SPECIAL ASSEMBLY MEETING
THE CITY AND BOROUGH OF JUNEAU, ALASKA

Meeting Minutes - January 19, 2017

The Special Meeting #2017-02 of the City and Borough of Juneau Assembly, held in the Assembly Chambers of the Municipal Building, was called to order at 7:05 a.m. by Deputy Mayor Jerry Nankervis.

Assemblymembers present: Loren Jones, Jesse Kiehl, Maria Gladziszewski, Jerry Nankervis, Debbie White, and Norton Gregory

Assemblymembers absent: Mayor Ken Koelsch, Mary Becker, Beth Weldon

Special Guests present: Senator Dennis Egan, Representative Sam Kito III, Representative Justin Parish, CBJ's Washington DC Lobbyist Katy Kachel (Chambers, Conlon, & Hartwell LLC), and CBJ's State of Alaska Lobbyist Kevin Jardell

Staff present: City Manager Rorie Watt, Deputy Manager Mila Cosgrove, Municipal Attorney Amy Mead, Deputy Clerk Beth McEwen, Finance Director Bob Bartholomew, Police Chief Bryce Johnson, and Chief Housing Officer Scott Ciambor

I. CALL TO ORDER / ROLL CALL

II. AGENDA TOPICS

A. Update from CBJ DC Lobbyist Katie Kachel

Katie Kachel explained that there are a lot of moving pieces currently underway at the federal level as a result of the presidential transition. She provided a detailed copy of her report which has been added to this meeting's agenda packet. She answered a number of questions related to federal funding of transportation and infrastructure as well as the move towards privatizing many of the things the federal government currently provides. Ms. Kachel advised that the key areas to watch will be the regulatory changes as they come up as those will have direct impacts on how communities and projects favored by communities may or may not receive funding.

B. Updates from Senator Egan, Representative Kito, Representative Parish

Senator Egan discussed the make-up of the Senate and that he is serving on a Democratic Minority Caucus. He said his caucus has been meeting daily to try to focus their energies to make things happen. He said that if the legislature does what it did last year with respect to the budget, it will be a big hit to the whole state of Alaska and especially to Juneau. He highlighted some of the following as key issues that he is concerned with:

- Outsourcing DOT design jobs - he feels this is a short term small savings compared to the bit hit it will be to the local economy where current Alaska residents hold those positions and contribute to the local economies.
- Opioid use statewide - Federal money has been allocated for test programs being conducted in Juneau and the Aleutians East Borough to address this statewide problem.

If these test programs are successful, it is likely that they will be launched in other communities across the state.

- He was concerned by the Governor's State of the State address the night before but said that he also applauds the Governor for "doing something."

Representative Sam Kito III discussed the recent organization of the State House of Representatives. He is serving as the Chair of the House Labor & Commerce Committee and Chair of the Legislative Council. He said that since the budget is the top priority for this year's legislative session, he is looking at all options and all the various solutions. He said there has been mention in the Senate that they want to make budget cuts before they consider doing anything else. He said they cannot try to balance the budget through cuts alone without having a total impact on local economies, schools and education, and public safety. He said there have been discussions regarding multiple sources of revenue and one proposal that has been brought up is capping the permanent fund dividend. He said that proposal needs a lot of work. He said that much of the work of the legislature will be done through the committee process and encouraged those interested in following legislative topics to follow what was happening in the committees.

Representative Justin Parish echoed what Representative Kito mentioned with respect to the make-up of the House Majority. He stated that both Juneau representatives are working with a strong coastal caucus in the legislature. He mentioned that he had met with the Lt. Governor and discussed the Department of Transportation's (DOT) position cuts and was told that the Governor did not intend to outsource all the DOT work. Representative Parish praised DOT for their efforts over the last 19-20 years in pulling in federal funds that were not being utilized by other states. He said that during the past year, DOT received $10-30 Million in funds that were originally going to other states' projects but that came to Alaska for DOT's use instead. Some other topics he mentioned included hundreds of millions of dollars leaving Alaska under current state subsidies. He also said that if the federal government is actually looking at opening up parts of ANWR for development that he would like to see a Federal Revenue Sharing program put in place.

