



# SPECIAL MEETING #2024-03 JOINT ASSEMBLY/BOARD OF EDUCATION AGENDA

January 30, 2024 at 5:30 PM

Assembly Chambers/Zoom Webinar

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<https://juneau.zoom.us/j/91515424903> or 1-253-215-8782 Webinar ID: 915 1542 4903

Submitted By:

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Katie Koester, City Manager

**A. CALL TO ORDER**

**B. LAND ACKNOWLEDGEMENT**

We would like to acknowledge that the City & Borough of Juneau is on Tlingit land, and wish to honor the indigenous people of this land. For more than ten thousand years, Alaska Native people have been and continue to be integral to the well-being of our community. We are grateful to be in this place, a part of this community, and to honor the culture, traditions, and resilience of the Tlingit people. Gunalchéesh!

**C. ROLL CALL**

**D. AGENDA TOPICS**

**1. Assembly/School Board Discussion of Juneau School District (JSD) Finances:**

- i. Summary of January 29, 2024 Assembly Committee of the Whole (COW)
- ii. Review of JSD Dynamic Budget Tool
- iii. JSD Deficit: Discussion on Path Forward

**E. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS**

**INSTRUCTION FOR PUBLIC PARTICIPATION**

The public may participate in person or via Zoom webinar. Testimony time will be limited by the Mayor based on the number of participants. Members of the public that want to provide oral testimony via remote participation must notify the Municipal Clerk prior to 4pm the day of the meeting by calling 907-586-5278 and indicating the topic(s) upon which they wish to testify. For in-person participation at the meeting, a sign-up sheet will be made available at the back of the Chambers and advance sign-up is not required. Members of the public are encouraged to send their comments in advance of the meeting to BoroughAssembly@juneau.gov.

**F. SUPPLEMENTAL MATERIALS**

**2. JSD Budget Overview Presentation to 1/29/2024 Assembly COW**

**G. ADJOURNMENT**

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.gov.



**MEMORANDUM**

**TO: City and Borough of Juneau Assembly**  
**FROM: City and Borough of Juneau School District**  
**DATE: January 29, 2024**  
**SUBJECT: Juneau School District Budget Deficit Update**

The Juneau School District is currently facing a combined projected deficit of \$7,895,073.

The district’s recent independent audit, presented in November 2023, of FY 2023 (the 2022-23 school year), identified a \$1,947,423 carryover deficit fund balance in the operating fund. A negative fund balance was also noted in the FY 2022 audit.

After the November 2023 audit, the district engaged an outside school finance specialist in December 2023, who completed a line-by-line analysis of the district’s approved FY 2024 budget. That approved FY 2024 budget was constructed between January-March of 2023 and was required to be presented to the City and Borough of Juneau Assembly by April 5, 2023.

The analysis revealed an overstatement of district revenue by nearly \$6 million and an understatement of district expenses by \$2.1 million in the adopted budget. The district’s projected deficit, when combined with the FY 2023 audit findings, was \$9.5 million.

The findings on the projected budget deficit were immediately disclosed in an advertised, public work session and meeting on January 9, 2024. Recordings of those and all other budget meetings are available to the public on the district website.

The district took immediate action to address the current and ongoing budget crisis, with a series of cost-saving measures and recommendations for structural changes to educational delivery, including school consolidation, building closure(s), and staff reductions.

Continued efforts and programmatic reductions have positioned the FY 2024 operating fund budget currently with a pending revised budget deficit in the amount of \$5,947,650. The FY 2023 ending fund balance is an additional deficit of \$1,947,423, for a total deficit of \$7,895,073.

To further address the projected FY 2024 and anticipated FY 2025 budget deficits, the district is interested in a conversation with the Assembly around non-instructional, shared services in the areas of maintenance, utilities, property insurance, and operational/custodial costs. There is a shared interest in safeguarding and maintaining the asset value of the facilities owned by the City and Borough of Juneau and operated by the Juneau School District, and there is a commitment by the district to manage and provide community services and programs that offer critical and valued service to the community.

The following are key areas identified in the recent budget revision.

**BACKGROUND**

**Operating Fund:** The Board adopted the operating fund budget in June 2023. Since that adoption, the District’s FY 2023 audit has been finalized and reflects a decrease of \$2,915,440 in fund balance compared to the projected amount in the adopted budget (\$968,017 original estimated fund balance, minus \$1,947,423 actual/audited fund balance). That issue, combined with the need to true-up actual operating revenue and expenses, was the basis for the budget revision.

**Revenues:**

**Foundation**

The district submitted its FY 2024 OASIS report to the Alaska Department of Education & Early Development on November 3. The district reported a decrease of 83 students from the spring 2023 adopted enrollment projection.

