provide needed basic services. However, these projects and facilities cost money to operate, maintain and insure, money which many communities simply do not have. Running a city, even a small one, has become a complex and demanding task, requiring trained personnel who need stable, adequate wages to perform their duties. The department has seen a significant increase in financial problems at the local government level, particularly among the smaller communities in the state. Some of the problems may be addressed through training and technical assistance. Others, however, can only be addressed through additional money coming into the community.

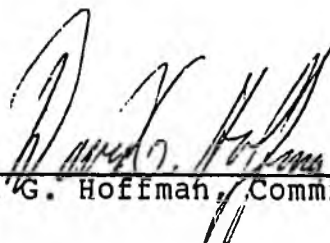
Raising the entitlements, as provided in this bill, will focus assistance on those communities with the greatest need and least resources to respond to the need. It will help protect the state's investment in these small communities and provide them with additional resources to attract and retain qualified

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February 22, 1990
Page Two

personnel, leading to greater continuity of services at the local level and a better ability to maintain proper fiscal controls over local finances.

As written, the bill would take effect only upon an appropriation to the Department of Community and Regional Affairs for fiscal year 90 that equals at least \$44,283,400. That amount was calculated by taking the fiscal year 89 revenue sharing appropriation of \$40,773,000 as a base and adding the hold harmless amount of \$3,510,400. In order to carry through the intent that the bill become effective upon the appropriation of the prior year's revenue sharing appropriation plus the hold harmless amount, Section 3 of the bill should be amended to read: "This Act takes effect on the effective date of an appropriation to the Department of Community and Regional Affairs for state revenue sharing for fiscal year 1991 that equals at least \$41,747,000". This is based upon a fiscal year 90 base revenue sharing appropriation of \$38,347,000 and a hold harmless amount of \$3,400,000.



David G. Hoffman, Commissioner

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

AN UPDATE !

Impacts of Declining Revenues On Eight of Alaska's Smaller Communities



March 1989

**State of Alaska
Steve Cowper, Governor**

**Department of Community and Regional Affairs
David G. Hoffman, Commissioner**

**Municipal and Regional Assistance Division
Marty Rutherford, Director**

**949 East 36th Ave, Suite 400
Anchorage, AK 99508
Phone (907) 561-8586**

Updating the Impacts of Declining Revenues On Alaska's Smaller Communities

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INTRODUCTION AND SUMMARY

Each of the eight communities covered in this report were initially described in the Department's report on the Impacts of Declining Revenues on Alaska's Smaller Communities (March 1988). The purpose of this update is to show how the communities continue to cope with declining revenues in FY89.

SUMMARY

Five of the eight communities continue to experience decreases in revenues ranging from 14 to 50 percent. These decreases were primarily due to completion of old grant funded projects and lack of new grant projects. In some cases revenue from city enterprises such as utilities, fuel sales, and liquor stores are also down due, in part, to loss of local jobs with the completion of grant projects.

The two largest communities (Kake and Selawik) are counting on FY89 revenue increases of up to 10 percent. However, these expected increases are based on increases in user fees and rates charged for services provided by these communities. Both Kake and Selawik have lost major sources of local employment which may mean reduced revenues from user fees because residents have less income.

At first glance, Upper Kalskag, with its 25 percent revenue increase, appeared to fare the best of all these communities. A closer look reveals that this revenue increase resulted from one-time receipts of \$9,241.00 from an IRS refund and the sale of a truck. Thus, Upper Kalskag remained about the same as in FY88 with over 70 percent of its discretionary revenue derived from State Revenue Sharing and Municipal Assistance funds.

In four communities, Revenue Sharing and Municipal Assistance funds are the only source of discretionary revenue. The term "discretionary" in this context means that the funds do not come as the result of the sale of a service or contract (such as grant). Phrased another way, the council can use this money in the same manner as revenues generated by local taxes. (See Upper Kalskag, Golovin, Port Heiden, and Nikolai case studies.) Decreases in State Revenue Sharing and Municipal Assistance will be particularly hard on communities similar to these four communities.

BACKGROUND

These case studies illustrate what it is like in small rural towns for the benefit of many Alaskans, who live in much larger cities and have not traveled to the remote communities. All of these communities are remote and have less than 1000 people. The Department initially presented the case studies to better illustrate budgets, revenues and services in smaller communities.

Municipal services in these remote communities are often different than in Anchorage, Fairbanks or Juneau. For example, providing sewer service in many rural communities means providing a truck to haul honeybucket waste, but in larger cities providing sewer service means flush toilets and piped sewer systems.

Each case study presents community revenues and expenditures. Services provided by each community are described and examined to see what may happen to services when city revenues drop. The local economy and future ability of the city to increase or maintain current revenues are also examined.

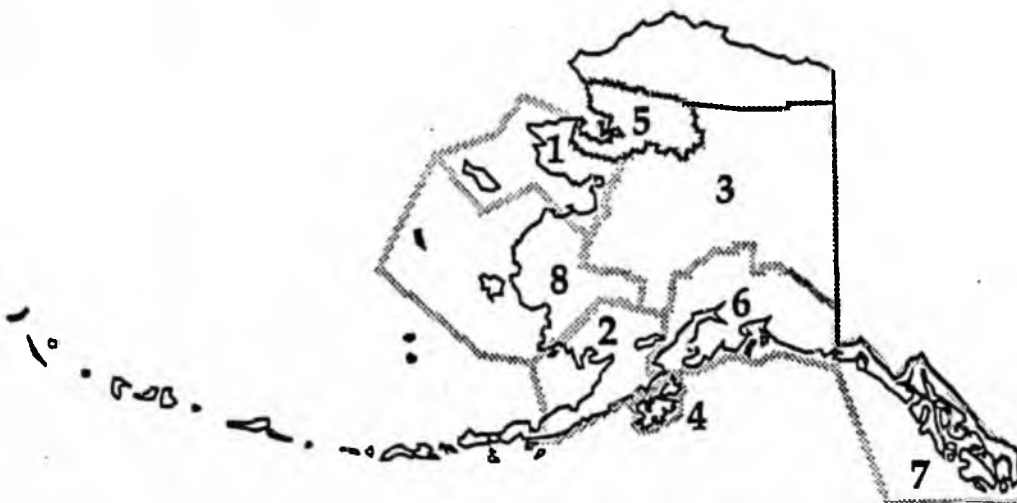
Cities in the case studies do not illustrate a region's worst situation nor are they examples of the best situation. For example, none of the cities are in debt to IRS or other creditors. Most of the case study communities have lost revenues and cut back some service, but none have completely eliminated health and safety services. Many communities have utilities that are not breaking even but so far have been able to keep services going.

Information for the case studies update was gathered by DCRA, Municipal and Regional Assistance Division staff and from Revenue Sharing applications. Information is also based on discussions with community officials and staff knowledge of the community and area.

The regions and the representative cities are as follows:

- | | |
|--------------------------|---------------|
| 1. Bering Straits | Golovin |
| 2. Bristol Bay | Port Heiden |
| 3. Doyon | Tanana |
| 4. Kodiak | Old Harbor |
| 5. Northwest Arctic | Selawik |
| 6. Southcentral | Nikolai |
| 7. Southeast | Kake |
| 8. Yukon Kuskokwim Delta | Upper Kalskag |

The map below identifies the eight regions included in the survey.



COMMUNITY CASE STUDIES

1. GOLOVIN

SUMMARY OF CHANGES FROM FY 88

Golovin's FY89 revenue is less than half what it was in FY88. This decrease is due to completion of a major, grant funded water and sewer project and a decline in revenue from renting City equipment. The City has responded by reducing full-time administration staff from five (5) positions down to two (2).

There will also be fewer local construction jobs than in the last two years because the sewer and water project is completed. Local residents will have less money to spend for sewer and water or laundry services. It is too early to tell if this will result in additional declines in city enterprise revenues.

SETTING

Golovin is a Second Class City located west of Nome. It has a population of 139 people.

OVERVIEW OF CITY ADMINISTRATION

The mayor is responsible for City administration and works on a volunteer basis. In FY 89 there are only two administrative positions, the city clerk and a file clerk. There are six (6) part-time employees: clinic janitor, washateria operator, community hall maintenance person, airport maintenance person, road maintenance person, and a health aide. In FY 88, there were five administrative City jobs: the City clerk, youth recreation facilities director, grants administrator, bookkeeper, and a file clerk.

REVENUES FY89

FY89 revenues were 57 percent less than FY 88. The largest (66%) portion of FY 88 revenues were from sewer and water project grant funds which the City reported as "other revenues" and these funds are spent. The 25 percent reduction in enterprise revenues reflects a drop in revenues from renting city equipment for construction projects.

TABLE 1

GOLOVIN REVENUES

	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$ 13,875	1.9	\$12,800	1.6	\$12,002	3.5
State Revenue Sharing	38,054	5.1	28,000	3.5	35,785	10.5
Other Government Revenues *	68,408	9.2	10,112	1.3	63,886	18.7
Enterprise Revenues	191,622	25.9	202,232	25.3	152,297	44.7
Service Fees/Licenses/Permits	9,900	1.4	17,484	2.1	21,194	6.2
Tax Revenues	0	0.0	0	0.0	0	0.0
Other Revenues	<u>418,275.**</u>	56.5	<u>529,470.**</u>	66.2	<u>55,997</u>	16.4
Total	\$740,134		\$800,099		\$341,161	

*Includes \$3,143. (FY88) of raw fish tax refunds.

**It appears that the City may be reporting sewer and water grant funds under "Other revenues" rather than "Other Government Revenues".

Source: Revenue Sharing Applications.

In FY88 the mayor and council began working more on cutting costs than raising revenues. The utilities should start to show a profit, extra office space is being rented, waste heat is being used, 12 City lots are being sold for approximately \$19,000 for airport flight pattern, bingo games have been started, and the City leases its heavy equipment. In FY 88 charges for services covered the cost of providing services.

Residents are barely able to pay current service charges and cannot stand any increases in service charges or sales tax. The residents cannot afford any increases nor can they afford a sales tax. Hopefully the residents can keep their bills current now that the \$30.00 water and sewer service charge has been started. (See discussion under Sewer System.)

EXPENDITURES AND SERVICES

Reflecting the revenue situation, Golovin's FY89 expenditures budget is 55% less than in FY88 and 65% less than in FY 87. Most of the decrease is in equipment purchase or construction expenditures for the sewer and water projects and other grants.

TABLE 2

GOLOVIN EXPENDITURES

	FY 87	FY 88	FY 89
ADMINISTRATION, COUNCIL, AND FINANCE	\$ 83,613	\$ 86,056	\$87,000
POLICE	8,631	7,875	9,820
FIRE	6,840	6,745	3,010
STREETS AND ROADS	11,756	8,984	13,334
AIRPORTS	0	5,500	6,000
REFUSE COLLECTION	11,893	10,025	8,325
OTHER PUBLIC WORKS	131,384	121,044	149,977
HEALTH	22,901	19,388	18,294
EQUIPMENT & CONSTRUCTION	631,682	425,083	0
PARKS AND RECREATION	17,016	18,057	14,988
OTHER EXPENDITURES	<u>15,913</u>	<u>11,444</u>	<u>12,193</u>
TOTAL EXPENDITURES	\$945,156	\$720,202	\$323,541

Source: Revenue Sharing Applications.

Fire: Golovin recently built a firehall which is a garage type building where the Pac-Trac fire fighting vehicle and other fire fighting equipment can be stored in a heated building. Cutback in services is minimal but the Pac-Trac was unsatisfactory so the City needed a new vehicle. The City received a grant to purchase a combination water truck/fire truck. Maintenance and operation of this truck is projected to be paid from fees collected for hauling water to homes. (See Water Services discussion).

Police: The City built a public safety building with a state grant. Maintenance cuts are minimal. Bingo probably will be able to support both the firehall and public safety building in the future although they hope to be able to build up a kitty for emergency medical travel.

Clinic: Operation and maintenance of the new clinic building is supported by rent from Public Health Service (\$19,000.00/yr.) and from SRS funds. Occasionally the old clinic building is leased to raise money. A full time health aide is funded by Norton Sound Health Corp. In FY 88 the City paid for a part time alternate health aide (AHA). Norton Sound Health Corporation has now picked up the salary of the AHA. NSHC has asked that the funds previously used to pay the AHA be used to fund emergency travel. However, the fund, about \$800, will go quickly with transportation costs so expensive.

Road Maintenance: - Funding and expenditures for road maintenance has remained relatively stable. To increase revenues the City does rent its equipment for use on other construction projects. However these additional revenues will not be available as there are no major capitol projects. Golovin did receive a \$7,200 State contract to maintain the local airport.

Water: Water is piped to the school. Commercial users and the school are charged \$.06 per gallon. These funds also help support the laundry. Thanks to the new fire truck, residents no longer haul their own water to fill the two 125 gallon tanks in each home. Water is now delivered to homes for \$30.00 per month.

Sewer: The sewer system is now completed. It is a combination piped and septic tank system. It was difficult to get the system to operate at first because residents had to haul water to their homes in order to use the toilet and other plumbing fixtures. Until the City began delivering water, the sewer lines were freezing because of inadequate flow. There is no longer a freezing problem.

Electricity: The City provides electricity and revenues cover the cost of this service thanks to the power cost equalization program. Electricity costs 45 per KWH before the power cost equalization subsidy is applied. A new generator was purchased with revenues and the older generator was rebuilt.

Laundry: The Laundry also contains community showers and serves as a watering point where residents can get water to haul home. Since some homes still do not have running water, the laundry and shower facilities are essential for maintaining community health. The revenues do not cover the cost of this facility but funds from selling water to the school district and other commercial users are used to subsidize the laundry. FY88 fees were: washer \$1.50 per load, extractor \$.25 per load, shower \$1.25 per time. There are no dryers because of the energy costs.

Youth Recreation Facility: This facility is only open when kids have money to spend on the games and concessions. This facility became a major drain on the City's finances once the City had to fully fund the director, which originally was 50% JTPA funded. Oil and lights add to the cost. The City is considering several alternatives that might make this building more self-sufficient.

Community Facilities: Using grant funds, the City constructed the following facilities during the last five years: Youth Recreation Facility; VPSO Building; Clinic; Generator/ Garage Building; Sewer and Water Systems; and a Firehall. The City is able to maintain these facilities with current revenues but the recreation facility and sewer and water services may be in trouble if revenues from the State are reduced.

The heavy equipment/generator building is the most cost efficient City building. The radiant heat from the two generators heats the heavy equipment portion of the building. In addition materials are on hand to make a waste heat recovery system using the radiators on the generators. There are plans to heat the community hall and laundry with waste heat.

The City office building complex is self-sufficient since several offices are rented out which pay for the utilities.

Insurance: The city was uninsured in FY 88, but Golovin currently has complete coverage through AML/JIA. The premium is \$20,336 for property, liability, and worker compensation coverage. They are currently experiencing a problem with paying for this coverage. A payment plan has been arranged.

LOCAL ECONOMY

Because the number of State funded projects in Golovin is much less than previous years, local residents are worse off this year. The number of jobs is down and local income is mainly from AFDC, longevity payments, permanent fund, and seasonal jobs. However, 1988 commercial fishing was reported to be good.

The population is fairly stable but the community needs some projects and economic development to provide jobs in order to hold it own. Projects in the areas of fisheries and fish products, a cafe, pre-school, crosswind runway, and lengthening the new airport would increase the number of jobs.

FUTURE FY90 LOCAL REVENUES

The City expects the current situation to continue in FY 90 unless there are cuts in State revenue sharing and municipal assistance. Once a major revenue source, the rental of heavy equipment continues to be low and if no additional capital projects are funded in Golovin the situation will not change.

The City is trying to make every facility self-sufficient so that a decline in revenue will not mean a decrease in services. While the mayor and council hope for the best, Golovin is a very small community and will have difficulty overcoming any significant decline in revenues it receives from the State.

2. PORT HEIDEN

SUMMARY OF CHANGES FROM FY 88

FY89 revenues are projected to be 18% less than in FY88. Revenue sharing and municipal assistance funds continue to be the only source of discretionary funds available to support city electricity and fuel sales enterprises.

The council reduced expenditures by eliminating the city administrator position and shifting these responsibilities to the city clerk.

SETTING

Port Heiden is a second class city with a population of 114 people. It is located on the north side of the Alaska Peninsula bordering Bristol Bay. Fishing is the major source of local employment.

OVERVIEW OF CITY ADMINISTRATION

The City has a mayor-council form of government with a mayor who is completing his second term. The City's administrator resigned and the position has not been filled in order to save money. The former clerk also resigned and the position has been filled by the village administrator who has two years experience and now does both jobs.

Since funds are insufficient for a full-time maintenance person, the City hires someone as needed. People who are having difficulty paying fuel or electric bills will often trade work for fuel or to reduce payments due the City. This maintenance arrangement seems to work reasonably well, although the community is looking at alternatives to make its maintenance more efficient.

REVENUES FY89

FY89 revenues are reduced about 18% from last year. However, the City is carrying over a balance of \$26,039 from FY88, which will cushion this decline in FY89 revenue. State Revenue Sharing remains the largest (26%) single source of discretionary revenue. Compared to most communities of similar size, Port Heiden receives a very large revenue sharing allocation due to the miles of road it maintains.

The City collects no taxes. Fees for community services are insufficient to cover costs but residents have been unwilling for rates to be raised so the city continues to absorb the deficit.

The 1988 fishing season was excellent for some and satisfactory for most, so bills due the city are more up to date than in past years. However, there are still some who do not pay for city services. One of the major sources of delinquent bills is the city's fuel sale enterprise. For the past two years the City has been able to obtain oil at \$0.40 per gallon less than before, and this has reduced money lost to unpaid fuel bills. Gasoline prices are up slightly, but not significantly. The community is still talking about forming a fuel cooperative to get the City out of the fuel business but has not done so to date.

TABLE 3

PORT HEIDEN REVENUES

	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$ 11,000	4.4	\$ 9,533	4.0	\$ 9,553	4.0
State Revenue Sharing	79,000	31.8	55,156	21.0	55,051	23.0
Other Government Revenues	900	0.4	0	0.0	0	0.0
Enterprise Revenues	144,000	58.1	128,037	50.0	128,000	54.0
Service Fees/Licenses/Permits	0	0.0	0	0.0	0	0.0
Tax Revenues	0	0.0	0	0.0	0	0.0
Other Revenues	13,100	5.3	64,949	25.0	18,304	8.0
Balance From Previous FY	<u>0</u>	0.0	<u>0</u>	0.0	<u>26,039</u>	11.0
Total	\$248,000		\$257,675		\$210,908	

Source: Revenue Sharing Applications

EXPENDITURES AND SERVICES

Expenditures budgeted for FY89 are about 10 percent less than last year. A major reduction is in City administration, largely due to the decision to not replace the City Administrator. Police and fire line items are also reduced. The waste heat line item has been completely deleted and street and road maintenance is reduced by almost \$4,000.

