

**ANCHORAGE SCHOOL BOARD/ANCHORAGE MUNICIPAL ASSEMBLY**

**WORKSESSION  
MARCH 21 2000**

**1. CALL TO ORDER**

The meeting was convened at 10:00 a.m. by School Board President, Peggy Robinson, in the Anchorage School District School Board Room, 4600 DeBarr Avenue.

**2. ROLL CALL**

**ASSEMBLY MEMBERS PRESENT:** Kevin Meyer, Melinda Taylor, Pat Abney, Anna Fairclough, Dan Kendall, Dan Sullivan, Allan Tesche, Dick Tremaine, Fay Von Gemmingen and George Wuerch.

**ASSEMBLY MEMBERS ABSENT:** Cheryl Clementson.

**SCHOOL BOARD MEMBERS PRESENT:** Peggy Robinson, Dave Werdal, Rita Holthouse Debbie Ossiander, Harriet Drummond, Bettye Davis and Kathi Gillespie.

**SCHOOL BOARD MEMBERS ABSENT:** None

**OTHERS PRESENT:** Bob Christal, Superintendent; Janet Stokesbary, Chief Financial Officer; Marie Laule, Director, Budget; Grace Likeness, Executive Assistant; the press and other interested persons.

**3. PLEDGE OF ALLEGIANCE**

**4. MINUTES OF PREVIOUS JOINT MEETINGS**

None.

**5. ADDENDUM TO AGENDA**

Ms. Fairclough mentioned that Assemblymember Abney desired to have the topic of Rockridge Road discussed when she arrived at the meeting. There was no objection to adding it to the agenda.

Agenda accepted.

**6. ITEMS OF BUSINESS**

**A. 2000-2001 Financial Plan**

**1. Proposed Budget for Anchorage School District**

Bob Christal distributed a copy of AO No. 2000-39 and noted that Page 12 highlighted the District's budget increase of 5.15 percent that was being

requested before the Assembly to support a proposed budget of \$418,505,754 million. He added the request before the Assembly for local taxes to support the budget was \$124,540,396 of which \$102,613,029 was for the General Fund and \$21,927,367 was for Debt Service. This amount did not include any bonds that may be approved by the voters in April. Mr. Christal explained that the proposed budget covered the District's most significant needs.

Mr. Christal was pleased to announce that the District reached a contract settlement with its principals' group. He stated the Board approved the contract at a cost of about 5.8 percent for the first year at their meeting last evening.

Mr. Christal announced this is the same amount of money offered on the total contract offer to the teachers. He added that an arbitrator's report on the teachers' negotiations was received yesterday. The report will be reviewed within the next few days and the District will get back to the AEA to try to settle a contract with that group. Mr. Christal summarized that this was one of the biggest expenditure increases relative to the proposed budget and the District felt it was an issue that needed to be addressed.

Bob Christal stated that there was a great deal of discussion on the tax initiative. He re-stated that the proposed budget is the budget the District believes is needed to fund the programs and services for the school system in Anchorage. He stated that over the past couple of weeks focus has been on what would happen if the tax initiative passed. However, he was fearful that some people may ignore the initial proposed budget and that was the one that is needed to support education for young people in this community.

Mr. Christal highlighted the bottom line. It is an increase—but it is one based on what the needs are. Mr. Christal stated he understood there were amendments that would be placed forward at the Assembly meeting but he wanted the Assembly to understand the District needs.

George Wuerch stated that the Assembly was not challenging the proposed budget but was proposing instead a two-tier plan similar to an escrow account due to the uncertainty of the Municipality's ability to collect taxes. Mr. Wuerch cautioned that before the two-tier plan is rejected or Mr. Trickey's legal opinion was too easily accepted, they should check with the Municipality's Fiscal Department about how taxes are collected. He summarized that if the cap becomes effective, it effects the Municipality's ability to collect taxes in the Spring.

In response to Dick Tremaine's inquiry about the \$8 million left over after the budget last year Janet Stokesbary explained that the fund balance rose because of a change of revenues over expenditures. The fund balance grew about \$2.5 million. She clarified that if you receive less revenues, you also don't spend the upper limit of the budget.

