Sponsors: Mosher, Christianson, Riley

Discussion / Direction / Decision

on a funding source to support local childcare and implementation model

CITY AND BOROUGH OF SITKA

A COAST GUARD CITY

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: Assembly Members Riley, Mosher, and Christianson

Date: September 1, 2026

Subject: Childcare Funding and Public-Private Partnership Concept

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Purpose

The original intent of this agenda item is for the Sitka Assembly to discuss and select a preferred municipal funding model to support local childcare. Following this discussion, the plan is to move forward with an ordinance for Assembly review and approval. This ordinance will place a ballot proposition before the public in a special election, held at a future date to be determined. As previously discussed during prior childcare agenda items and work sessions, if the proposition passes, the generated tax revenue will be placed in a dedicated fund. These funds would then be distributed to an outside entity with expertise in childcare support that meets Assembly-established metrics and qualifications. This entity will subsequently distribute the funds in alignment with “Option 3”, a mix of direct operating grants, workforce incentives, CTE programming and scholarship funds that will stabilize Sitka’s childcare centers and related programs. None of this original pan has changed.

In addition to this planned discussion on the funding scenario – which is supported by a separate staff memo in the September 8th packet detailing estimated revenue scenarios – the three sponsors would like to present a new idea following the Assembly’s discussion on the funding source. This new concept has the potential to increase overall funding for childcare and expand family scholarships and affordability. If the Assembly desires, this new public-private partnership (PPP) concept can be discussed at the September 8th meeting, after the Assembly decides upon the primary funding mechanism.

Specifically, the PPP concept combines the dedicated municipal revenue source (derived from a proposed sales tax increase) with voluntary private business and philanthropic contributions to further enhance affordability and availability within Sitka’s childcare system.

Background

At the July 21, 2026 work session, the Assembly continued discussion of Option 3 from the 2026 Sitka Child Care Report. Option 3 described a blended model of workforce incentives, direct operating grants, a family scholarship fund, and a Childcare Career and Technical Education pathway. The Assembly identified a goal of contributing $1 million in municipal funds towards option 3, and discussed what percentage of funding should go towards each item identified. The Assembly also discussed a few different scenarios of sales tax rates to reach this municipal funding goal, and asked staff to prepare a few different financial scenarios for consideration. The Finance Department's sales tax scenarios are included in this packet in a separate memo. The Assembly agreed to revisit the decision of which sales tax revenue scenario would be pursued through a special election during the September 8th regular Assembly meeting, which would also allow members to attend the Chamber of Commerce's Childcare Funding Summit on August 6th.

At the Sitka Childcare Funding Summit, the Bipartisan Policy Center presented on a public-private partnership (PPP) funding model that was pioneered in Iowa. This PPP paired local government appropriations with per-employee, tax deductible business contributions in a Child Care Solution Fund, housed at a local 501(c)3. These funds were then deployed to stabilize and increase childcare supply and improve provider wages, while local data determined where funds should be appropriated. This PPP concept was positively received at the Sitka Chamber's Childcare Funding Summit, and the group of over 60 participants identified working towards its creation as the top goal for the next year. The three sponsors of this ordinance would like to introduce this public-private partnership concept for the Assembly's consideration as part of the childcare funding strategy.

Proposed Structure for Sitka

The working group proposes the Assembly consider a Sitka version of the Johnson County model, adapted as follows:

- A fixed annual city contribution would be funded by one of the dedicated sales tax revenue scenarios described in the Finance Department memo. This fixed contribution will be held in a special revenue fund, similar in structure to the dedicated 1% summer sales tax that is set aside for the School Building Infrastructure Fund.
- Business contributions would be generated through a business outreach and voluntary pledge campaign, and additional philanthropic donations would be held in a dedicated fund administered by a 501(c)3 non-profit organization, which the Assembly would select after a public procurement process such as an RFP.
- A competitive RFP process would identify a 501(c)3 contractor to administer the childcare funding program. This 501(c)3 contractor must be able to receive and administer business contributions and additional philanthropic donations, which would be held in a dedicated Sitka Childcare Fund. Business contributions would be generated through a community-driven business outreach and voluntary pledge campaign.
- The proceeds from the city's special revenue fund would go to the 501(c)3 contractor to then be distributed towards Sitka's childcare operators to address the 4 needs identified in option 3: workforce incentives, direct operating grants, CTE program, and family scholarship fund. Business contributions and philanthropic donations would contribute to a family scholarship fund aimed at increasing affordability of childcare for local families.
- The city's contribution would be fixed, according to the tax that will be voted upon, rather than a proportional match, meaning the program's baseline funding would not depend on how much private fundraising succeeds in a given year.

This fund is designed to provide the childcare centers with a relatively stable and dependable source of municipal funding to increase workforce retention and address operating costs, regardless of private fundraising performance. Business contributions and philanthropic donations would increase childcare affordability for more families and expand access.

Open Design Questions and Trial Review

The following are flagged for Assembly discussion or staff direction, and — consistent with the working group's July 21 recommendation for Option 3 generally — should also inform a formal trial-period review of how Sitka's contributions have resulted in market stabilization, workforce impacts, tuition affordability, and contractor performance:

- Does the assembly want to identify a specific per-employee business contribution benchmark target, or should this be left to local businesses, community partners and the Chamber's ongoing outreach process?
- How measurable outcomes — childcare slot capacity and tuition stabilization — will be tracked and reported back to the Assembly.
- Are there specific RFP criteria that the Assembly wants to consider in selecting an administering contractor, and what reporting requirements should be attached to the contract

Proposed Process and Timeline

This public-private partnership concept is being introduced now because working group members are proposing integrating it into the implementation regulations for the childcare ordinance that will be voted on. Upon passage of the childcare funding ordinance by a positive vote of the Assembly, and subsequently Sitka's citizens, the regulations governing the fund's management and distribution would be in effect. These regulations would describe what the money is spent on (the components of Option 3); how the fund is managed (municipal contributions vs private contributions); how the collaborative design works; and what kind of reporting and flexibility measures exist to adjust expenditures to meet future needs.

The proposed process and timeline is described below:

- September 8 Regular Meeting: Discuss the sales tax scenarios in the packet and receive feedback on the PPP concept; decide on which sales tax scenario to put on the special election ballot
- October 27 Regular Meeting: Announce the date and ordinance subject for the special election.
- September – date of special election: Business engagement campaign with local partners and economic entities

Requested Assembly Direction

The working group requests that the Assembly:

- Decide the funding scenario to be proposed to voters
- Discuss and the PPP concept and provide feedback on the open design questions
- Should the Assembly decide, we can discuss this new model and then schedule another agenda item, work session, or special meeting to alter or provide adjustments to the proposed new model, which is in draft form at this point.