**State Aid to Districts (One-Time Supplemental Funding)**

These funds were appropriated from the FY 2023 legislature during the budgeting process. This number is preliminary because the State of Alaska is still finalizing the OASIS count for all school districts.

The \$2.7 million is the district’s portion of the one-time supplemental state funding appropriation by the legislature and was not included in the original budget adoption due to the timing of the appropriation by the legislature.

**PERS/TRS On-Behalf**

This revision aligns the flow-through funding to be closer to actual. The initial adopted budget overstated the PERS and TRS on-behalf revenue by \$4.3M.

**Medicaid**

Medicaid reimbursement is being decreased by \$175,000, as this is for services from FY 2023, reimbursed in FY 2024.

**Tuition and Other Local Revenue**

Immaterial adjustments were made to align with actual YTD and remaining projected receipts.

**Expenditures:**

**PERS/TRS On-Behalf**

The draft revision presented on January 9, 2024, aligns the flow-through activity to be closer to actual. The initial adopted budget overstated the on-behalf expense by \$4.3 million. The

overstated on-behalf expense were miscategorized as on-behalf payments. The expense should have been allocated to other salary and benefit lines to cover the costs of existing staff.

**Reconciled Staffing Expense**

As noted above, staffing and associated costs were miscategorized as an on-behalf expense (\$4.3 million). Additionally, the reconciliation process identified a budget shortfall of \$663,841 for current staffing levels.

**PERS & TRS Employer Contributions**

The calculation of employer contributions for PERS (22.0%) and TRS (12.56%) were under budgeted in the originally adopted budget. Increases in the amount of \$1.1 million for PERS and \$369,650 for TRS are needed to cover the employer-obligated contributions for current staff levels as of 12/19/2023.

**Fund Balance**

The FY 2023 ending fund balance is a deficit of \$1,947,423, along with an FY 2024 operating fund deficit of \$7,597,650.

**Identified Reductions:**

Since January 9, 2024, district administration have actively been identifying areas in which to realize savings. To date, \$1.65 million in savings have been identified through operations costs, carryover allotment categorization, and health insurance expenses. These identified savings have reduced the FY 2024 projected deficit to \$5,947,650, exclusive of the audited FY 2023 deficit fund balance. Those two figures together total \$7,895,073, down from \$9.5 million.

JSD FY 2024 Operating Fund Budget		January 29, 2024
Proposed adjustments to Board Adopted Budget from spring 2023		
<b>Revenue:</b>		
State Foundation	-\$4,181,553	Enrollment Driven
One Time Supplemental	\$2,764,319	Legislative
PERS/TRS Onbehalf	-\$4,348,686	Overstated originally
Medicaid Billing	-\$175,000	Adjust to YTD expected
Misc	-\$32,519	Adjust to YTD actual
<b>Board Approved</b>	<b>\$75,221,700</b>	<b>\$69,248,261 REVISED</b>
	-\$5,973,439	Board Approved Revenue
<b>Expense:</b>		
PERS/TRS Onbehalf	-\$4,348,686	Miscategorized in original FY24 Budget
Reconcile Staffing Expense	\$4,348,686	Miscategorized in original FY24 Budget as OBH expense
Reconciled Staffing Expense	\$663,841	Understated originally in Object Codes
PERS ER Contribution	\$1,156,120	Understated originally
TRS ER Contribution	\$369,650	Understated originally
<b>Board Approved</b>	<b>\$74,656,300</b>	<b>\$76,845,911 REVISED</b>
	\$2,189,611	Board Approved Expense
<i>as of 1/9/24 Projection</i>	<b>Operating Budget FY24 Deficit</b>	<b>-\$7,597,650 REVISED *</b>
		* Does not include FB FY23 deficit of \$1.94M
<b>Additional identified reductions since 1/9/24 Projection</b>		
Operations Savings	-\$350,000	Superintendent's reductions
HomeBRIDGE allocations	-\$300,000	Carryover allotments
Health Insurance Line Item	-\$1,000,000	Excess budget based on actual enrollments
	-\$1,650,000	
	<b>Operating Budget FY24 Deficit</b>	<b>-\$5,947,650 REVISED</b>
		<b>-\$1,947,423 FY23 Audited Deficit</b>
	<b>Total Operating Budget Deficit</b>	<b>-\$7,895,073 REVISED</b>



City and Borough of Juneau  
City & Borough Manager's Office  
155 Heritage Way  
Juneau, Alaska 99801  
Telephone: 586-5240 | Facsimile: 586-5385

TO: Mayor Weldon and Assembly  
FROM: Katie Koester, City Manager  
DATE: January 26, 2024  
RE: JSD Deficit: Discussion of paths forward

The purpose of this memo is to help the Assembly and the School Board talk through options to get JSD through the current deficit the district is facing. It builds on the memo dated 1.29.2024 from Superintendent Hauser presented at the COW of the same date. CBJ staff has requested a formal request from JSD for consideration by the Assembly; what is presented below is not that but rather some components of the conversation staff have been working on. This memo is not exhaustive of all the things the Assembly could do. It would be helpful if as part of the Joint Meeting the Assembly gave the JSD School Board detail on what you need to facilitate Assembly decision making.