Dick Tremaine inquired about the District's current unfilled positions that appeared on the budget for the past several years—eight or nine school Psychologists. Since this represented close to a million dollars, he suspected there was fluff in the budget.

Peggy Robinson reported that because of the shortage some of the Psychologists were working six days a week rather than five. Because the District is required to provide these services, they were being paid out of Addendums. Aide positions were also being paid out of these funds.

Bob Christal clarified that where the District is required to provide services, they are contracted out. The funds for these positions don't just sit in the budget as fluff. They are often re-directed to contracted services. That is not to say there are not vacancies at times in an organization this large but to characterize it as fluff is incorrect.

Kathi Gillespie reminded the Assembly that the District has an obligation under federal law to provide special education services. She reiterated that when the District has to provide the service by law, the funds are still expended for the contracted service. The other issue she wanted to point out was that the total budget increase encompassed four different funds—General, Food Service, Debt Service and L/S/F Projects. She added that the \$14 million increase is reflective of an increase in the General Fund, and to be precise, that is the only amount that should be discussed.

Anna Fairclough inquired about the process the District has gone through in reaction to having less funds available at the State and Municipal level.

Peggy Robinson reported that major cuts were done in 1993, 1994 and 1995. She explained that the Reach Program was restructured in response to the cuts; class sizes were increased; and contracts were frozen. She added that at that same time the District had a large growth of students. Ms. Robinson explained that because the way the tax cap is formulated it is based on the percentage increase in residents which doesn't necessarily grow at the same rate as students.

Debbie Ossiander added that the students the District is seeing now are more expensive to educate than those they saw years ago. There has been an increase in the number of intensive needs special education students and high school students costing the District additional funds.

Anna Fairclough stated that while she would love to offer everyone a full day kindergarten program and summer school, in the real world we can't afford it. She voiced that she didn't see substantially where the District was tightening its budget other than around teachers' necks. She expressed frustration and stated she was in support of a budget she believed in rather than one so big and so broad. She did not have confidence in the District's budget when she felt there could be reductions in the breath of some of its programs and contracts.

Rita Holthouse explained that the full day kindergarten program was actually a budget booster for the District—not a cost item. It brought in twice as much money per student and the District doesn't have to pay for mid-day transportation which is not reimbursed by the State. Even though you are highlighting additional teachers and aides, the bottom line is every full day kindergarten program the District adds is a plus on the budget side.

Bettye Davis commented that the District sent out pink slips because of a deadline that needed to be met. Based on the prior meeting between the Board and the Assembly and the pending cuts, the Board had to issue the pink slips to meet the deadlines in the current personnel guidelines. She asked the Assembly to take into consideration that there is no way the District can cut its budget without cutting the services to the public and the children.

Anna Fairclough pleaded for the District to think creatively. The Municipality can't take an \$80 million cut any easier than the District could take a \$16 million cut.

Bob Christal pointed out that the District was seeking an increase of \$6,907,023 in local taxes—an increase of 5.87 percent.

Allan Tesche inquired to what extent can the additional need of \$6.9 million in local tax effort be attributed to a reduction in State funding of local schools. How much comes from the fact, if any, funding made available by the State Legislature has reduced?

Janet Stokesbary responded that a major part of the reduction was because the District was projecting a lower enrollment next year than the current year's budget. She added there is no change in the foundation formula but the way the formula is operated.

In response to Mr. Tesche's request for clarification on why the District was asking for an increase if the enrollment was flat, Janet Stokesbary stated that the actual budget was based on 50,000 students—not the projected budget. She clarified that the current year's budget that we are in has not materialized.

It was agreed the District would provide the exact figures at a later time.

In response to Ms. Von Gemmingen's question about debt service, Janet Stokesbary commented that the bonds the District is paying off are those with a higher State reimbursement and the ones being brought forward in recent years are those funded by a higher percentage of local taxes.

