

KETCHIKAN GATEWAY BOROUGH SCHOOL DISTRICT BOARD OF EDUCATION
AGENDA STATEMENT

No. 11 b.

MEETING OF December 14, 2022

ITEM TITLE:

NEW BUSINESS

Motion to enter a work session on the Borough/District MOA Regarding District Health Insurance Fund Deficit with possible motions and/or direction to staff and/or Liaison committee

REVIEWED BY:

- Board Officers
- Superintendent

APPROVED FOR SUBMITTAL:



Superintendent

SUMMARY STATEMENT:

The School Board may use the option to enter a work session on the Borough/District MOA Regarding District Health Insurance Fund Deficit with the possibility of motions and/or direction to staff and/or Liaison Committee members. It is anticipated there will be a report from Staff and legal counsel followed by Board discussion of approval of the MOA and other options and alternatives.

ISSUE/BACKGROUND:

A MOA Regarding District Health Insurance Fund Deficit was amended and approved by the Borough Assembly at its meeting on January 3, 2023, contingent on approval of the same by School Board at its meeting January 11, 2023.

The MOA, developed in consultation with Borough Finance staff and School District management, is designed to advance the four common interests of the parties. The parties desire to 1.) minimize further the deficit spending in the School District's fund for the remainder of FY23; 2) to end all deficit spending in the School District's fund at the commencement of FY24; 3.) provide recourse for the Borough should further short-funding of the district's health fund occur; and 4) and to begin development of a multi-year plan for the Borough to recoup from the School District the accrued balance on the note receivable.

ATTACHMENTS:

- MOA Regarding District Health Insurance Fund Deficit

RECOMMENDED MOTION:

"I move that the Board of Education enter a work session on the Borough/District MOA Regarding District Health Insurance Fund Deficit with the possibility of motions and/or direction to staff and/or Liaison Committee members."

POSSIBLE RECOMMENDED ACTION:

"I move that the Board of Education approve the Memorandum of Agreement between the Borough and the Ketchikan Gateway Borough School District Regarding District Health Insurance Fund Deficit, and to authorize the Superintendent to execute the Memorandum.

POSSIBLE ALTERNATIVE RECOMMENDED ACTION:

"I move that the Board of Education approve the Memorandum of Agreement between the Borough and the Ketchikan Gateway Borough School District Regarding District Health Insurance Fund Deficit, as amended, contingent on approval of the same by the Assembly."

**MEMORANDUM OF AGREEMENT
REGARDING DISTRICT HEALTH INSURANCE FUND DEFICIT**

This Agreement is made by and between the Ketchikan Gateway Borough (Borough) and the Ketchikan Gateway Borough School District (School District).

RECITALS

- A. WHEREAS**, the Borough and the School District (collectively, “the parties”) have long participated in a joint self-insurance program for the provision of employee health coverage benefits; and
- B. WHEREAS**, the parties executed an agreement on February 9, 1999 (“the agreement”) outlining the operational and accounting processes relative to the self-insurance program, and obligating the Borough to maintain separate fund for each party;
- C. WHEREAS**, the agreement has since become partially outdated, but the parties have maintained its provisions in that separate funds continue to operate for collections of employer contributions and employee premiums, and for payment of claims and fixed costs; and
- D. WHEREAS**, while both funds have periodically been in deficit, the Borough’s fund currently has a modest positive balance while the School District’s fund has developed an intractable deficit beginning in Calendar Year 2019; and
- E. WHEREAS**, since the Borough serves as the fiscal agent for both funds, the District’s short-funding of its currently accruing claims has placed the Borough in the position responsible to pay the amount of any and all shortages, on the District’s behalf, to the parties’ contracted plan administrator; and
- F. WHEREAS**, with the School District’s health insurance fund already in substantial deficit, the ongoing excessive claims to and underfunding of the School District’s fund has increased the deficit by more than \$900,000 in Fiscal Year 2023 alone; and
- G. WHEREAS**, the aggregate amount owed by the School District’s fund to the Borough is now in excess of \$4,000,000, all of which has been paid from Borough reserves, and recorded as a note receivable from the District to the Borough;
- H. WHEREAS**, the amount owed by the District to the Borough has served to reduce the Borough’s unrestricted reserves by nearly half, and hampers the Borough’s ability to conduct needed capital improvements to school buildings and other Borough facilities.
- I. WHEREAS**, the parties desire to minimize further the deficit spending in the School District’s fund for the remainder of FY23, to end all deficit spending in the School District’s fund at the commencement of FY24, and to develop a multi-year plan for the Borough to recoup from the School District the accrued balance on the note receivable.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

