

Memorandum

Borough Manager John Moosey



Date: February 15, 2019
To: Vern Halter, Mayor
From: John Moosey, Borough Manager
Re: Impact of the Governor's Budget

Modified 2.22.19

The table below reflects the impact Governor Dunleavy's proposed budget cut will have on the FY2020 budgets for the Matanuska-Susitna Borough and the Matanuska-Susitna Borough School District. Specifically, the revenue source to be decreased, the dollar amounts proposed to be cut, the percentage of the operating budget that the cut represents, and the mill rate equivalent to the proposed cut.

Decrease	Dollar Amount	% of Operating Budget	Mill rate equivalent
Port Debt Service Reimbursement	\$710,563	1.2%	0.08
Shared Revenue	\$1,972,290	3.4%	0.22
School Debt Service Reimbursement	\$18,352,135	31%	1.98
MSBSD Base Student Allocation Cut	\$38.5 \$41,000,000	18%	4.43

In response to the proposed cut, I have instituted the following cost saving measures:

- Enact a hiring freeze or hiring delay for all vacant positions.
- Enact a freeze on capital projects that were approved in the 2018 and 2019 budgets that have not started to date. Life, health and safety projects will move forward.
- Review and close-out capital projects from prior years that have been completed or not started to date.
- Review necessity of consultants by departments, and reduce or eliminate usage.
- Limit travel, training and conference attendance.
- Look for code changes that can result in cost savings and bring to assembly for implementation.
- Review areawide cost recovery allocations for the fiscal year 2020 budget.
- Review required newspaper advertising (Borough page, purchasing, etc) and reduce to minimum requirements, change method or code.
- Review potential reduced hours of operations.

Worship 5.25.19

5.25.19



MATANUSKA-SUSITNA BOROUGH

Department of Finance

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MEMORANDUM

DATE: February 22, 2019

TO: John M. Moosey, Borough Manager

FROM: Cheyenne Heindel, Director of Finance *CH*

SUBJECT: Budget Impact Question

Below are the responses to the questions you presented in light of the Governor's proposed budget.

- What is the amount of tax dollars we can give the school district to reach the State maximum local contribution? Per the District's approved budget the maximum local contribution was \$76,886,545. The Fiscal Year 2019 contribution to the School District was \$58,374,918. To get to the maximum contribution we could have appropriated an additional \$18,511,627.
- What is our current school bond amortization? See attached
- If we were to cover all of the cuts with property tax revenue, would the new mill rate be? The cuts for the school district and the borough result in a mill rate increase of 6.71 mills. This would bring our current areawide mill rate to 17.041 mills.
- If we were to tax to the 10.50 mill rate areawide cap, what would be the additional tax revenue generated? The revenue generated would be approximately \$1.5 million. If tax revenues increase at the same 2.5% as real property the revenue generated would be roughly \$1.6 million.
- The total amount contributed to fund schools by the taxpayers in fiscal year 2019 was \$87,534,918. (Local Contribution of \$58,374,918 and Debt Service of \$29,160,000)
- Are there any other bond affected by the governors proposed budget? The Port Bonds are affected. The debt service on these bonds is as follows

Fiscal Year	Total Debt Service
2020	\$ 710,563
2021	\$ 712,363
2022	\$ 707,700
2023	\$ 711,000
2024	\$ 708,750
Total	\$3,550,376

Bond Debt Service
Matanuska-Susitna Borough, Alaska
Outstanding School Bond DS

Period Ending	Principal	Interest	Debt Service
6/30/2020	16,780,000	10,024,558.28	26,804,558.28
6/30/2021	16,930,000	9,294,381.28	26,224,381.28
6/30/2022	16,635,000	8,603,658.28	25,138,658.28
6/30/2023	17,395,000	7,739,158.28	25,134,158.28
6/30/2024	18,125,000	7,001,781.28	25,126,781.28
6/30/2025	17,250,000	6,222,081.28	23,472,081.28
6/30/2026	15,935,000	5,490,787.50	21,425,787.50
6/30/2027	13,590,000	4,837,762.50	18,427,762.50
6/30/2028	14,200,000	4,225,775.00	18,425,775.00
6/30/2029	14,845,000	3,591,285.00	18,436,285.00
6/30/2030	15,560,000	2,866,085.00	18,426,085.00
6/30/2031	14,920,000	2,129,472.50	17,049,472.50
6/30/2032	13,105,000	1,462,580.00	14,567,580.00
6/30/2033	6,795,000	820,250.00	7,615,250.00
6/30/2034	6,095,000	473,125.00	6,568,125.00
6/30/2035	6,415,000	160,375.00	6,575,375.00
	224,575,000	74,843,110.08	299,418,110.08

Alaska Municipal League 2.21.19

School Bond Debt Reimbursement \$105,000,000

Background: State had committed to paying 70% of all school bond debt, with 30% match by communities, but with clause that held municipalities liable for 100%. There's a current moratorium, but this represents past obligations.