Following the comments from the legislative delegation, Assemblymembers and the legislators discussed the following topics:

- The recent decision by the Governor regarding the Juneau Access project and what might happen to the funds already reserved for that project.
- Crime Bill SB91 and subsequent changes that might be proposed during this legislative session.
- The marijuana tax and how that was measuring up against what the predictions had been for the tax revenues.
- The federal grant funding of Project HOPE which is the pilot program going on here in Juneau and the Aleutians East Borough for addressing the opioid situation which will eventually be rolled out statewide.

C. Update from CBJ Lobbyist Kevin Jardell

Kevin Jardell gave a brief overview of what he is watching up at the Capitol. He explained that during the last legislative session, they came close to passing a bipartisan bill to restructure the PFD; however in the end there were more votes against the bill than there were for it. He said that both legislative bodies recognize that restructuring the PFD will most likely be part of the overall budget plan and it is likely that something will get passed this year.

He gave the following topics that he will be watching this session:

- The Governor's budget plan has a $900 million hole and that while he has proposed some solutions, after last year's track record, he wants to work with the legislature to figure out how to fill the gaps;
- DOT jobs;
- Permanent Fund Corporation and the impact having them here in Juneau has on our local economy;
- Overall capital creep - he advised Assemblymembers not to overreact when they see individual jobs moving out of Juneau but to keep on eye on the overall budget/job big picture;
- Community Revenue Sharing - if it is not added to this year's budget, it is likely Alaska communities will lose this entirely;
- With a 40% reduction in the General Fund, they can't cut their way out, they will need to look at the revenue side of things;
- PERS 22% match;
- The effects of SB91 in which some costs were transferred to local communities;
- DOT reducing funding for matching funds to be used by municipally owned airports; and
- School debt reimbursement and what the Governor and legislature might do with that this year. The Governor has said that he will not veto it this year.

D. Update from CBJ Finance Director Bob Bartholomew

Mr. Bartholomew said much of what he planned on covering had already been discussed so he wanted to highlight the following three areas of the state budget that he will be keeping an eye on:
1) loss of direct state funding;
2) overall economy declining; and
3) the state cutting costs by pushing services from the state to the local municipalities.

He said CBJ had predicted an economic contraction in its FY17 and FY18 budgets and so far, that has been less than forecasted. He said in looking forward to the FY18 budget, CBJ already passed a placeholder budget with a deficit from the state through its reduction in community revenue sharing which leaves CBJ with a revenue deficit of approximately $1.6 million depending on where our revenue projections come in. He said he anticipates knowing those numbers by the end of February so they can better predict the FY18 budget. He said what we need from the state if we can get it is predictability and sustainability.

One of the last things he mentioned is the possibility that may surface through the legislative session is a municipal dividend program which may be an opportunity to meet both state and municipal needs in place of the community revenue sharing. He said that would be a big discussion and it is not something likely to happen right away but it may be an alternative to fund separate endowments that are currently in place. He said there is opposition to this concept but it is something to look at.

Additional discussion took place with respect to Mr. Bartholomew and other staff's participation at the legislature with respect to the state budget and other issues relating to Juneau. Mr. Jardell also stated that since we are the capital city, often times he, CBJ representatives, and AML work together to ensure that local municipal interests are represented and present during the legislative process.

III. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

None.

IV. ADJOURNMENT

There being no further business, Mr. Nankervis adjourned the meeting at 8:16 a.m.

Signed:______________________________ Signed:_______________________________
Elizabeth J. McEwen, Deputy Clerk Jerry Nankervis, Deputy Mayor

Federal Update
City and Borough of Juneau
Katie Kachel, Chambers, Conlon & Hartwell LLC
January 19, 2017

On January 3 the 115th Congress was officially sworn in. For the first time in a decade, we have a unified Republican government. Congressman Paul Ryan will remain the Speaker of the House and Congresswoman Nancy Pelosi will remain Minority Leader. In the Senate, longtime Democratic leader Sen. Harry Reid has retired and Sen. Chuck Schumer (D-NY) will assume the Minority Leader slot.

Majority Leader McConnell's top leadership team is unchanged and seems to be well positioned to work with the incoming Trump Administration as Sen. McConnell did not widely criticize President-elect Trump on the campaign trail and Trump has nominated McConnell's wife to be Secretary of Transportation. More on that later.

As far as committee structure. The Alaska Congressional delegation remains at the helm of committees important to the state, and Senator Sullivan gained an important slot. Congressman Don Young, the most senior Republican and 3rd longest serving member of the House, will once again serve as a senior member of the Transportation and Infrastructure Committee and Chairman of the House Resources Subcommittee on Indian, Insular and Alaska Native Affairs.