1. The School District agrees to make available and apply to currently accruing health insurance claims the entirety of the funds budgeted for such purpose in the School District FY23 budget, an amount identified by the School District as \$6,107,435.60 (less \$200,000 in life insurance premiums and less \$1,624,665.71 paid YTD through November 30, 2022 from School District to Borough for net fiscal year balance available of \$4,282,769.89). Any claims received beyond the remaining balance budgeted shall be paid by the Borough on behalf of the School District, and any amounts so paid by the Borough shall be added to the existing note receivable as an additional amount owed by the School District to the Borough. No further amounts will be added to the note receivable effective FY24.
2. For the FY24 school budget, the School District shall budget for payment into the health fund not less than 104% of the expected claims as calculated by the parties' insurance broker. This estimate is provided to the parties in advance of budget completion each year.
3. Beginning FY24, the School District shall pay all claims in their health insurance fund as they accrue with no assistance from the Borough. To the extent that any claims due to be paid in FY24 by the School District fund are left unpaid, the Borough shall be authorized to pay said amounts on behalf of the School District as follows:
 - a. Upon an affirmative vote of the Assembly to authorize a supplemental appropriation from the Local Education Fund in accordance with KGBC 4.65.030, and within the limitations set forth in AS 14.17.410(c), or
 - b. By deducting the unpaid amount from the funds made available to the School District as local discretionary contribution and reporting the deduction to the School District.
 - c. The parties recognize that the Borough will continue to function as the central treasury for the School District and that any determination of unpaid amounts in this section shall be net of any pending stop-loss insurance reimbursements.
 - d. The parties agree that no school district function or activity currently funded in the school district's FY23 budget will be the subject of a FY24 grant request tendered to the Borough for the purposes of funding the function or activity outside of the required local contribution or local discretionary contribution funding mechanisms.
4. Other provisions. School District business office and Borough finance department staff shall:
 - a. Meet quarterly to review the status of School District's health insurance fund, to determine that claims are being paid as accrued, and identify the status of identifiable pending reimbursements, refunds, and other credits. Staff shall report out their finding to the Assembly and the School Board; and

- b. Meet annually, as early as practicable after the close of the fiscal year, to conduct a reconciliation of all pending accruals to confirm net neutral activity in the School District health insurance fund for the preceding fiscal year. Any deficit, excluding identifiable pending reimbursements, refunds, and other credits, shall be deducted from the funds made available to the School District as local discretionary contribution in the succeeding (then-current) fiscal year.
5. Recoupment. The parties agree to maintain regular meeting intervals of the Assembly – School Board Liaison Committee meeting to develop and devise a tentative recoupment schedule.

DATED the day and year last written below.

Ketchikan Gateway Borough

Date: _____

Ruben Duran
Manager

Attest

By: _____
Kacie Paxton
Borough Clerk

Ketchikan Gateway Borough School District

Date: _____

By: _____
Michael Robbins
Superintendent

BOROUGH ACKNOWLEDGMENTS

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this _____ day of _____, 2023, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared Ruben Duran to me known to be the Borough Manager of the Ketchikan Gateway Borough, a municipal corporation, the corporation which executed the above and foregoing instrument; who on oath stated that he was duly authorized to execute said instrument on behalf of said corporation; who acknowledged to me that he signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.

(Seal)

NOTARY PUBLIC FOR ALASKA
My Commission Expires:

STATE OF ALASKA)
) ss.
FIRST JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this _____ day of _____, 2023, before me, the undersigned, a notary public in and for the State of Alaska, duly commissioned and sworn, personally appeared Kacie Paxton to me known to be the Borough Clerk of the Ketchikan Gateway Borough, a municipal corporation, the corporation which executed the above and foregoing instrument; who on oath stated that she was duly authorized to execute said instrument on behalf of said corporation; who acknowledged to me that she signed the same freely and voluntarily on behalf of said corporation for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in the certificate first above written.

(Seal)

NOTARY PUBLIC FOR ALASKA
My Commission Expires:

