

**Minutes of Special Assembly Meeting
Held on May 31, 2019**

Mayor Stephen Prysunka called the Special Assembly meeting to order at 5:15 p.m., May 31, 2019, in the Borough Assembly Chambers.

PRESENT: PRYSUNKA, GILBERT, DEBORD, DELONG, POWELL, MORRISON, DECKER

ABSENT: None

Borough Manager Von Bargaen and Borough Clerk Lane were also in attendance.

CONFLICT OF INTEREST – DeBord declared a potential Conflict due to his employment at the Wrangell Medical Center (WMC); WMC has contracts with the School District. Prysunka stated that he didn't see a Conflict since he didn't benefit personally. There were no objections from the Assembly.

Powell declared a potential Conflict due to his wife being an employee of the School District. Prysunka stated that he didn't see a Conflict since he didn't benefit personally. There were no objections from the Assembly.

PERSONS TO BE HEARD – None.

ITEM(s) OF BUSINESS

5a Approval of the FY 2020 Wrangell Public School District Budget, Amending the Total Local Contribution to \$1,365,117 (*postponed from the May 28, 2019 Regular Borough Assembly Meeting*)

Decker requested a summary of the information that had been received from the school, late in the afternoon.

Von Bargaen stated that there was a significant Delta between what the anticipated request for next year and what the budget this year was; year end estimates had been missing but were now on the submittals that were received this afternoon; FY 2019 School Districts year end budget is now updated to read as \$5.2 million dollars, which is a difference of roughly \$600,000; was originally listed at \$5.9 million dollars.

Georgianna Buhler, School District Business Manager reported that the FY 2019 that is being projected was \$5.8 million dollars in expenses, almost \$5.9 million dollars in expenses; still some work that needs to be done with the Maintenance Director when he returns.

Von Bargaen stated that in reading the new budget information received, the School District was not planning on taking any funds from the 503 funds.

Buhler stated that by reducing funding, the district was able to not have to pull any money from the 503 fund; at this point, projecting roughly a \$227,000 carry-over of which about

\$140,000 of that would be restricted and not available for use; unrestricted portion would be about \$83,000-\$84,000.

In response to Von Bargaen, Buhler stated that the \$143,000 was part of the 10% carry-over that is restricted.

When questioned by Prysunka on how the 503 funds were managed, Buhler stated that there is no Board policy that directs how the 503 funds were spent yet; had been an internal administrative function; cannot find evidence that it had been a Board policy to direct how those funds were managed.

In response to Gilbert's question on the FY 2017 503 fund reporting of \$585,000, Buhler stated that there are a number of reporting efficiencies that need to be cleaned up; prior administration had incorrectly reported on that fund; it's a manual updated field that needs to be made from the General Ledger; the numbers that the Assembly had in front of them were the numbers that had been taken directly from the General Ledger and had been verified with audits for those years.

Buhler continued to answer several more questions from Von Bargaen and the Assembly regarding the restricted funds, the carry-over funds, and the Foundation Support.

Von Bargaen recapped for the Assembly:

- School Budget of \$6,341,573 (before upcoming School Budget amendments)
- Request in that budget was: Local minimum contribution of \$616,689 and the SRS contribution of \$848,488 for a total of \$1,465,117.
- At the last Work Session that the Assembly had, the Assembly had requested that the total contribution be dropped by \$100,000 which brought the total proposed contribution to \$1,365,117.
- The way that City Administration proposes to make that payment would be to pay the minimum contribution with SRS Education Allocation funds of \$869,887 and that the remainder of the \$1,365,117 (which is \$495,230) to come from the Sales Tax funds.
- Last Friday, we received an increase of just over \$60,000 of SRS payment; 94% of that, if SRS Education Allocation funds were used for the contribution would be \$57,498; making the total SRS Education Allocation contribution \$927,385.

Von Bargaen questioned if the Assembly wanted to provide the additional \$57,498 of the Education Allocation SRS funds since it was unanticipated revenue; or does the Assembly want that amount to be reduced from the Sales Tax Fund contribution, making the total school contribution remain at \$1,365,117.

