

Budget Advisory Commission

Minutes for 2/3/16 meeting

Commissioners Present: James Bailey, Carla McConnell, Shirley Nelson (Chair), Joe Riggs, Al Tamagni, Karl Von Lührte, Jon Watkins, Bill Webb, and David Wolfe.

Commissioner Absent: Bob Griffin

Also present: Bryant Robbins, Kelly Lewis from Property Appraisal; Pam Wiese, Attorney's Office; Courtney Petersen from Management and Budget filling in for Lance Wilbur, Director; and Pat Higgins from Anchorage School Board, ASD.

BAC member - Chair move to approve agenda.

Property 2016 Valuation Presentation with Bryant Robbins and Kelly Lewis

Shirley - Courtney Petersen, Budget Analyst II, is here for Lance Wilber.

Courtney – There was a request from Internal Audit for specific exemption, chapter 33, copies passed out.

Courtney - We are working with the controller division to close out the 2015 fiscal year, the final date for postings which we call 14th month with deadline on February 16th. Once the year closes out the controller division will start their process of evaluating fund balance and determining those numbers. We are working with the Mayor's office and the community council liaison to reach out to community councils and start the 2017 CIB/CIP process. We initiate that with them and will be available in March and then we have started our 1st quarter revision process and sent the directive to the departments from the Mayor for only emergency items or new items that were unforeseen when the 2016 budget was created. We will go through that process for the next couple of months with the departments.

BAC member - Please repeat about the CIP, did what with the Community Councils?

Courtney - We are starting the process. We go out to the community councils with our initial project list so they have the ability to evaluate them and add and delete projects and also rank them. After they have finished this ranking and addition/deletions process our department uses those lists to create the CIB/CIP going forward.

BAC member - Just to clarify, that is done again in May for the next year?

Courtney – Yes; March 1st it will be available online at Muni.Budget.org and May 31st is the deadline.

Al – Native corporations and taxable audit with * on third page. Mike Chadwick brought this up.

Pat Higgins from Anchorage School Board – brief update:

Working with the Alaska School Board Association, focus locally and nationwide for superintendent. March 14th will be the cutoff for applications. The timeframe for the interview process is added to that so it could be mid-April.

Budget wise we had first meeting on Monday, we have some budget information but we have a lot more we need. So the discussion has been limited, that's not uncommon, it's usually the

second meeting when we really get to the discussions, motions, and changes. The cutting of teachers and assistant principals, another big issue out there is the bussing contract. When the state increased minimum wage the bus drivers have to be paid two times the minimum wage. So if the minimum wage goes up a dollar we have to pay two dollars. We are at a million dollar deficit in addition to what we have already managed to adjust. There is some interest to change the way we operate the buses, some of that we can do. Starting buses driving 5 minutes later will save us \$38,000 in gas. Another was charging \$100 per child to ride the bus, but there is no interest in shifting things, we will live within our means and not ask people to do that.

The challenge is for highly gifted program that go to individual schools because the transportation is so high. We are getting a lot of feedback and emails on the budget and suggestions on what not to cut and not too many on we should cut. The board feels data deprived somewhat, we want more information then we're getting. I have a big binder of budget details I will get tomorrow morning.

The other issue is how we're budgeting, we've been so conservative on the budgeting that a year ago we had over projected our costs and had a savings. This year we have been able to manage to generate the 9.5 million for buses. The question is how conservative should we be next year? We're still trying to maintain the maximum of 10% because that gives us much flexibility as possible. The next question is how much do we want to give and take from the reserves? That will be a discussion for later.

Shirley asked – Are you putting forth a bond for busses?

Pat - I know that was included in the bond the assembly was asked to approve. It supplies a limited amount of things, but the 9.5 million was for buses that were associated with the contract, that stretches that cost out every year, so by pre-buying some of those buses under contract we have all of our buses getting in that 15 year range. We did have some money in there for that, whether or not that gets changed, we'll have to see.

Shirley – Health Care contribution money (from Unassigned Fund Balance) has been designated for purchase of busses.