In summary, JSD is facing a current year deficit of around \$8M. This is down from the original projected deficit of \$9.5M due to over \$1.5M in savings the district has identified through operations costs, carryover allotment categorization, and health insurance expenses.

**JSD has an \$8M problem. How can it be resolved in the short-term? A Loan.**

CBJ cannot give JSD \$8M to fix this problem because CBJ already funds to the cap. Funding above the cap would jeopardize state funding. However, it is unrealistic to expect JSD to come up with enough additional cuts in the current year to dig out of an \$8M hole. JSD will likely need a loan up to the full \$8M deficit; DEED has agreed to this in concept (an agreement would need to be formalized with DEED).

JSD can pursue a loan through a number of means:

1. Loan via DEED/State. DEED can only advance JSD the outstanding foundation formula funding and a loan would require special legislation, which is not likely and too late to help
2. Traditional bank loan
3. (CBJ) Central Treasury Loan? [CBJC 57.05.045](#). The capital acquisition condition may be disqualifying.
4. Hybrid loan via a local bank with some security via CBJ
5. (CBJ) Unique CBJ Loan via ordinance

Of these options, a unique CBJ loan via ordinance is the most flexible and allows the Assembly to offer the most favorable terms to the district. Conversations with DEED have indicated a 5-year maximum term.

**Conditions of a Loan**

In addition to traditional terms and conditions of a loan, I recommend the Assembly discuss the following specific conditions:

-Financial Awareness. CBJ needs a greater understanding of and access to JSD finances. CBJ can have a staff person who reports to the CBJ Finance Director and has direct and

complete access to JSD finances for the term of the loan. This could be as simple for current staff, or as involved as shared services between JSD and CBJ where CBJ provides direct financial support. For example, a new position at the accountant level who is at and helps JSD with financial duties and acts as a liaison between CBJ and JSD staff.

-A plan to pay back CBJ. A payback plan will require significant budget cuts and difficult conversations with the community. Without this plan, JSD is at risk of running afoul of DEED.

**Proposed Timeline of Loan:**

- Year 1 - FY 2024: CBJ issues loan to JSD
- Year 2 - FY 2025: No payback required. JSD develops payback plan; submits it with FY26 budget
- Year 3 - FY 2026: Payback year 1
- Year 4 - FY 2027: Payback year 2
- Year 5 - FY 2028: Payback year 3

**Shared Services**

In Superintendent Hauser’s 1.29.24 memo he states, “the district is interested in a conversation with the Assembly around non-instructional, shared services in the areas of maintenance, utilities, property insurance, and operational/custodial costs.” Any shared services CBJ takes on are expenditures the district does not have to make. You may be asking, but wait – CBJ already funds to the cap? There are likely non-instructional items the CBJ could pay for related to facilities. City Attorney Palmer is working on this legal analysis.

Keep in mind that creative approaches to shifting additional JSD operating costs to CBJ as ongoing operational expenditures will require revenue sources for those expenditures. Depending on magnitude, this will likely mean cuts to existing services or increasing property taxes.

**Things CBJ Could take on for JSD**

There are a number of services that are tangential to JSD’s core mission “to provide each student with meaningful, relevant, and rigorous learning experiences in order to graduate diverse, engaged citizens for a changing world.” Maintaining facilities and Community Schools are examples of two services that JSD currently provides outside of their core mission that have a nexus to current CBJ services. CBJ taking over facility maintenance provides direct fiscal relief to JSD; Community Schools has less financial impact but would increase JSDs administrative ability to focus on their core mission.

**Building Maintenance**

CBJ owns all JSD facilities and pays for major maintenance and deferred maintenance projects. However, knowing what major maintenance projects to prioritize and making sure proper preventative maintenance schedules are adhered to is beyond our control. Combining JSD maintenance and CBJ maintenance would have added efficiencies of being to take advantage of our multiple HVAC experts on staff, for example (a service JSD currently contracts out for). Taking on facility maintenance would be no small task: JSD has approximately double the square footage of CBJ and would add \$3.5M -\$4M to our budget. Currently our building maintenance operates where there are assigned experts to each building to develop deep knowledge and responsibility of the unique needs of facilities; we would maintain that model with JSD and ensure that there would be dedicated staff to tend to JSD specific facility needs. I would propose taking on these services in the future; there is not enough time in the current year for such an operational pivot and there are multiple things to care for, including caring for current employees. We recently learned of apparently

critical HVAC issues at a variety of JSD facilities and anticipate significant deferred maintenance needs in this area.