TABLE 4

PORT HEIDEN EXPENDITURES

	FY 87	FY 88	FY 89
ADMINISTRATION, COUNCIL AND FINANCE	\$ 26,225	\$ 29,192	\$ 16,424
POLICE	3,700	3,992	2,250
FIRE	4,500	4,558	3,630
STREETS AND ROADS	26,800	18,667	14,725
AIRPORTS	0	0	0
REFUSE COLLECTION	0	0	0
OTHER PUBLIC WORKS	144,000		
FUEL		84,163	79,100
ELECTRIC		57,838	57,732
WASTE HEAT		2,377	00
HEALTH	10,700	6,773	9,100
CAPTIAL PROJECTS	0	24,396	25,604
OTHER EXPENDITURES	<u>6,000</u>	<u>6,773</u>	<u>4,550</u>
TOTAL EXPENDITURES	\$221,925	\$205,850	\$213,116

Source: Revenue Sharing Applications.

Administration: The City no longer employs an Administrator; the City Clerk and assistant clerk cover the administrator's duties and are permanent part-time employees paid a fixed hourly wage with no benefits. The projected reduced budget for administration this fiscal year is \$16,425, which includes funding for council and staff travel; this is a 32% reduction.

Insurance: The City carries liability insurance with an annual premium of about \$13,000.00. Port Heiden does not carry property loss insurance. City owned property is valued at approximately \$300,000; much of the property was purchased through grants.

Fire: The community has a two and a half year old fire truck and fifteen volunteer fire fighters. Estimated expenditures for fire service for FY89 are \$3,600.

The new two story, multi-purpose fire hall built in 1984 includes a detention room, a meeting room for council, fire fighters and other organizations, and an office for the VPSO. It also houses the city's 120 kw generator. The facility is heated by waste heat from the generator and it's maintenance (all done by volunteers) is excellent. Services have not had to be cut as costs are minimal. If State revenues continue to decline, the fire hall facility should still be fully operable since its operation and maintenance costs are so low.

Police: The community's VPSO resigned some time ago and the community has been unable to find a replacement. When a new VPSO is hired, Bristol Bay Native Association will pay his salary and benefits, and the City will pick up gas and maintenance for the vehicle, cover office expenses such as phone and supplies, and donate office space. Estimated police expenditures for FY89 are \$2,250.

Health Center: The clinic occupies a portion of the office building jointly owned by the City and village council. Bristol Bay Area Health Corporation pays rent to the village council for the clinic, and pays the full-time health aide's salary. The City bills the village council for waste heat for the clinic and uses the revenue to pay an additional part-time health aide \$500 per month. The village council pays utilities for the clinic.

Road Maintenance: Port Heiden maintains 27.4 miles of road which are in good condition. The City anticipates spending \$14,725 on roads this fiscal year. In past years more money was spent on road maintenance.

Water: There is no city water system; homes have individual wells.

Sewer: The Public Health Service installed individual septic systems for most residents and the City charges \$50 to pump a septic tank.

Electricity: Port Heiden has an electrical cooperative and residents pay approximately \$.20/kw hour. The City absorbs unpaid charges which average about \$10,000 per year. The City does not anticipate reducing these services or this subsidy.

Laundry: The City has no laundry facility.

Garbage: The City provides garbage pickup at a rate of \$11.00 per month per household and pays one person \$300 per month to collect the garbage.

LOCAL ECONOMY

The current economic climate in Port Heiden is healthy. The major source of residential income is commercial fishing. The 1988 season was successful and residents, for the most part, are financially secure.

The City recently moved a 250,000 gallon bulk fuel tank donated by the Air Force. The added storage capacity makes it possible to buy fuel in larger quantities which should help keep fuel prices down.

FUTURE FY90 LOCAL REVENUES

Port Heiden hopes that next year will be about the same financially as this year unless the Legislature cuts revenue sharing and municipal assistance funding.

The community received no raw fish tax revenues this fiscal year, although it has in the past and was hoping to again. There is a question as to the accuracy of reporting in the area, since a great deal of processing occurs near the village.

The council is still considering applying for grant funds to build a community center/itinerant housing facility. Charges for lodging would provide income for the community.

3. TANANA

SUMMARY OF CHANGES FROM FY 88

Tanana's FY88 budgeted revenues are 20% (\$194,126) less than in FY87. Most of the decline results from reductions in grants and a 58% decline in revenues from the City owned liquor store.

To save money, the mayor has taken on the duties of city clerk in addition to his duties as chief administrative officer of the City. The mayor's full attention is needed to solve the problems preventing the FY87 and FY88 audits from being done. Not doing these audits is preventing the City from obtaining at least \$100,000 in State Revenue Sharing. Thus the mayor taking on the clerk duties may prove costly to the City in the long run even though money is saved this year.

SETTING

Tanana is a primarily Koyukon Athabascan Native village with approximately 420 residents of whom 82% are Alaska Native. The population of Tanana is relatively stable. Although not the major regional center that it once was, Tanana continues to be important because of its location at the intersection of the Tanana and Yukon Rivers.

Major employers are the city school district, city government and the Tanana Native Council (the IRA Council). Subsistence activities (hunting, trapping and fishing) are also very important to the local economy. The existing unemployment rate is estimated at 80%. Major sources of income to residents include public assistance and other government payments (e.g. Food Stamps, Aid to Families with Dependent Children, and longevity bonus) as well as the State's permanent fund dividend.

Although Tanana has a larger population base than many communities in the Doyon Region it is similar to other communities. It is a Native community which bridges two cultures (caucasian and native), two economies (cash-based and subsistence), and two political systems (state chartered municipal government and federal chartered IRA council). It has been a traditional Native community in the area for hundreds of years. Tanana's reliance upon government entitlement programs and transfer payments also makes it similar to other villages located in the Doyon Region.

OVERVIEW OF CITY ADMINISTRATION

Tanana incorporated in 1961, and is one of a handful of first class cities in the unorganized borough. As a first class city, Tanana is also a school district. It has a six member city council and a mayor directly elected by the residents. Several new council members were elected in October, 1988.

In the year since publication of Impacts of Declining Revenues On Alaska's Smaller Communities (DCRA, March 1988), the City of Tanana has undergone a number of important organizational and financial changes. The most significant organizational change has been the mayor's assumption of the city clerk duties in addition to his duties as chief administrative officer. The Council and Mayor face a number of important financial issues that include finalizing the FY 87 and FY 88 audits (First Class Cities are required to have annual audits) and preparing the FY 90 City Budget.

The City employs twenty personnel during FY 89; 10 full-time and 10 part-time. This is a net decline of 1 full-time and 4 part-time employees from the preceding fiscal year. The City employed 11 persons during FY 87 and in FY 88 on a full-time basis. City jobs included the mayor on a full-time basis, village public safety officer, and eight health care providers with the Elders' Residence Program. Part-time positions include two maintenance workers, a sewer/water worker, elders' program worker, liquor store clerk, laundromat assistant, and teen center assistant.

REVENUES FY89

Tanana's FY89 revenues declined by approximately 20% between FY88 and FY89. Over 60 percent of the City's FY89 revenues are based upon government spending in the form of pass through funds and entitlement programs. In FY88 over 50 percent of the revenues came from these sources. The FY88 revenues were nearly equal to FY87 revenues. A major (25%) drop in revenues occurred between FY86 and FY87.

TABLE 5

TANANA REVENUES

	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$ 38,398	4.0	\$ 40,995	4.3	\$ 40,880.*	5.0
State Revenue Sharing	86,143	9.1	80,000	8.3	66,012	9.0
Other Government Revenue	406,960	42.4	420,873	43.8	386,804	50.0
Enterprise Revenues	322,700	33.6	333,406	34.6	238,322	31.0
Service Fees/Licenses/Permits	67,470	7.0	63,970	6.7	14,100	2.0
Tax Revenues	30,000	3.1	14,000	1.5	15,000	2.0
Other Revenues	<u>8,000</u>	0.8	<u>8,000</u>	0.8	<u>6,000</u>	0.8
TOTAL	\$959,671		\$961,244		\$767,118	

*Tanana's FY89 Municipal Assistance entitlement is actually \$36,332.

Source: Tanana Revenue Sharing Applications for FY 87 and FY 88; and, Communication with City of Tanana

Funding to operate the elders facility (a grant from the Department of Health & Social Services) and a substance abuse grant program for youth continue to be a major part of the "Other Government Revenues". In FY88 these grants were \$299,868.00 to operate the elders residence, and \$31,205.00 grant to operate programs to help young people avoid drug and alcohol problems. Grants for other capital projects are also included in this category.

The City owned and operated liquor store is also an important source of revenue; however, revenues dropped by at least 50% from FY88. Reasons for the decline in alcohol revenue are apparently linked to changing attitudes in the village about drinking, but may also be linked to current employment levels and income available in the village.

The City has experienced problems in the past with trying to collect past due bills. This problem has been addressed with some success by the City taking delinquent bills to small claims court. In addition, city services such as gravel sales and water delivery are now charged COD to insure prompt payment.

EXPENDITURES AND SERVICES

Like many of its neighbors in the Doyon Region, and across the state, Tanana has reduced its operating budget, laid off city employees, reduced hours, and frozen salaries. The first big cut came between FY86 and FY87 when the city's operating budget was cut by 25% across the board. But in FY89, a further cut of 18% has been made because of declining revenue.

