



Fairbanks North Star Borough

MAYOR'S OFFICE

mayor@fnsb.gov
Main: (907) 459-1300
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MEMORANDUM

TO: Fairbanks North Star Borough Assembly

From: Bryce Ward, Mayor *BW for Bow*

Date: March 11, 2021

Subject: Ordinance 2021 – 14
FMR and CIP Reorganization

Attached for your consideration is an ordinance that if adopted would rename, redefine and establish in FNSB code the Facilities Maintenance Reserve (FMR) as the Capital Improvement Program Maintenance Reserve (CIPMR). If adopted as presented, this ordinance would:

- Dissolve the FMR and its lapsing provisions
- Establish the CIPMR with lapsing provisions
- Add a definition of “fund” to FNSBC 7.04.010 and 7.12.010
- Update FNSBC 7.04 to add a new section governing establishment of reserve accounts
- Increasing the annual contribution to capital projects from 9% to 10% of areawide tax revenue.
- Recompute the February 2021 transfers for the FY2019-20 net general fund lapse as if the provisions of this proposed ordinance were in effect at the time of the audit committee’s acceptance of the FY2019-20 audit and financial reports.

I urge your adoption of this ordinance.

Attachments: Ordinance

/jw



1 By: Bryce J. Ward, Mayor
2 Aaron Lojewski
3 Marna Sanford
4 Introduced: 03/11/2021
5

6 FAIRBANKS NORTH STAR BOROUGH

7
8 ORDINANCE NO. 2021 – 14
9

10 AN ORDINANCE RENAMING AND REDEFINING THE FACILITIES MAINTENANCE
11 RESERVE ESTABLISHED IN ORDINANCE NO. 99-016 TO THE CAPITAL IMPROVEMENT
12 PROGRAM AND MAINTENANCE RESERVE BY AMENDING FNSBC TITLE 7 TO ADD
13 DEFINITIONS OF FUND AND RESERVE ACCOUNT, ADDING NEW SECTIONS TO
14 ESTABLISH RESERVE ACCOUNTS INCLUDING THE CAPITAL IMPROVEMENT PROGRAM
15 AND MAINTENANCE RESERVE ACCOUNT, PROVIDING FOR A GENERAL FUND
16 TRANSFER TO THE CAPITAL IMPROVEMENT PROGRAM AND MAINTENANCE RESERVE,
17 REQUIRING A CONTRIBUTION TO THE CAPITAL IMPROVEMENT PROGRAM AND
18 MAINTENANCE RESERVE IN THE MAYOR’S PROPOSED BUDGET, AND MAKING OTHER
19 RELATED CHANGES; AND, RECOMPUTING AND ADJUSTING THE FEBRUARY 2021
20 TRANSFERS OF THE FISCAL YEAR 2019-20 “NET GENERAL FUND LAPSE”
21

22 WHEREAS, The Capital Improvement Program (CIP) was redefined by the
23 Assembly with Ordinance No. 2019-35; and
24

25 WHEREAS, Ordinance No. 99-016 established the Facilities Maintenance
26 Reserve Fund (FMR); and
27

28 WHEREAS, Over time, the use of the FMR has changed to now be the
29 primary mechanism to fund the CIP which includes such things as major maintenance,
30 renovation or rehabilitation, expansion, demolition, and new construction; and
31

32 WHEREAS, It is the intent of this ordinance to rename the FMR, to establish
33 it in Fairbanks North Star Borough (Borough) Code, and to change its purpose so that it
34 can be used for all types of major facility needs related to the capital improvement
35 program, including new construction projects; and

AMENDMENTS ARE SHOWN IN LEGISLATIVE FORMAT
Text to be *added* is underlined
Text to be *deleted* is [BRACKETED, CAPITALIZED]

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WHEREAS, The primary funding mechanism of the CIP is the FMR; and

WHEREAS, The Borough Assembly created a mandatory funding mechanism for the FMR with Ordinance No. 2018-46 by requiring the mayor to propose a budget with seven percent of current areawide tax revenue being contributed to the FMR; and

WHEREAS, The Assembly increased the FMR contribution requirement amount from seven percent to nine percent of current areawide taxes with Ordinance No. 2019-48; and

WHEREAS, Ordinance No. 2005-72 first provided for prescribed, yet sporadic, contributions from the general fund to the FMR, amended by Ordinance No. 2012-01 and now codified at FNSBC 7.04.120(A); and

WHEREAS, FNSBC 7.04.120(A) provides for a transfer from the general fund to the FMR from a portion of the Code-defined "net general fund lapse," if any; and

WHEREAS, Annual budgeting for major facility needs is a more advisable mechanism to fund these needs rather than relying on a general fund lapse; and

WHEREAS, If at the close of the fiscal year, funds remain unspent, investing them into a sustainable capital improvement program can be considered prudent; and

WHEREAS, Excess funds above the requirements of the CIP could be used to lower taxes, cover revenue shortfalls, or stabilize Borough finances; and

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64 WHEREAS, The code-defined “net general fund lapse” is calculated using a
65 budgetary basis which does not correspond to the GAAP-basis change in the general
66 fund’s unassigned fund balance; and

67
68 WHEREAS, Consequently, it is sensible to remove the use of a budgetary
69 lapse and to instead use only the change in GAAP-basis unassigned fund balance to
70 determine any transfer to the capital improvement program and maintenance reserve
71 based on the results of the prior fiscal year.