**Community Schools**

Community Schools is the program through which the community utilizes school facilities during non-instructional hours for everything from symphony concerts to theater productions. Scheduling community use of facilities is already something we do within Parks and Recreation. Similar to maintenance – expanding an already existing program is simpler than creating something new. After JSD, Parks and Recreation is also the largest user of JSD facility space. Particularly as JSD considers school consolidation, it will likely be in the public interest for community school uses to continue at JSD facilities that may have their primary use repurposed. Parks and Recreation would draft a prioritization policy for space use in close collaboration with JSD.

**Timeline for Assembly Action**

Without Assembly support, JSD will run out of money this spring and is required by charter to submit a budget to CBJ by April 5. Details, like a plan for repayment of a loan, will have to be worked out by the district after getting basic items in place like a loan agreement and shared services agreement for 2024. I have laid out a proposed timeline for Assembly action below.

**1.30.2024 Joint JSD/ CBJ Meeting:** Discuss options for a path forward. Assembly gives CBJ staff direction on alternatives they want flushed out.

**2.07.2024 Assembly Finance Committee:** Assembly considers official ask for assistance from JSD School Board. Assembly gives further direction to staff to draft two Ordinances: 1) loan and 2) shared services agreement for 2024, at a minimum. A conceptual agreement on shared services beyond FY25 is necessary for JSD to develop their budget, but it will take time to work out the details for an ordinance.

**2.26.2024 Assembly Special meeting** before the COW to introduce ordinances.

**3.11.2024 Assembly Special meeting** before the COW for Public Hearing and Final adoption of ordinances.

**Recommendation:**

Discuss and give staff direction on flushing out the concepts of:

**What does a loan look like?**

-Financial Awareness (CBJ staff access to JSD finances)

**What could CBJ relieve JSD of operationally?**

- CBJ taking over JSD Building Maintenance
- CBJ taking over Community Schools

**Timeline for Assembly action – are you comfortable with the amount of public process for your decisions?**

**What does the Assembly need form the School Board to continue the conversation?**





# JSD Budget Overview

## Assembly Committee of the Whole Work Session

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Frank Hauser, Superintendent  
Juneau School District  
January 29, 2024

# JSD Budget Deficit

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Current status

Proposed adjustments to Board Adopted Budget from spring 2023

**Revenue:**

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**-\$1,947,423** FY23 Audited Deficit

