

**SUBJECT:** AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY AMENDING MSB 3.04.110 TO ALLOW THE SCHOOL DISTRICT TO CARRY OVER 100% OF THE UNASSIGNED FUND BALANCE AT THE END OF THE FISCAL YEAR.

**AGENDA OF:** June 5, 2018

**ASSEMBLY ACTION:**

Adopted with Assemblymembers  
McKee + Kowalke opposed. 6-19-18  
(B) (D)

**MANAGER RECOMMENDATION:** Introduce and set for public hearing.

**APPROVED BY JOHN MOOSEY, BOROUGH MANAGER:** C. Moosey

Route To:	Department/Individual	Initials	Remarks
	Originator	NS	For Assemblymember Beck
	Community Development Director	EP	
	Finance Director	CF	
	Borough Attorney	NS	
	Borough Clerk	BAL for LK M	

**ATTACHMENT(S):** Fiscal Note: YES X NO         
School Board Resolution 18-005 (2pp)  
Ordinance Serial No. 18-065 (2pp)

**SUMMARY STATEMENT:** This ordinance is being presented at the request of Assemblymember Beck.

Currently, MSB 3.04.110(C) allows the School District to retain 75 percent of their unassigned fund balances at the end of the fiscal year. The remaining 25 percent of the School District's unassigned fund balances lapse to the Borough's general fund.

Use of fund balance has played an important role in allowing the District to maintain important instructional programs. With the adoption of Resolution 18-005 on March 21st, 2018, the School Board requested that the Borough Assembly consider removing all lapse requirements.

By enacting the ordinance proposed here, the District would be able to manage its fund balance as per AS 14.17.505(a) which sets a limitation of 10 percent. At FY2017 year-end, the School District's unassigned fund balance was \$7.1M or 2.87 percent.

The removal of lapse requirements would also allow the District to improve its long-term planning and to mitigate current and future risks. District Charter Schools would also be able to better manage site funds for long-term capital improvements, operating costs, and unforeseen expenses.

The Government Finance Officers Association (GFOA) recently reviewed MSB Code 3.04.011 and recommended repealing the ordinance. In their recommendation, GFOA stated, "The appropriation lapse potentially incentivizes wasteful spending and should be removed to allow for better alignment of spending with educational priorities. Based on GFOA best practices unrestricted fund balance is a critical tool for building reserves and allows for their use to smooth out educational service provisions in the event of a financial contingency."

During various fiscal years in the past, the Borough Assembly has amended the yearly budget ordinances to make exceptions and allow the School District to retain 100 percent of their unassigned fund balances at the end of the fiscal year. Most recently, the Assembly voted to allow the School District to retain 100 percent of their unassigned fund balance for the fiscal year ending June 30, 2018.

It is time to change Matanuska-Susitna Borough code and allow the School District to retain 100 percent of their unassigned fund balance as a normal and routine matter of course.

In summary, this change will give flexibility and stability to longer term financial planning and allow the school district to deal with unexpected circumstances. It will also eliminate any incentive to accelerate purchases near the end of the year. Finally, the change in code will eliminate the annual discussions and debate over whether to allow an exception to existing code.

**RECOMMENDATION OF ADMINISTRATION:** Adoption of legislation.

MATANUSKA-SUSITNA BOROUGH  
FISCAL NOTE

Agenda Date: June 5, 2018

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY AMENDING MSB 3.04.110 TO ALLOW THE SCHOOL DISTRICT TO CARRY OVER 100% OF THE UNASSIGNED FUND BALANCE AT THE END OF THE FISCAL YEAR.

ORIGINATOR: NS for Assemblymember Beck

FISCAL ACTION (TO BE COMPLETED BY FINANCE)	FISCAL IMPACT <u>YES</u> NO
AMOUNT REQUESTED *	FUNDING SOURCE <u>SD Unassigned Fund Bal.</u>
FROM ACCOUNT # <u>204.000.000.4xx.xxx</u>	PROJECT #
TO ACCOUNT :	PROJECT #
VERIFIED BY: <u>Barbara Cunningham</u>	CERTIFIED BY:
DATE: <u>5/17/18</u>	DATE:

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Personnel Services						
Travel						
Contractual						
Supplies						
Equipment						
Land/Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL						
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REVENUE						
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FUNDING:

(Thousands of Dollars)

General Fund						
State/Federal Funds						
Other	*					
TOTAL	*					

POSITIONS:

Full-Time						
Part-Time						
Temporary						

ANALYSIS: (Attach a separate page if necessary) \* The amount of the lapse funds varies and cannot be determined.

PREPARED BY:

PHONE:

DEPARTMENT:

DATE:

APPROVED BY:

DATE:

Chapenne Peral

4/5/17/18





OFFICE OF THE SCHOOL BOARD

**MATANUSKA-SUSITNA BOROUGH SCHOOL BOARD  
RESOLUTION 18-005**

**A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH SCHOOL BOARD TO APPROVE  
SUBMISSION OF THE FISCAL YEAR 2018-2019 PRELIMINARY BUDGET TO THE  
MATANUSKA-SUSITNA BOROUGH WITH A REQUEST FOR LOCAL FUNDING.**

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**WHEREAS**, Borough Ordinance 3.040.020(b) establishes that the School District shall submit to the Assembly the school budget for the following fiscal year, together with a school budget message the first day of April; and

**WHEREAS**, the School District has prepared a balanced budget for its General Fund of \$249,656,020 and has met all the requirement of Borough Ordinances 3.04.020, 3.04.050, and 3.04.055; and

**WHEREAS**, the School District has held numerous public meetings and hearings to meet all of the requirements of both the State of Alaska and the Borough Assembly; and

**WHEREAS**, the School District has posted all of its budget documents online for public inspection; and


**WHEREAS**, the School District's 2018-2019 Preliminary Budget includes a request for local funding in the amount of \$60,252,849; and

**WHEREAS**, the School District also requests that the Borough remove all lapse requirements under Borough Code 3.04.110(a), allowing the District to maintain its encumbrances until the purpose for which it was made has been accomplished or abandoned without limitation; and

**WHEREAS**, the School District further requests that the Borough remove all lapse requirements under Borough Code 3.04.110(c), allowing the District to maintain its fund balance without limitation aside from 10% of total expenditures as defined in AS 14.17.505(a); and

**THEREFORE BE IT RESOLVED** that the Matanuska-Susitna Borough School District respectfully submits its 2018-2019 Preliminary Budget to the Matanuska-Susitna Borough and, as a component of budgeted revenue, requests a minimum increase of 7.9% or \$4,411,549 to the Borough's local contribution to education; and to request that all fund balance limitations imposed by the Borough be removed.

**APPROVED** by the Mat-Su School Board this 21<sup>st</sup> day of March, 2018.

  
Dr. Donna Dearman, Board President

  
Dr. Monica Goyette, Superintendent

OR 18-065  
Im 18-101

ATTEST:

Stacy Escobedo  
Stacy Escobedo, Board Secretary

OR18-065  
DM18-101

