



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-01

A RESOLUTION URGING THE ALASKA LEGISLATURE TO ADOPT A SUSTAINABLE BUDGET PLAN FOR FY2017 AND BEYOND; WHILE GIVING SERIOUS CONSIDERATION TO THE SUSTAINABILITY PLAN SUBMITTED BY THE ALASKA MUNICIPAL LEAGUE.

WHEREAS, due to the drop in the price of oil, coupled with the decreased amount of oil in the pipeline, the State of Alaska has found itself with a \$3.5 billion gap in its budget for FY16; and

WHEREAS, last year, the Legislature alleviated some of the problem by severely cutting the capital budget; and

WHEREAS, substantial cuts were also made to the operating budget; and

WHEREAS, cutting either of those budgets as a sole means to solving our fiscal challenge will only serve to push our state into an economic recession; and

WHEREAS, the majority of the Legislature continues to feel that the solution is more government cuts; and

WHEREAS, historically the Legislature has felt the solution is more government cuts; and

WHEREAS, the President of the Alaska Municipal League created an ad hoc committee to address this issue from the perspective of local government; and

WHEREAS, this committee is cognizant of the fact that municipalities must have a sustainable commitment from the Legislature in order for municipalities to remain sustainable; and

WHEREAS, despite a fiscal challenge, municipalities must continue to provide basic and essential services; and

WHEREAS, with these facts in mind, the AML Sustainability Committee has developed a plan from the perspective of local government; and

WHEREAS, AML believes that the leaders of our state should immediately adopt changes to not only lower the cost of government, but move quickly to raise revenues; and

WHEREAS, at the same time, Alaska's local governments realize we must understand the state and/or federal government will no longer continue to fund local government as before; and

WHEREAS, as more responsibilities are passed down to the subdivisions of the state during this fiscal challenge, we must be given the "tools" to allow that to happen.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Alaska Legislature to adopt a sustainable budget plan for FY 2017 and beyond; while giving serious consideration to the Sustainability Plan submitted by the Alaska Municipal League.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.



Signed: _____
Bob Harcharek, President, Alaska Municipal League



Attest: _____
Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

SUSTAINABILITY PLAN

The Alaska Municipal League appointed a committee of interested local elected and appointed officials tasked with the goal of helping to identify available options through a municipal perspective that will allow our State to remain financially healthy. As local elected officials, we are adamant that local governments are in great need of stability and predictability, a luxury that we do not have at the present time.

We believe that the leaders of our State, as they find ways to lower the cost of government, must also identify ways in which our State can raise revenues. Cuts can only accomplish a portion of the answer to our problems and cuts without restraint will have a serious impact on the credit rating of our state and will cause massive economic dislocation issues. The choices made by the Legislature and the Administration will have a huge impact on the viability of municipalities.

Local governments have only three ways in which to raise revenue:

- Taxation (sales/property)
- Fees
- Revenue passed down from the federal or state government

As the revenues from the federal or state government decrease, the gap must be filled through taxation and/or an increase in fees.

While we agree with the Governor that our fiscal situation is an “opportunity” to rethink how we spend money, local governments must still provide basic and essential services to their citizens.

We have discussed our findings at great length. While many of the revenue options are painful, we believe it is time to make the decisions that will bring us back to the path that will allow Alaska to remain a viable, inviting, safe and healthy state in which to live. Alaska’s municipalities are ready and willing to step up and be part of the solution rather than part of the problem. While we believe decisions to address this situation must be made immediately, we believe the actions themselves can be spread over a number of years in order to soften the effects to some degree.



ALASKA MUNICIPAL LEAGUE

SUSTAINBILITY COMMITTEE RECOMMENDATIONS

Endowment/Permanent Fund

- Imperative to protect corpus of Permanent Fund;
- Support and move to Permanent Fund Board's position on Endowment Fund or similar approach that sustainability utilizes earnings;
- Continue to ensure growth of the permanent fund, continue to inflation proof, and set a minimum floor on the Permanent Fund Dividend;
- Continue to pay permanent fund dividends without a cap while enabling an adjustable Percent of Market Value (POMV) or other sustainable system that allows a portion of permanent fund dividend earnings to support state government, benefitting all Alaskans.
- Using part of the permanent fund dividend payout, as one piece of a larger balanced and sustainable state fiscal plan, is now a necessary consideration;
- Action on a comprehensive state fiscal plan is required in the 2016 legislative session

Income Tax

- Income tax captures out-of-state employees
- Income leaving state is 20% of total Alaska income
- Income tax is deductible from Federal Income Tax
- Income Tax gives Alaska residents skin-in-the-game

Sales Tax

- This would be last choice of Alaska's municipalities
- Would erode tax base and simply shift revenue from one entity to another
- We believe it should remain a local government power
- Municipalities will, however, not take it off the table and agree to work on solutions revolving around Sales Tax

Other Revenues

- School Tax
- Collatorization of Assets is too risky
- Consider adjusting oil tax credits

A successful solution to our financial challenges involves shared sacrifices from Alaskans, resources industries and in finding government efficiencies.