TABLE 6

TANANA EXPENDITURES

	FY 87	FY 88	FY 89
ADMINISTRATION, COUNCIL AND FINANCE	\$ 98,377	\$ 98,377	\$ 78,329
POLICE AND OTHER PUBLIC SAFETY	56,955	56,955	65,705
FIRE	8,600	8,600	6,200
STREETS AND ROADS	30,120	30,120	24,622
REFUSE COLLECTION	8,665	8,665	6,445
WATER AND SEWER	72,916	72,916	57,163
OTHER PUBLIC WORKS	368,036	348,718	345,762
HEALTH	13,732	13,732	5,983
PARKS AND RECREATION	28,672	31,289	35,188
OTHER EXPENDITURES	<u>273,489</u>	<u>273,489</u>	<u>141,733</u>
TOTAL EXPENDITURES	\$959,652	\$940,244	\$767,130

Source: Revenue Sharing Applications and Communication with City of Tanana.

Administration: The City again cut this line item by deleting four part-time employees. FY89 expenditures reflect a cut by 20% for this line item.

Insurance: The City's liability insurance line item has decreased substantially because the city no longer insures municipally owned buildings for fire insurance. The FY89 amount budgeted for insurance is \$14,000. This is a 24% decrease from the amount spent in the preceding fiscal year.

Fire: The City has two fire trucks. Expenditures for fire protection have been reduced by 28 percent.

Police: Expenditures for police increased 15% in FY89. In FY87 the village safety officer program was initially funded at \$88,387 but was eventually reduced to \$56,955 to reflect the reduction of two village safety officers to one. In FY 88, \$56,955 was appropriated for this line item.

Clinic: The City's contribution to health related services dropped over 50 percent in FY89. The clinic is operated by the Native village council but receives part of its funding from the City. Services provided include outpatient care, treatment and prevention of common illnesses, pre-natal care, "well baby" care and family planning.

Road Maintenance: The City continues to provide road maintenance on 32 miles of gravel roads. The FY89 amount spent on road maintenance is a 16% reduction in funding from FY88. This line item also includes the garage utilities expense and was funded at \$29,200 in FY87, and remained the same for FY88.

Water: The city has one watering point (down from a high of three). There is no piped water but in FY88 water was supplied via a 300-gallon water truck to homes and businesses with water storage tanks. One of the services that has been cut from the FY89 budget is the water delivery service. Community residents now haul their own water or hire someone to do it for them.

Sewer: The city has a piped sewer system serving approximately 30% of the community. Since FY88 the City has not increased the rate for sewer service. The rate continues to be \$90.00 per month for commercial users. The City received a \$62,000 State grant to renovate the sewage lagoon.

Tanana is contemplating finishing the sewer and water project and has included the additional work in an FY 89 capital improvement project fund request to the Legislature. The project is to replace and repair the existing system.

Electricity: Tanana Power Company (TPC), a privately owned utility, provides power to the community from four diesel generators. Beginning in November, 1986 TPC sold power to residential customers for 47 per kilowatt hour (kwh) for the first 200 kwh, 44.5 for the next 200 and 40.9 over 400 kwh. The commercial rate is 39 for the first 10,000 kwh, 37.6 for the next 10,000 kwh and 35.6 for over 20,000 kwh. The State's power cost equalization subsidy reduces the first 750 kwh for all customers by 19.05 cents per kwh.

Laundry: The laundromat, which also contains community showers was constructed with a State grant in 1981. This service is needed because water is not piped to houses so it is difficult to haul sufficient water to homes for showers and laundry. Until the city revised rates, it had experienced an annual \$10,000 loss on the operation of the laundry. After raising rates by 25% in June, 1987, the city almost breaks even.

Garbage: The City collects and disposes of garbage but is considering a user fee to cover this cost.

Elders Residence: This facility was constructed with State grants and it costs approximately \$300,000 annually to maintain and operate. The city receives grants to pay for the entire operation.

FUTURE FY 90 LOCAL REVENUES

The City is looking at increasing the sales tax from 2% to 4%. A charge for garbage pick-up is also being considered by the administration and City Council. The City has been awarded a \$37,325 grant under the (federal) Community Development Block Grant Program to identify a long-term gravel source for future development in the community. The mayor is also exploring the possibility of hiring a city clerk under the Job Training Partnership Act (JTPA) so that some of his administrative burdens (like taking the minutes at meetings) can be delegated.

Individual line item budget cuts may take place depending upon future cuts to the State Revenue Sharing and Municipal Assistance programs. Loss of any pass through grant funds for the elders residence or for the youth programs would be very hard to overcome.

4. OLD HARBOR

SUMMARY OF CHANGES FROM FY 88

Old Harbor FY 89 revenues are 30 percent less than actual revenues in FY88. Footnotes in Table 7 show that Old Harbor drastically underestimated FY 88 revenues in its FY 88 budget submitted with the Revenue Sharing application. Preliminary checks indicate FY 89 actual revenues are about the same as budgeted revenues. Total Old Harbor revenue is about the same in FY 89 as it was in FY 87. This is possible because Raw Fish Tax revenues have increased to offset declines in Municipal Assistance.

SETTING

Old Harbor is a Second Class City located on Kodiak Island. It is within the Kodiak Island Borough and has a population of 380 people. Its' economy is mainly based on fishing, both commercial and subsistence.

OVERVIEW OF CITY ADMINISTRATION

The mayor, who administers the City, and City clerk are the administrative staff. The City clerk has 10, and the mayor 21, years of experience. Most Council members have served over 7 years.

REVENUES FY89

The FY89 City budget anticipates \$165,643 in new revenues; a decrease of \$73,516 (30%) from actual FY 88 revenues. Sources of revenue include State Revenue Sharing; Municipal Assistance; sales tax; boat harbor fees; Health Clinic; airport maintenance fees; rent from the regional nonprofit Native Association for preschool and senior citizen programs; crab pot storage fees; recreational fees; Raw Fish Tax; library grant; and, legislative capital improvement grants. However, the City's FY 89 revenue is 30% less than in FY 88, it is important to note that in comparing the City's FY 87 budget to the FY 88 budget that the FY 88 budget was 40% less. The City has managed to get back to the FY 87 level primarily because of Raw Fish Tax revenues and grants from the State.

In FY 88, the City budgeted \$99,998 in anticipated revenues and expenditures, excluding the anticipated carry over balance of approximately \$18,000. The expenditure for FY 88 is expected to be \$257,550 with revenues of \$239,159, excluding the revenues received from a legislative grant. Thus, there was a carry over cash balance of \$29,714 at the end of FY 88.

TABLE 7
 OLD HARBOR REVENUES

Source of Revenue	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$43,642	28.9	\$20,000.*	20.0	\$31,338.*	19.0
State Revenue Sharing	22,773	15.1	20,908.@	20.9	22,555.@	13.6
Other Government Revenues**	38,535	25.6	12,000	12.0	43,860.^	26.4
Enterprise Revenues	4,000	2.7	1,500	1.5	200	0.0
Service Fees/Licenses/Permits	30,906	20.5	36,170	36.2	30,352	18.3
Tax Revenues	5,000	3.3	3,500	3.5	3,100	0.2
Other Revenues	5,900	3.9	5,920	5.9	34,238.#	20.7
SUBTOTAL	\$150,756.##		\$99,998.##		\$165,643	
Carry Over From Previous FY	0		18,000		29,714	
TOTAL REVENUE	\$150,756		\$117,998		\$195,357	

*FY88 Municipal Assistance was actually \$31,404 and FY 89 was \$31,404.

**Includes \$12,000 (FY88) and \$24,000 (FY87) in raw tax refunds.

@Actual FY 88 and FY 89 State Revenue Sharing was \$25,898 each year.

^Anticipated Raw Fish Tax Revenue is \$43,000.

#Includes Legislative Grant \$15,000; BIA Road Grant \$5,000; and, Clinic Grant \$5,582.

##Actual FY 87 and FY 88 revenues were \$173,366 and \$239,159, respectively.

Source: Revenue Sharing Applications.

The City has a 3% sales tax. However, the tax delinquencies from local businesses are high and there has been no effort to collect the tax.

The City does not cut off services to residents who do not pay. In the last two years more residents have had the finances to pay for their services. A small number of residents are chronic late payers, more than a year behind in payments.

SERVICES

Budgeted FY 89 expenditures are 20 percent less than actual FY 88 expenditures. However, the actual FY 89 expenditures will have to be reduced by as much as 35 percent to match FY 89 revenues.

TABLE 8

OLD HARBOR EXPENDITURES

	FY 87	FY 88*	FY 89
ADMINISTRATION, COUNCIL AND FINANCE	\$103,695	\$46,785	\$119,116.**
POLICE	5,000	650	1,750
FIRE	2,000	400	563
STREETS AND ROADS	6,500	2,750	7,300
AIRPORT	2,800	2,750	2,750
HARBORS AND PORTS	8,800	1,500	1,000
MASS TRANSIT	500	0	0
REFUSE COLLECTION	9,000	4,500	3,575
OTHER PUBLIC WORKS	2,200	11,700	44,807.***
HEALTH	7,600	8,300	6,857
PARKS & RECREATION	3,400	2,000	0
LIBRARIES - CULTURE	4,000	3,950	6,920
PUBLIC SCHOOL SUPPORT	800	310	360
OTHER EXPENDITURES	500	8,000	10,128
TOTAL	\$156,795.*	\$93,595.*	\$204,766

*FY 87 and FY 88 expenditures were actually \$169,233 and \$257,550, respectively.

**Includes \$23,000 for an audit that will not have to be performed in FY 89.

***Water and Sewer Service \$27,007; Electrical Maintenance \$17,800 reimbursable by AVEC.

Source: Revenue Sharing Applications

Administration: The administrative costs were substantially increased from last year's budget. The increase represents the City's anticipated expenditure for an audit that has now been determined to be required by the end of FY 90. The increase also represents an increase previously eliminated in the FY 88 budget for a deputy clerk; travel; per diem; and, compensation for council members.

