

**LAKE AND PENINSULA BOROUGH
REGULAR ASSEMBLY MEETING
Wednesday, April 13, 2016 1:00 p.m.**

Assembly: Mayor Glen Alsworth
Randy Alvarez
Scott Anderson
Myra Olsen
Alvin Pedersen
Michelle Pope-Ravenmoon
Christina Salmon

Staff: Kate Conley, Clerk
Susan Edwards, Finance Officer
Nathan Hill, Borough Manager

Guests: Bob Loeffler, Consultant to the Borough
Lilliona Kosbruk, Port Heiden
Salina Alsworth, Port Alsworth
Mercy Alsworth, Port Alsworth
Natalya Shellikoff, Port Heiden
Brittany Anelon, Iliamna
George Jacko, Jr., Pedro Bay
Evelynn Trefon, Newhalen
Ronne Richter, Kokhanok
Ed Lester, Newhalen

A. CALL TO ORDER

The regular meeting of the Lake and Peninsula Borough Assembly was called to order by Mayor Glen R. Alsworth, Sr. on Wednesday April 13, 2016 at 1:02 p.m. in Newhalen AK. The meeting was not teleconferenced due to technical inadequacies.

B. ROLL CALL

A quorum was established with Mayor Glen R. Alsworth, Sr. and Assembly members Randy Alvarez, Scott Anderson, Myra Olsen, Alvin Pedersen, Michelle Pope-Ravenmoon, and Christina Salmon were present.

C. APPROVAL OF AGENDA –

Motion was made by Assembly member Olsen and seconded by Assembly member Pedersen to approve the agenda of April 13, 2016 as presented. Motion passed unanimously by voice vote.

D. WORKSHOP – Borough Budget FY17

The Mayor asked everyone to introduce themselves. Bob Loeffler presented a PowerPoint that detailed the school district budget and then the borough budget. Mr. Loeffler said that, when talking about the expenses of the district, it is also important to talk about the product the school district produces: quality education LPSD students do very well with respect to the percent of students who perform at grade level. Statistics show that the district has improved over the last years and continues to improve. Enrollment has been going down over the last 10 years but has been stable the last couple years. The October count is important because state aid is, in part, proportional to the October school count. Foundation aid (state aid) and federal aid has been going down over the last few years. Federal aid is going down because the federal government is appropriating less impact aid, and because of fewer students from families who work for the federal government. The school district has cut numerous activities over the last few years. Despite those cuts, the District needs additional funding to maintain the quality of education that they believe is appropriate. The district has \$2.7 million in unassigned savings within their general

fund. There was a discussion of the contribution required by the state and the amount the borough has given over the years. The contribution to the school is a significant portion of the Borough budget.

The Borough budget was discussed. Mr. Loeffler displayed the revenue, expenditures and savings. In total, there is a projected \$884,000 deficit this year. While savings can cover the deficit this year, there has to be a plan to sustain the borough. If spending continues to outpace revenue, the borough will go bankrupt. The State won't figure out their funding solution for a couple years, so they are unlikely to be a salvation. One mechanism to balance the budget to for the Borough to go to a barebones budget, which would cut capital project and the Community Development Coordinator position. It will keep the borough viable, though it will decrease the services that the Borough can provide its citizens if kept up in the long run. A completely bare-bones budget is a difficult long-run option.

One idea is to utilize the school endowment funds. Assembly member Alvarez asked how, if the district has access to the \$6.5 million, that will relieve the borough budget. Mr. Loeffler explained that \$637,000 of the \$884,000 deficit is given to the school district. The money would still come from the borough, but the borough would take the contribution from the school endowment, instead of from the borough savings. The budget is balanced if the \$150,000 to the permanent fund is not contributed. There was speculation that the fish tax for next year is conservative in the budget. There was a suggestion to raise bed tax. It was noted that the borough cannot survive on a bare bones budget forever.

The second option is for each entity, the district and the borough to each keep their own savings, and the Borough could match the school contribution toward the deficit. This eliminates \$318,686 from the Borough's budget deficit. This scenario worries LPSD because they have to dip into their savings. Assembly member Alvarez said that it is the same amount of money, whether the Borough or LPSD pays it. The Mayor said that the school district has \$2.7 million in unassigned savings in the district's general fund and the Borough's School Endowment is \$6.55 million. Together that is \$9.3 million. Mr. Loeffler said that if one of these solutions can get the district and the borough a few years out, he feels certain the state should resolve its funding issue in three or four years. If the option can get Lake and Pen 15 or 20 years out, that is close enough and we have done our job. He added that this is not a solution, but it gets us down the road to when we can determine how to increase revenue.