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-02

A RESOLUTION SUPPORTING THE REINSTATEMENT OF FULL FUNDING OF THE REVENUE SHARING PROGRAM BASED ON \$60 MILLION PER YEAR TO BE DIVIDED BETWEEN 164 MUNICIPALITIES AND 50 UNINCORPORATED COMMUNITIES

WHEREAS, all of Alaska's cities and boroughs are appreciative of the past ten year history with Revenue Sharing; and

WHEREAS, until last year, municipalities have received a total of \$60 million per year, beginning in 2008, which has been divided among all 164 cities and boroughs and with 50 unorganized communities in the state; and

WHEREAS, this money is a small share of the resource funding that is provided to the state; and

WHEREAS, \$60 million is also a small part of the total state-wide budget for the year; and

WHEREAS, municipalities are political subdivisions of the state; and

WHEREAS, cities and boroughs can be funded through federal or state pass-through funds; taxes and/or fees; and

WHEREAS, in FY2015, municipalities saw a decrease in Revenue Sharing as \$57 million was distributed among over 200 communities; and

WHEREAS, if nothing is done, in FY2016, that amount will drop to \$38 million; in FY2017 it will drop to \$25 million; and in FY2018 it will be completely gone; and

WHEREAS, municipalities have already realized many cuts that will simply pass the costs onto local government; and

WHEREAS, the larger municipalities use these funds to keep taxes as low as possible; and

WHEREAS, smaller municipalities use these funds to provide basic and essential services, such as snow removal; public buildings; harbor upkeep; fuel and insurance.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League requests the Legislature to reinstate full funding to Revenue Sharing in the amount of \$60 million per year.

ALSO BE IT RESOLVED that the Alaska Municipal League feels that as political subdivisions of the State, that the Legislature has a certain responsibility to not render municipalities completely on their own.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.

Bob Harcharek

Signed: _____
Bob Harcharek, President, Alaska Municipal League

Attest: *Kathie Wasserman*

Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-03

A RESOLUTION URGING THE LEGISLATURE TO MAINTAIN THE 22% CAP ON NON-STATE EMPLOYERS CONTRIBUTION FOR PAST AND CURRENT PERS COSTS AND TO HELP FIND SOLUTIONS FOR TERMINATION COSTS AND BELOW-THE-FLOOR COSTS

WHEREAS, through 2008 legislation, SB 125, municipalities and other non-State employers, saw their past and present service liability costs capped at 22% of salary; and

WHEREAS, also included in SB 125 was language requiring municipalities to pay termination costs and below-the-floor costs on the termination of a department, group or classification of employees; and

WHEREAS, the state is not charged for the termination of a department, group or classification of employees leaving the pool; and

WHEREAS, due to the Alaska budget crisis, the State and municipalities will most likely see increased lay-offs; and

WHEREAS, those lay-offs that are made up of a department, group or classification will result in a charge to local governments for the actual study, followed by charges of each of those employees' past service cost for approximately 30 years; and

WHEREAS, no matter how many lay-offs the State incurs, these costs will not be charged to the State; and

WHEREAS, if the total base salary of any municipality falls below what it was in 2008 (the year of SB 125), then charges will be assessed on that drop, as well; and

WHEREAS, in 2014, the Alaska Municipal League and its members were instrumental in the passage of HB 385, which was the Governor's proposal to deposit \$3 billion into the PERS/TRS fund to help diminish the huge pension liability; and

WHEREAS, due to last minute changes in the legislation, municipalities took on an additional \$2.5 billion in charges because of the nine-year extension of the amortization period; and

WHEREAS, municipalities will now see an 86% increase in total costs while the State will realize a \$1.4 billion savings in "on-behalf" payments; and

WHEREAS, municipalities continue to be facing untenable business conditions which prohibit them from efficiently and effectively managing their workforce; and

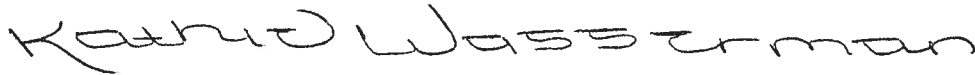
WHEREAS, these charges, along with the 12% interest, will find many small municipalities insolvent, as costs and debt to the state continue to increase.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Legislature to maintain the 22% cap on non-state employer's contribution for past and current PERS costs; and to help find solutions for termination costs and below-the-floor costs.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.



Signed: _____
Bob Harcharek, President, Alaska Municipal League



Attest: _____
Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-04

A RESOLUTION REQUESTING THAT THE LEGISLATURE REPEAL THE SENIOR CITIZENS/DISABLED VETERAN'S PROPERTY TAX EXEMPTION (AS 29.45.030(g)), EXCLUDING THE VALUE FROM THE DETERMINATION UNDER AS 14.17.510, GIVING CONTROL TO LOCAL GOVERNMENTS FOR THOSE FISCAL DECISIONS

WHEREAS, in the 1980s, the State of Alaska imposed a mandate that required all municipalities that levy a property tax to exempt the first \$150,000 value of primary homes belonging to seniors and disabled veterans, from their property tax; and

WHEREAS, property tax exemptions raise the property tax liability to those individuals who do not receive the benefits of those exemptions; and

WHEREAS, the State of Alaska also passed a law in statute that requires the State to reimburse municipalities for those exemptions; and

WHEREAS, not long after passage of AS 29.45.030(g), the State of Alaska felt they could no longer reimburse municipalities; and

WHEREAS, the State of Alaska, however, did not relax the mandate requiring municipalities to continue to exempt; and

WHEREAS, the members of the Alaska Municipal League feel that municipalities know best what their fiscal situation is and are better able to dictate exemptions that fall within their budget restraints; and

WHEREAS, municipalities can write their own ordinances about whom they may exempt and for how much; and

WHEREAS, while Revenue Sharing is decreasing and while all governments in Alaska are facing economic challenges, municipalities must be given the tools in order to cut costs; and

WHEREAS, of the 34 municipalities that levy a property tax, the exemptions add up to over \$60 million per year.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League requests that the legislature repeal the Senior Citizen's/Disabled Veteran's Property Tax Exemption

(AS 29.45.030(g), excluding the value from the determination under AS 14.17.510, giving control to local governments for those fiscal decisions.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.