Senator Lisa Murkowski will remain Chair of the Senate Energy and Natural Resources Committee and will remain on the Senate Appropriations Committee; the Senate Indian Affairs Committee and the Senate Health, Education, Labor and Pensions Committee.

Senator Dan Sullivan will be the new Senate Commerce Subcommittee Chairman on Oceans, Atmosphere, Coast Guard and Fisheries. As far as Transportation issues, which are important to Juneau, Sullivan will serve on the Senate Commerce Subcommittee on Surface Transportation and will remain on the Senate Armed Services Committee; the Environment and Public Works Committee; and Veterans' Affairs Committee.

Confirmation hearings on federal agency nominees.
As you've probably heard in the press, President-elect Trump is nominating people to serve in his cabinet and the Senate is holding hearings before Trump is sworn into office, which the Senate's prerogative. Vice President-elect Pence announced this morning that all nominations needing confirmation have been named and over 500 what they call beachead team members to start work on Monday morning to lead the federal agencies until nominees are confirmed.

Several nominees are expected to have a hard line of questioning by Democrats, which serve the dual purpose of aggressively vetting a good amount of controversial nominees but also dragging out hearings and sapping Republicans of precious legislative days to enact their agenda.

There are a multitude of federal agencies important to Juneau. Transportation and Interior nominees held hearings shedding a little more light on policy. In a non-contentious hearing for Elaine Chao, the nominee for Secretary of Transportation, confirmed that the Trump Administration's infrastructure plan – which is still being developed – would make use of both funding (actual spending by the federal government itself) and financing (leveraging private equity through public private partnerships (P3s)).

Senator Sullivan had a good exchange with Chao about the federal permitting system, where Chao recognized Sullivan's op-ed in the Wall Street Journal.

And, during the nomination hearing for Interior Secretary, Senator Murkowski was able to get satisfactory feedback from nominee Ryan Zinke, including; putting the state in charge of fish and game subsistence regulations; a King Cove access road and land allotments to Native Vietnam War veterans.

Appropriations/Continuing Resolution.
The federal government is currently operating under a stopgap continuing resolution (or "CR") through April 28, 2017 providing money to keep up federal operations until Congress can pass a regular bill. Of interest to Juneau, the CR provides $500 million in FY 2017 funds for state and local grants to combat the opioid epidemic.

However, generally, a delay in finalizing appropriations until April 28 will also delay large transportation grant programs such as the TIGER program which need a full year's allotment in the federal check book to get going.

Obamacare Repeal.
Both Houses of Congress have passed budget resolutions that lay the groundwork for repealing the Affordable Care Act or Obamacare. They are attempting a complex budget procedure known as reconciliation that prevents the Senate from filibustering. While the ACA's repeal seems all but certain, replacing it with a suitable alternative remains a big, looming issue.

Other repeals.
Efforts are underway to start another filibuster-proof budget procedure to repeal other regulations.

Trump and Infrastructure.
Trump's trillion dollar infrastructure plan is light on details but those in the transportation community are cautiously optimistic. Our latest understand is that it won't be a stimulus style infusion of federal funding, but will involve the private sector and tax incentives. The transportation community is beating the drum, however, that direct federal grants –not just financing – is required to move the needle on our infrastructure needs. Indeed, increased grant spending is almost certain to be pushed by the Democrats in any bipartisan effort. A package combining the two could work well for attractive programs for Juneau – such as bus programs and small airports – which have a constituency of support among conservatives in rural areas.

If Trump's infrastructure plan is leveraged with tax reform, there is an opportunity for a grand bargain. If the stars align, the Democrats might be willing to play ball and negotiate tax issues and direct federal grant assurances to facilitate Democratic votes in both the House and Senate.

Next Steps
The law requires the president's budget to be submitted to Congress no later than the first Monday in February (2/6/17). The president's budget is only a request to Congress; but it is expected to flesh out some of the policy statements made during the campaign and have major traction in the Republican-led Congress.

To wrap up, here are some headlines on accomplishments.