Von Bargaen confirmed for Gilbert that the Assembly had decided that in addition total school contribution, an estimated \$65,000 would also come out of SRS to pay for the repair of school sidewalks.

Buhler stated that it will be Administrations recommendation to the School Board that the School Board Policy committee look at drafting policy that directs how the 503 funds are handled.

Ms. Buhler summarized by saying that there would be \$227,709 carried over to FY2020; of which \$143,901 would potentially be restricted and \$83,803 would be unrestricted.

Drew Larrabee, Wrangell Public School Shop Teacher stated that a great deal of the reasoning behind not moving forward on the replacement of the bleachers was due to the constraints that the State was potentially putting on the School.

M/S: Gilbert/Morrison to amend the motion to reflect a contribution to the School from SRS Funds of \$927,385 and a contribution from the City Sales Tax Fund of \$537,732 for a total contribution of \$1,465,117.

Gilbert stated that because seeing now that the School can only carry over \$83,808; that's alarming; over \$300,000 decrease.

After some discussion and clarification, Decker confirmed that the carry over amount was higher than the \$83,808 amount.

Motion failed with Decker, Powell, DeBord, Morrison, DeLong, and Prysunka voting no; Gilbert voted yes.

Von Bargaen stated that we were back to the original motion which was to approve the FY 2020 Wrangell Public School District Budget, Amending the Total Local Contribution to \$1,365,117; still needs an answer about the additional \$57,000.

Von Bargaen additionally stated that what Administration was recommending was that the local contribution to the Schools be paid for with SRS funds; if the Borough did that, because SRS money cannot be broken up into two different things, (cannot be part contribution and part Federal Passthrough), would need to give the entire amount of the SRS Contribution which is \$927,385; that amount would include the additional \$57,000; need to know if the Assembly wants to reduce the recommended Sales Tax Fund amount by \$57,000 so that the total contribution would be the \$1,365,117.

M/S: Delong/Gilbert to amend the motion to fund \$927,385 from the SRS Funds with the additional \$437,732 from the City Sales Tax Fund.

Prysunka stated that he would like to see the School use some of their reserves to fund their budget; City has failing infrastructure and we are approving a City deficit budget and tapping into our reserves; confused still at how much has been cut from the School Budget; last year, School was willing to tap into its reserves for the amount of \$290,000; if they tapped into their reserves for that amount, we could use the money to fix some of our failing infrastructure; should possibly hold back some of that money so that they tap into their reserves; not telling the Schools how to spend their money; that's up to the School to decide whether or not to use their reserves or to amend their budget.

Prysunka further stated that for years we have been giving the Schools the SRS funding plus additional money on top of that because we thought that we were compelled to do that; found out just this year that no, that isn't the case.

Von Bargaen stated that just as the Assembly cannot direct the School on how to spend their money, they also cannot direct the School to take money from their reserves. Prysunka agreed.

Decker stated that with the information that Ms. Buhler brought forward, it has helped the Assembly on understanding the overall budget.

Buhler explained that the new zero-based budgeting approach will help them to identify their expenses; the new encumbrance module helps them to get the information that they need and tracts the spending; makes them more nimble and able to know what they are working with.

In response to Powell, Ms. Buhler stated that the \$290,000 amount had originally been in the FY 2018 budget and it was not spent; was brought forward into the FY 2019 budget but it stalled for the bleachers.

Von Bargaen stated that there are no funds allocated to come from the reserves in the FY 2020 budget. Ms. Buhler confirmed that yes, that is correct.

Von Bargaen stated that the Sales Tax Fund money that goes towards Education is designated as Education, Health, and Sanitation; anything related to water or sewer could be funded with the Sales Tax Funds.

DeLong requested that her amendment be withdrawn. There were no objections from the Assembly.

M/S: Decker/Morrison to substitute the motion that the City approve \$1,000,000 contribution in SRS funding to go directly to the Schools for FY 2020 School Year and consider a future request for up to \$200,000 for building repair and maintenance reimbursement after receiving a report of building repair and maintenance projects that have been completed for FY 2020.

