ASSEMBLY FINANCE COMMITTEE MINUTES

July 9, 2025, at 5:30 PM
Assembly Chambers/Zoom Webinar

https://juneau.zoom.us/j/93917915176 or 1-253-215-8782 Webinar ID: 939 1791 5176

A. CALL TO ORDER

The meeting was called to order at 5:30 pm by Chair Woll.

B. ROLL CALL

Committee Members Present: Chair Christine Woll; Mayor Beth Weldon; Greg Smith; Paul Kelly; Maureen Hall; Neil Steininger; Ella Adkison; Wade Bryson

Committee Members Present Virtually: Alicia Hughes-Skandijs

Staff Members Present: Katie Koester, City Manager; Angie Flick, Finance Director; Adrien Wendel, Budget Manager; Emily Wright, Municipal Attorney

Other Members Present: None

C. APPROVAL OF MINUTES

1. May 14, 2025

The May 14, 2025 minutes were approved as presented.

2. May 21, 2025

The May 21, 2025 minutes were approved as presented.

D. AGENDA TOPICS

3. Sales Tax Delinquencies and Legal Actions

Municipal Attorney Emily Wright presented an overview of sales tax, which is collected by businesses at point of sale and is to be remitted to the City regularly. The vast majority of businesses are compliant. However, there have been some issues with non-compliance by businesses who fail to remit their sales tax. The City has faced ongoing challenges in ensuring compliance among the businesses that are not maintaining this obligation.

The Law Department was working on this issue when the COVID pandemic struck in 2020, and were directed by the Assembly to put a hold on this priority at that time when businesses were struggling. Over the last year and a half they have refocused on this effort. The City has decreased the response time for contacting companies when they have failed to remit sales taxes, and are encouraging these organizations to enter and maintain compliance by offering payment plans. The Law department has also been dealing with repeated offenders, those with large tax debts, and non-responding businesses, by taking them to court, including using the option of criminal charges for failure to remit sales tax. Criminal charges have been used successfully against four or five businesses, causing them to pay their tax and get into compliance. In these cases, the criminal charges have been dropped once compliance has been met.

There are still some businesses who are not trying to get into compliance, and the City will pursue them with all available options, including criminal charges, which could include criminal judgments, potential jail time, wage and PFD garnishments, and property liens.

The Law Department has made addressing this situation as a main priority, with an attorney assigned to work on it on a full time basis. Ms. Wright commended Clinton Mitchell, Assistant Municipal Attorney, in the Law Department, as well as the Finance Department staff members who are working diligently to improve sales tax collections and compliance. The positive result is that large amounts of money that were owed to the City are now being recouped due to these efforts.

Mayor Weldon asked for definitions of the terms “default judgment” and “civil complaints” that were mentioned in the memo.

Ms. Wright responded that a civil complaint is the initial document that Law files to start a civil case. Criminal complaint is the initial document that Law files to start a criminal case. A default judgement may be granted to the plaintiff when, after being served and given proper notification that they are being sued, a defendant does not show up for court repeatly. This allows the plaintiff to begin the collection process with liens, garnishments, etc.

Assemblymember Smith asked how the City determines the tax amounts owed.

Finance Director Angie Flick explained that there are several mechanisms to determine or estimate sales taxes. In some cases, businesses have filed taxes without remitting payment, therefore the City has detailed information about taxes due. If a business has been compliant for a time, the City uses prior period tax information plus data from comparable businesses to estimate the taxes owed. Additionally, there is a process for estimating a business’s sales to determine an approximation of sales tax owed.

Assemblymember Bryson asked what happens if a business has entered a confession of judgment and set up a payment plan but is not able to keep up with the payments in spite of making good faith efforts.

Ms. Wright responded that the City does not pursue enforcement actions when people are actively working, communicating, and asking for help to resolve their tax situation.

The Committee continued to discuss the topic.

4. Dockage Fee Increases

Ms. Flick noted that earlier this calendar year, a decision was made to increase dockage fees, starting with cruise ship season 2026. During that discussion, there was a request to revisit the dockage fees topic regarding the allocation of those fees. There is a memo in the packet that includes information about the dockage fees. Dockage fees belong in the dock suite of fees which is an Enterprise Fund. The memo provides parameters, rules, and guidelines to inform the discussion regarding the usage of these fees.

Assemblymember Adkison asked about requirements for following the Governmental Accounting Board Standards (GASB).

Ms. Flick responded that abiding by GASB is important because it lays out appropriate accounting standards and rules for government entities. GASB ensures government transparency, good accounting practices, and consistency across a spectrum of government entities. The City follows GASB to maintain compliance with accepted standards and the annual audit of the City's accounting is based upon GASB.