A number of people indicated they preferred the first alternative, and Mr. Loeffler indicated that there are details to work on implementing that option. The Mayor asked to take a look at the fund balance for the last 20 years. He said we have been funding our shortfall out of the general fund. We have to have our own 20 year plan to keep the Borough from falling below the balanced line. Ms. Edwards said the general fund balance is not really a savings. It is the working capital. The Mayor said it has been a financial shock absorber. This eliminates the additional funds from the borough budget, however he wants to come up with a long term solution for the school board so they don't have to worry each year if they will have funds to run the district. The amount spent per student is relatively low, yet scores are relatively high. The student success is a big credit to parents, students and staff.

E. APPROVAL OF MINUTES

Motion was made by Assembly member Olsen and seconded by Assembly member Pedersen to approve the March 15, 2016 minutes. The Mayor called for errors. None were noted. Motion passed unanimously by voice vote.

F. MANAGER'S & STAFF REPORTS

1. Introduction of Guests – The mayor asked everyone present to introduce themselves.

- 2. Manager's Report** – Nathan Hill said a construction schedule for the Chignik dock has been proposed. The contractors will begin moving dirt by the end of May or early June. The project is to be completed by the end of 2016. The work will go quickly if the weather doesn't hold up the schedule.

Mr. Hill went to Juneau this past month. In talking with the legislators, there were no conclusions and everyone is realistic about finances.

- 3. Consultant's Report**

Cotten – Mr. Hill said that there is work being done on the Iliamna dock today. Regarding the Chignik dock, Mr. Cotten has been working with all four Chignik area villages to plan for the future and how it will look when the dock is completed. The Mayor asked if there is any information or an update on the \$5 million. Mr. Hill said he has not heard from the legislature on that designation.

Loeffler - Mr. Loeffler discussed the Millrock's exploration in the Chignik area. There are three known prospects within the lease that Millrock holds for BBNC land. Millrock drilled on two of those prospects and did not find enough copper or gold to warrant continued exploration. This lack of results caused their partner, First Quantum, Ltd in this venture pulled out. Millrock will continue their lease with BBNC for another year. They are trying to market the additional prospect and seeking a partner. Mr. Loeffler noted that the mineral industry is in world-wide contraction and it is more difficult to find a financial partner than it would have been a few years ago. It does not appear that Millrock will conduct additional activity on the lease this summer.

- 4. Community Development Coordinator's Report**

Kate Conley reported that there were two permits received. One was a minor plat which does not need Planning Commission action and the Manager was able to approve with conditions. The second is a development permit which is mostly completed and can be reviewed by the Planning Commission via teleconference later this month.

Susan Edwards said she will report on the scrap project as part of her finance report.

- 5. Planning Commission Minutes**

No discussion

- 6. Fishery Report**

Mr. Hill said that the ADF&G had made a decision not to move the management of the Chignik fishery, as the fishermen had asked. Assembly member Alvarez said that the forecast this year is 46 million to 45 million returning salmon. He said he heard rumors that the price of fish may be higher this year. In addition, the forecast is that 74% of the return for Ugashik is projected to very small in size. He said that some buyers don't like small fish because they won't fit in their machine. Last year Trident took the small fish and ground them in the fish meal plant. Other processors gave fish away if they were too small. Assembly member Alvarez said he wonders if it will affect the fish price. Assembly member Alvarez said that the Borough should be aware of the forecast because it effects to the tax return. Egegik forecast is above average. The harvest forecast is 7.5 million. Ugashik, however, doesn't look good. The Mayor said that the good news is the Borough gets paid even if they throw the fish away. The bad news is that the processors don't want to pay for fish that aren't marketable. The big

processors can't afford to have people hand process, and people don't want to purchase small fillets.

Assembly member Olsen discussed an article published in the Alaska Dispatch Newspaper that was written by Dan Kingsley regarding the intercept fishery. The intercept fishery is comprised of 70 to 90% of Bristol Bay stocks. Assembly member Alvarez said that the Board of Fish did not consult the WASSIP report that BBNC paid for. The Board of Fish refused to accept the information. Assembly member Olsen said that Port Heiden reports that they are not getting enough fish for subsistence. The highest need should be subsistence, but the Board of Fish refuses to address the issue. In addition, Fritz Johnson from Dillingham is not going to be reappointed, which means Bristol Bay will lose representation on the board next year. The Mayor said that a couple years ago the Assembly visited Port Heiden, there was discussion that the Board of Fish claimed that Port Heiden had not completed subsistence reports and therefore it was assumed that they did not subsistence fish. The strategy developed to remedy the problem was for villagers of Port Heiden to document their subsistence catch. The Mayor asked if this strategy had been followed. He said that the state has to have numbers so that the village can claim diminished subsistence returns. There was a discussion of collecting fish tax and which fishing districts were complying.