Signed: _____
Bob Harcharek, President, Alaska Municipal League



Attest: _____
Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-05

A RESOLUTION IN SUPPORT OF LEGISLATION REQUIRING MANDATORY REAL ESTATE DISCLOSURE

WHEREAS, Borough assessors and assessors from all other municipalities that levy a property tax are bound by AS 29.45.110 to assess real property at full and true value; and

WHEREAS, full and true value is the estimated price that a property would bring in an open market and under prevailing market conditions in a sale between a willing buyer and a willing seller; and

WHEREAS, a growing number of taxpayers are becoming disenchanted with assessment values and are calling for better mechanics of the assessing process; and

WHEREAS, correct data is imperative in the ability to arrive at true and equitable assessments; and

WHEREAS, data is currently obtained from requests for information through questionnaire mailers in many jurisdictions; and

WHEREAS, this process is often incomplete and erroneous and not a true reflection of actual market values; and

WHEREAS, disclosure of real estate sales prices would greatly aid and enhance accuracy within assessing departments statewide; and

WHEREAS, 39 states and the District of Columbia currently require disclosure of real estate sales prices.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Alaska State Legislature to enact legislation requiring real estate sales disclosure.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.

Bob Harcharek

Signed:

Bob Harcharek, President, Alaska Municipal League

Kathie Wasserman

Attest:

Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-06

A RESOLUTION IN SUPPORT OF FULL FUNDING FOR THE STATE OF ALASKA MUNICIPAL HARBOR FACILITY GRANT PROGRAM IN THE FY17 STATE CAPITAL BUDGET

WHEREAS, the Alaska Municipal League recognizes the majority of the public boat harbors in Alaska were constructed by the state during the 1960s and the 1970s; and

WHEREAS, these harbor facilities represent critical transportation links and are the transportation hubs for waterfront commerce and economic development in Alaskan coastal communities; and

WHEREAS, these harbor facilities are ports of refuge and areas for protection for ocean-going vessels and fisherman throughout the State of Alaska, especially in coastal Alaskan communities; and

WHEREAS, the State of Alaska, over the past nearly 30 years, has transferred ownership of most of these State owned harbors, many of which were at or near the end of their service life at the time of transfer to local municipalities; and

WHEREAS, the municipalities took over these important responsibilities, even though they knew that these same harbor facilities were in poor condition at the time of transfer due to the state's failure to keep up with deferred maintenance; and

WHEREAS, consequently, when local municipal harbormasters formulated their annual harbor facility budgets, they inherited a major financial burden that their local municipal governments could not afford; and

WHEREAS, in response to this financial burden, the Governor and the Alaska Legislature passed legislation in 2006, supported by the Alaska Association of Harbormasters and Port Administrators to create the Municipal Harbor Facility Grant Program, AS 29.60.800; and

WHEREAS, the Alaska Municipal League is pleased with the Department of Transportation and Public Facility's administrative process to review, score and rank applicants to the Municipal Harbor Facility Grant Program, since state funds may be limited; and

WHEREAS, for each harbor facility grant application, these municipalities have committed to invest 100% of the design and permitting costs and 50% of the construction cost; and

WHEREAS, the municipalities of the City of Aleknagik, the Municipality of Anchorage, the City and Borough of Juneau, the City of Kodiak, the City and Borough of Sitka, the Municipality of Skagway, the City of Valdez, the City and Borough of Wrangell, and the City of Whittier, have offered to contribute \$20,648,514 in local match funding for FY17 towards nine harbor projects of significant importance locally, as required in the Harbor Facility Grant program; and

WHEREAS, completion of these harbor facility projects is all dependent on the 50% match from the State of Alaska's Municipal Harbor Facility Grant program; and

WHEREAS, during the last ten years, the Municipal Harbor Facility Grant program has only been fully funded twice; and

WHEREAS, during the last ten years, the backlog of projects necessary to repair and replace these former state owned harbors has increased to over \$100,000,000.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges full funding in the amount of \$20,648,514 by the Governor and the Alaska Legislature for the State of Alaska's Municipal Harbor Facility Grant program in the FY17 State Capital Budget, in order to ensure enhanced safety and economic prosperity among Alaskan coastal communities.

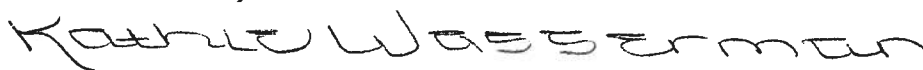
PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.



Signed: _____

Bob Harcharek, President, Alaska Municipal League

Attest: _____



Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-07

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE URGING THE STATE OF ALASKA TO STATUTORILY AMEND THE EXISTING MARICULTURE REVOLVING LOAN FUND TO ALLOW FOR NONPROFIT SHELLFISH HATCHERIES TO ALSO UTILIZE THE FUND IN AN AMOUNT NOT TO EXCEED UP TO \$2 MILLION OF THE PRINCIPAL OF THE FUND

WHEREAS, the Mariculture Revolving Loan Fund was established by AS 16.10.900-945 and 3 AAC 80.410-480, to make loans for the purpose of planning, construction and operation of a mariculture business; and

WHEREAS, under AS 16.10.910 eligible loan applicants must have a permitted mariculture farm located within the State of Alaska; and

WHEREAS, AS 16.10.915 limits the loan amount to \$100,000 a year, not to exceed a total loan of \$300,000; and

WHEREAS, shellfish and aquatic plant seed (i.e. oyster and geoduck) are needed for mariculture farms to succeed and therefore, hatcheries are vital components for the industry to succeed and therefore, hatcheries are a vital component for the industry to succeed within the State of Alaska; and