**Total Operating Budget Deficit** **-\$7,895,073 REVISED**

# “How did JSD get here?”

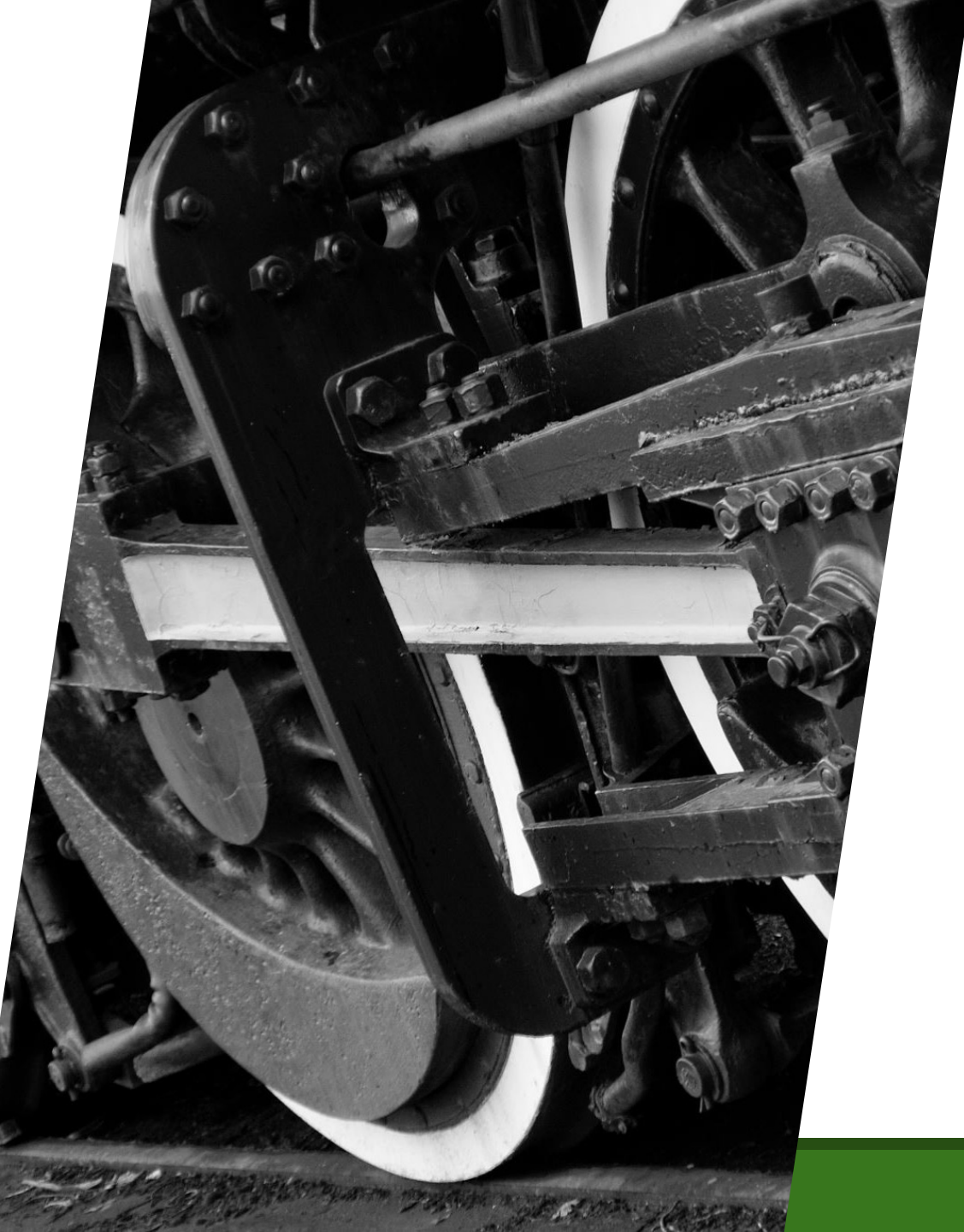
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## ASSUMPTIONS

## Key Assumptions

### Resources – Operating Fund

- ◆ State Foundation funding of \$35,229,600
    - ◆ Projected BSA of \$6,330
    - ◆ 4,240 students, an increase of 12 from FY23, 100 intensive needs students
  - ◆ CBJ Support of \$30,775,800
    - ◆ Full Support to Maximum
  - ◆ PERS/TRS On-Behalf \$8,489,600
  - ◆ Other Revenues of \$726,700; such as Medicare, E-Rate, and etc.
- 84% increase**, from 6% operating fund revenues in FY23 to 11% here



*“The district didn’t have Hawaii trips, and you didn’t have \$50,000 bonuses. You were being squashed from a revenue side, and the bottom side, on the expenditures, was not stopping. It was kind of a freight train that was coming from both directions.”*

# JSD moving forward

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Vibrant Juneau Schools – Now and into the Future

Phase I: Restructuring, consolidating

# JSD Historical Enrollment

AVERAGE DAILY MEMBERSHIP 2000 - 2024  
(HISTORICAL HIGH WAS 5,701 IN 1999)

