

HUNTINGTON PERS TESTIMONY

1. My name Shanda Huntington and I am the city manager for Galena, Alaska. Before serving as the city manager, I served as the city clerk for 6 years. I was also born in Galena, grew up there, and raised my children in Galena. I would like to follow up on Mayor Korta's testimony with information relating to Galena's population decline, the base closure, and the effects on city payroll and finances.

2. As Mayor Korta said, the air force base officially closed in 2010, following a multi-year drawdown. In 1990, before base realignment, Galena's population was 847. Galena has always been a small city and the base was the driver of economic activity. According to the 2000 census, the number of residents, which does not include all of the Air Force personnel, was 675. That number had dropped to 470 with the 2010 census. 205 people may not sound like a lot, but it represents a 30% decrease in the City's resident population between the two censuses. 30% of residents moved away, but the decline in the city's economic activity was much greater. Without the base, the decline in demand for city services was disproportionate to the population decrease.

3. For FY 2008, the current floor year, Galena's salary total was \$1,513,365.19 for 36 employees. Therefore, Galena's annual minimum PERS contribution is \$332,940. In FY 2012, the amended floor year, Galena's payroll was \$765,776 for 17 employees. Between FY 2008 and FY 2012, Galena's payroll was cut in half, reflecting the decrease in population and in economic activity. Galena's current annual minimum PERS contribution of \$332,940 is nearly half of the City's FY 2012 total payroll costs. Allowing a floor year of 2012 for cities that experienced a drastic decrease in population changes Galena's annual minimum contribution to \$168,940.

4. For Galena, the difference in PERS contributions between the 2008 floor and FY 2012 actual payroll is \$164,000. This difference will continue going forward creating an ever increasing obligation. By statute, any amount unpaid accrues compounded interest at 12%. This ever-increasing obligation adds to an already stressed situation. The City's financial situation was so severe in FY 2011 that it required a low interest loan through the Alaska Municipal Bond Bank to deal with a severe cash flow crisis that was preventing us from being able to secure fuel for heat and electricity. Simply put, if Galena can't pay its bills, the lights go out in Galena.

5. Reasonably adjusting the floor year for severely impacted cities does not mean that the cities will pay the minimum amount only. Modifying the floor year changes Galena's *minimum* annual contribution from \$332,940 to \$168,940; the actual contribution may be higher. For FY 2013, Galena would in fact pay more than that amended minimum. For FY 2013, Galena added one employee, for a total payroll of \$895,784.53. For FY 2013, Galena's contribution would have been *above* the 2012 floor by approximately \$30,000.

6. HB 47 simply recognizes that reality of drastic population decreases experienced by some Alaska cities, using a clearly defined metric: a 25% decrease in population according the 2000 and 2010 censuses.

7. The base closure has been very difficult for Galena. As previously noted, Galena required a low interest loan through the Alaska Municipal Bond Bank to secure fuel for heat and electricity in FY 2011. In the last several years, Galena's finances have stabilized and there are even indicators of recovery after the catastrophic decline. We cannot say what will happen to Galena's population long-term, but we believe that we've turned a corner in terms of population and finances.

8. The City of Galena is adjusting to a new reality following the base closure and loss of 30% of the population. This legislation is one part of that adjustment. I became city manager during a difficult period for the City. Our finances have stabilized somewhat over the last several years. Requiring the City of Galena to pay to PERS a contribution owed by a much larger city weakens Galena, and threatens its ability to provide *any* contribution to PERS. We are cautiously optimistic that the City will become stronger and even grow over time. If and when Galena becomes the city it was in 2008, the city will be required to make a PERS contribution commensurate with that size and payroll, and will do so gladly, but it's not that city right now and the oversized PERS contribution inhibits it from becoming so.

9. Recognizing the reality of drastically declining populations is a matter of simple fairness. The amendment recognizes this and ultimately promotes the goals of PERS: ensuring that Alaska municipalities continue to contribute their fair share to the system.

10. I'd like to thank the committee for taking time today so that I may explain the importance of this amendment for communities like Galena that have seen significant population decreases in the last decade.