

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2025-18A

BALLOT PROPOSITION OCTOBER 7, 2025

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA PROPOSING TO AMEND SECTION 20.01 "SITKA COMMUNITY HOSPITAL DEDICATED FUND" OF THE HOME RULE CHARTER AND, SUBMITTING THE QUESTION OF SUCH AN AMENDMENT TO THE QUALIFIED VOTERS AT THE REGULAR ELECTION ON OCTOBER 7, 2025

PASSED / FAILED at the MUNICIPAL ELECTION on OCTOBER 7, 2025

YES –

NO -

1. CLASSIFICATION. This ordinance is of a permanent nature and is intended to become a part of the Sitka Home Rule Charter.

2. SEVERABILITY. If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and application thereof to any person or circumstances shall not be affected thereby.

3. PURPOSE. The purpose of this ordinance is to amend language from the Home Rule Charter (HRC) of the City and Borough of Sitka in Article XX "Sitka Community Hospital" Section 20.01 indicating the use of the Sitka Community Hospital Dedicated Fund. The HRC states the Sitka Community Hospital Dedicated Fund shall only be used to pay for the operating, capital, and debt service needs of Sitka Community Hospital. Sitka Community Hospital closed on August 1, 2019. While there are still some residual expenses related to retirement benefits for former Sitka Community Hospital employees, it is expected there will be funding that could be used for paying bond debt and capital expenditures associated with new and revitalized athletic and recreational facilities approved by the voters and the Assembly.

4. ENACTMENT. NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that the Home Rule Charter of the City and Borough of Sitka, Section 20.01 "Sitka Community Hospital Dedicated Fund," be amended by revising the language in Section 20.01 Sitka Community Hospital to read as follows (deleted language stricken, new language underlined):

* * *

**ARTICLE XX
SITKA COMMUNITY HOSPITAL**

Section 20.01 Sitka Community Hospital Dedicated Fund

A Sitka Community Hospital Dedicated Fund is hereby created. The Sitka Community Hospital Dedicated Fund shall be maintained separate and apart from all other funds and accounts of the City and Borough. The Sitka Community Hospital Dedicated Fund shall only be used to pay for the operating, capital, and debt service needs of the former Sitka Community Hospital; and bond debt and capital expenditures associated with athletic and recreational facilities.

* * *

5. BALLOT PROPOSITION. The following question shall be placed on the ballot at the regular election on October 7, 2025:

Shall Section 20.01 of the Home Rule Charter of the City and Borough of Sitka be amended to allow the Sitka Community Hospital Dedicated Fund to be used only for 1) debt expenses of the former Sitka Community Hospital and 2) bond debt and capital expenditures associated with athletic and recreational facilities?

Yes ☐

No ☐

Informational: See Ordinance 2025-18A. This amendment proposes a change to how future funds in the Sitka Community Hospital Dedicated Fund may be used. Sitka Community Hospital closed on August 1, 2019. The Home Rule Charter states the Sitka Community Hospital Dedicated Fund shall only be used to pay for the operating, capital, and debt service needs of Sitka Community Hospital. While some residual expenses remain related to retirement benefits for former Sitka Community Hospital employees, funding is anticipated to be available that could be used to help pay bond debt and capital expenditures associated with new and revitalized athletic and recreational facilities, subject to Assembly and voter approval.

6. EFFECTIVE DATE. This ordinance shall become effective on the day after the date of its passage.

The amendment to the Charter set forth in Section 20.01 hereof shall only become effective if the ballot proposition set forth in Section 5 hereof is approved by a majority of the qualified voters at the regular election held on October 7, 2025.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 22nd day of July, 2025.

Steven Eisenbeisz, Mayor

ATTEST:

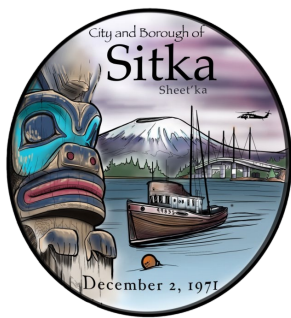
Sara Peterson, MMC
Municipal Clerk

1st reading: 6/24/25

2nd reading as amended: 7/8/25

3rd and final reading: 7/22/25

Sponsors: Ystad / Mosher



CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: Assembly Members Ystad and Mosher

Date: June 16, 2024

Subject: Approve ballot proposition - housekeeping amendment to Sitka Home Rule Charter

Background

In July 2024, the Assembly was presented with a set of housekeeping ordinance options aimed at clarifying and improving specific sections of the Sitka Home Rule Charter. Among them was Ordinance 2024-17, which proposed amending Article XX, Section 20.01, regarding the Sitka Community Hospital Dedicated Fund. As written, this section limits the Fund's use to the operating, capital, and debt service needs of the former Sitka Community Hospital.