Fire: The City has a volunteer fire department with an "attack cat" type fire truck. Expenditures for fire service had a slight increase in FY 89. Fire protection expenditures were reduced by \$1,600 (80%) between FY 87 and FY 88. Fire service would not be eliminated if state subsidy funding was reduced or removed, however, fire fighting supplies and equipment will not be purchased this year.

Police: Funding for the city's VPSO is provided by the State. The City increased its FY 89 budget for the VPSO by \$1,150 to cover operation expenses and maintenance on the City's police vehicle. In FY 88, the city had to reduce its budget by \$4,350 for hiring guards and alternate VPSO's. The local contribution would be eliminated if future state revenues are reduced.

Clinic: The City receives grants from the Kodiak Island Borough and Indian Health Service for the operation and maintenance costs (\$3,000) for the clinic. Health aide salaries are paid by the Kodiak Area Native Association. City support for ambulance service (\$2,000) was dropped in FY 88. A reduction of \$443 from FY 88 was made in general operation and maintenance of the City owned clinic. The City would continue to have health care services even if City funding contributions were reduced because the borough has areawide health powers.

The City received a Legislative grant to renovate the clinic for \$93,000. Upon closer inspection of the clinic building's structural condition the City determined that renovation would be cost prohibitive and decided to build a new clinic. The City has completed Phase I of the new Clinic/Multi-purpose building. Additional funds are needed to complete the facility.

Road Maintenance: The City received a BIA Road Maintenance grant in FY 88 in the amount of \$5,000. The City expects to receive another grant for the same amount in FY 89. This grant is the reason for the 165 percent increase in FY 89 expenditures for roads.

Water: Although the City provides water, there is no charge for this service to residents. Water and sewer service is sold to floating processors that tie up at the dock for a fee of \$1,000.00 per month. The City increased the FY 89 budget by \$15,000 to cover anticipated expenditures to upgrade and maintain the water and sewer systems.

Sewer: The system is a combination septic and outflow pipe system for all buildings in the City. Because sewer operation and maintenance costs are included with those for the water service, it is difficult to distinguish costs associated with sewer operations only.

Electricity: AVEC provides electrical service to the City. AVEC contracts with the City to provide the salary for the plant operator. The power plant and transmission lines are owned by the City. The City does not have any liability insurance on their electrical system. Cost per KWH without PCE to residents is \$.325 for the first 1500 KWH used, with an additional \$.0301 fuel surcharge. The cost for power over 1500 KWH is \$.248. The City received only \$3,157 in sales tax receipts from the electrical utility in FY 88.

Garbage: The City includes this service in their operation budget line items for water service. Garbage collection is provided to residents, school, and floating processors tied to the City dock. The water plant operator also performs the garbage services. The City did not provide regular collection service for the first six months in FY 89. Current reduction to the operator's hours have resulted in the discontinuance of garbage collection and landfill maintenance. The FY 89 budgeted expenditure for this service was reduced by \$935 from FY 88.

Community Facilities: In total, the City received \$43,364 in FY 88 to operate and maintain facilities that house the following programs or entities: Senior citizen program; pre-school; library; clinic; village ANCSA corporation; the city heavy equipment; and, the tribal government administration. The City budgeted \$10,595 for expected operation and maintenance costs, excluding insurance, for the above mentioned programs and entities. Examples of operation costs are: Community Center/City Hall annual operating expenses exceed \$7,500; and Public Works Garage annual operating expenses are about \$5,000.

Insurance: The City has liability insurance only. The City anticipates a payment of \$23,000 in premiums.

ECONOMY

The Governor's Jobs Bill; legislative funds to construct the new clinic; and, the new school construction project the City has contracted with the Kodiak Island Borough to build have been the major contributors to the low unemployment rate during FY 89.

The economic situation is relatively good at this time. In past years, floating processors have hired local people to fill jobs and last summer's fishing season was lucrative. The major sources of income are derived from seasonal fishing activities (salmon, crab, halibut, herring, and cod); jobs from floating processors; and welfare programs.

More jobs might be created by expanding the use of the recently constructed community's subsistence freezer facility to accommodate commercial seafood products. This additional freezing capacity would allow longer duration in processing activity should floating processors continue to use the City dock.

FUTURE FY 90 LOCAL REVENUES

The City has recently introduced ordinances to establish rates for water, sewer, and garbage collection to be effective beginning in May of 1989. However, the City did not identify revenues for these services in the FY 89 budget.

The City perceives that next year's fishing season, including the prospect of floating processor activity within City limits, will mean the community's finances should be identical to this year. The City is continuing its efforts to collect boat harbor and moorage user fees from boat owners and past sales tax owed by local business.

Most services are not charged to consumers in the community, therefore, the City experiences insufficient funds needed to cover regular O & M or major repairs, especially, to the water and sewer system. It is uncertain if residents would support or could afford substantial increases in service charges for water, sewer or garbage disposal.

The City does not expect to reduce services this year and next. However, should the City reduce a service it would eliminate garbage disposal.

5. SELAWIK

SUMMARY OF CHANGES FROM FY 88

Selawik budgeted for an increase in FY89 revenues because the fees for the washeteria, cablevision, and building rent were increased. If these revenues occur as budgeted, Selawik will be in about the same situation as in FY88. However, the City has suffered two events which may reduce enterprise revenues and increase City costs. Thus the City may finish FY89 in worse shape than in FY88.

The farm project has been shut down due to lack of grant funds. This reduces employment opportunities, which may reduce enterprise revenues because people have less money to spend for things like cablevision and showers.

Selawik's water system was expanded to serve an additional 38 homes last fall. All of these lines froze during the cold spell this winter. It is not yet known how much attempts to prevent the freezing or to repair the damage will cost the City.

SETTING

Selawik is within the Northwest Arctic Borough and is located Southwest of Kotzebue. There are 682 people in the city which shows an increase of population from last year's 589. Government funded projects and transfer payments are the main sources of income. Subsistence activities are a major part of the local economy and culture.

OVERVIEW OF CITY ADMINISTRATION

The city has 3 positions in FY89 compared to 3.5 positions in FY88. No other cuts are planned right now.

REVENUES FY89

Revenues are budgeted to increase 10% in FY89. Most of the increase is due to funds for ice road maintenance from the State Revenue Sharing program. The City increased the service fees for the washeteria, cablevision and building rental which are reflected under Enterprise Revenue which is expected to triple in FY89. They also had a fund balance at year end FY88 of \$18,518 which is part of Other Revenue in the FY89 budget.

TABLE 9

SELAWIK REVENUES

	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$77,000	23.7	\$61,600	16.9	\$56,500	13.9
State Revenue Sharing	33,670	10.4	27,000	7.4	86,020	21.1
Other Government Revenue	12,393	3.8	88,500	24.2	30,000	7.4
Enterprise Revenues	26,352	8.1	29,335	8.0	104,611	25.7
Service Fees/Licenses/Permits	59,338	18.3	59,800	16.4	41,400	10.2
Tax Revenues	38,121	11.7	40,672	11.1	35,800	8.8
Other Revenues	<u>77,900</u>	24.0	<u>58,340</u>	16.0	<u>52,538</u>	12.9
TOTAL	\$324,7440		\$365,247		\$406,869	

Source: Revenue Sharing Applications.

EXPENDITURES AND SERVICES

Expenditures for FY89 are budgeted at 27 percent more than last year. The major increase is under police and building maintenance. After recent fires took lives, a Chief Fireman was hired. This position was not in previous years budgets. The Chief has been laid off because of lower than expected FY89 revenues.

The City has amended its FY89 budget two times this year to account for slight reductions in revenues (less than 1%). Reductions were made in the areas of Council, Fire, and Police expenditures.

TABLE 10

SELAWIK EXPENDITURES

	FY 87	FY 88	FY 89
ADMINISTRATION, COUNCIL, AND FINANCE	\$146,479	\$152,200	\$116,166
POLICE AND OTHER PUBLIC SAFETY	25,000	34,000	82,483
FIRE	300	0	13,603
STREETS AND ROADS	7,000	19,700	13,734
REFUSE COLLECTION	600	600	3,141
OTHER PUBLIC WORKS	72,221	70,000	58,273
HEALTH	0	8,000	7,374
OTHER EXPENDITURES	<u>10,000</u>	<u>11,746</u>	<u>11,693</u>
EXPENDITURES	\$262,600	\$296,246	\$406,467

Source: Revenue Sharing Applications.

Administration: The City staff consists of an administrator, bookkeeper and city clerk. The City had a janitor last year but cut that position and now employees do general cleaning around their own area. The City had a staff of seven in FY87 consisting of the administrator, administrative assistant, bookkeeper, city clerk, janitor, and two project coordinators. Since the City did not receive much funding for capital projects, the two project coordinators and the administrative assistant were laid off. Other staff took a cut in their hourly wage. The City also has cut back on paid holidays; council meeting fees; expenses on supplies; phone; travel; light and fuel bills.

Insurance: The City no longer pays for liability insurance. About \$700,000 in City property is not insured against loss. Most of the property was bought with State grants. Liability insurance cost \$5,900 in FY87.

Fire: After recent fires within the City, the council decided to include wages for a Chief Fireman but due to cut backs in revenues, he has been laid off. They currently rely on volunteers. There are no fire trucks but long hoses are available to connect to watering points. However, these watering points are frozen as a result of the cold spell this winter.

Police: The city currently has only one part time city patrolman compared to the three full-time positions in FY87. A full-time VPSO is funded by Maniilaq Manpower and serves as the Chief of Police. Restoring police services will be a priority if more funds become available.