WHEREAS, per Alaska Department of Fish and Game, all species of native shellfish and aquatic plant seed are required to be produced within the State of Alaska (oyster is the only exception to this requirement); and

WHEREAS, certain local governments, such as the Ketchikan Gateway Borough, understand the need for hatcheries and have provided a loan to a local non-profit agency for the purpose of a shellfish hatchery to fill this void; and

WHEREAS, Alaska municipalities find that the State of Alaska Mariculture Revolving Loan Fund is the appropriate mechanism for funding mariculture hatcheries, as well as farms within the state; and

WHEREAS, Alaska municipalities find that the current revolving loan fund needs to be amended to allow non-profit shellfish hatcheries to apply for loans with the state, following a similar administrative model, as Alaska's salmon hatcheries, which utilize the Fisheries Enhancement Revolving Loan Fund; and

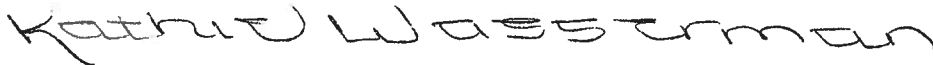
WHEREAS, it is in the best interest of Alaska's municipalities, that non-profit shellfish hatcheries be eligible to utilize the fund in an amount not to exceed up to \$2 million of the principal of the fund as an efficient and effective way to encourage economic development in communities.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League urges the Governor and the Legislature to statutorily amend the existing Mariculture Revolving Loan Fund to allow for non-profit shellfish hatcheries to also utilize the fund in an amount not to exceed up to \$2 million of the principal of the fund.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.



Signed: _____
Bob Harcharek, President, Alaska Municipal League



Attest: _____
Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-08

A RESOLUTION OF THE ALASKA MUNICIPAL LEAGUE URGING THE STATE OF ALASKA TO 1) REVISE STATUTES TO REDUCE REQUIREMENTS FOR TERMINATION STUDIES; AND 2) REVISE THE PROPOSED ALLOCATION OF PERS AND TRS LIABILITY RELATED TO GASB 67 AND GASB 68 REPORTS; AND 3) REVISE STATUTES TO CLARIFY THAT EMPLOYEES OF GOVERNMENTAL CONTRACTORS ARE NOT ELIGIBLE FOR STATE RETIREMENT SYSTEM MEMBERSHIP

WHEREAS, the Alaska Municipal League (AML) has identified the following three issues with the State of Alaska administration regarding the Public Employees' Retirement System (PERS) and the Teacher's Retirement System (TRS) which may, and in some cases already have, adversely impacted municipalities; and

1. The requirement for PERS termination studies and imposition of termination penalties when a single occupant position is removed or a small classification of employees is eliminated;
2. Unwarranted administrative allocation of the net pension liability of PERS and TRS to individual employers; and
3. The risk of significant costs if governmental contractors were treated as employees qualified for inclusion in PERS or TRS; and

WHEREAS, AML believes the Legislature did not intend to create inequitable financial damage to any PERS member employer, however, with the implementation of the required PERS termination studies, as required by AS 39.35.625, a clear and inequitable impact has been created for municipal PERS employers. The history and detailed information on this issue is provided in Attachment A; and

WHEREAS, AML acknowledges that the State has issued a statement of allocation of PERS and TRS pension liabilities which is inconsistent with the 2008 statute change and is applied unfairly to municipalities through unsupported administrative allocations of the net pension liability of PERS and TRS to individual employers. The history and detailed information on this issue is provided in Attachment B; and

WHEREAS, the PERS and TRS statement of allocation was developed through a troubling agency process that lacked transparency and excluded municipal governments and school district involvement, comment or collaboration; and

WHEREAS, AML recognizes the potential for unreasonable expenses to the system if governmental contractors were treated as employees, due to the fact that municipalities, particularly smaller municipalities in Alaska, often contract with profit and non-profit entities to provide services under government contracts, and the unexpected and unplanned addition of employees entitled to potentially years of back service credit in a governmental retirement plan like PERS may adversely impact not only the particular employer, but all of the participants in the plan. The history and detailed information on this issue are provided in Attachment C.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League:

1. While supporting the maintenance of a sustainable salary base to pay off the PERS unfunded obligation, believes that AS 39.35.625 and any other similar statutes or regulations that require termination studies, should be revised to eliminate termination studies and costs for minor changes in municipal work force and staffing for the reasons set out in Attachment A; and further, that legislation such as SB 100, considered in the 27th legislature (included as Attachment D) would be an appropriate method to achieve this.
2. Expresses strong objections to the proposed allocation of PERS and TRS liability in the State of Alaska's contemplated GASB #67 and GASB #68 reports for audit purposes, for the reasons set out in Attachment B.
3. Supports a change to Alaska law that would, in a manner similar to Washington State, clarify that employees of governmental contractors are not eligible for state retirement system membership.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.