Prysunka conferment that this would mean an \$18,000 decrease in the budget.

Buhler stated that what was in the budget was just the ongoing maintenance; if anything, major needed to be repaired, they would pull from the reserve fund, up to \$25,000, which was the kicking point for the City since they are City buildings.

Buhler stated that what she was hearing was that the School has to do all of the maintenance and all of the CIP on the buildings, reducing what's going to kids and then getting reimbursement later.

Decker stated that what she intended was that the School could use up to \$200,000 from the 503 Fund for building maintenance and repair; then come to the City and ask for those funds to be reimbursed.

Buhler stated that what it says to her is that the City is cutting what goes into the classroom, \$365,000; would need to redo the budget and it wouldn't come out of maintenance, would come out of the classroom and come off the backs of kids.

In response to Prysunka that the School also has the reserve account, Buhler stated that the reserve account doesn't go towards the kids.

Buhler stated that it was a clunky mechanism and it hampers the District to pay its bills in a timely manner.

Powell stated that by the City proposing the cut, it has nothing to do with taking any money out of the classrooms; that is up to the School Board and the District to either cut the budget or take it out of the reserve funds; has nothing to do with the Assembly taking money directly from kids; we are operating on a deficit and we are looking at passing a little bit of the deficit on.

Prysunka stated that the Assembly was not looking at the School Budgets line items; we don't have that say on how the School balances their budget.

Prysunka stated that he didn't really like the idea of the district having to come back and ask for money.

Powell stated that he would like to see the Assembly and the School Board have a meeting to come to an agreement on what CIP projects could be done; where the School could use funds from their 503 Fund and the Assembly could give them those funds back.

Decker stated that we could not direct them on how to use their funds.

Prysunka stated that he is watching a reserve shrink and watching another reserve grow; we are pulling from City reserves to fund the School reserves; it's irresponsible as an elected official who is a custodian of the Sales Tax Fund; if we cannot pay for things that need to be done out of that fund, we have to bond; user fees go up; trying to balance it all out.

Powell suggested that the contribution be \$1,300,000 which would be a total cut from what the School was asking for of \$165,000; then let's have a meeting and discuss the CIP funds; let's talk about how to make this work.

Aaron Angerman, School Board Member/Budget Committee Chairperson stated that he would like to see the collaboration and transparency; working towards a more sustainable budget; understands the need for building maintenance but believes that it's a separate issue; a substantial cut would affect the classroom.

Prysunka stated that in the past, the Assembly would just say yes; believed that the City was mandated to give the School every penny that they were asking for; more scrutiny this year because we actually have some say on how much money is funded; trying to make an informed decision on how much money comes from the City; last year the School Board approved spending \$290,000 out of its reserves to fund bleachers and operations; it is within reason that

the School Board could look at doing that again.

M/S: Gilbert/Powell to amend the amendment to provide a contribution from the SRS Funds and \$300,000 form the City Sales Tax Funds and remove the \$200,000 conditions.

Decker stated that she was okay with the \$1.3 million dollars however she would still like to see the carrot out there for building maintenance.

Von Bargaen stated that if the Assembly wanted to use SRS Funds to pay for School CIP projects, that could be done.

Decker stated that she would like to see the Assembly look at funding the School through SRS Funds instead of City Sales Tax Funds because we have a lot of Water issues and City Sales Tax Funds can be used to fund those issues; lines breaking and processing issues, we might need those funds.

Annya Ritchie, School Board Member stated that what she believes is that we should all be fiscally responsible; does not negate the fact that our student needs are growing; if the pocket of money is reduced, we will have to make hard decisions on where that money will have to come from; understands that the City is taking \$100,000 from the original request but asked that the City not reduce the funding any more than that.

Prysunka stated that what the Assembly was concerned with was that the ongoing maintenance was not getting done, that maintenance that could have been a \$12,000 project, it might become a major expense; not trying to throw up barriers, just trying to get more work done.

In response to Decker on the total SRS Funds available, Von Bargaen stated that once we give the School the funds from the SRS Fund, it will go to about \$2.8.

Matt Gore spoke out that he had a serious question.