During the discussion, the Assembly was informed that in future years, residual funds may remain after all hospital-related obligations are met. Ordinance 2024-17 proposed redirecting any excess funds to the General Fund, but the ordinance failed on first reading and was therefore not placed on the October 2024 ballot.

The sponsors of this new proposal wish to revisit the use of any future excess in the Sitka Community Hospital Dedicated Fund. Rather than redirect the funds to the General Fund, they propose dedicating them toward repayment of bonds for a future multi-purpose sports complex. While the location and scope of the complex are yet to be determined, identifying and securing a reliable funding source is a critical first step. The sponsors believe this Fund is that source.

Sitka's current athletic facilities are limited, with many no longer meeting the needs of the community. A wide range of athletic programs now rely on the City's only turf field - Upper Moller. The high demand for this single space has led to scheduling conflicts among user groups and accelerated wear and tear on the facility. A new multi-purpose complex would alleviate these issues, expand access for both youth and adult programs, and reduce competition for limited field space.

Beyond athletics, a community sports complex would serve broader purposes. It would support Sitka's quality of life by offering healthy recreational opportunities for all ages, promoting physical and mental well-being, reducing risky behaviors, and enhancing community cohesion. For families considering a move to - or remaining in - Sitka, access to quality extracurricular options is often a key factor.

Sitka's athletes consistently perform at high levels, earning state titles and top placements in sports such as baseball, softball, and track and field. Club sports like soccer and football are also gaining momentum, with hopes of becoming officially sanctioned school sports. These athletes deserve facilities that match their talent and success.

Analysis

This ordinance proposes an amendment to remove language restricting the Sitka Community Hospital Dedicated Fund to the former hospital's needs. While some residual expenses remain - primarily related to retirement benefits for former employees - excess funds may eventually be available to support a future multi-purpose sports complex. Hospital related liabilities will continue to take priority over any new use. Depending on the project's scope, cost, and the timeline for resolving outstanding obligations, it may be some time before funds are available. Nonetheless, identifying a dedicated funding source is the first step in moving the project forward.

Fiscal Note

Although existing liabilities - primarily the PERS obligation - must continue to take precedence, annual payments from the hospital purchase agreement with the Southeast Alaska Regional Health Consortium, along with tobacco tax proceeds, are expected to exceed the amount needed to cover those obligations in the coming years. Without this amendment, the municipality would be unable to use any excess funds, as the Charter's current language restricts use to purposes that are no longer applicable beyond the remaining liabilities.

The sponsors also note that modern athletic facilities have the potential to attract regional and state tournaments, which bring families and visitors to Sitka and support the local economy through increased spending on lodging, dining, and retail. Currently, Upper Moller is the only facility capable of hosting events of this scale.

Recommendation

Approve this ordinance amending the Sitka Home Rule Charter and place the question on the ballot at the regular election of October 7, 2025.

Sitka Community Hospital Fund Analysis for Proposed Ballot Proposition

PERS Past Service Cost

PERS past service cost liability is the amount a former employer still owes to the Public Employees’ Retirement System (PERS) for retirement benefits earned by its employees before the employer left the system. Even though the employer no longer participates in PERS, it is still responsible for paying its share of retirement costs that were not fully funded at the time.

The amount owed for the Hospital’s participation in PERS remains the fund’s most significant expenditure. While there haven’t been consistent trends over the past six years, the amount owed has been steadily increasing since FY2024.

Fiscal Year	PERS Cost	% Change
2020	1,156,970	
2021	1,288,979	11.41%
2022	1,326,310	2.90%
2023	1,149,686	-13.32%
2024	1,263,918	9.94%
2025	1,331,694	5.36%
2026	1,423,011	6.86%

Fund Health

There have been no significant changes since the Finance Director’s analysis last year. While the FY2024 financials reflect a deficit of (\$30,830), the overall health of the fund continues to improve. Any surplus generated is being used to build equity in preparation for repaying the advance from the General Fund.