Signed: 
Bob Harcharek, President, Alaska Municipal League

Attest: 
Kathie Wasserman, Executive Director, Alaska Municipal League

ATTACHMENT A

1. The Alaska State Legislature, in SB 125, helped Alaska's PERS employers tremendously by adopting the flat statutory 22% rate of salary to help fund current costs and the unfunded liability of the PERS system.
2. Our Legislators, in crafting SB 125, struggled hard to come up with a fair and equitable solution to a problem that most of them did not create. Further, in crafting SB 125, legislators never envisioned, intended, nor did they want to create any inequitable financial damage to any PERS member employer, nor negatively interfere with the current or future delivery of any member's services or programs because of SB 125, which the termination studies law does do.
3. 2 AAC 35.235. Calculation of termination costs states: (a) An employer that proposes to terminate coverage of a department, group or other classification of employees under AS 39.35.615 or 39.35.957, or terminate participation of the employer under AS 39.35.620 or 39.35.958, must have a termination study completed by the plan actuary to determine the actuarial cost to the employer for future benefits due employees whose coverage is terminated. (b) In addition to the costs calculated in (a), the employer under AS 39.35.620 or 39.35.958, is required to pay to the plan until the past service liability of the plan is extinguished; an amount calculated by applying the current past service rate adopted by the board to salaries of the terminated employees, as required by AS 39.35.625. This payment shall be made each payroll period or the employer may enter into a payment plan acceptable to the administrator for each fiscal year.
4. If a PERS employer reduces its employee count because it made a decision to alter or suspend of its programs or services, per 2 AAC 35.235, PERS will send the employer three bills. The first bill will be for the cost of doing a termination study. The second bill will be what the study says is owed the system due to the employee change(s) made. The third bill, the largest of the three, requires the employer to pay the past service cost (PSC) on each position's salary that PERS determines has been removed from PERS by voluntary request of the employer or should be removed from PERS (whether voluntarily or involuntarily in response to direction from PERS) due to the change in staffing. The employer will be required to pay the PSC (currently 18.63%) on the salary(s) of the position(s) PERS determines has been removed (as indicated), until the unfunded obligation is paid off, perhaps 30 years from now. These three bills cumulatively can run from hundreds of thousands of dollars to several millions of dollars.
5. The Underlying fear that certain employers would purposely act in a manner that jeopardized payment of the unfunded obligation, and thus shrink the salary base that pays off the unfunded obligations, has simply not happened. The total PERS salary base must be sustained and have reasonable growth, which it has, to the tune of about 19% since the 6/30/2008 last pay period floor was set.
6. The future financial stability of PERS employers and their ability to efficiently and effectively manage the delivery of their programs and services, is being directly impacted and undermined by 2 AAC 35.235.

7. Equitable and consistent application of the State's termination law does not seem to be occurring, nor likely can it ever occur given the uniqueness of all PERS employers' positions. A law like this, that has such a material financial impact on PERS employers, should at a minimum, be able to be fairly, equitably and consistently applied to all PERS employers, yet the Division of Retirement and Benefits has taken the position that the State, with more than half of the PERS salary base, is exempt from termination studies and their financial impacts.
8. There is an inescapably inequitable impact to small PERS employers. This state law, or its application by PERS, creates a clear and unconscionable inequitable impact on small PERS employers, versus larger PERS employers. Many smaller communities only have "one" employee for a program or service. If the community loses a grant, or is simply faced with budget constraints and has to eliminate a position, for example a personnel director, the employer will be required to have a termination study done, then pay all of the related costs, because a "group" was cut.
9. Termination studies negatively impact a PERS employer's decision and the ability to accept grants because of the potential future liability. Grant funded positions may become subject to the termination studies, once the positions are terminated, due to grant funding ending. Employers will find themselves using other revenues to pay the past service cost rate on the salaries for former grant funded positions. Essentially, if an employer accepts a grant, it is possible, depending on the circumstances, that once those grant funded positions are ended, the employer will need to use other dollars to pay the PSC on those former grant funded salaries that the employer is no longer paying.
10. There are no offsets taken into account for salary increases in one area for decreases in other areas. In other words, the ability for entities to adjust their programs and services to meet their constituent's needs is negatively impacted. If an employer needs to cut in area A and add in area B, that employer could find itself paying the PSC rate times the salary(s) it is no longer paying in area A because it shifted its employees to area B where there is more need, whether driven by local need or a mandate.
11. Over time, more and more resources will go toward paying for positions that no longer exist than resources that go to the delivery of services, such as fire protection, law enforcement, teaching, recreational services, landfill services, library services, flood control services, emergency response services, etc. Once an employer starts shifting employee resources from one area of responsibility to another, it starts a negative downward spiraling in the ability to fund other programs and services.
12. An employer will pay more toward the unfunded obligation every pay period on positions that no longer exist, than they will for existing paid positions. This is true because the rate set by statute is capped at 22%. The 22% first covers the current normal cost rate and the difference is applied to the unfunded obligation. The current (FY11) normal cost rate is 9.33%; therefore an employer pays 11.67% times the working employee's salary toward the unfunded obligation. This same employer is required to pay 18.63% times the salary of an employee they are no longer paying, toward the unfunded obligation. That employer is

paying almost 7% more for positions that no longer exist because of the unfunded obligation than it pays on salary dollars for existing positions.

- 13.** Termination studies nullify the intent of SB 125, that employers pay the exact same rate. It is clear that one result of these termination studies is that different employers will in fact be paying different net rates and therefore, will not be a single uniform contribution rate for PERS employers. The adoption of SB 125 is based on the acknowledgement that the State does not have a single-agent, multiple employer PERS system, but rather a consolidated unequitable cost share system. The intent of SB 125 was that all employers would pay the same exact rate. That cannot happen when each employer pays a different termination cost amount or pays none at all.
- 14.** The Alaska Municipal League supports a sustainable salary base to pay off the PERS unfunded obligations.
- 15.** The termination language in SB 125 was a solution to a problem that never materialized and is not needed. The negative consequences, the additional charges and the payments that result from the termination language, were never contemplated or intended by the legislature and are destructive.
- 16.** AS 39.35.625, which requires termination studies, should be repealed.