Clinic: Because of cut backs in funding, Maniilaq can no longer pay for the alternate health aides. The City last year had to increase their budget in health to cover everything other than the main health aide which is paid for by the Maniilaq Association. The City Health Board holds bingo once a week to earn money to help pay for clinic expenses but bingo revenues are down because the unemployment rate is so high.

Road Maintenance: The city maintains the road to the landfill. Because they have no gravel source, the City uses boardwalks which serve as paths within the community. Increased expenditures are budgeted to maintain ice roads but the increase in revenues from the State Revenue Sharing program pays for this increase.

Water: The City provided piped water to 11 homes in FY87 as a pilot project to see if the pipes would freeze. They did not. Therefore, the City went ahead and piped water to 38 additional homes this last fall. All lines froze during the cold spell mainly because the water was not heated with waste heat before it went out to the homes. Currently, the City is evaluating the situation. The school currently pays \$62.50 per day for water service.

No charges are made for water services to homes. Preliminary investigations indicate that water and sewer service to each house in the village would cost about \$50.00 per month per house. This fee will be difficult for many villagers to pay.

Sewer: Homes in Selawik do not have septic tanks or sewers. Individuals haul their honeybuckets to the dump. The school pays \$62.50 per day for city sewer service.

The City has a grant to construct sewer service to homes. A decision on what kind of sewer service to build depends on the results of the pilot project discussed under water services.

Electricity: AVEC provides electricity.

Laundry: This facility provides washers, dryers, showers and drinking water. Because there is no running water in houses, the laundry and showers are essential for maintaining community health. The City recently had to increase the costs of laundry tokens in order to cover operating costs. Although the fees received from the laundry facilities are enough for operating expenses, they do not provide a reserve to replace broken equipment.

Cable Television: The City has set up a cable system and is receiving enough money to put in a reserve account to earn interest after covering operating costs. It has about 80 customers. The City has strict policies for non-payment of the service fee.

Community Facilities: The city has constructed two facilities with State grants; a City Office building for \$300,000.00, and a Multipurpose Building at \$200,000.00.

Both buildings do not have water or sewer. The City has cut back by providing heat to the multipurpose building only when the building is to be used. The people that use the building must pay for their own fuel and must clean the building after use. The City has increased rental rates for office space it rents to others.

LOCAL ECONOMY

Unemployment is high because there have been few capital projects to provide local jobs. The major sources of income are AFDC and food stamps. Most of the few jobs in the village are provided by the school, city and the two local stores. The Farm Project, which provided some employment, has been shut down due to lack of funding. Families leave the village for seasonal jobs but eventually move back from Kotzebue or Anchorage.

FUTURE FY90 LOCAL REVENUES

If the City does not receive any capital funding and the State Revenue Sharing/Municipal Assistance programs are cut again; the City will barely be able to make it. Especially if unplanned problems arise such as equipment break downs or the frozen water system proves difficult to fix.

6. NIKOLAI

SUMMARY OF CHANGES FROM FY 88

Nikolai revenues, which continue to decline, are down 14% from FY 88. The largest cut in expenditures is for administration \$34,890 (30%).

For several years Nikolai has been able to supplement its general fund with revenues from the enterprises it operates. However enterprise revenues are also going down because residents have less money to spend on gasoline, electricity and the recreation center pool table. Likewise revenues from the city owned lodge are down because there are fewer travelers.

Major changes in the state Power Cost Equalization program will probably wipe out most of the enterprise revenues which currently supplement Nikolai's general fund because residents would have to pay more for electricity so they would have less to spend on gasoline.

SETTING

Nikolai is a primarily Athabascan native village, incorporated as a second class city in 1970. Nikolai has 119 residents of whom the majority are Alaska Native.

Major employers are the City government, the school, and the store. The clinic and the post office each employ one person, and there is a part-time DOT/PF employee for the airport. Other jobs are seasonal, such as fire fighting and trapping. Subsistence activities are also very important to the local economy. Nikolai's dependence on government entitlements and grants and isolation make it a typical example of a rural village in interior Alaska.

OVERVIEW OF CITY ADMINISTRATION

The City of Nikolai does not have the manager form of government. It does have a city administrator. The City has one full-time (the administrator) and six part-time employees. This is the same level as last year, but the hours have been cut. Part-time positions include the City clerk, the janitor, a maintenance person, light and power person, streets and roads worker and a cable TV operator.

REVENUES FY89

Revenues are projected to be down an additional 14% from FY 88 and 31% from FY 87. Government Revenues are down due to fewer grants this year, and Enterprise Revenues are also down because of less gasoline sales. Most enterprise revenues for FY 88 were from

electricity (\$138,950) and gasoline sales (\$40,500). FY 89's grants are expected to be about \$11,370 less than FY 88.

TABLE 11

NIKOLAI REVENUES

Source of Revenue	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$16,000	4	\$9,540	3	\$9,718	3
State Revenue Sharing	28,207	7	27,290	9	33,396	13
Government Revenues	29,668	8	40,680	13	22,370	8
Other Revenues	10,684	3	3,530	1	4,300	2
Enterprise Revenues	<u>293,343</u>	78	<u>222,310</u>	73	<u>192,216</u>	74
Totals	<u>\$377,902</u>		<u>\$303,350</u>		<u>\$262,000</u>	

Source: Revenue Sharing Applications and City Officials.

SERVICES

Nikolai has continued to cut its operation budget, mainly through reduced hours and reduced wages. In FY 88, the City's operation budget was cut by 21% and in FY 89 it was cut another 14%.

Table 12

NIKOLAI EXPENDITURES

	FY 87	FY 88	FY 89
ADMINISTRATION, COUNCIL, AND FINANCE	\$125,555	\$115,040	\$80,150
POLICE AND OTHER PUBLIC SAFETY	0	0	0
FIRE	1,700	220	0
STREETS AND ROADS	6,938	4,270	2,500
REFUSE COLLECTION	1,524	310	400
WATER AND SEWER	2,760	1,940	500
ELECTRIC POWER GENERATION	111,998	78,330	85,800
HEALTH	4,600	3,900	1,800
PARKS AND RECREATION	10,218	4,660	5,100
OTHER EXPENDITURES	<u>117,617</u>	<u>94,320</u>	<u>85,750</u>
TOTAL EXPENDITURES	<u>\$381,910</u>	<u>\$302,990</u>	<u>\$262,000</u>

Source: Revenue Sharing Applications.

Administration and Finance: This includes salaries for the administrator and the part-time clerk. In FY 88 this cost was \$115,040. For FY 89, \$80,150 has been budgeted.

Insurance: In FY 89, the City paid \$24,000 for insurance. This covers everything except hull insurance on their tugboat and collision on a couple pieces of equipment.

Community Center: In FY 88 this expenditure was budgeted at \$20,840, but has been reduced to about \$12,000 for FY 89. The center is not expected to pay for itself.

Fire: This line item was not budgeted for FY 89.

Police: Nikolai does not budget for this item. It has no police service other than State troopers stationed in McGrath.

Clinic: The space for the clinic is rented to the Indian Health Service for \$695 per year; down from \$1,200 per year. The clinic is operated by the Tanana Chief's Conference (TCC), but receives part of its funding from the City. Services include outpatient care; treatment and prevention of common illnesses; pre-natal care; well baby care; and, family planning. TCC pays for the aide; two alternates; and, one half of the substance abuse counselor. The City pays for the other 50% of the substance counselor as well as all utilities and heat for the clinic. In FY 88 the City's cost for the clinic was \$3,900, which was reduced to \$1,800 in FY 89.

Road Maintenance: The City provides road maintenance on 3.9 miles of gravel roads. Funding was \$4,200 in FY 88, and was reduced to \$2,500 in FY 89.

Water and Sewer: Water is available at the community center/laundromat at no charge. Waste disposal is by pit privies for residences and a septic system for the community center. In FY 89, this line item is \$500, down 74% from \$1,940 in FY 88. It is hoped that this will pay for well maintenance and supplies.

Electricity: The City of Nikolai provides power to the community from two diesel generators. The cost of power is \$0.50 per kilowatt hour (kwh) for residential and commercial customers. The State's power cost equalization subsidy reduces that cost to all customers by 21.01 cents per kwh. Budgeted expenditures for this line item were \$78,330 in the FY 88 budget, and \$85,800 in FY 89.

Laundry: The laundromat is part of the community center building, constructed by a State grant. It is operated in the black, due to a great reduction in operating costs for FY 88. The budget, which does not include heat and utilities as the laundromat is in the same building as the community center, was \$1,250 for FY 88, and the same for FY 89. Revenues are projected to be \$7,500 in FY 89.

Garbage: Residents take their own garbage to the City operated land fill. There is no charge for this service. This City has budgeted \$400 for FY 89, up from \$310 in FY 88.

Summer Youth Employment Program: This program was not budgeted in FY 89.

Parks and Recreation: A major reduction occurred in this line item from \$10,218 in FY 87 to \$4,660 in FY 88. The FY 89 budget is \$5,100, with expected revenues of \$6,500, primarily from the pool table and pop sales.

Libraries: No grant was received in FY 89.

OTHER EXPENDITURES

Cable TV Service: The City owns and operates the cable TV service. In FY 88, the amount for cable TV was \$18,110. The service continues to lose money. Projected income: \$9,000.

Apartment Rentals Enterprise: The City owns and rents out apartments for additional income. Operational costs were budgeted at \$880 in FY 88. Projected income for FY 89 is anticipated to be \$7,750, including "hotel" rental.

Lodging Enterprise: This is a City-owned "hotel" for transients. In FY 88, \$2,330 was budgeted for this item.

Fuel Sales Enterprise: With a budget of \$33,500, anticipated sales will allow them to break even.