## 2. Legal Opinion on 99PTAR - Tax Initiative

Bob Christal reported that late yesterday the District received a legal opinion from our attorney relative to what is the real impact of this

initiative and what happens to this process as opposed to saying this issue is on the ballot and there is nothing we can do.

In reply to the question if the tax cap initiative passes, can it go into effect to affect the existing FY2000-01 budget, Andrea Stone, Attorney, responded that the answer is no. This conclusion is based on two reasons: 1) an initiative may not be used to make an appropriation or to repeal an appropriation; and 2) because of the Savings Statute under Alaska law. What the Savings Statute says is that unless the new law is explicit to impact immediately all prior obligations, then existing obligations that are already in effect at the time the new law passes continue to exist under the laws that existed at the time the obligation was created. In order to fund the District's FY2000-01 budget, the Municipality should fund based on the laws existing at the time the budget is passed. The mill levy that would apply to fund that budget should be based on the existing laws in effect. The tax cap does not apply to impair the District's obligation under its budget. There is nothing in the language of the initiative or the law that says the Saving Statute does apply.

In response to Mr. Wuerch's question about how the Municipality collects funds after the tax cap initiative passes, Ms. Stone stated the mill rate is set in order to fund the existing tax obligation.

Allan Tesche asked whether the District would be able to implement an immediate program of cost savings and deferral of discretionary expenditures to essentially generate the kind of additional fund balance or surplus necessary to keep the District in operation toward the end of its new fiscal year in the event reduced Municipal funds were made available upon passing of this measure.

Bob Christal stated the District cannot make reductions in the amount of \$16 or \$18 million and tell you the education program will not be impacted.

Setting aside legal opinions and assuming the tax cap passes and becomes effective next year, Mr. Tesche inquired whether the District will look to general government to make up the difference between the budget as originally set by the Assembly in March, 2000 and the budget that would otherwise be made available if this initiative goes into effect.

Bob Christal reported the District will have a very difficult time if in the end this thing passes. People need to work hard to see that this doesn't pass. While the District does not know all the answers, this will impact a lot of things that are going on.

Debbie Ossiander stated the Board, after discussions with its attorney, believes the tax cap initiative would not preclude the Municipality from setting a higher mill levy to completely fund the budget that is before them. If the cap passes, the Board will make cuts but it does not need to be done now. She urged the Assembly to read the legal opinion in detail

and urged both attorneys to come to a more joint understanding of the opinion.

In response to Anna Fairclough's question about the District and the Municipality being on the same budget cycle, Bob Christal stated that most of the District's contracts are based on a school calendar type of year. What the District has found out in their review is that most boroughs operate on the same calendar as schools. The vast majority operate Municipal and school government on a July-June basis.

Anna Fairclough spoke about the importance of parody on our budget cycles. She urged the joint chairs to find a way we can bring our budget cycles together.

Fay Von Gemmingen asked if a third opinion could be obtained from the State Attorney General's office?

Andrea Stone stated that while we can request an opinion, they are not always willing to provide one.

Kathi Gillespie encouraged that we ask the Governor's office to expedite an opinion.

### 3. Impact of Tax Initiative and AO 2000-39(S)

Bob Christal distributed a copy of the District's analysis of the reduction of the consumer price index, the 10 mill tax initiative and substitute ordinance AO 2000-39(S).

### 4. Legal Mandates

Bob Christal reported the District will be going through a process looking at all the implications from a reduction of this magnitude.

Bob Christal reported there were different formulas from Special Education that the District has to maintain from different years. The District can't take broad sweeps across programs since the decisions that are made could impact many programs. The District is also carefully reviewing all contract negotiations and collective bargaining agreements to insure that whatever the District does, if forced to take a reduction, upholds through a grievance process or court issue. There are various notifications required for different bargaining groups and it is important to meet those deadlines. We have a pool of non-tenured teachers that could be targeted for possible lay off. Totem employees have 20 work days notice requirement. We want to communicate we are not taking these reductions lightly. We have begun that review but it is not something we can do in a week's time.