ATTACHMENT B

1. The State of Alaska established the Public Employee Retirement System (PERS) in 1961 and since that time has:
2. Had sole administrative control of the plan;
 - a. Selected, contracted with, and has been the sole contact with PERS actuaries;
 - b. Had sole access to, oversight for, and responsibility for actuarial methods and assumptions for PERS;
 - c. Had sole control over the investment of all PERS assets; and
 - d. Set the rates for, billed for, and collected on all PERS contributions.
3. The State caused the shifting of employees from cities to boroughs as it formed mandatory boroughs in 1963 and 1964.
4. The State has managed the investment income since 1969 and has credited investment income to employee accounts solely from the current employer's active account, versus directly.
5. The State administratively created the Retirement Reserve Account (RRA) in 1971, although it was not authorized by statute until 1974.
6. The State began paying retiree benefits with "blended" employer dollars in 1971 and absorbed the RRA shortfall balance in 1972.
7. Although member employers were told, and believed, from 1961 until approximately 2006, that individual employer retirement accounts and activity were kept and tracked separately by the State, since 1971 the State has blended, reallocated and comingled employer contributions such that no single employer's contributions can be accounted for accurately.
8. The comingled nature of the funds creates a statewide system such that one employer's actions affect other employer's liabilities.
9. The State did not administer PERS in accordance with its own laws.
10. Most municipalities of the State are members of the Public Employees' Retirement System (PERS).
11. The State established the "shared consolidated (blended) normal cost" rate in 1977.
12. The State started allocating income to the RRA in 1984.
13. The State stopped, in 1994, transferring employer contributions to the RRA as employees retired.
14. The State controlled the timing of employee "appointment" to retirement and the subsequent employee account transfers to the RRA.
15. The State reallocated each employer's and employee's RRA contributed assets, based upon RRA liabilities.
16. The State determined each employer's unfunded obligation after reallocating the employer's assets.
17. The State, prior to 2006, set the employer's past service cost rates based upon reallocated asset results.
18. The State, before 2006, set and paid prior normal cost rates that were lower than they should have been.

19. The State, from July 1, 1999, up until as recently as 2006, payed refunds from employee accounts, yet booked payments as though they were coming from the RRA.
20. The State, from July 1, 1999, up until as recently as 2006, sent direct employee indebtedness payments to the RRA.
21. The State has pervasive authority over public education in Alaska, a responsibility which it shares with no other unit of government.
22. In the exercise of its pervasive authority over public education, the State established a Teachers' Retirement System (TRS) and statutorily requires that all teachers in public schools be included in that system.
23. The State has prescribed the terms of the TRS system and program since the beginning and has exercised exclusive control over the operation, investment and administration of that system in much the same manner as it has the PERS system.
24. The State does not allow any local school district the discretion to decline to have teachers employed in those districts to participate in TRS.
25. The State has, as with PERS, comingled each district's contributions to TRS and set rates at inadequate levels such that there is no method to accurately allocate the unfunded liability for TRS pension or health benefits to any particular school district.
26. In recognition of the State's responsibility for the majority of the unfunded pension and health benefit liability, in 2008, the State amended its statutes regarding employer contributions to PERS and TRS, placing a cap on employer contributions to PERS at 22% of payroll and on TRS contributions at 12.56% of payroll, with the State accepting responsibility for any costs in excess of this amount.
27. In connection with the 2008 legislation change, the Legislature acknowledged State responsibility for the unfunded liability in the TRS system and accepted responsibility, subject to annual appropriation, for payments required to satisfy the TRS and PERS contribution rates required to amortize the unfunded pension liability over 25 years.
28. The State is now issuing a statement of allocation of PERS pension liability which is inconsistent with the 2008 statute change and which seeks to return to a calculated allocation rate which bears no factual relationship to payments or costs associated with any specific employer, but instead comingles the liability across all employers and simply divides by their payroll in a given year.
29. The State is now issuing a statement of allocation for TRS pension liability which is inconsistent with the 2008 statute change and seeks to allocate a portion of the State's exclusive and pervasive responsibility for education to school districts which it created and oversees for the provision of public education.

The Alaska Municipal League expresses its strong objections to the proposed allocation of PERS and TRS liability in the State of Alaska's contemplated GASB #67 and GASB #68 reports for audit purposes.

ATTACHMENT C

1. The Alaska Municipal League has identified the following three issues with the State of Alaska administration of the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) which may, and in some cases already have, adversely impacted municipalities and school districts.
 - a. The requirement for PERS termination studies and imposition of termination penalties when any position is eliminated; and
 - b. Unwarranted allocation of the net pension liability of PERS and TRS to individual employers; and
 - c. The risk of significant costs if governmental contractors were treated as employees qualified for inclusion in PERS or TRS.
2. The Alaska Municipal League has previously expressed concerns regarding two of these issues (a. & b.).
3. The Alaska Municipal League recognizes the potential for significant expenses to PERS and TRS if governmental contractors were treated as employees, specifically noting that:
 - a. Municipalities, particularly smaller municipalities in Alaska, often contract for governmental services; and
 - b. A municipality contracting for governmental services may, in order to ensure that public services are provided in a manner acceptable to the community, exercise more control over the contractor than what is normally seen in a purely contractual basis; and
 - c. The Supreme Court of the State of Washington ruled in 2012 that employees of several private non-profit public defender agencies that provided services to King County by contract, were employees of the King County for purposes of the Washington PERS, resulting in a \$31 million PERS liability for King County; and
 - d. The Washington State Legislature subsequently modified the Washington State PERS statute to clarify that a governmental contractor is not an employer for purposes of the Washington State Retirement System, and that employees of governmental contractors are not eligible for state retirement system membership.
 - e. The Washington legislation also clarifies that the determination of whether an employee/employer relationship exists under the Washington State PERS is limited solely to the relationship between the government contractor employee and the retirement system employer, and not the relationship between a government contractor and a retirement system employer.
 - f. The unexpected and unplanned addition of employees entitled to potentially years of retroactive service credit in a governmental retirement plan like PERS, may adversely impact not only the particular employer, but all of the participants in the system.
 - g. The intent in establishing Alaska's PERS was not to provide a retirement system to employees of government contractors.