Prysunka asked that Mr. Gore come to the podium to speak.

Mr. Gore questioned the AK Statue 14.14.060(c) and it states therefore that the has until May 30th to determine the amount that will be made available to the school district from local sources. The school budget, as submitted includes all that.....

Von Bargaen stated that we have 30 days and that if you read the revised Agenda Statement, the original Agenda Statement states May 30th; the budget was submitted to us on May 1st so we have until May 31st to provide that information...

Mr. Gore voiced "then you should probably update your Board packet, that would be great."

Von Bargaen stated that it was updated.

Mr. Gore said: "well, the original packet..... so, are we misquoting State Statute in there then?"

Prysunka stated that we were ready to make this decision at our last Assembly meeting but that we had requested the Actuals for over a month and they never came until the following day after our

Assembly Meeting and we postponed action on this item from that meeting until tonight.

Von Bargen stated that the Agenda Statement from the last meeting remains unchanged; we cannot amend language in that packet; tonight's packet clearly states that the date is May 31st because we have 30 days.

Von Bargen stated that the School District could come back to the City to ask for additional funding, up to 1.9 million dollars, at any time.

DeLong stated that we are all here for the same reason; not trying to take anything away from the kids.

Von Bargen clarified for Gilbert that on Sales Tax Use, 28%, water pipes would fall under the allowable use for Health; water, sewer, sanitation, etc.

After discussion on the amendments, the Assembly approved unanimously to withdraw both amendments, bringing back the original main motion to approve the total local contribution of \$1,365,117.

M/S: Decker/Morrison to amend the motion to approve the FY 2020 Public School District Budget Total Local Contribution of \$1,300,000 to come from SRS Funds.

Prysunka stated that if this amendment was approved, the total contribution would be reduced by \$65,000.

Von Bargen reiterated that the reduction would be \$165,117 from the original request from the School.

Powell stated that the Assembly was sitting here on a Friday night; Mayor may stop him, but he stated that he wanted to ask Matt (Mr. Gore) a question.

Prysunka stated that no, that would not be allowed.

Powell asked if the Assembly objected.

Prysunka recessed the Special Assembly meeting at 7:31 p.m.
Special Assembly meeting reconvened at 7:40 p.m.

Prysunka asked that the motion, as amended be read for the Assembly.

Clerk Lane stated that the motion, as amended currently reads as: move to approve the FY 2020 Wrangell Public School District Budget, Amending the total Local Contribution to \$1,300,000, to come from SRS Funds.

Prysunka stated that in his mind, he thinks that pulling this contribution from SRS funds, it frees up Sales Tax Funds for various projects.

Morrison and Prysunka both reiterated that SRS funds were not a guarantee; might not be available in the future.

Amendment to the motion was approved unanimously by polled vote.

Main motion, as amended, was approved unanimously by polled vote.

M/S: Decker/Powell to appropriate up to \$100,000 of SRS funds for reimbursement of Building Maintenance & Repairs subsequent on a Work Session with the School Board.

In response to Von Barga on if the Assembly wanted the \$100,000 broken out in the City's FY 2020 budget, the Assembly said that yes, that's what they wanted.

DeBord stated that he would like to see the School give the Assembly a more solid number and express what they are wanting to do or what they need.

Decker stated that this will be a joint effort, if the school comes back to the Assembly and says that they need \$25,000 then the Assembly would approve that and if the School didn't use the remaining amount, it would stay in the SRS Fund.

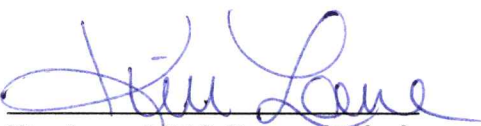
Von Barga stated that the Assembly would approve any appropriation that the School brings forward.


Prysunka stated that this was not about restricting access but about encouraging access; more we can streamline this, the better.

Motion approved unanimously by polled vote.

Special Assembly meeting adjourned at 7:49 p.m.

ATTEST:


Kim Lane, MMC, Borough Clerk


Patricia Gilbert, Vice-Mayor
Stephen Prysunka,