Shirley - Broken record – cutting budget with three principals, one elementary, one middle school, and one high school. A concern for many years is the 5 principals at 8 comprehensive schools and that does not really get addressed. I know they shifted some of the responsibilities but to me it remains a serious matter. That is a lot of money per 8 high schools with \$130,000 average benefits and salaries times 5. You publicize you are letting go 3 principals, 1 of them elementary, but you still do not address this issue of 5 principals at 1 HS, and I'm just wondering why they tend to hang on tight to that position. It has been six years that I have had this discussion, and I can't for the life of me see the reason behind it.

Pat - I think they push it a lot of different ways, the FICA study you may be familiar with looked at adequate funding and I think they would have cut closer to 5 not 3 of the principal positions. We have been getting information from the principal association trying to defend and not cut even the 3 positions we are requesting because of the impact it has on truant issues, disciplinary type situations and all of these issues out there. I talked to one principal who had a school broken into that saw a homeless person roaming around, we saw a video on that and they are looking at it from a security standpoint as well as the interaction with the kids. You have SRO's to cover the security supposedly.

Jim – I know you're not sure of how much you're going to have to cut, but at this point what do you think you're going to have to cut? They keep talking about the \$10 million and with the raising health care costs and the other costs that's what we're looking at. The question is, are we even going to get the \$50 BSA. The legislature understands, they told us to count on a \$50 increase in the BSA this year. There are still discussions on if we're going to get that and they are cutting in other areas as well. Transportation is becoming a bigger cost but they provide no additional funds, plus the minimum wage adjustment and the state requires double with no additional funding for that. We are going to be in June trying to decide what the budget is going to be.

BAC member - Have you discussed that the attendance areas have more flexibility over their spending?

Pat - We have not had discussions with decentralization authority and giving them more flexibility, I have heard that from principals saying you want to cut this because other areas we would cut first. We want to have that discussion and we just haven't had. Four years ago we used to have every department and everyone came in and we spent two solid days doing that, right now for the last three years we haven't been doing that and it is very frustrating from my stand point because we really need that involvement and push backs we don't have the information we want.

Darlene – could not hear the question

Pat - We have a lot of new board members and they are not used to that process and every superintendent has a different approach as well.

BAC member - I think speaking as a taxpayer from Anchorage, we expect our elected officials to be the board of directors not be the recipient of orders. I think that has to be conveyed that the people who you work for. You work for the people and do what's best for them and it should be the primary consideration as you take a look at your budget, which is probably 51% of total taxes collected in Anchorage. If we look at the cost benefit analysis, there are some substantial changes that have to be made, so I would encourage this be passed on to the school board, first of all understand what your job is as a school board member, and secondly let's look at who is paying the bill. Since the superintendents of schools have an education degree maybe that's not the best way to go.

Pat – The State has modified the requirements where they don't have to have the superintendent thing, it is up to the individual districts now. We have gone with a traditional and non-traditional qualifications so we left that wide open.

BAC member – take a look at some executives in middle management from large private corporations to run the business of education.

Pat – Four years ago we took that approach and will do the same again this year and not limiting it to someone who is an educator only to manage a district that's subject to a million dollars budget.

BAC member - Back to the bussing situation, but that is a perfect candidate that I've seen used in other venues for doing an efficiency analysis using a data driven lean 6 Sigma type of analysis. How often does that get done on the bussing, and when was the last time it was done?

Pat – don't know when it was last done but I believe within the last ten years. The big thing they liked about us was two-thirds was contract and one-third was not so we were not held hostage by either side. Not by the internal and not by the contractor. If everything was contracted the cost would tend to go up and our control gets impacted.

BAC member – it has been my experience that for every dollar you invest you get five dollars back. A lot of these efficiency drills can cost \$10,000 to \$15,000 which you can easily get back plus an unknown amount above that. I am just throwing that out there as a recommendation.

Pat – we pay the cost of travel and housing and that's it, all connection with the council of great city schools get retired senior citizen positions, they come in as a team to look at these issues and we are not paying them a thing.

Shirley – We will be spending more time at next month's meeting on the school budget

Motion to adjourn, seconded