4. While the Alaska Municipal League supports maintaining a sustainable salary base to pay off the PERS unfunded obligation, it believes that AS 39.35.625 and any other similar statutes or regulations that require termination studies, should be revised to eliminate termination studies and costs for minor changes in municipal workforce and staffing for the reasons set out in Attachment A; and further, that legislation such as SB 100, considered in the 27 Legislature (Attachment D) would be an appropriate method to achieve this.
5. The Alaska Municipal League expresses strong objections to the proposed allocation of PERS and TRS liability in the State of Alaska's contemplated GASB #67 and GASB #68 reports for audit purposes for the reasons set out in Attachment B.
6. The Alaska Municipal League supports a change to Alaska law that would, in a manner similar to Washington State, clarify that employees of governmental contractors are not eligible for state retirement system membership.

CS FOR SENATE BILL NO. 100(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SEVENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/4/12
Referred: Rules

Sponsor(s): SENATORS PASKVAN, Menard, Hoffman, Davis, Thomas, Stedman, Ellis, Kookesh, Olson, Wagoner, Stevens

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to employer contributions to the Public Employees' Retirement System**
2 **of Alaska; relating to requirements that employers who terminate some or all**
3 **participation in the Public Employees' Retirement System of Alaska pay termination**
4 **costs; and making the changes retroactive."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 *** Section 1.** AS 39.35.255 is amended by adding a new subsection to read:

7 (i) After an employer's participation in the plan terminates with regard to some
8 or all of the employer's employees who are active members of the system, the
9 employer remains obligated to make contributions under (a) of this section until the
10 plan does not have a past service liability.

11 *** Sec. 2.** AS 39.35.625 is repealed and reenacted to read:

12 **Sec. 39.35.625. Termination costs.** An employer that terminates participation
13 in the plan of more than 20 percent of the employer's paid employees within any one-
14 year period shall pay for a termination cost study that is directly related to the costs of

1 that termination.

2 * **Sec. 3.** AS 39.35.958(c) is amended to read:

3 (c) When an employer's participation in the plan terminates [IS
4 TERMINATED, OR WHEN AN EMPLOYER TERMINATES COVERAGE OF A
5 DEPARTMENT, GROUP, OR OTHER CLASSIFICATION OF EMPLOYEES
6 UNDER AS 39.35.957(c)], the administrator shall assess the employer a termination
7 cost that the administrator determines is actuarially required to fully fund the costs to
8 the plan for employees whose coverage is terminated, including the cost of providing
9 the employer's share of retiree health benefits under AS 39.35.880, occupational
10 disability and occupational death benefits under AS 39.35.890 and 39.35.892, and
11 pension benefits elected under AS 39.35.890(h)(2).

12 * **Sec. 4.** AS 39.35.958(e) is amended to read:

13 (e) An employer whose [TERMINATING] participation in the plan
14 terminates shall pay termination costs determined under (c) of this section [BY THE
15 ADMINISTRATOR], or enter into a payment plan acceptable to the administrator,
16 within 60 days after the employer receives notice of its termination costs from the
17 administrator. Termination costs not paid within the prescribed time limit or in
18 accordance with the approved payment plan shall be collected by the administrator in
19 accordance with AS 39.35.610(b). Termination of participation by an employer in the
20 plan does not bar future participation by the employer if the employer has paid in full
21 its prior termination costs.

22 * **Sec. 5.** AS 39.35.958(f) is repealed and reenacted to read:

23 (f) An employer that terminates participation in the plan of more than 20
24 percent of the employer's paid employees within any one-year period shall pay for a
25 termination cost study that is directly related to the costs of that termination.

26 * **Sec. 6.** 2 AAC 35.235 is annulled.

27 * **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
28 read:

29 APPLICABILITY. Notwithstanding sec. 8 of this Act, secs. 3 and 4 of this Act do not
30 apply to AS 39.35.958, for termination costs paid before the effective date of this Act for
31 payroll periods or partial payroll periods that occur before the effective date of this Act.

1 * **Sec. 8.** The uncodified law of the State of Alaska is amended by adding a new section to
2 read:

3 **RETROACTIVITY.** Sections 1 and 2 of this Act are retroactive to July 1, 2008, secs.
4 3 - 5 of this Act are retroactive to June 7, 2007, and sec. 6 of this Act is retroactive to
5 January 13, 2010.



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-09

A RESOLUTION SUPPORTING THE PASSAGE OF COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY (PACE) LEGISLATION AS A MEANS OF OFFERING A LOCAL OPTION FOR MUNICIPALITIES TO USE, IN ORDER TO ENCOURAGE ENERGY EFFICIENCY IMPROVEMENTS TO AND RENEWABLE ENERGY DEVELOPMENT ON COMMERCIAL PROPERTIES

WHEREAS, Property Assessed Clean Energy (PACE) is a means of financing energy efficiency upgrades or renewable energy installations for commercial buildings; and

WHEREAS, the Alaska Energy Authority, Commercial Building Energy Audit program indicates that businesses can achieve annual energy savings of approximately 30% by implementing suggested energy efficiency improvements; and

WHEREAS, PACE statutes authorize municipalities, with property tax authority, to work with private sector lenders to provide upfront financing to property owners for qualified projects; and

WHEREAS, PACE repayments are collected through placement of a voluntary assessment on a property's annual real-estate tax bill; and