The SCH Fund still owes \$3.125 million to the General Fund for an advance used to settle the OIG Stark liability in FY2020. Once the liability is resolved, the escrow accounts—funded by SEARHC’s annual payments of \$700,000—will be released. At that point, the fund is expected to have sufficient equity to repay the General Fund and begin building a positive unassigned fund balance. A timeline for resolving the remaining liability has not yet been established.

Looking ahead, the fund balance is projected to turn positive. However, until the liability is resolved and the escrow funds are released, there will not be enough unrestricted capital to repay the General Fund.

Revenue sources for the SCH Fund include the tobacco tax, annual payments from SEARHC, collections on bad debt, and interest earnings. Tobacco tax revenue has been declining for several years and is expected to remain flat at approximately \$750,000 annually. SEARHC’s \$700,000 annual payments will continue through FY2041, provided the PERS liability remains in place. Meanwhile, bad debt collections are gradually declining and are expected to phase out entirely in the coming years.

Fiscal Year	Revenue	Expenditure	Excess of Revenues Over Expenditures
2020	2,405,576	2,058,385	347,190
2021	1,975,848	1,832,332	143,515
2022	1,741,834	1,674,237	67,598
2023	1,707,691	1,190,100	517,592
2024	1,640,739	1,282,721	358,018
2025*	1,576,857	1,341,436	235,421
2026*	1,550,639	1,434,311	116,328

*Projected

Attached: SCH Balance Sheet from FY2024 Audited Financial Statements

City and Borough of Sitka, Alaska

Governmental Funds
Balance Sheet

	Major Funds					
	General Fund	Permanent Fund	Sitka Community Hospital Dedicated Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds	
June 30, 2024						
Assets						
Equity in central treasury	\$ 12,561,010	\$ -	\$ 3,091,293	\$ 36,154,601	\$ 51,806,904	
Receivables:						
Accounts	851,183	-	3,429	500	855,112	
Taxes	5,265,861	-	-	372,574	5,638,435	
Allowance for uncollectibles	(399,714)	-	-	-	(399,714)	
Interest	1,001,448	-	3,148,140	-	4,149,588	
Special assessments	-	-	-	1,924	1,924	
Federal and State of Alaska	-	-	-	20,554	20,554	
Leases	3,250,076	-	-	-	3,250,076	
Due from other funds	3,002,618	-	-	-	3,002,618	
Advances to other funds	3,125,552	-	-	2,604,000	5,729,552	
Prepaid items	7,280	-	-	-	7,280	
Notes receivable	-	-	8,751,860	442,950	9,194,810	
Restricted assets:						
Cash and investments	-	25,990,986	-	-	25,990,986	
Interest receivable	-	83,280	-	-	83,280	
Total Assets	\$ 28,665,314	\$ 26,074,266	\$ 14,994,722	\$ 39,597,103	\$ 109,331,405	
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts payable	\$ 432,727	\$ 5,204	\$ -	\$ 32,598	\$ 470,529	
Other current liabilities	481,105	-	-	-	481,105	
Accrued payroll	955,883	-	-	-	955,883	
Deposits payable	33,073	-	-	-	33,073	
Advances from other funds	-	-	3,125,552	-	3,125,552	
Unearned revenue	3,204	-	-	-	3,204	
Total Liabilities	1,905,992	5,204	3,125,552	32,598	5,069,346	
Deferred Inflows of Resources						
Deferred assessments	-	-	-	1,924	1,924	
Prepaid property taxes	100,721	-	-	-	100,721	
Lease related	3,164,637	-	-	-	3,164,637	
Deferred notes and interest receivable	-	-	11,900,000	-	11,900,000	
Total Deferred Inflows of Resources	3,265,358	-	11,900,000	1,924	15,167,282	
Fund Balances						
Nonspendable	3,132,832	25,027,829	-	3,046,950	31,207,611	
Restricted	-	1,041,233	-	9,493,601	10,534,834	
Committed	12,504,622	-	4,147,944	24,140,000	40,792,566	
Assigned	-	-	-	2,882,030	2,882,030	
Unassigned (deficit)	7,856,510	-	(4,178,774)	-	3,677,736	
Total Fund Balances (Deficit)	23,493,964	26,069,062	(30,830)	39,562,581	89,094,777	
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 28,665,314	\$ 26,074,266	\$ 14,994,722	\$ 39,597,103	\$ 109,331,405	

See accompanying notes to the basic financial statements.