Assemblymember Bryson asked what the response was from the cruise industry when the dockage increases were announced.

City Manager Katie Koester answered that the industry had been expecting an increase and had requested a delay in the increase which was granted. As the rise in dockage fees was planned and well communicated, the cruise industry was understanding of the rate change.

Motion: by Assemblymember Smith to direct staff to explore appropriate funding uses and opportunities for future increased dockage fees.

The motion passed by unanimous consent.

The Committee recessed at 5:53 pm.
The Committee reconvened at 6:04 pm.

5. Seasonal Sales Tax

Assemblymember Smith noted that there are two citizen-led initiatives plus the Assembly proposal regarding Sales Tax that will be on the ballot. He asked what happens when there are multiple similar yet conflicting measures on a ballot.

Ms. Wright responded that CBJ Charter 7.11 addresses what happens when there are two measures on a ballot, and both of them receive a majority vote. If both measures have majority votes, then the measure with more votes wins.

Assemblymember Hughes-Skandijs joined the meeting at 6:10 pm.

Assemblymember Adkison asked for confirmation that when an initiative is passed at the State level, the State is allowed to make technical changes if needed to make it functional. By contrast, the City does not have the same type of authority to amend passed measures.

Ms. Wright confirmed that this is correct, the City may not change the wording of a passed ballot measure, however, the City may update the Code to make policy changes if necessary.

The Committee continued to discuss the topic.

Assemblymember Hall asked if there was a breakdown of the different revenue numbers to compare the initiatives.

Ms. Flick answered that Assemblymember Kelly's proposed amendment, adding curbside compost removal, would not cause an essential change to sales tax revenue expectations in comparison to the ordinance how it was initially proposed.

Ms. Flick noted that Assemblymember Steininger's proposed amendment would increase sales tax revenue by approximately $2,000,000.

The Committee took a brief at ease

Ms. Flick stated that Assemblymember Bryson's proposed amendment removed all of the exemptions and would bring in an estimated $79,000,000 in sales tax revenue compared to current sales tax revenue of $65,000,000, or an additional $14,000,000.

The currently proposed Ordinance with exemptions for food and utilities (all) would bring in close to $73,000,000 with an exemption on food. All utilities would reduce the revenue by an additional $5,000,000, resulting in roughly $67,700,000 in revenue, or an additional $2,500,000 in revenue compared to 2024.

<u>Motion:</u> by Mayor Weldon to move Ordinance 2025-32 to the full Assembly.

<u>Amendment #1:</u> by Assemblymember Bryson to remove the exemption of food and utilities from sales tax from Ordinance 2025-32 (page 55 of the packet under Supplemental Materials).

Assemblymember Smith discussed the options, noting that the situation is complicated, and he is not yet clear about which option is his preference.

Assemblymember Kelly stated that he may vote no, however, he is open to being persuaded to vote yes depending on the rest of the debate.

Assemblymember Hughes-Skandijs spoke in favor of the amendment as she feels it simplifies the question and eliminates the issue of having competing ballot questions.

The Committee continued to discuss the amendment.

<u>Objection:</u> by Assemblymember Kelly for purposes of a question.

The Committee continued to discuss the amendment.

Mayor Weldon spoke in favor of the amendment.

Assemblymember Kelly removed his objection.

<u>Objection:</u> by Mayor Weldon for the purpose of an amendment.

<u>Amendment to Amendment #1:</u> by Mayor Weldon to amend Ordinance 2025-32 to change the permanent sales tax rate from 2.5% to 3% from October 1 through March 31 and from 6.5% to 5.5% from April 1 through September 30.

Assemblymember Steininger spoke about his Proposal and the feedback he had received about it, stating that the amendment Mayor Weldon proposed would change the amount of revenue collected, with the removal of the exemption of food and utilities from sales tax.

Mayor Weldon removed her amendment.

Assemblymember Kelly asked if the wording on the ballot initiative could be amended to simplify it and make it clear to voters that 1% is a temporary tax being added until 2028.

Ms. Wright responded that Law and Finance will work together to rewrite the ballot initiative.

The Amendment #1 passed by unanimous consent.

The original motion, as amended, passed by unanimous consent.

Motion: by Assemblymember Woll to direct staff to prepare an ordinance for introduction at the next Committee of the Whole (COW) that would exempt food and utilities from sales tax as described in the previous version of Ordinance 2025-32.

Objection: by Assemblymember Bryson for purposes of a question.

Assemblymember Woll clarified that the intent of her motion would be to exempt food and utilities from sales tax before the deadline, which would give the Assembly the opportunity to pass an initiative that is substantially similar to the ballot measure from Affordable Juneau so their initiative could be removed from the ballot.