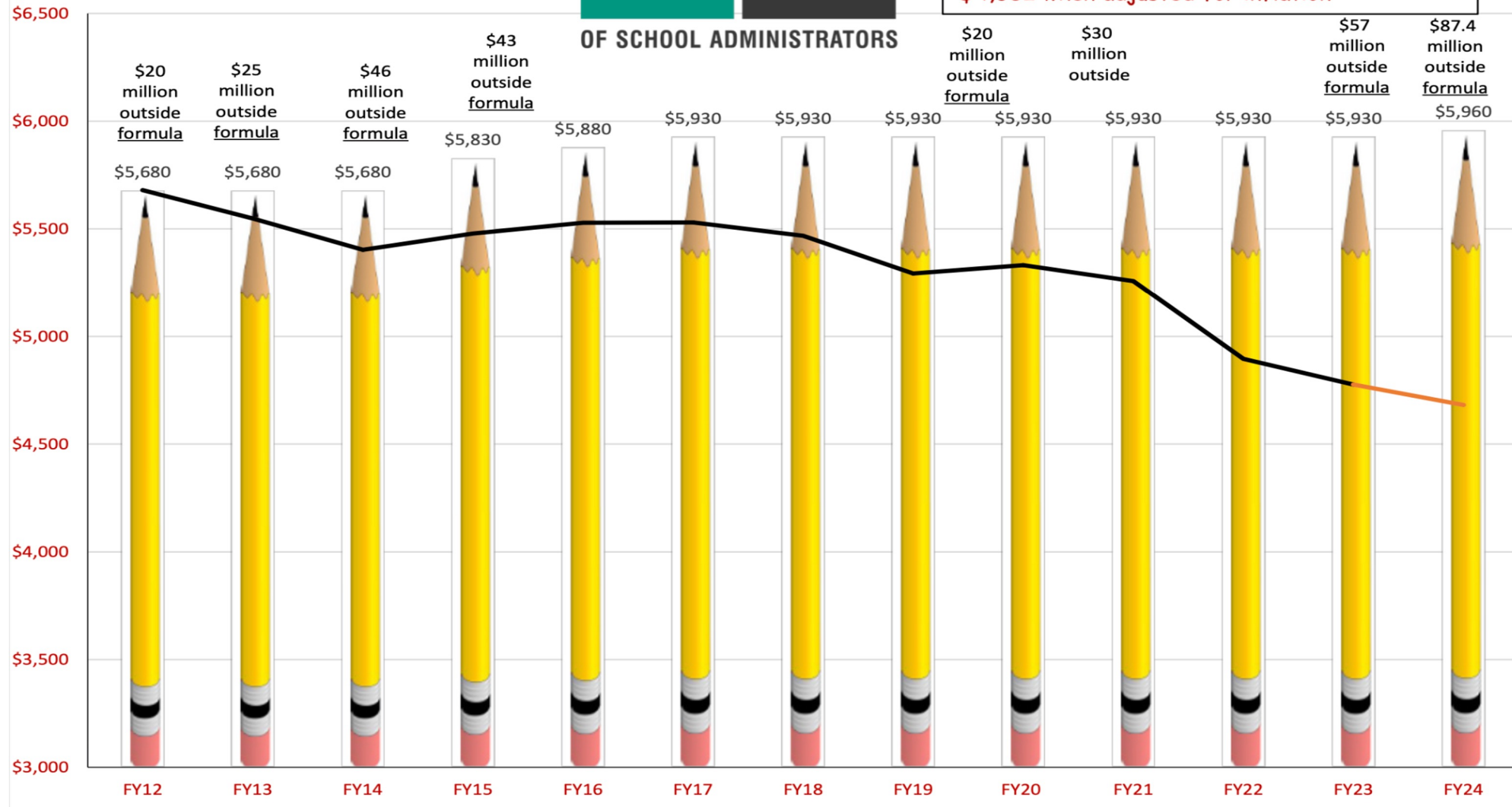




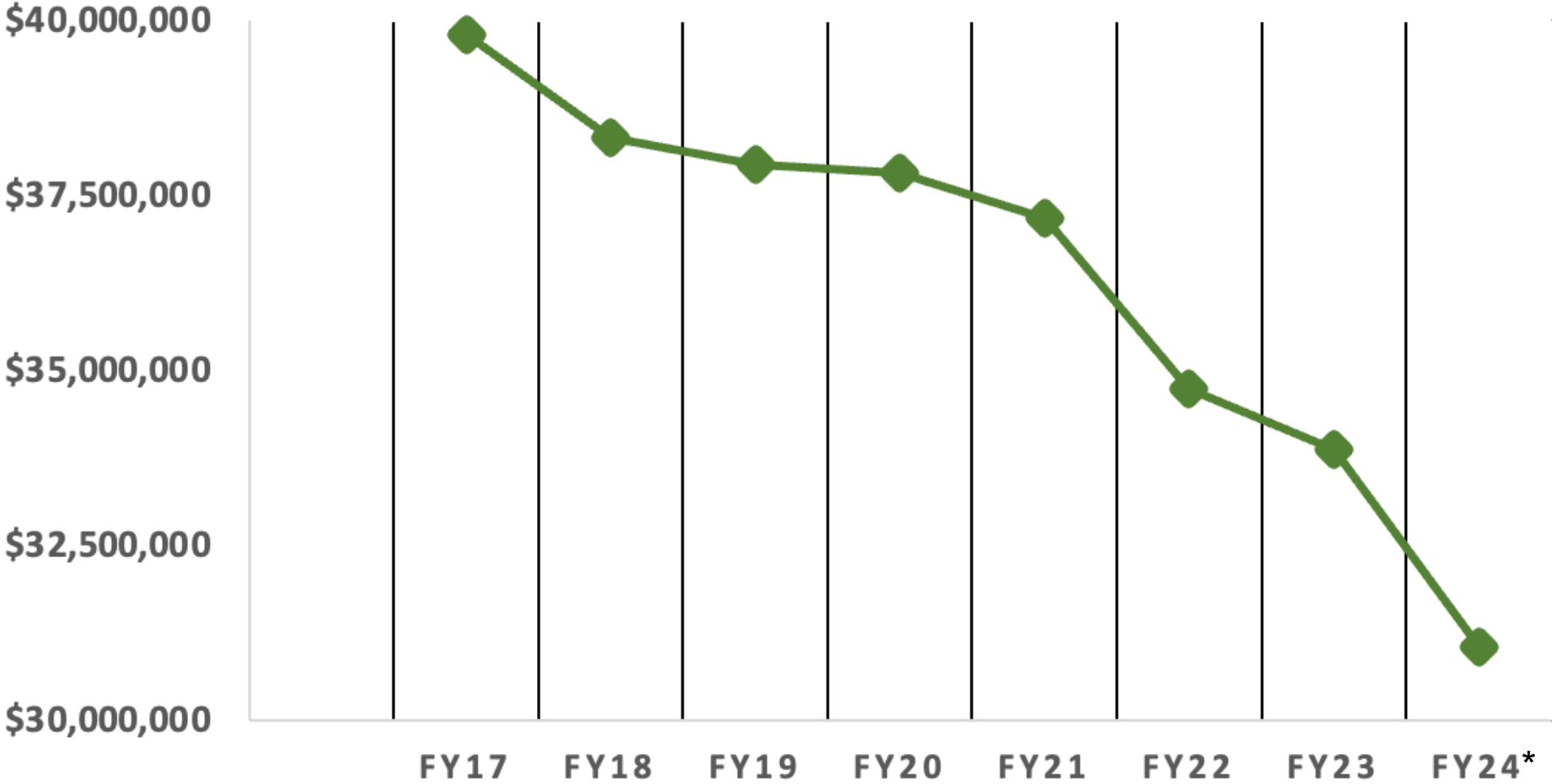


# Alaska K-12 Funding Base Student Allocation Fiscal Year 2012 - 2024

Data source: Legislative Finance  
Line shows inflation adjustment to FY12 value;  
BSA of \$5,960 in FY24 has an FY12 value of \$4,682 when adjusted for inflation



