

Aleutians East Borough
March 8, 2012
10:00 A.M.

CALL TO ORDER

Mayor Mack called the March 8, 2012 Special Assembly meeting to order at 10:00 a.m. by teleconference in each community.

ROLL CALL

Mayor Stanley Mack	Present
Paul Gronholdt	Absent-Excused
Carol Foster	Present
Marvin Mack	Present
Bill Cumberlidge	Present
Ken McHugh	Present
Joe Bereskin, Sr.	Present
Justine Gundersen	Present

Advisory Members:

Nikki Hoblet, False Pass	Present
Harold Kremer III, Cold Bay	Present

A quorum was present.

Staff Present:

Sharon Boyette, Administrator
Roxann Newman, Finance Director
Jacki Brandell, Finance Assistant
Tina Anderson, Clerk
Laura Tanis, Communications Manager
Anne Bailey, Community Development Director

Adoption of Agenda:

MOTION

Carol moved to approve the agenda and second by Justine. Hearing no objections MOTION PASSED.

Community Roll Call and Public Comment on Agenda Items:

Communities present: Akutan, Cold Bay, Nelson Lagoon, King Cove, Sand Point, Anchorage office.

Hillary Smith, School Board Member, asked if AEB is going to fund schools under 10 students. Mayor Mack said it is not the Borough's responsibility beyond funding to determine how funds are spent. Hillary said she thought, if no funding for small sites, AEB is responsible to either close or not. Mayor Mack said AEB is just determining funding amount, not responsible for line item budgeting.

No further public comments.

Introduction Ordinance 12-04, amending Title 6, Chapter 6.04, Section 6.04.041, Subsection (F), Investments-Purpose and Limitations:

The Investments amendment adds Emerging Markets to its Permanent Fund asset class setting the Borough's new Permanent Fund asset allocation targets to include 5% Emerging Market with a range of 0-10%.

MOTION

Joe moved to accept and set for public hearing and second by Ken. There was no further discussion.

ROLL CALL

Bill-yes, Joe-yes, Justine-yes, Ken-yes, Carol-yes, Marvin-yes. Advisory: Nikki-yes, Harold-yes. MOTION PASSED.

OLD BUSINESS

School District Deficit Funding Request:

The School District has submitted to the Assembly a Draft budget for FY 2012-13 school year, with a deficit of \$678, 823.

Mayor Mack said this is a school district budget request. There was a joint meeting between AEB and AEBSD. Submitted to the Assembly is a revised second draft of their budget.

Superintendent Knight thanked the Assembly for being here today. He said many school districts both in Alaska and lower 48 states are dealing with budget crunches. The student count fuels the funding available to AEBSD. When we do preliminary process, the budget came up with a \$900,000 deficit, we reworked and redid, looking at other options in reducing this deficit. As you know, AEB contributes \$800,000 and a roll over at the courtesy of AEB. AEB has a contribution limitation of \$1.9M capacity. Some districts are already at capacity so having more trouble than AEBSD. The declining enrollment is causing the deficit. When a small site reaches 10 students the AEBSD gets more money and when a larger school reaches 101 we receive more money. He added that Federal Impact Aid is also declining due to enrollment. However, it also has a two year lag period on those funds. In carrying over this year's budget into FY13 there was a deficit of \$928,000. He is also making the assumption that the Base Student Allocation (BSA) will not have additional money

available. Senate Bill 171 passed with 22-18, downside presently is dealing with the House. Governor Parnell does not support putting money directly into formula. Just yesterday he read that the Governor will submit an amendment for \$32.3M onetime only funding for K-12 schools for energy and school buses. So, we may see some additional dollars, but budget is not based on that since it is unknown.

The Superintendent reviewed options of reducing the deficit saying if all small schools reduced to 1 teacher, 1 aide, would have a \$765,000 deficit; closing Nelson Lagoon School reduces to a \$479,000 deficit. He said all difficult issues but needed a starting point. The School Board also looked at other issues like eliminating food service which is subsidized at \$122,000. We are trying to reduce costs, city of King Cove has been a tremendous help on savings with waste heat being used at school. Also looking at energy savings with electric heat system from wind generation in Sand Point, although not sure what the savings will be at this time. After the School Board met on Saturday having made tough decisions they came away with a revised deficit going through budget item by item, the Board spent a lot of time coming up with a final figure.

Carl Warner, School District Business Manager, said reductions considered on 2nd draft are eliminating wrestling \$45,000; eliminating volleyball \$50,000; reducing basketball \$10,000; eliminating NYO (Native Youth Olympics) \$5,000; reducing extra duty contracts \$18,434; reducing travel expenses to Superintendent, School Board, and instructional support \$45,000; eliminating Sand Point preschool aide \$10,595; reduce substitutes by \$11,975; reducing instructional support \$10,000 and eliminating photographer \$6,000. He added that there are a number of variables one big one is the BSA. It appears that we might get an increase in that foundation formula or a one-time increase, not sure which. Current budget has small sites all below 10 students and of course if one goes above will have more funding from that. If Sand Point drops below 101 students, the School District will receive less funding, but not as large a loss as the smaller schools.