Mayor Weldon spoke in opposition to the motion and stated that she believes that this topic should go before the public vote.

Assemblymember Hughes-Skandijs spoke in favor of the motion.

The Committee continued to discuss the motion.

The Committee took a brief at ease.

Roll Call Vote on Motion
Ayes: Woll, Kelly, Hughes-Skandijs
Nays: Bryson, Smith, Hall, Mayor Weldon, Steininger, Chair Adkison

Motion failed. Three (3) Ayes, Six (6) Nays.

6. Biennial Budgeting

Ms. Flick explained that currently the City practices an Annual Budget that is labeled a Biennial Budget. There is an option to continue using an Annual Budget in practice and call it an Annual Budget. There is also an option to start using an actual Biennial Budget process whereby the budget would cover two full years, making adjustments over that time period as needed. There are advantages and disadvantages to both systems.

Assemblymember Kelly asked how the School District budget would be addressed.

Ms. Flick answered that accommodating the requirements and requests of the School District would be part of the budget process whether it is done annually or biennially.

Assemblymember Bryson asked which year in the budget was just approved.

Ms. Flick responded that it was year two of the biennial budget.

Assemblymember Bryson asked, if the City adopted a true Biennial Budget process, what would happen when Assemblymembers are elected and must work with a budget from a year when they were not in office.

Ms. Flick responded that with a true biennial budget, depending on timing, it is possible that an Assemblymember may only have an impact on one budget period during their three-year term. She also explained that there is an onboarding process for new Assemblymembers, which may include more budget information for new Assemblymembers for budget issues that were considered and implemented before they joined the Assembly. In terms of making changes to the budget, the same process of enacting ordinances would exist as is currently in place for making budget adjustments.

Assemblymember Hughes-Skandijs asked why the current practice of using an Annual Budget and calling it a Biennial Budget exists.

Ms. Flick responded that she does not have an answer, this practice has been in place for some period of time. She explained that these are reasons why the question of either changing or renaming the budget cycle is before the Committee at this time.

Ms. Koester speculated that this may have begun in the City Code at some time in the past when it was determined that a two-year budget cycle was optimal. Consequently, over time, the practice evolved into a single year budget cycle as new Assemblymembers wanted a more frequent say in the budget.

The Committee continued to discuss the topic.

Assemblymember Adkison spoke in favor of keeping an Annual Budget and changing the title to match.

Assemblymember Kelly spoke in favor of changing to a Biennial Budget to implement more long-term forecasting.

Assemblymember Hughes-Skandijs spoke in favor of keeping an Annual Budget.

Assemblymember Smith stated that it is difficult to determine which cycle would be best without additional information regarding how setting mill rates, handling CIPs, and other budget matters would be addressed with a true Biennial Budget cycle. He stated that it would be helpful to learn what type of efficiencies would be attained by using a Biennial Budget.

Mayor Weldon stated that she has been with City long enough to be able to confirm Ms. Koester's speculation about how the City ended up with an Annual Budget that is called a Biennial Budget. It started as a Biennial Budget that evolved into an Annual Budget over time. She also spoke in favor of maintaining an Annual Budget process for the City.

The Committee continued to discuss the topic.

<u>Motion:</u> by Assemblymember Kelly to direct staff to come back to the body with an idea of what a biennial budget process would look like.
<u>Objection:</u> by Assemblymember Adkison.

Roll Call Vote on Motion
Ayes: Kelly, Smith, Chair Woll
Nays: Adkison, Steininger, Mayor Weldon, Hughes-Skandijs, Bryson, Hall

Motion failed. Three (3) Ayes, Six (6) Nays.

The Committee directed staff to proceed with an Annual Budget for future budget cycles.

7. Information Only: Investment Report

Ms. Flick noted that an investment report is required to be submitted to the Committee on a quarterly basis. The packet contains a copy of the investment report that was provided to Standard & Poor for the City's rating (packet pages 56-57). Staff are working on developing the format and inclusions for future reports and will take suggestions from the Committee regarding their preferences.

E. NEXT MEETING DATE

8. August 6, 2025

F. SUPPLEMENTAL MATERIALS

9. Seasonal Sales Tax

a. Ordinance 2025-32 – Proposed Amendment by Assemblymember Steininger

b. Ordinance 2025-32 – Proposed Amendment by Assemblymember Kelly

c. Ordinance 2025-32 – Proposed Amendment by Assemblymember Bryson

10. Information Only: Investment Report

G. ADJOURNMENT

Prior to adjournment, Assemblymember Bryson informed the Committee that Craig Duncan, former Finance Director of the City and Borough of Juneau, passed away on July 8, 2025. He expressed his gratitude to Mr. Duncan for his service to the City.

The meeting was adjourned at 7:58 pm.