WHEREAS, the term of PACE financing may extend up to 20 years, resulting in energy savings that exceed the amount of the assessment payment producing immediate positive cash flow; and

WHEREAS, PACE legislation for commercial property has been adopted in 29 states and the District of Columbia; and

WHEREAS, commercial PACE is now available in more than 1,000 municipalities in the U.S. outside of Alaska; and

WHEREAS, use of PACE in Alaska may facilitate access to private sector capital or low-cost federal funds to assist with commercial property energy improvements; and

WHEREAS, PACE legislation was introduced in the Alaska House of Representatives (HB 118) and the Alaska Senate (SB56) in 2015; and

WHEREAS, HB 118 and SB 56 would create a local option for Alaska municipalities with property tax authority to use if local elected officials believe PACE financing would be beneficial in their communities; and

WHEREAS, HB 118 progressed to the House Finance Committee and SB 56 progressed to the Senate Finance Committee during the 2015 regular legislative session; and

WHEREAS, passage of PACE legislation in Alaska could provide an important tool that assists in achieving the energy efficiency and renewable energy goals established in state law in 2010.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League supports the passage of commercial Property Assessed Clean Energy (PACE) legislation as a means of offering a local option for municipalities to use to encourage energy efficiency improvements to, and renewable energy development on, commercial properties; and

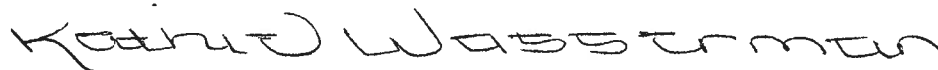
LET IT BE FURTHER RESOLVED that the Alaska Municipal League supports passage of SB 56 or HB 118 as a means of achieving this desired action.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.



Signed: _____

Bob Harcharek, President, Alaska Municipal League



Attest: _____

Kathie Wasserman, Executive Director, Alaska Municipal League



ALASKA MUNICIPAL LEAGUE

RESOLUTION #2016-10

A RESOLUTION URGING THE UNIVERSITY OF ALASKA TO RECONSIDER THE DECISION TO CLOSE THE UNIVERSITY OF ALASKA/FAIRBANKS' KODIAK SEAFOOD AND MARINE SCIENCE CENTER, FORMERLY KNOWN AS AND REFERRED TO IN ALASKA STATUTE (TITLE 16, CHAPTER 52) AS THE FISHERY INDUSTRIAL TECHNOLOGY CENTER (FITC)

WHEREAS, the State of Alaska is currently facing fiscal difficulties as a result of an overdependence on oil prices and needs a more diversified base of income; and

WHEREAS, the State of Alaska has an abundance of other natural resources, including a rich and robust abundance of fish that drives Alaska's largest economic employment sector, it is imperative that this resource is well managed to ensure it is sustainably and safely harvested, processed, marketed, and distributed to provide the maximum benefit and value to the State of Alaska; and

WHEREAS, the Kodiak Seafood and Marine Science Center, known in Alaska Statute as the Fisheries Industrial Technology Center (FITC) in Kodiak, was created by the University in response to a charge by the Alaska Legislature (Title 16, Chapter 52) to represent an applied science partnership between the fishing industry, coastal communities, and the University, where members of the Alaska seafood industry (harvesters, processors and community members) present the questions they need answered and scientists at FITC endeavor to answer them; and

WHEREAS, academic research represents a core mission of UAF, applied research supports the jobs, industry, and economic vitality of the communities the University of Alaska is charged to serve; and

WHEREAS, applied seafood research conducted by FITC scientists, staff, students and visiting scientists has improved fishery processing technology, stock sustainability, seafood safety, processing efficiency, food preservation, and increased catch utilization across the state; and

WHEREAS, the University of Alaska/Fairbanks (UAF) has announced the closure of the Kodiak Seafood and Marine Science Center in Kodiak, the transfer of the Alfred Owen Building's administrative home, the transfer of remaining faculty and the dismantling of the seafood processing Pilot Plant; and

WHEREAS, the decision to close the faculty was conducted without consultation with FITC staff, fishing communities, industry or others dependent on the fishing industry; and

WHEREAS, the FITC faculty and equipment are critical to achieving the mission; and

WHEREAS, the sudden and unexpected decision by the UAF to close the FITC at the end of the fiscal year suggests that UAF is preparing to abandon both a commitment to applied fisheries research, as well as the close community and industry partnerships that provide the foundation for a healthy University system; and

WHEREAS, the key to an effective response to a fiscal crisis is transparent and collaborative dialogue with the citizenry if serves.

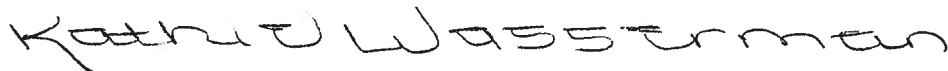
NOW, THEREFORE BE IT RESOLVED that the University of Alaska maintain FITC research, facilities, equipment and staff through fiscal year 2017 to allow sufficient time for the University and Alaska's communities to discuss challenges and opportunities related to the mission, operation, and funding of the FITC.

BE IT FURTHER RESOLVED that new University leaders in the offices of statewide system President, UAF Chancellor and UAF School of Fisheries and Ocean Sciences Dean, engage in open dialogue with Alaska's fishing communities relative to the preservation of the FITC as a focus of the University's commitment to the critical need for applied fisheries research.

PASSED AND APPROVED by the Alaska Municipal League on this 20th day of November, 2015.



Signed: _____
Bob Harcharek, President, Alaska Municipal League



Attest: _____
Kathie Wasserman, Executive Director, Alaska Municipal League