72
73 NOW, THEREFORE, BE IT ORDAINED by the Assembly of the Fairbanks
74 North Star Borough:

75
76 Section 1. Sections 3 through 8 of this ordinance are of a general and
77 permanent nature and shall be codified. Sections 1, 2, 9, and 10 of this ordinance are
78 not of a general and permanent nature and shall not be codified.

79
80 Section 2. The facilities maintenance reserve fund as established by
81 Ordinance No. 99-016 is dissolved, and the facilities maintenance reserve fund is
82 reestablished as the capital improvement program and maintenance reserve (CIPMR) as
83 set forth in this ordinance.

84
85 Section 3. FNSBC 7.04.010, Definitions, is amended as follows [the Clerk
86 shall add or amend the definitions in alphabetical order]:
87 “Fund” means a [SEPARATE ACCOUNTING ENTITY ESTABLISHED FOR A SPECIFIC
88 PURPOSE] fiscal and accounting entity with a self-balancing set of accounts that is used
89 to record cash and other financial resources, together with all related liabilities and
90 residual equities or balances, and changes therein, that are segregated for the purpose
91 of carrying on specific activities or attaining certain objectives in accordance with special

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92 regulations, restrictions, or limitations in accordance with governmental accounting
93 standards.
94 “Reserve” or “reserve account” is an enduring account, and includes accounts used to
95 accumulate appropriated funds to meet particular future costs or financial obligations,
96 most notably for various capital needs; or to accumulate specific revenues for a particular
97 related function or functions.

98
99 Section 4. FNSBC 7.12.010, Definitions, is amended as follows [the Clerk
100 shall add or amend the definitions in alphabetical order]:

101 “Fund” means a [SEPARATE ACCOUNTING ENTITY ESTABLISHED FOR A SPECIFIC
102 PURPOSE] fiscal and accounting entity with a self-balancing set of accounts that is used
103 to record cash and other financial resources, together with all related liabilities and
104 residual equities or balances, and changes therein, that are segregated for the purpose
105 of carrying on specific activities or attaining certain objectives in accordance with special
106 regulations, restrictions, or limitations in accordance with governmental accounting
107 standards.

108
109 Section 5. Chapter 7.04 FNSBC, Fiscal Management, is amended by adding
110 a new section 7.04.075 as follows:

- 111 7.04.075 Reserve accounts established.
112 A. The assembly or mayor may establish reserve accounts.
113 B. Reserve accounts of the borough include, but are not limited to, the capital
114 improvement program and maintenance reserve. This reserve shall be used to account
115 for cash and other assets placed into it periodically. Such funds are accumulated for
116 projects included in the capital improvement program and include such things as major
117 maintenance, repairs, upgrades, renovation or rehabilitation, expansion, demolition, and
118 new construction of Borough facilities. All expenditure of these funds must be made by
119 appropriation ordinance.

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121 Section 6. Subsection A of FNSBC 7.04.120, Lapsing of funds, is hereby
122 amended as follows:

123 A. At the close of the fiscal year, an unencumbered appropriation for operations shall
124 lapse into the fund from which appropriated. [FURTHER, EACH YEAR, AFTER THE
125 ACCEPTANCE OF THE AUDIT BY THE AUDIT COMMITTEE AND, IF POSSIBLE, PRIOR TO
126 JANUARY 1ST, 66 AND TWO-THIRDS PERCENT OF THE NET GENERAL FUND LAPSE IN
127 THE MOST RECENT COMPLETE AND AUDITED FISCAL YEAR SHALL BE TRANSFERRED
128 FROM THE GENERAL FUND TO THE FACILITIES MAINTENANCE RESERVE, AND FIVE
129 PERCENT OF THE NET GENERAL FUND LAPSE IN THE MOST RECENT COMPLETE AND
130 AUDITED FISCAL YEAR SHALL BE TRANSFERRED FROM THE GENERAL FUND TO THE
131 ASSET REPLACEMENT RESERVE FUND. "NET GENERAL FUND LAPSE" IS DEFINED AS
132 THE LESSER OF (1) THE POSITIVE VARIANCE BETWEEN THE FINAL BUDGET AND THE
133 FISCAL YEAR ACTUALS ON A BUDGETARY BASIS FOR THE NET CHANGE IN FUND
134 BALANCE (EXCLUDING PROJECT AND OTHER ABNORMAL LAPSE IMPACTS), OR (2) THE
135 INCREASE IN THE UNASSIGNED FUND BALANCE ON GENERALLY ACCEPTED PRINCIPLES
136 (GAAP) BASIS, AND THE AMOUNT SHALL BE CAPPED, IF NECESSARY, FOR THE
137 BOROUGH TO REMAIN IN COMPLIANCE WITH ITS MOST RECENTLY ADOPTED FISCAL
138 POLICY RELATED TO THE MINIMUM LEVEL OF GENERAL FUND UNASSIGNED FUND
139 BALANCE. WITHIN 30 DAYS OF THE TRANSFERS, THE MAYOR SHALL NOTIFY THE
140 ASSEMBLY OF THE DATE AND AMOUNT OF EACH TRANSFER.]