We are in the people business and one of the biggest people businesses we are into is the special education of young people. We have very significant laws and rules we have to abide by. While it is possible over

time to modify the delivery of service, it is not possible for us at the Administrative level or Board level to top down cut and adjust students' individual education plans that are mandated by law. The Federal regulations relative to special education are much more detailed and require us to have individual teams of people look at each and every program of delivery for special education students. Unless we manage that carefully, we will be spending a great deal of time in the courts on challenges of student placement.

In summary, Mr. Christal stated that the District wants to communicate that they are not taking the reductions lightly. There are many facets to work through but it is not something that can be done in a week's time.

In response to Anna Fairclough's concern about the District applying laws for special education that is more encumbered than other districts, Kathi Gillespie replied the District was regularly audited by the Federal and State governments.

Bob Christal responded that it depended on the program offered and the needs of the student. The District is regularly audited and is currently in a program review with the National Department of Education on our special education programs.

Peggy Robinson added that the Anchorage School District provides a disproportionate amount of service for special education kids because it is a medical hub as well as an overseas assignment for military personnel.

##### 5. Initiative Review of Potential Cuts

A draft list of expenditure reductions was distributed.

Bob Christal reviewed the handout relative to the budgetary impact of increasing class size. He stated this handout is the beginning of the District starting to identify a whole range of potential reductions.

Pat Abney asked whether we have looked at changing State law to service more people since the law prevents the City bus service from transporting students to school relative to State reimbursement.

Peggy Robinson commented that she had some information comparing costs for the District transportation vs. the Municipality. She stated that buying one school district bus costs \$82,000 while a transit bus costs \$280,000 to hold only 45 people. School buses hold 84 people. We would be spending three times as much to hold only half as many students.

Pat Abney supported re-structuring State law to put bus money into the City.

Kevin Meyer initiated discussion relative to contracting services to private business. He stated the Municipality contracts its custodial work force and it goes well.

Bob Christal commented that the reduction list is not an exhaustive list. The District is looking at all bargaining groups—not just teachers. The District is undergoing a whole review from our contract obligations and the timing of the bargaining agreements.

Kathi Gillespie initiated discussion about justification for summer school—remediation opportunities for students.

Debbie Ossiander commented that she believed summer school is a mandate from the State.

In response to Anna Fairclough's question about the textbook adoption purchase cycle, Bob Christal responded that the District goes through a textbook review/purchase cycle and is currently reviewing that process.

The groups agreed to discuss Item #7, Municipal Trust Fund, as the next item of business.

#### 7. Municipal Trust Fund

Peggy Robinson commented that the Municipal Trust Fund was mentioned in a letter from the Mayor and the Board was interested in understanding the parameters.

Gene Dusek explained that the Municipal Trust Fund started out being called the ATU Trust Fund. By June 30 of this year the value of the fund will be approximately \$179 million. The earnings of the fund, after inflation proofing, can be appropriated by the Assembly to help fund the general budget in lieu of money previously received from ATU. In summary, the corpus of the trust—\$179 million—can be used if approved by the voters, similar to the Alaska Permanent Fund.

Kathi Gillespie initiated discussion about the possibility of the Assembly helping the Board use some or part of the Trust Fund.

Rita Holthouse asked whether it was legal to use the Trust Fund for City services and whether is it fiscally possible for this fund to cushion any resulting loses to the District.

Gene Dusek stated the Mayor's intent was that the money could be made available to help the District transition from a higher mill rate to a lower mill rate if approved by the voters.

In response to Bob Christal's question about how this issue was placed on the ballot for the community to vote, Mr. Dusek stated he would research the information.

In response to Peggy Robinson's question about how much the Municipality had in the fund balance, Gene Dusek replied the unreserved undesignated fund balance is approximately \$45 million.

Allan Tesche stated his understanding of the intent of Section 2 of AO 2000-39(S). If the tax initiative does not pass in November of this year, the Assembly would re-visit the overall appropriations to the District and would consider up to \$16.5 million in supplemental appropriation to the District. He added there is nothing to prohibit the Assembly at some time later in the year to increase the appropriations to the District. However, the choice currently available to the Assembly is a single sum of appropriations.