Joe asked how much does the School District lose. Carl said it depends, the overall enrollment is considered for all six schools combined so complicated to say a specific number. Carl explained the hold harmless provision saying if 5% or more enrollment drops then hold harmless goes into play again. If that happens, we will receive 75% of that funding reduction, 50% following year, 25% third year, and then zero fourth year. We are in the third year of the present hold harmless, but hold harmless provision can be retriggered again. The original \$900,000 deficit took into account the hold harmless provision being at zero.

Mayor Mack asked about the difference of first draft revenues from this year and next year's. Carl said in original budget draft there was \$233,000 decrease in State Foundation funding, Federal Impact Aid decrease of \$162,000 -- a \$400,000 deficit in revenues coming in. Expenses went up compared to the revenues decrease.

Carol asked for a ballpark figure in revenue loss if the Sand Point student count drops under 101. Carl said around \$67,000 because the hold harmless clause would start again. Carl noted King Cove has been below 100 for 7 years. Mayor Mack asked if King Cove School contributed to the loss in revenues on this budget. The Superintendent said when presented initially the budget was just taking this year's budget and moving to next year's budget.

Harold asked why there is no specific number when a school drops below 10 students. Carl said you can't take just one school count, but have to take the entire amount. Carl said he could run variables all day long with different numbers. Mayor Mack said we had a \$900,000 deficit now decreased to \$678,000 deficit and still have room for debate on where the revenue stream is going, he agrees that it is confusing to understand. He said there was a resignation of one of the instructors in Cold Bay and asked why that doesn't reflect in the 2nd draft budget for Cold Bay. Superintendent Knight said that the draft budget has been rolled over from this year's budget. There has been a resignation but also a request to rescind that resignation, which is on the agenda for Friday.

Carol said the School District budget is not cut and dry so numbers may change, possibly enrollment might change or stay the same and we haven't done AEB budget yet. She is unsure if she can comfortably promise an amount before we look at our budget. The Superintendent said 2nd draft is \$678,000 deficit reflecting the costs the School Board came up with so that is the target at this point in time. He noted that there is a requirement to notify our tenure teachers by March 15 on whether they have a job or not. Glen Gardner, School Board Chairman, said he understands AEB has not looked at the new AEB budget, however, knows there are places to cut there also and asked if the permanent fund can be used. The Administrator answered yes it can be used, with no limit. Mayor Mack asked, if resignation is accepted, will two teachers still be considered for that site. Glen answered saying there are still two teachers budgeted.

Brenda Wilson, School Board Member, said she has gone through the budget process as a parent and as a school board member. Had to cut the budget 20 years ago, combining classes, cutting travel, and thinks we can do more as a School Board in looking at reductions in costs. It is going to be hard, but believes we can do a better job. She is concerned that we are not putting our heads together as a team to come to the Assembly with a better number. The School Board knew this was coming and people didn't want to deal with it so thinks we have to look at the budget better. Harold agreed with Brenda.

Bill Dushkin, from the public, said in getting back to what Carol addressed earlier of not being comfortable of making a decision. Ran into the same issues in the 90s, but fish prices are increasing and there is no limit on what can come out of the permanent fund. He feels it is doable for the School District to work together and come up with a solution without pulling directly away from kids. No one wants to deprive kids of an education and feels the

money is available and we are bickering. All cuts have hit the students first so let us see what we can do and leave the kids alone. He also feels there isn't a problem at this time.

Justine said populations for smaller schools can fluctuate. She knows Nelson Lagoon will be at 9 for sure and Cold Bay could have 10. Maybe 1 teacher and 1 aide should be considered at small sites. Agree we can fight about this and carry it on to the next meeting, however, School Board needs to have an answer coming March 15 for teacher jobs. She believes AEB can come up with the money that they want. Suggested giving them what they want and if they don't need it they can return it to the AEB. Mayor Mack noted when we give them the money we can't dictate where it goes. When you got figures bouncing all over, kind of difficult to see what on the budget is accurate or not accurate. When we get money back we have been rolling it back into their budget.

Joe said Akutan has K-12 students and can't visualize 1 teacher teaching all grades. Justine said she agrees 1 teacher is difficult, Nelson Lagoon has kids in various grades also.

Marvin agrees, and not happy with uncertain budget. We have our own expenses and knows cutting is hard. Sooner we can get to a number the better. He suggested coming up with a number that we are happy with so they can go do their job. If we want to run the School Board then get on the School Board.

Justine said \$678,000 deficit on 2nd draft budget so Assembly needs to decide on an amount. Marvin felt amount is kind of high and feels all should share the hard times.

Bill Dushkin, from the public, said in the 90s, technology was put in place so we can provide a school with a teacher by putting students in a class anywhere in AEB. He asked if it makes sense to have two certified teachers because it is K-12 or utilize the technology for what it is supposed to be used for.

MOTION

Carol moved to approve \$700,000 additional funding with the stipulation that the amount could be reduced by the amount of carry over in-kind contribution and could be reduced by an increased BSA. Second by Justine.

Mayor Mack asked what happens if a shift in enrollment occurs with sites and whether it is easier to hire if an increase occurs or easier to buy out a contract if enrollment declines. The Superintendent said hiring a teacher in November is difficult; hiring teachers at the Job Fair you get a bigger flow and better quality. He added to break a contract costs more in attorney fees. If you got them hired, we keep those people in place or move to another location. He mentioned video technology is offered already which has helped tremendously.