LOCAL ECONOMY

Major sources of income to residents remain City jobs, public assistance and other government payments, as well as the permanent fund dividend.

There are no plans for further capital projects which would create jobs.

FUTURE FY 90 LOCAL REVENUES

They don't expect further cuts in their budget, unless State Revenue Sharing and Municipal Assistance are cut. Revenue from enterprise activities are anticipated to remain about the same level as this year. There may be some added revenue, if plans to lease their tugboat work out.

7. KAKE

SUMMARY OF CHANGES FROM FY 88

FY89 revenues are projected to be slightly (3.5%) higher than in FY88. Most of the projected increase is to come from the 70 percent increase in water and sewer service fees. However, the recent closing of the fish processing plant may result in fewer local jobs which means people may not be able to pay the increased user fees. If enterprise revenues do not meet projections, then Kake will end up in worse shape at the end of FY89 than it was in FY88.

SETTING

Kake is a first class city located on Kupreanof Island in Southeast Alaska. It has a population of 665. As a first class city, Kake also has its own school district.

OVERVIEW OF CITY ADMINISTRATION

The City of Kake does not have the manager form of government. In FY 88 the mayor received a salary and worked full time to meet his responsibilities for city administration. In FY 89, the city decided to hire a full time city administrator. As a result, Kake's administration and finance expenditures increased by 45 percent. The City currently has 11 full-time and 6 part-time permanent employees and hires temporaries as needed. This compares with a level of 19 employees last year and 22 in FY 87.

REVENUES FY89

According to the City's FY 89 budget, revenues are projected to be up 3.5 percent from last year (Table 13). There is an increase in projected "Tax Revenue" due to a recent annexation and an increase in the sales tax rate from 3% to 5%. The increased "Enterprise Revenues" are a result of increasing utility user fees 70 percent and larger liquor store receipts. The "Other Revenues" category is down drastically because city equipment has not been rented very much.

TABLE 13

KAKE REVENUES

	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$ 79,000	13	\$ 68,000	10	\$ 56,797	8.2
State Revenue Sharing	\$ 45,000	7	\$ 35,000	5	\$ 29,000	4.2
Other Government Revenues	\$147,700	24	\$108,666	16	\$ 108,166	15.7
Enterprise Revenues	\$180,600	29	\$175,500	27	\$ 312,000	45.1
Service Fees/Licenses/Permits	\$ 45,000	7	\$ 800	0.1	\$ 800	0.1
Tax Revenues	\$ 75,000	12	\$ 62,500	9	\$ 115,000	16.6
Other Revenues	<u>\$ 45,000</u>	7	<u>\$216,650</u>	33	<u>\$ 69,276</u>	10.1
Total	\$617,300		\$667,116		\$691,039	

Source: Revenue Sharing Applications.

EXPENDITURES AND SERVICES

Budgeted expenditures for services increased 4 percent from FY 88 (Table 14).

TABLE 14

KAKE EXPENDITURES

	FY 88	FY89
City Council	\$26,900	\$18,250
Administration & Finance	99,320	144,370
Land Planning	17,700	16,500
Other General Gov't	46,500	48,000
Police Dept.	97,600	91,100
Fire Dept.	4,600	3,600
Jail	25,700	19,914
Road Maintenance	38,700	38,700
Boat Harbor	16,350	12,304
Garbage Collection	25,642	24,040
Water & Sewer	79,135	79,570
Community Building	37,400	36,206
Dock & City Shop	2,000	2,340
Health Clinic	2,000	5,345
Public Schools	30,000	77,000
Debt Service	5,000	5,000
Other Expenses	<u>112,000</u>	<u>66,600</u>
TOTAL	\$666,547	\$688,839

Source: Revenue Sharing Applications

Fire: The City owns the building in which the small fire department is located. The Department operates with a small staff and volunteers. The FY 89 budget has been reduced 22 percent from FY 88. The city pays for the heating fuel, electricity and maintenance and operation of the fire truck. Volunteer fire fighters are on 24 hour call. Staff are trained in emergency medical services and participate in search and rescue operations.

Police: Kake has a VPSO position, a police chief and two patrol officers. Police officers are required to patrol daily. There are three cells located in the police department building and staff is responsible for the safety of prisoners. The City has a contract with the State for \$15,000 to provide jail services. The City provides funding for all miscellaneous items including meals, lights, water, etc. Even though the City made severe cuts to the police department in FY 88 (elimination of a patrol office, reduction in vehicle maintenance, salaries reduced, etc.), the FY 89 police department was reduced by nearly 7percent.

Clinic: The city owns and operates the health clinic and spends approximately \$5,300.00 for fuel, electricity, and phone bills. The city also provides funding for the operation and maintenance of the ambulance. No reductions were made in FY 89 and there are no plans to reduce the level of service or funding. The Indian Health Service provides funding for clinic operations.

Road Maintenance: There has been no reduction in road maintenance. The city receives \$46,700 from a State contract to maintain State roads. The city owns a grader, but it is in poor condition and needs constant repair and maintenance. The city provides fuel for road maintenance.

Water/Sewer/Garbage Collection: The City provides residents with piped water and sewer service and garbage collection. Due to the increased costs of providing these services, in FY 89 the City raised its monthly rates from \$14.00 to \$24.00 for residential users and up to \$41.00 for commercial users. Additionally, the City charges the School District and Cold Storage \$500.00 a month for these services. The City hopes to extend and upgrade the sewer system and is currently seeking grant funds for that purpose.

Public Schools: Spending in FY 89 is 157 percent greater than in FY 88. As a first class city located outside a borough, the City operates and maintains a public school system. As a result of recent legislation regarding local support for public schools, the City anticipates having to spend a substantial amount more on its school system in the future.

Community Facilities: The city owns and operates the community building. Space is rented to Kake Tribal Corporation which also pays one half of the insurance.

LOCAL ECONOMY

The local economy is based on the fishing and timber industries. Unfortunately for the City, the fish processing cold storage plant recently closed down with no foreseeable start-up date. The logging industry is projected to be stable for next year.

FUTURE FY90 LOCAL REVENUES

Due to the fish processing plant closure, the financial outlook is not very optimistic. Even with the significant increases in user fees, the City has recently been forced to cut all overtime for City employees, and has made one full time position into part time. The City anticipates having to use fewer employees.

8. UPPER KALSKAG

SUMMARY OF CHANGES FROM FY 88

Compared to FY88, Upper Kalskag had a banner year. Revenues were up 25% thanks mostly to receipt of \$9,241 from the sale of a truck and an IRS refund. This one-time source of revenue made it possible for the City to carry insurance this year at a cost of \$13,000, while continuing to operate at the same level as in FY88.

In most years over 70% of Kalskag's revenue is from Revenue Sharing or Municipal Assistance. This community is a good illustration of a small community that offers few services beyond a minimal level of public safety. In FY'90, Kalskag faces the challenge of paying to operate and maintain its new multi-purpose fire hall. Any decline in State Revenue Sharing and Municipal Assistance funds may make it difficult for the council to operate this new facility.

SETTING

Upper Kalskag is primarily a Yup'ik Native village located approximately 80 air miles northeast of Bethel. It was incorporated February 13, 1975 as a second class city. Approximately 165 residents live year round, of whom 90% are Alaskan Native.

Major employers in the community are the Kuspuk School District, Bush Telephone, State Airport (DOT), Yukon Kuskokwim Health Corporation, and the City government. Although cash is essential, subsistence is more important to the residents and local economy. Upper Kalskag is a typical rural small native village located in the Calista region.

OVERVIEW OF CITY ADMINISTRATION

Upper Kalskag has a seven member council with the mayor included. Each member, except the mayor, has an average of four years of local government experience. Presently the council members are comfortable with what they have accomplished in the village as a 2nd class city. It is the mayor's goal to make improvements in the delivery of governmental services every year. The clerk has been with the City for 3 years and is very competent in her position. The council has proven it can perform and take actions to remedy problems it faces.

Presently the City employs 3 full time positions, which includes the City clerk, janitor, and health aide. Half-time employees include two health aides and a village police officer. The City had the same number of positions last year.

REVENUES FY 89

The City's FY 87 budget was 25 percent less than in FY 86. A further reduction of 20 percent was made in the FY 88 budget. FY 89 revenues increased 19 percent thanks to an IRS refund and sale of a city truck. State revenue sharing and municipal assistance account for 76 percent of revenues in FY 89 (Table 15).

Presently the City is not generating any sort of local revenues. In the past the general sales tax has been proposed with poor results. The council is looking into how it could generate funds with other means.

TABLE 15

UPPER KALSKAG REVENUES

Source of Revenue	FY 87		FY 88		FY 89	
	Amount	%	Amount	%	Amount	%
Municipal Assistance	\$16,630	21.4	\$13,600	22.7	\$14,244	20.0
State Revenue Sharing	41,604	53.4	32,000	53.3	34,480	48.0
Other Government Revenue	781	1.0	0	0.0	0	0.0
Service Fees/Licenses/Permits	18,244	23.4	13,716	22.9	13,656.**	19.0
Other Revenues	650	0.8	670	1.1	9,241.*	13.0
TOTAL	\$77,909		\$59,986		\$71,621	

** Health Clinic Lease

* Sale of Truck \$1,500; IRS refund \$7,741

Source: Revenue Sharing Applications.

EXPENDITURES AND SERVICES

In FY 87 and FY 88, the City's budgets were cut by 20% across the board. Table 16 shows a comparison of expenditure budgets in FY 87, FY 88, and FY 89. As of the date of this writing Upper Kalskag was adjusting its FY 89 budget to reduce expenditures to match revenues. The city has more to spend in FY 89 because of the IRS refund.