Anna Fairclough stated it was her understanding that the intent of the Trust was to reduce property taxes. By giving it to anyone as a revenue source would be contrary to the specific purpose of why it was established. She suggested if anyone thought it was a revenue source, they should contact the Mayor for clarification.

Debbie Ossiander stated that any good manager tries to progressively deal with major revenue fluctuations in a prudent fashion. She hoped the message being heard by Assembly members today is: 1) Board does not believe that there is any action required in order to deal with our budget in relation to the tax cap. If tax cap passes, we will deal with it next year. 2) We also want to assure you that we believe the needs are real. We have examined our budget closely. We are asking for the full amount not because we think there is fluff but because these are legitimate needs.

Debbie Ossiander requested further clarification about the Statute before us that called for additional appropriations mid-year. How can that work when the Assembly sets the mill rate after our budget is set?

Allan Tesche initiated discussion about how /when the mill rate is set.

Gene Dusek stated that nothing the Assembly does, whether the (S) version or regular version is passed, the 2000 mill rate will still be the same. The \$16.5 million reduction will have no impact on the 2000 mill rate. There will be only a reduction on the 2001 mill rate.

Bob Christal asked once the Assembly adopts the budget, how do they raise it up another \$16.5 million after the voters reject this proposition? He also inquired about when the District will receive its money.

#### 6. Assembly Members Possible Actions

Anna Fairclough reviewed various scenarios of the way the District could get their money.

Relative to Jermain, Dunnagan & Owen's opinion on Page 7, Kathi Gillespie asked if the Assembly has the money to make up this reduction, why can't this be funded as a leap of faith on the front end rather than on the hind side. The District doesn't have an option of having a Plan B.

8. Future Mutual Efforts to Avoid Approval of Tax Initiative

Kevin Meyer commented that if the community sees we are taking the tax cap seriously, hopefully it won't pass. He stated that is why the Assembly is taking this attitude about the District's budget.

Fay Von Gemmingen suggested the two groups encourage people that are not involved in government to determine the budget reduction impact on their school programs, sports, etc. It was important to educate the public.

Dan Sullivan reported that a group has been formed to support defeat of the tax cap initiative. He added it was important to gather support from a coalition of groups outside government.

Debbie Ossiander reported that this topic has been discussed on a Statewide basis with the Alaska Association of School Boards. The Association is very supportive of getting involved and in taking action.

Anna Fairclough initiated discussion relative to an endowment for education.

Allan Tesche stated that one of the most fundamental things to teach our children and their parents is to vote and to exercise that responsibly. He encouraged the District to embark upon a crash education course to make sure people vote next fall.

Peggy Robinson commented that in the past the District has participated in the Statewide Kids Voting Program.

Pat Abney expressed concern that if we don't set a mill rate now to allow for continued growth of this District, we are going to be in serious trouble. In the late 1980s we've saw \$14 million cut in this District and we've never made that up. She stated she was not in support of cutting the District's budget.

Mr. Meyer reported that if the Assembly did not finish discussion of the District's budget tonight, it would be continued on April 4.

7. COMMENTS

Bob Christal distributed two items previously requested by the Assembly: 1) Two legal opinions relative to the bond issues relative to the tax initiative; and 2) A memorandum on investments.

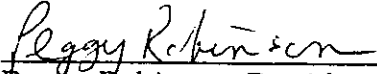
Melinda Taylor asked if an update on the truancy issue could be provided to Assembly members within a week.

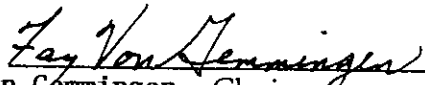
8. SCHEDULING OF FUTURE JOINT MEETINGS

No new meeting date was set. The groups agreed to look at their calendars and schedule a meeting at a later time.

9. ADJOURNMENT

The meeting was unanimously adjourned at 12:40 p.m.

  
Peggy Robinson, President  
Anchorage School Board

  
Fay Von Gemmingen, Chair  
Anchorage Assembly

August 15, 2000  
Date