7. Finance Report

Ms. Susan Edwards, Finance Officer, said that she has primarily been working on the budget. Her Assistant, Nikki Reed, has been dealing with the scrap project and tax collection. The scrap project is moving along well and will finish up by September. The good news is that this grant sat for a long time until it was implemented and ADF&G was worried about the grant not being fulfilled. The Borough has done more than they anticipated. When the grant is successfully accomplished, it will bolster the Borough's reputation. Assembly member Salmon said that if ADF&G wants to see a good example, they should visit Igiugig landfill. It is clean and empty. Ms. Edwards agreed that there are several villages – Ugashik, Port Heiden, Levelock- that all made remarkable progress. Assembly member Anderson said that that Port Heiden has hauled out a lot of e-waste and batteries and hazardous waste. This project also brought a lot of jobs and money into the villages.

Ms. Edwards said some set net fishermen have contacted the finance department about sites and a couple will be considering leases. The Finance department will be visiting Egegik in a few weeks to identify people who have not responded to letters. There was a discussion of investments and returns and the consequences of running a deficit. Ms. Edwards added that the Borough will not be investing at the level they once were because of the diminishing principal. The interest rates are so low, it is negligible interest, she said.

8. Lobbyist's Report

Mark Hickey, Borough Lobbyist, submitted two written reports. There was no discussion.

9. Clerk's Report

Borough Clerk, Kate Conley said that she is beginning the election season. Revenue sharing letters went out to the villages. She asked the Assembly to consider an early May meeting.

10. School Superintendent's Report

Ty Mase, school superintendent was not present. Mr. Hill said that Mr. Mase wanted to be present, but the school board is meeting in King Salmon at this time.

11. Student Representative Report

Natalya Shellikoff, Port Heiden, reported that the student government did not purchase a new prom theme this year, and instead chose to partially fund sending students to AASG, but there was some controversy about how the students would pay their portion of the expense, so no students ended up attending. The student government has \$15,000 available. Their only obligation is to pay for prom.

G. CONSENT AGENDA – none

H. NEW BUSINESS

1. Ordinance 16-03: FY2016 Budget Amendment – Public Hearing & Decision

Assembly member Anderson made a motion to open the public hearing for Ordinance 16-03: An Ordinance Amending the Amended Lake and Peninsula Borough Operating Budget for the Fiscal Year Beginning July 1, 2015 and Ending June 30, 2016 (FY16). Motion was seconded by Assembly member Alvarez. Motion passed unanimously by voice vote. The public hearing was declared open at 2:45 pm. The Mayor asked if the ordinance had been properly posted. The Clerk reported it had been posted as per code and no comments had been received prior to the meeting either in writing or via the telephone. The Mayor called for comments. Ms. Edwards said this is a formal amendment for the Board of Fish expenses and the Capital Fund appropriations. There were no further comments. Motion was made by Assembly member Anderson to close the public hearing. Motion was seconded by Assembly member Alvarez. Motion passed unanimously by voice vote. The public hearing was closed at 2:47 pm

Motion was made by Assembly member Olsen to adopt Ordinance 16-03: An Ordinance Amending the Amended Lake and Peninsula Borough Operating Budget for the Fiscal Year Beginning July 1, 2015 and Ending June 30, 2016 (FY16). Motion was seconded by Assembly member Pedersen. The Mayor called for conflict of interest. None was declared. The Mayor called for discussion. There was none. Motion passed with seven ayes (Alsworth, Alvarez, Anderson, Olsen, Pedersen, Ravenmoon, and Salmon).

2. Ordinance 16-04: FY 2016 Budget Amendment - Introduction

Assembly member Olsen made a motion to introduce Ordinance 16-04: An Ordinance Adopting the Lake and Peninsula Borough Operating Budget for the Fiscal Year Beginning July 1, 2016 and Ending June 30, 2017 (FY17) and set a public hearing for May 9, 2016. Motion was seconded by Assembly member Anderson. There was no discussion. Motion passed unanimously by voice vote.