# Foundation Trend FY17 – FY24



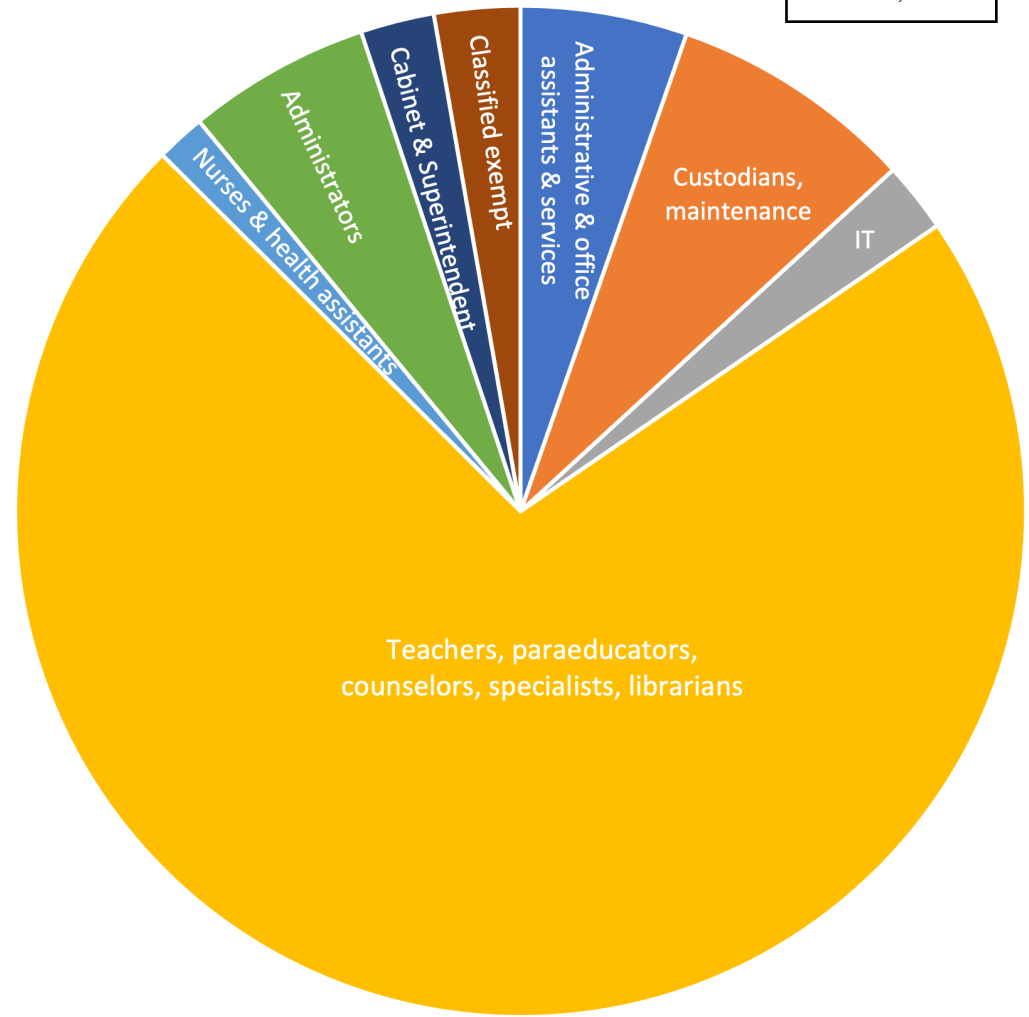
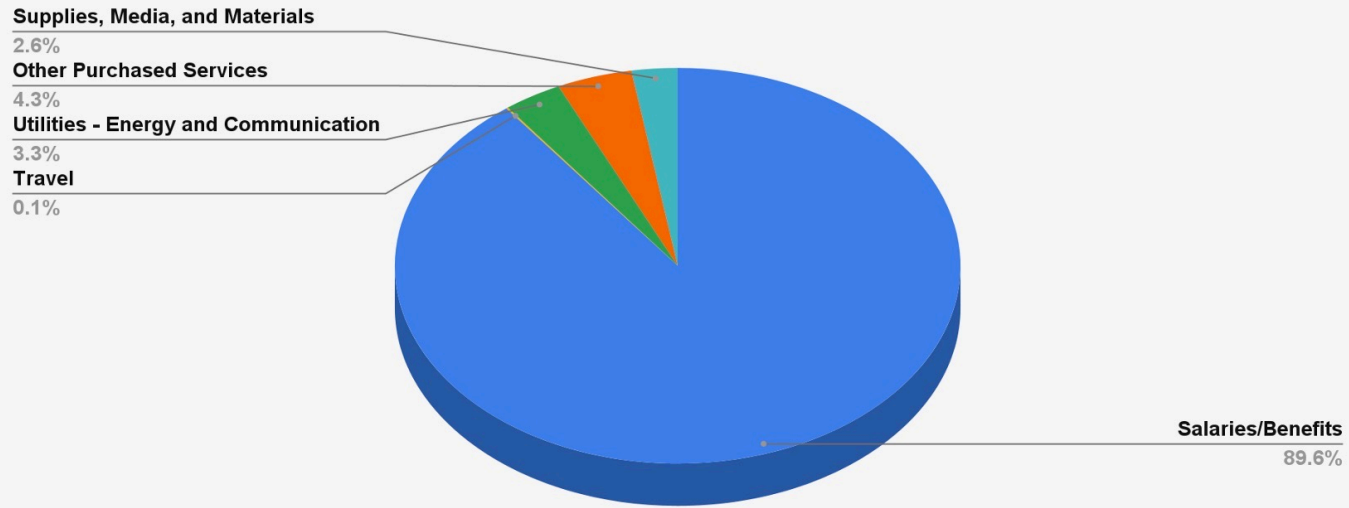
\* FY24 Foundation Funding will not be finalized until March

Current combined deficit of nearly \$7.9 million  
(*not* including FY25) =

395, \$20,000 decisions, or  
158, \$50,000 decisions, or  
66, \$120,000 decisions

Board is **REQUIRED** to pass balanced budgets for FY24 and FY25  
(AS 14.17.900(a))

### FY24 Expenditures by Object



# Vibrant Juneau Schools – Now and into the Future

## Phase I: Restructuring, consolidating

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### Academic Outcomes/Reorganization Task Force and Community Committee on Reorganization

- Reorganize delivery models, e.g., K-3, 4-6 schools
- Building consolidation and closure

Rough estimate of cost savings—staffing only—for average district elementary school (based on current staffing) - \$668,000\*

Rough estimate of cost savings—staffing only—for average district middle school (based on current staffing) - \$913,000\*

Rough estimate of cost savings—staffing only—for average district high school school (based on current staffing) - \$1.3M\*

\*Savings would vary due to the school size adjustment in the foundation formula

# Shared Services for FY24 and FY25

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JSD is interested in a conversation around non-instructional, shared services:

- Maintenance,
- Utilities,
- Property insurance, and
- Operational/custodial costs.

There is a shared interest in safeguarding and maintaining the asset value of facilities owned by CBJ and operated by JSD.

There is a commitment by the district to manage and provide community services and programs that offer critical and valued service to the community.

***Gunalchéesh!***

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***Thank you!***