Challenge: The total debt accrued equals \$961,000,000.

Options:

1. Absorb through current or added revenues
2. Examine legal options based on past payments by State creating condition of confidence
3. Not paying affects credit rating

Impact:

- Other priorities removed from budgets
- Taxes increase

Action: AML opposes

Affects this year:

• Aleutians East Borough	\$654,762
• Municipality of Anchorage	\$43,153,298
• City of Cordova	\$962,072
• City of Dillingham	\$744,230
• Fairbanks North Star Borough	\$10,064,193
• Haines Borough	\$904,190
• City of Hoonah	\$14,350
• City and Borough of Juneau	\$8,551,446
• Kenai Peninsula Borough	\$2,845,713
• Ketchikan Gateway Borough	\$2,774,671
• Kodiak Island Borough	\$5,745,835
• Lake and Peninsula Borough	\$962,352
• Mat-Su Borough	\$19,954,904
• City of Nome	\$221,202
• North Slope Borough	\$75,119
• Northwest Arctic Borough	\$4,080,264
• Petersburg Borough	\$466,050
• City and Borough of Sitka	\$2,458,721
• City of Unalaska	\$670,819
• City of Valdez	\$1,686,718
• City and Borough of Wrangell	\$168,035

Community Assistance

\$30,000,000

Background: In place since 1968, this is a redistribution of state resource wealth for equitable use by local governments to provide essential services and keep local tax rates low.

Challenge: This is a necessary resource for approximately 30% of communities that don't have a tax base.

Options:

1. Absorb through current revenues – difficult with addition of other cost-shifting
2. Increase taxes – 25% of local governments did this in the 2000s, when revenue sharing went away under Murkowski
3. Close – this represents more than 70% of 14 local government budgets, and they will no longer be able to operate

Impact:

- Local government services revert to the state
- Local governments divest of powers
- Local governments increase taxes

Affects every single community, with ranges from:

- Small cities - \$75-80,000
- Medium cities - \$80-95,000
- Large cities - \$115-250,000
- Boroughs - \$300-900,000
- Largest boroughs - \$1.4-6.1 M

\$30M will be paid out this year, but removed from all future budgets.

An additional \$20M will be paid out as 50% of Alcohol Tax.

PLS. C. Capital Improvement

AML 2.21.19

Education	\$332,421,200
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Background: The BSA was reduced by \$1,100 per student, in a proposed \$280M reduction of education funding. Also eliminated was last year's \$30M addition.

Challenge: Beyond impacts to schools and students, local governments will need to evaluate their local contribution.

Options:

1. Work with the legislature to address different approaches to education
2. Remove maximum local contribution cap or suggest other alternatives
3. Partner with districts to flat out oppose

Impact:

- Local taxes increase to offset state cuts and contribute to schools
- Increased class sizes, fewer teachers, reduced administration, maintenance backlog increases

Examples of cuts to education formula:

Aleutians East	\$1,055,141
Anchorage	\$74,364,715
Cordova	\$959,309
Dillingham	\$1,450,528
Fairbanks	\$26,766,900
Haines	\$521,391
Juneau	\$8,406,516
Kenai	\$18,256,328
Ketchikan	\$5,674,708
Kodiak	\$5,803,116
Lake and Pen	\$2,078,416
Mat-Su	\$38,542,561
Nome	\$1,889,891
North Slope	\$3,963,927
Northwest Arctic	\$8,379,818
Petersburg	\$1,387,439
Sitka	\$2,893,763
Unalaska	\$1,007,733
Valdez	\$1,169,462
Wrangell	\$880,991

Based on 22.9% reduction to FY19 #s

[illegible]

SB 59: Repeal of HB528

\$32,450,199

Background: State commitment in 2003 to fund DOT port and harbor projects, and AEA projects, transferred by the State to municipalities but requiring substantial investment in capital maintenance and upgrades.