3. Ordinance 16-05: FY2016 Budget - Introduction

Assembly member Olsen made a motion to introduce Ordinance 16-05: An Ordinance Amending the Lake and Peninsula Borough Operating Budget for the Fiscal Year Beginning July 1, 2016 and Ending June 30, 2016 (FY16) and set a public hearing for May 9, 2016. Motion was seconded by Assembly member Pedersen. There was a discussion of including alternative one, as presented in the workshop, to the proposal. The Mayor said that this alternative does not change the bottom line of money spent or revenue received, but it will affect the how we get there. It is a matter of where the funds come from, not how much is given. The Mayor said that by giving them access to the School Endowment Fund, the district can set a 15 year plan. Now, the Borough needs to determine how to assure the funding for the Borough will be available. Ms. Conley said that the Assembly can direct staff to notice the Ordinance with the alternative incorporated. The Mayor said that we can recommend this scenario and pass the budget and trigger accessing the school endowment next year. Assembly member Anderson asked if alternative one is the best for the school district. Ms. Edwards said yes, it is, but the Borough would need buy in from the district. The Mayor said that the Borough could pay the district from the general fund, and then reimburse the general fund from the school endowment fund at a later date. Ms. Edwards said yes, that could happen, but

it would be good to have it agreed to before approving the budget. The Mayor said he did not see a reason not to do this today. He suggested the Assembly agree on the philosophy and then the implementation can be determined by the Clerk and the Finance Officer. The school board will likely be concerned that they do not have the \$2.7 million savings. Motion was made by Assembly member Pedersen to amend the original motion that the Borough incorporation option 1 into the FY17 budget for public hearing on May 9th. Amendment was seconded by Assembly member Olsen. Motion for amendment passed unanimously by voice vote. The Mayor instructed the staff to discuss alternative one with Superintendent Mase. Mr. Loeffler asked if the Assembly is considering the \$160 for the permanent fund contribution. Assembly member Alvarez said that the manager has to recommend the contribution in the budget, but it can be taken back out at any time. There was a discussion of the lodging tax increase. The original motion passed unanimously by voice vote.

4. Professional Contracts – Resolutions 16-08, 16-09 & 16-10

Motion was made by Assembly member Olsen to adopt resolutions 16-08, 16-09 and 16-10 as presented. Motion was seconded by Assembly member Ravenmoon. Mr. Hill said that while the Borough is conserving money at each opportunity, these contractors offer services the Borough still needs. These new contracts are for less money than Cotten's and Loeffler's previous contracts were. Hickey's contract is the same as last year. There was discussion of how the contracts are budgeted. Ms. Edwards said that they are budgeted based on previous years' usage plus a bit more. Motion passed unanimously by voice vote. Mr. Loeffler tanked the Assembly for the opportunity to work for the Borough for the past ten years.

I. UNFINISHED BUSINESS – none

J. TIME AND PLACE OF NEXT MEETING Regular Meeting, TBD – King Salmon

Ms. Conley requested the next Assembly meeting be early in the month, due to staff training. The Assembly consensus was to do a meeting on May 9th.

K. CITIZEN'S COMMENTS

Evelyn Trefon, Newhalen, addressed the Assembly. She said she is fund raising for a career trip to Anchorage and Palmer Job Corps for three students. The students will look at the training possibilities for construction and vocational careers. Four students and a chaperon will go to AVTEC in Seward and UAA technical college. There will be no school money involved. Ms. Trefon said she currently has \$1000 and needs an additional \$4,412. The Assembly directed the Manager to look into his contingency fund to help determine what he can help with. The Assembly and staff passed a cup to donate and were able to collect \$403.00.

L. ASSEMBLY COMMENTS

Michelle Ravenmoon thanked the students for attending and enduring the meeting. She commended them for doing a good job. She said she hopes to see them serving on the Assembly someday.

Randy Alvarez told the Assembly he will be attending the Rural Energy Conference in Fairbanks.

M. MAYOR'S COMMENTS – none

N. EXECUTIVE COMMITTEE SESSION – per Borough Code 2.08.050 (B.)

Motion was made by Assembly member Salmon to recess the Assembly meeting to go into executive session as per Borough Code 2.08.050 (B). Motion was seconded by Assembly member Olsen.

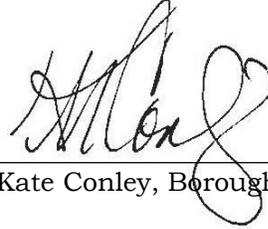
Meeting was recessed at 3:31 pm
Meeting was reconvened at 3:52 pm

O. ADJOURNMENT

The meeting was adjourned by unanimous consent at 3:52 pm.



Glen R. Alsworth, Sr., Mayor



Kate Conley, Borough Clerk

May 9, 2016

_____ Date