TABLE 16

UPPER KALSKAG EXPENDITURES

	FY 87	FY 88	FY 89
ADMINISTRATION, COUNCIL AND FINANCE	\$37,165	\$28,981	\$44,782
PLANNING AND ZONING	4,600	0	0
POLICE AND OTHER PUBLIC SAFETY	3,000	11,080	6,680
FIRE	300	255	0
STREETS AND ROADS (Includes Ice Road)	8,200	5,364	3,800
REFUSE COLLECTION	5,350	154	610
OTHER PUBLIC WORKS	0	0	1,000
HEALTH	10,815	11,246	14,401
PARKS AND RECREATION	350	500	1,500
OTHER EXPENDITURES (FICA, ESC & taxes)	<u>4,900</u>	<u>1,500</u>	<u>5,203</u>
TOTAL EXPENDITURES	<u>\$74,680</u>	<u>\$61,037</u>	<u>\$77,976</u>

Source: Revenue Sharing Applications and City officials.

Administration & Finance: The major increase in this line item results from \$13,000 for insurance which the city did not have in FY 88.

Fire: Presently there is no fire department but in FY 87, the City had \$300.00 to provide fire extinguishers to private homes. In FY 88 this item was budgeted at \$255.00. In June 1, 1987, the City received a Rural Development Assistance Grant for \$64,800.00 to purchase a fire fighting truck. Estimated costs in FY89 are \$1105.00 for parts and fuel.

Upper Kalskag and Lower Kalskag are jointly building a fire station multipurpose building. They are hoping to complete this project this fiscal year. The multipurpose building needs about \$605,000 more to be completed. Funds have been requested from the Legislature. The Mayor produced a video tape of the building and showed it to Representative Wallis' and Senator Binkley's office staff. Estimated O & M costs for the building are \$70,000.00 (including administration). Upper and Lower Kalskag are working together on how to pay the costs. They are anticipating leases from the health clinic, postal services, and VPSO. User fees are being planned for fire protection and teen center.

Police: The City has one half time police officer plus a full time Village Public Safety Officer (VPSO) which is funded by AVCP. In FY 87 the police officer was full time and funded at \$8,974.00. Initially the police officer was funded as full time in the FY88 budget at \$11,080. Since the City had a full time VPSO funded by AVCP, the police officer was reduced to a half-time position at \$5080 in FY 88 and is also half time in FY 89.

Clinic: In FY 87 this was funded at \$19,365.00. In FY 88 it was cut back to \$11,246 but has increased to \$13,656 in FY 89. Services are mostly outpatient care and prevention of common illnesses. These funds are from leasing the clinic to the Indian Health Services.

Road Maintenance: The City has 1.5 miles of gravel roads that it maintains. In FY 87 this was budgeted at \$950.00. In FY 88 it was budgeted at \$759.00. There is a state highway between Upper and Lower Kalskag which the state maintains.

Ice Roads: The City has 16.5 miles of ice roads that it budgeted at \$6,000.00 in FY 87. In FY 88, \$4,605.00 was appropriated. In FY 87 the City spent \$7,151.00 on this item. In FY 89, there is an agreement with the City of Aniak to do the ice roads. Aniak will get the funds because they have the necessary equipment and Kalskag does not.

Water and Sewer: This is not provided. Everyone takes care of their own. There are one or two septic tanks in the village.

Garbage: A garbage disposal site is being constructed in cooperation with Lower Kalskag. When complete this will create three new full time positions. User fees at the rate of \$5 to \$10 per household are being considered to help fund the positions. The councils are still working on what the user fees and salaries will be.

Electricity: Provided by AVEC.

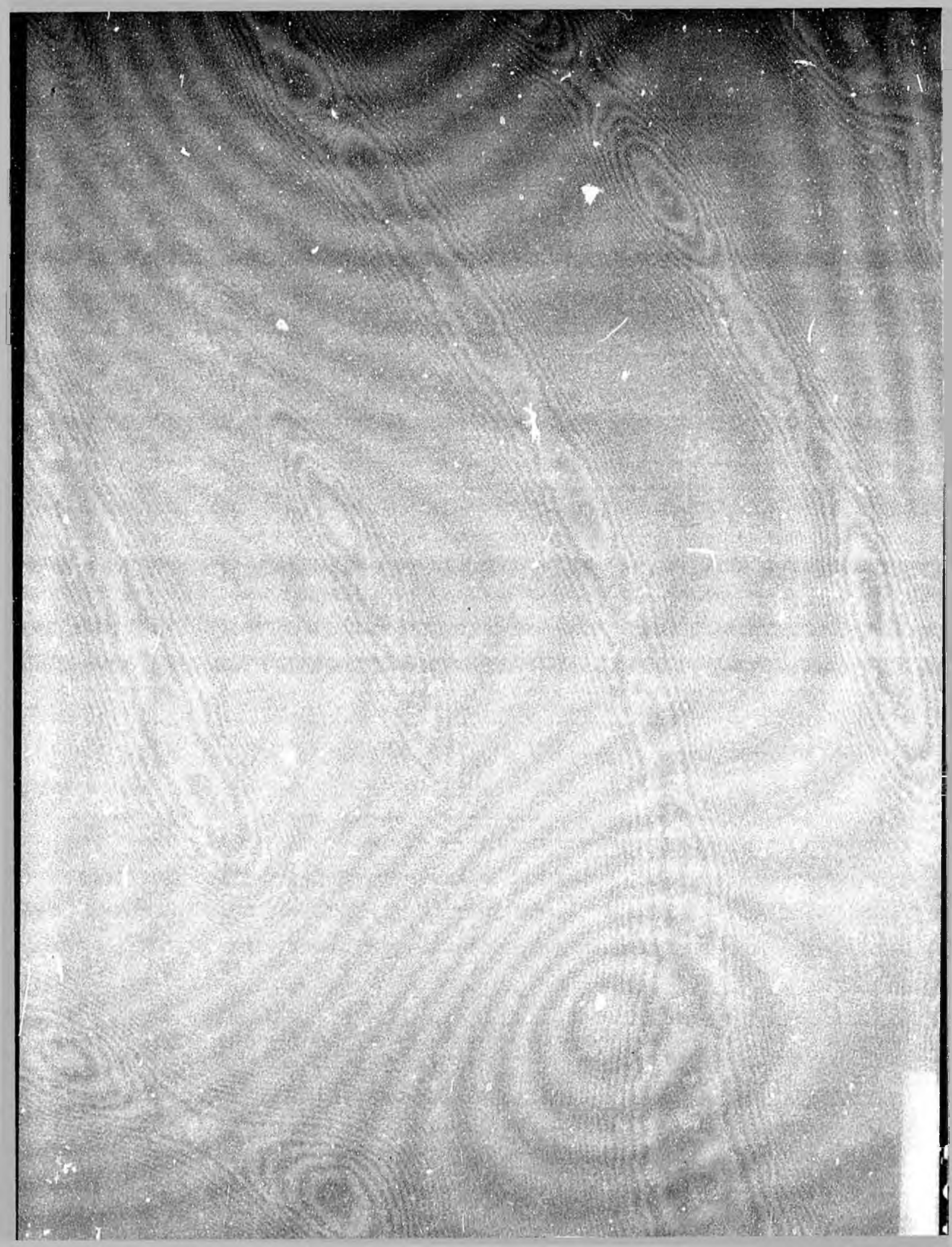
Laundry: No facilities.

LOCAL ECONOMY

Major source of income to residents include public assistance and other government payments such as food stamps, Aid to Families with Dependent Children, and longevity bonus as well as state permanent fund checks. Employment opportunities are few and low paying. The mayor works 4 hours per day without compensation. This is due to the City not being able to afford an administrator.

FUTURE FY90 LOCAL REVENUES

Upper Kalskag in the beginning of FY 89 was in stable financial status. The City was following its budget guidelines and was keeping up with tax payments due IRS and the State. This City will face a reduced budget in FY90 because there will be no IRS refund or truck sale. These extra, one-time revenues made it possible for the City to buy insurance in FY89. Any major cuts in Revenue Sharing or Municipal Assistance could shut the city down in FY90.



FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An Act relating to entitlements for municipalities..."
Sponsor: Reps. MacLean, Foster & Jacko
Requestor: _____

Agency Affected: Community & Regional Affairs
BRU: Municipal Revenue Sharing
Components: State Revenue Sharing

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS						
TOTAL OPERATING	-0-*	-0-*	-0-*	-0-*	-0-*	-0-*

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-*	-0-*	-0-*	-0-*	-0-*	-0-*

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

3,510 in FY 90 in grants & claims.

*It is assumed that the amount of funds identified in Section 3 of this bill would become the new base amount for the State Revenue Sharing Program for subsequent fiscal years. SEE ATTACHMENT.

Prepared by: Jim Blasman, Deputy Director
Division: Municipal & Regional Assistance

Phone: 465-4750
Date: _____

Approved by Commissioner: Howard G. Hoffm
Agency: Community & Regional Affairs

Date: 2-23-90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

FISCAL NOTE ATTACHMENT
HB 101

This bill would increase the amount of funds issued to recipients under the State Revenue Sharing Program by increasing minimum entitlements for unincorporated communities and municipalities from \$25,000 to \$50,000. Since this would affect the allocation of funds under the revenue sharing formula, the reallocation of funds would result in a decrease in entitlements to other revenue sharing recipients in the absence of additional funds for the program. This bill would take effect only if additional funds are made available to "hold harmless" those other recipients.

This fiscal note is based upon the difference between the FY 89 State Revenue Sharing appropriation and the amount in Section 3 of the bill. That amount (\$3,510,000) represents the amount necessary to "hold harmless" other recipients.