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Denali Borough Mayor's Annual Report

October 10, 2019

Greetings Neighbor,

Welcome to the quiet season, with a focus on community. I hope you and yours are well and ready to embrace the challenges and rewards winter brings.

I am pleased to report that the borough, through strong teamwork of a dedicated staff, is not only meeting the needs of today but planning for an even brighter future. We are building capacities and partnerships with agencies and departments and looking for creative new ways to tackle growing community needs while our support from the state continues to shrink.

As a Home Rule Borough, the Denali Borough is a political subdivision of the State of Alaska. The state has contributed to many aspects of our borough operations and has been a robust partner through the years. That partnership is changing as the state faces serious fiscal challenges. In this report, I will report on developments today, while also looking ahead to the future.

Where our money goes

People sometimes ask: What does the borough do with all that bed tax revenue? We received over \$4,000,000 from our seven percent bed tax in Fiscal Year (FY) 2019, which is a record. We account for those revenues and then turn around in FY 2020 and deliver \$3,567,947 to other organizations within the borough.

The FY 2020 budget again funds our Denali Borough School District to the maximum allowable – a total borough contribution of \$2,769,308. I am pleased to report a strong and positive borough-school district relationship. Education is the single greatest function we took on when we formed our government and it is functioning well. We are also aware that a component of our education funding – the Required Local Contribution - will likely be going up in the years ahead, as it is tied to property value and new properties increase the obligation.

The FY 2020 budget also funds the grant requests from local non-profit organizations who provide many services in the borough. Grant funding for a variety of community groups including the Volunteer Fire Departments, Libraries, and Municipal Assistance for the City of Anderson, totaled \$797,947. Of that sum, \$622,407 goes toward emergency response, which carried out a record number of runs this year. This year did see a funding increase as the assembly approved a new capped grant program to assist fire departments acquiring apparatus (ambulance/fire truck) by providing a fifty percent borough match.

Declining State Support

Over the past six years, the state's Capital Budget has declined 93%. Over our history, the borough has relied upon state capital funding to fill many needs including emergency response apparatus, solid waste heavy equipment, school maintenance projects both small (new fuel tanks, updated control systems, etc..) and large (new roofs, sprinkler system).

The state also has supported its' municipalities through the Community Assistance Program (formerly called Revenue Sharing). This support has also declined significantly – from \$708,000 in 2013 to \$210,000 next year. We have used these monies to support our non-profit grant programs. Now, the community need far exceeds this reduced level of program funding.

School Facility Needs

Our three school buildings are all over 40 years old and have a number of needs. The Denali Borough School Board, through their Capital Improvement Program, prioritized two roof repair projects (Anderson and Tri-Valley Schools) and a project to replace the back-up generators which are over 30 years old, making parts almost impossible to find. These three projects are estimated to cost \$4.2 million. The schools are identified as our emergency evacuation locations, so for community resilience, reliable back-up generators are critical.

The state program which partners with municipalities to make major school repairs is currently funding one project in the state this year, out of 72 requested projects. If we simply wait for state funding, our projects may be decades away. This year we put aside \$60,000 for major school maintenance. To consider a greater share of these projects, we need to increase our savings rate to about \$350,000 annually.

Recommendations

I served on the assembly for seven years and as mayor for six years and never brought forward any new revenue proposals, until now. With growing bed tax revenue and a high level of state contributions, I never saw the need. **While it is neither easy nor comfortable to propose new taxes, it is my responsibility to recommend actions to keep our communities healthy in the years ahead.** I recommended a five percent tax on the sales of alcohol and marijuana (equal to the tax imposed in Fairbanks) which will diversify our revenue stream, as bed tax makes up 99% of our tax revenue. Other benefits include broadening the range of contributors and recognizing the added burden heavy use of these substances puts upon emergency response. We require no business licensing; but because these licenses come through the borough, they are easy to track.

The assembly added consideration of a modest increase in the bed tax rate, which is currently lower than our neighboring boroughs. At their September meeting, the assembly did pass both ordinances and put the questions to the people on the November 5 ballot: Shall the borough raise the bed tax from 7 to 7.5% and shall we impose a 5% tax on alcohol and marijuana sales, both with an intent to fund our non-profits and school buildings. All tax questions always go to a vote of the people in the Denali Borough.

If either, or both, are approved at the ballot box, this will be the first tax *rate* change in the borough in 24 years.

The proposed half percent bed tax increase (which will *still* be lower than our neighbors) is estimated to bring in \$325,000 and the proposed 5% alcohol and marijuana and sales tax is estimated to bring in \$415,000. Together they would fill the gap and put our non-profits and emergency response on solid ground, while also addressing the needs of the school buildings, which are the hearts of our communities.

Revenue Timeline

If approved, new revenue would start being collected in 2021. This provides time for businesses to prepare and the borough plans to have streamlined remittance online by that time. The majority of the revenue would come in summer, which is fiscal year 2022. Because we are forward funded, spending last year's revenue, these new revenues, if approved, would be available for budgetary purposes in 2023. Whether these ballot measures pass or not, whoever serves as mayor/administrator at that time will do their best to prioritize the communities' needs in drafting the budget for consideration of the elected governing body, the Denali Borough Assembly.

Ways to Stay Informed

The borough website contains annual budgets, annual audits, monthly financial statements, meeting minutes, twelve months of the mayor's monthly reports to the assembly, land and planning information and more. You can also find periodic updates on borough happenings on the Denali Borough Facebook page.

Our talented Borough Clerk, Amber Renshaw, deserves credit for two new ways of increasing accessible and transparent government and increasing the flow of information. Our Assembly and Planning Commission meetings, when technology and staff levels allow, are now livestreamed for both live viewing and later playback. The links are on our website. Also, a new weekly video chat called "Mondays with the Mayor" features a few minutes on a particular borough topic. These are found on YouTube, which is linked on our website.

Finally, all meetings of the borough deliberative bodies are held in the public and offer opportunities for public comment. Our office is available to help answer any questions or concerns you might have.

Other Developments

Conditional Use Permits – Aside from the landfill, the borough is zoned unrestricted. We have been asked to find a way to have more of a local voice in potentially impactful new developments such as a large scale new business or a marijuana business. A new Conditional Use Permit system is in process, currently in front of the Planning Commission. Assembly consideration will follow, with more opportunities for public input.

Street Addressing – The borough was asked to consider adopting a recognized street address system to assist emergency response. Other benefits to residents are also recognized. Following approvals of the deliberative bodies, the borough is now working on new code language and technical implementation of a new system.

Solid Waste – This year saw a number of improvements including the opening of Healy Transfer Station, more diversion of scrap metal and electronics, and a new brush collection program to encourage Firewise clearing.

Gratitude and Appreciation

To our borough staff – both office and solid waste. I am most grateful to have such a strong and reliable team! Your dedication to not only just doing the job, but growing and improving, makes this team special.

To all who serve our broader community, our friends and neighbors, in one way or another. You are what makes this incredible place we call home so special. Thank You!

Sincerely,



Clay Walker