DOT

• Mat Su Borough – deep water port and road upgrade	FY20 \$712,513	Total \$4,972,002
• Aleutians East Borough/False Pass – small boat harbor	FY20 \$166,400	Total \$2,867,653
• City of Valdez – harbor	FY20 \$210,375	Total \$2,730,534
• Aleutians East Borough/Akutan – small boat harbor	FY20 \$215,308	Total \$3,604,242
• Fairbanks North Star Borough – Eielson AFB schools	FY20 \$333,193	Total \$4,737,896
• City of Unalaska – harbor improvement	FY20 \$365,695	Total \$6,624,136

AEA

• Kodiak Electric Association	FY20 \$943,676	
• Copper Valley Electric Association, Valdez	FY20 \$351,180	Total \$5,970,060

Total Impact

\$32,450,199

"Open for business" but closing doors

Municipality	SchoolBond	PetPropTax	FishBus	FishLand	EducCuts	Total cuts	FY17TaxRev	Cuts%ofTaxRev
Aleutians East Borough	\$654,762		\$2,093,687	\$5,017	\$1,055,141	\$3,808,607	\$ 4,714,403	80.79%
Bristol Bay Borough			\$2,705,606		\$234,134	\$2,939,740	\$ 7,139,215	41.18%
City & Borough of Juneau	\$8,551,446		\$389,022		\$8,406,516	\$17,346,984	\$ 100,925,169	17.19%
City & Borough of Sitka	\$2,458,721		\$953,324		\$2,893,763	\$6,305,808	\$ 18,676,883	33.76%
City & Borough of Wrangell	\$168,035		\$314,455		\$880,991	\$1,363,481	\$ 4,401,243	30.98%
City & Borough of Yakutat			\$218,773	\$39,078	\$213,866	\$471,717	\$ 100,925,169	0.47%
City of Akutan			\$1,090,445	\$4,916		\$1,095,361	\$ 3,337,019	32.82%
City of Cordova	\$962,072	\$100,000	\$1,160,157		\$959,309	\$3,181,538	\$ 5,789,958	54.95%
City of Dillingham	\$744,230		\$398,350		\$1,450,528	\$2,593,108	\$ 5,231,615	49.57%
City of Kodiak			\$926,525	\$9,587		\$936,112	\$ 12,182,890	7.68%
City of Nome	\$221,202		\$50,692		\$1,889,891	\$2,161,785	\$ 8,449,441	25.58%
City of Unalaska	\$670,819		\$3,649,322	\$4,291,531	\$1,007,733	\$9,619,405	\$ 22,216,120	43.30%
City of Valdez	\$1,686,718	\$38,400,000			\$1,169,462	\$41,256,180	\$ 44,088,866	93.58%
Fairbanks North Star Borough	\$10,064,193	\$11,800,000			\$26,766,900	\$48,631,093	\$ 113,690,918	42.77%
Haines Borough	\$904,190		\$128,174		\$521,391	\$1,553,755	\$ 5,954,861	26.09%
Kenai Peninsula Borough	\$2,845,713	\$15,000,000	\$771,171	\$4,469	\$18,256,328	\$36,877,681	\$ 97,026,067	38.01%
Ketchikan Gateway Borough	\$2,774,671		\$404,971		\$5,674,708	\$8,854,350	\$ 17,876,648	49.53%
Kodiak Island Borough	\$5,745,835		\$1,022,586	\$12,985	\$5,803,116	\$12,584,522	\$ 17,335,413	72.59%
Lake & Peninsula Borough	\$962,352		\$256,767		\$2,078,416	\$3,297,535	\$ 1,778,179	185.44%
Matanuska-Susitna Borough	\$19,954,904	\$100,000	\$127		\$38,542,561	\$58,597,592	\$ 134,158,246	43.68%
Municipality of Anchorage	\$43,153,298	\$2,400,000	\$92,250		\$74,364,715	\$120,010,263	\$ 595,642,854	20.15%
North Slope Borough	\$75,119	\$372,100,000			\$3,963,927	\$376,139,046	\$ 397,620,565	94.60%
Northwest Arctic Borough	\$4,080,264				\$8,379,818	\$12,460,082	\$ 597,764	
Petersburg Borough	\$466,050		\$877,158	\$5,766	\$1,387,439	\$2,736,413	\$ 6,402,255	42.74%

Department of Military and Veterans Affairs

- Elimination of Local Emergency Planning Committee (\$300,000)
- Elimination of Alaska State Defense Force
- Reduction of Alaska Military Youth Academy by 27% (\$5.7M)

Department of Public Safety

- Reduction by 6% of Fire and Life Safety - \$313,700
- Reduction by 13% of Alaska State Troopers - \$21,343,300
- Reduction by 22% of Village Public Safety Officers - \$3,098,300
- Reduction by 33.8% of Police Standards Council - \$656,500
- Elimination of Civil Air Patrol

Department of Transportation & Public Facilities

- Elimination of Harbor Facility Grant Program - \$7,500,000

05-27-16
Approved by the Alaska Department of Transportation & Public Facilities