1. $17 million in FAA funding for the Snow Removal Equipment Facility at JNU Airport. This was 30+ years in the making, as the project was always deemed low priority by FAA but we were finally able to shake it loose to the credit of your Congressional Delegation.
2. Juneau Docks and Harbors won a $76,050 Port Security Grant, which was helped along with support letters from your Congressional delegation.
3. Congressional directive language in a pending bill prioritizing FAA funding to projects with JNU-like factors when awarding funding for MALSR systems. (Currently FAA prioritizes MALSR funding to existing systems that need replacement). Factors to be considered are airports with challenging approaches in nonradar environments, with mountainous terrain and inclement weather conditions.
4. Congress passed a 5-year extension of the Rural Community Hospital Demonstration program, which means a couple of million dollars to Bartlett. Program would have expired June 2016. ((H.R. 34) Section 15003).

Potential Questions

1. PILT. Current discretionary appropriations for the PILT program was set to expire on September 30, 2016. The CR does extend funding for PILT at FY 2016 levels. This allows the Interior Department to conduct data calls and gather the information it needs to calculate PILT payments under the statutory formula in preparation for an on-time 2017 payment. However, Congress must act to pass FY 2017 appropriations legislation that includes funding for PILT at the $480 million level in order to ensure counties receive full PILT payments. PILT means more than $1.8m per year for CBJ.
2. SRS. The SRS program expired on September 30, 2015 and in March of 2016 the last authorized payments to forest counties and schools under SRS were distributed by the federal government. The SRS program continues to be a critical safety-net for forest counties. The CR also does not include language to reauthorize the Secure Rural Schools (SRS) program retroactively for FY 2016 or into the future. The SRS program expired in September of 2015 and counties received their last authorized SRS payments in early 2016. If Congress fails to act, counties will revert to 25 percent forest revenue sharing payments based on annual timber receipts, rather than payments under the SRS program. The last time Congress failed to reauthorize the SRS program, counties faced, on average, an 80 percent cut in federal forest payments to counties and schools. CBJ received about $637,211 for SRS in FY15. Both programs are two of the very few direct federal resources for the city.
3. Water Infrastructure. The CR contains $170 million to help communities like Flint, Michigan that have contaminated drinking water systems. The funding includes grants for infrastructure improvements, lead poisoning prevention care and a lead exposure registry. The CR also provides $20 million for the Water Infrastructure Finance and Innovation Act (WIFIA) which would provide low interest loans for large water and wastewater projects.
4. Repeal Regulations. On January 4, 2017 the U.S. House of Representatives passed H.R. 21, the Midnight Rules Relief Act of 2017, by a largely party line vote of 238-184. The bill, which also passed the House in November of 2016, would allow Congress to simultaneously disapprove of multiple regulations issued in the last sixty legislative days of a session of Congress, if that session takes place in the last year of a president’s term. The bill creates a procedure whereby Congress can consider a joint resolution that disapproves of several regulations en bloc. The current procedure, on the other hand, only allows Congress to disapprove of one regulation at a

time. The Senate is expected to consider the Midnight Rules Relief Act soon, though the prospects for its passage are less certain. In order to overcome a Democratic filibuster, Republicans will need to gain the support of at least eight Democrats before they can pass the bill. If this bill were to be passed by the Senate and enacted, Congress could effectively nullify any regulation that is finalized within the final sixty legislative days of a presidential term. Because the sixty-day time frame refers to days Congress is in session, rather than calendar days, the actual time frame may vary from term to term and could span several months. In the case of President Obama, the bill would subject all regulations issued since May of 2016 to congressional review. Many of the regulations issued by the Obama Administration in 2016 have focused on environmental protection, though many others have been finalized on issues ranging from housing to land management. Among the regulations of interest to counties that could be subject to review are the U.S. Bureau of Land Management's (BLM) Planning 2.0 rule, the U.S. Environmental Protection Agency's (EPA) rule on stormwater permitting for small communities and regulations issued by the U.S. Departments of Labor and Education that could impact counties' implementation of the Workforce Innovation and Opportunity Act (WIOA).

5. Infrastructure. In short, the plan would provide $137 billion in tax credits to private investors over 10 years to encourage them to invest $167 billion of equity into infrastructure, which would leverage $833 billion of debt at a 5-1 leverage ratio, producing $1 trillion of investment.
6. Approach Lighting.—The Committee notes the benefit of enhanced approach lighting systems that improve safety and reliability especially in areas with challenging approaches in nonradar environments, with mountainous terrain and inclement weather conditions where use of conventional navigational aids do not allow for a close-in low approach. The Committee directs FAA to consider these factors in selecting projects for funding in the Approach Lighting System Improvement Program (ASLIP).