141
142 Section 7. Chapter 7.04 FNSBC, Fiscal Management, is amended by adding
143 a new section 7.04.123 as follows:

144 7.04.123 General fund transfer to the capital improvement program and maintenance
145 reserve.

146 Each year, after the acceptance of the audit by the audit committee, if the approved
147 budgeted contribution to the capital improvement program and maintenance reserve was

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148 less than ten percent of the approved budgeted areawide tax revenue (excluding
149 penalties and interest and prior years' delinquent taxes), any increase in the general fund
150 unassigned fund balance shall be transferred to the capital improvement program and
151 maintenance reserve to equal ten percent of the approved budgeted areawide tax
152 revenue (excluding penalties and interest and prior years' delinquent taxes). The increase
153 in the general fund unassigned fund balance is on a Generally Accepted Accounting
154 Principles (GAAP) basis. Any such transfer shall not exceed the increase in the general
155 fund unassigned fund balance. Any approved budgeted contribution to fund balance shall
156 not be included in the calculation of the GAAP-basis increase in the general fund
157 unassigned fund balance. Furthermore, the amount of the transfer shall be capped, if
158 necessary, for the borough to remain in compliance with its most recently adopted fiscal
159 policy related to the minimum level of general fund unassigned fund balance. Within 30
160 days of the any transfer, the mayor shall notify the assembly of the date and amount of
161 the transfer.

162
163 Section 8. Subsections C and D of FNSBC 7.12.020, Budget submission, are
164 hereby amended as follows:

165 C. The borough mayor shall deliver to the assembly, on or before the first Thursday
166 following April 1st of each year, the total proposed comprehensive budget of the borough,
167 the recommended allocation of funds to each proposed expenditure category within the
168 proposed budget, and appropriation ordinances in the form provided for in FNSBC
169 7.12.100(A). Included in this submission shall be:

- 170 1. The board of education's budget as submitted to the mayor;
- 171 2. The assembly's proposed budget as submitted to the mayor by the borough
172 clerk;
- 173 3. The budgets of the various departments of the borough executive branch;

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174 4. Each department identified and grouped according to whether it is a direct
175 public service department, a support service department or a governance department, as
176 provided in FNSBC 2.08.030, together with a subtotal for these three groupings;

177 5. The proposed capital improvement program budget, including amounts
178 proposed to be contributed to the [FACILITIES MAINTENANCE RESERVE FUND]capital
179 improvement program and maintenance reserve as required by this section;

180 6. The proposed borough service area budgets accompanied by an estimate
181 of unencumbered funds by service area;

182 7. The proposed budgets of each fund authorized by the borough, including
183 special revenue and enterprise funds;

184 8. The mayor's recommendations on all the budgets;

185 9. A schedule of all revenues and grants expected to be received during the
186 fiscal year;

187 10. A proposed appropriation ordinance implementing the mayor's
188 recommendations on the total budget;

189 11. The amount of local taxes required to fund the budget and the tax levies
190 required by the area to generate the required taxes;

191 12. A proposed resolution implementing the mayor's recommendation for local
192 support to the board of education;

193 13. A proposed resolution implementing the mayor's recommendations for local
194 tax levies.

195 D. The borough mayor's total proposed comprehensive budget delivered to the
196 assembly must include a contribution to the [FACILITIES MAINTENANCE RESERVE
197 FUND]capital improvement program and maintenance reserve of at least [NINE]10
198 percent of the estimate of areawide tax revenue included in that budget, excluding
199 penalties and interest and prior year[']s' delinquent taxes.

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201 Section 9. Recomputations and Adjustments. The department of financial
202 services is directed to recompute the February 2021 transfers of the fiscal year 2019-20
203 "net general fund lapse" and to adjust the books and records of the borough to reflect
204 the provisions of this ordinance as if they had been in effect at the time of the audit
205 committee's acceptance of the fiscal year 2019-20 audit and financial reports.

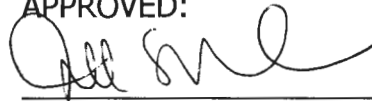
206
207 Section 10. Effective Date. This ordinance is effective at 5:00 p.m. on the
208 first Borough business day following its adoption.

209 ADOPTED THE _____ DAY OF _____ 2021.

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214 _____
Mindy O'Neall
215 Presiding Officer

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217 ATTEST:

218 APPROVED:



219 _____
220 Jill S. Dolan
221 Borough Attorney

220 _____
221 April Trickey, CMC
Borough Clerk

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