

Presented by: AFC
Presented: 02/23/2024
Drafted by: R. Palmer III

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2023-14(b)(AD)(am)

An Ordinance Providing for a One-Time Loan in FY24 to the Juneau School District for up to \$4.1 Million Dollars.

WHEREAS, although the Legislature has the duty to maintain a public school system, the City and Borough of Juneau (CBJ) and the Juneau School District (JSD) currently have a responsibility to provide public education to the children of Juneau (*Compare* Article VII, §1, Alaska Const. *with* AS 29.35.160 and CBJ Charter §13); and

WHEREAS, the CBJ Assembly has a long history of funding instructional services at the Juneau School District to the maximum local contribution cap allowed by law, AS 14.17.410(c); and

WHEREAS, in FY24 the CBJ Assembly appropriated over \$30 million dollars for instructional services subject to the AS 14.17.410(c) local contribution cap and an additional \$2.3 million dollars of funding for non-instructional services representing over 5 mills of property tax revenue; and

WHEREAS, in early January 2024, the JSD discovered that it faced a significant growing structural deficit (~\$9.5M for FY23 and FY24, and an additional ~9.7M for FY25) requiring immediate and long-term reductions in spending; and

WHEREAS, on January 12, 2024, the JSD met with the Alaska Department of Education and Early Development, who indicated the JSD could address the deficit through the procurement of a loan; and

WHEREAS, on January 16, 2024, the Board of Education directed the JSD staff to implement immediate cost saving measures and pursue long-term solutions; and

WHEREAS, the JSD took immediate action with a series of cost-saving measures and initiated community discussions for structural changes to educational delivery, school consolidation, building closure(s), and staff reduction to respond to the continued lack of adequate funding from the State as well as the declining student population in Juneau; and

WHEREAS, on January 30, 2024, the Board of Education and the CBJ Assembly met to discuss the deficit and a path forward with both expressing a strong commitment to work together to establish a sustainable budget; and

WHEREAS, the CBJ Assembly expressed an interest to support the JSD with a one-time loan, maintenance of facilities, and one-time fiscal support for non-instructional expenses involving, insurance, utilities, and custodial services; and

WHEREAS, in addition to the one-time non-instructional fiscal support through Ordinance 2023-14(b)(AB), a loan is necessary to balance the FY24 JSD budget consistent with AS 14.17.900(a), and because there is no practical way to cut ~\$4M in the final few months of a school year while still providing the Constitutionally required free public education to the students in Juneau and complying with AS 29.35.160; and

WHEREAS, the JSD explored other sources for a loan like from a commercial lender, private entities, and the State, all of which would clearly not be subject to the AS 14.17.410(c) local contribution cap, and the CBJ Assembly Finance Committee on February 7, 2024, indicated that it was willing to support the JSD with a ~\$4M loan; and

WHEREAS, the intent of this appropriation is to help stabilize the JSD's FY24 budget by giving the JSD a five-year fiscal reorganization opportunity; and

WHEREAS, the CBJ Assembly recognizes the JSD structural deficit exists in FY25, and the JSD will need to make substantial reductions in expenditures through school consolidations, school closure, and staff reductions even with the Assembly's support with this loan, Ordinance 2023-14(b)(AB) (FY24 up to \$3.9M), and Ordinance 2024-01(b)(A) (FY25 up to \$1.6M) to create a balanced budget. Importantly, any education funding support from the Legislature and the Governor this session would minimize the severity of the expenditure reductions to the students, families, staff, and economy of Juneau; and

WHEREAS, as part of the loan, the JSD will need to make their financial systems and records available to the CBJ Finance Department to increase transparency and share expertise between the two organizations; and

WHEREAS, as part of bringing forward a FY26 balanced budget, the JSD will be required to present their loan payback schedule for the remainder of the term of the loan; and

WHEREAS, if the JSD fails to make timely payments on this loan, the CBJ Assembly has appropriation authority over JSD's budget in the annual budget process to ensure this loan is repaid (AS 14.14.060(c), CBJ Charter 13.6-13.7).

BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Classification. This ordinance is a noncode ordinance.

Section 2. Appropriation. There is appropriated to the Juneau School District the sum of \$4.1 million dollars as a loan for the District to continue providing educational services in FY24 while it continues reducing expenditures.

Section 3. Terms. The CBJ Assembly authorizes the Manager to enter into a loan agreement with the Juneau School District for an amount up to \$4.1 million dollars with the following essential terms:

- (a) The loan period is five (5) years;
- (b) The first payment is due no later than in FY26;
- (c) The interest rate shall be zero percent (0%); and
- (d) No later than FY26, the Juneau School District must publish a budget book available to the public after adoption by the Assembly.

Section 4. Source of Funds. To be paid from the restricted budget reserve.

Section 5. Effective Date. This ordinance shall become effective upon adoption.

Adopted this 4th day of March 2024.



Beth A. Weldon, Mayor

Attest:



Elizabeth J. McEwen, Municipal Clerk