ASSEMBLY FINANCE COMMITTEE MINUTES

November 5, 2025 at 5:30 PM

Assembly Chambers/Zoom Webinar

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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; Greg Smith; Paul Kelly; Maureen Hall; Neil Steininger; Nathaniel (Nano) Brooks; Alicia Hughes-Skandijs

Committee Members Present Virtually: Greg Smith; Ella Adkison

Committee Members Absent: None

Staff Members Present: Katie Koester, City Manager; Robert Barr, Deputy City Manager; Angie Flick, Finance Director; Dallas Hargrave, Human Resources and Risk Management Director; Adrien Wendel, Budget Manager

Others Present: None

C. APPROVAL OF MINUTES

1. September 3, 2025

The September 3, 2025 minutes were approved as presented.

D. AGENDA TOPICS

2. FY25 Financial Wrap-Up

Finance Director Angie Flick provided an overview of FY25 year-end closing, noting that the FY25 Audit is still in progress. The Finance Department is working on the final pieces of the year-end adjustments and is well ahead of schedule compared to previous years. FY25 Year-End Statements are anticipated to be completed on time.

FY25 audit work is not yet complete, however, the CBJ audit is far enough along that significant changes prior to the publishing of the financial statements are not anticipated. The auditors have had questions which are reasonable and expected. Should any major changes evolve, an update will be given to the Assembly Finance Committee (AFC).

Ms. Flick reviewed FY25 General Government Operating Revenues (page 13 in the packet), noting that these include General Fund and sales tax elements together. A positive number means that more revenue came in than was anticipated. A negative number means less than the budgeted amount was received. Of note, due to higher-than-expected market returns, interest earnings were $6,700,000 more than the $4,000,000 amount that was forecasted, resulting in an investment revenue surplus of $10,700,000 above the budgeted expectation for FY25.

Additionally, reimbursements from grants helped the FY25 revenue bottom line. Sales tax was forecasted to be $1,200,000 below the budget expectation. However, sales tax revenues ended up being $456,573 better than forecasted. Other revenue was budgeted at negative $99,000. The "Other" category includes bad debt (amongst other revenue sources) which is expected to be written off, hence the negatively budgeted amount for this category. Finance was able to gain more than expected in this category resulting in a surplus of $549,290.

Regarding expenses for FY25, page 16 of the packet shows the different categories of expenses with columns for the budgeted amount, actual amount, and the surplus/(deficit) amount. In Personnel Services, approximately $63,500,000 was budgeted, and $58,300,000 was actually spent, leaving this category at $5,200,000 under budget. During preparation for FY26, when the FY25 forecast was prepared, the anticipated under-budget amount was $4,500,000. Consequently, another $725,000 worth of savings from salaries, wages, and benefits unspent was realized. Overall, in FY25, the City spent about $11,000,000 less than budgeted, but only $5,800,000 less than the forecast.

Personnel Lapse (salary savings) and Personnel Lapse Comparison (pages 17 and 18 of the packet) show the CBJ Departments that were underbudget in their personnel spending (typically due to position vacancies).

The savings on supplies and services (commodities and services) were slightly more than anticipated, but not driven by any one department, line item, or project. Some one-time contingencies had been built in and then not fully utilized, a few contract negotiations ended more favorably than budgeted expectations, and it was a light snowfall year resulting in needing less supplies than anticipated to manage the roadways. In total, the FY25 ending General Fund balance is increasing by $11,000,000 (page 16 of the packet).

Finally, the current FY26 projected Unrestricted Fund year-end balance is about $15,000,000 and the FY26 projected Restricted Fund balance is about $17,300,000. These numbers account for Assembly actions so far in FY26 as well as the anticipated revenue reduction due to new sales tax exemptions (page 23 of the packet).

3. Financial Paths Forward with Election 2025 Results

Recent ballot measures that passed are sales tax exemptions on residential utilities and SNAP-eligible food, and capping the mill rate at 9 mills (excluding debt service). Ms. Flick outlined the potential impacts of these changes and recommended possible next steps for addressing anticipated revenue shortfalls due to these measures (refer to the memo starting on page 24 of the meeting packet).

Previously the mill rate was capped at 12 and will be set at 9 as of FY27. There is no impact on the FY26 mill rate from this ballot measure passing. The FY26 mill rate, excluding debt service, is 9.16. The mill rate for FY27 will be reduced to 9, and assuming a flat real estate market, this change will result in approximately $1,000,000 reduction to the City's revenue.

The food and utilities sales tax exemptions take effect this month, and the expected annual revenue decrease is estimated at roughly $11,000,000. As these changes are happening part way through FY26, impacting approximately 7 months of the fiscal year, the reduction of revenue for FY26 is estimated at $6,400,000.

CBJ's 5% sales tax is made up of three components – one is a permanent 1% tax, two are temporary taxes, with one 1% tax that expires September 2028, and a three-part 3% tax that expires June 2027. This is best described as five 1% components. Each of the 1% pieces is anticipated to be reduced by approximately $2,200,000 per year due to the election results. Attachment A (page 30 in the packet) outlines these 5 pieces along with the areas they fund as outlined in each of the ballot propositions authorizing each sales tax. The annualized impact will be roughly a $4,400,000 one-time reduction and $6,600,000 recurring reduction in revenue.

The Assembly discussed potential impacts and response options for the anticipated reduced revenue due to the ballot measures.

Ms. Flick emphasized that these anticipated revenue reductions are estimates derived from staff-developed models based on available data and reasonable assumptions. The first full quarter of sales collection with these new exemptions will be January-March 2026, with returns and remittance due April 30, so it will be mid-May 2026 before there is any hard data to evaluate these estimates.

The fact that there will be a revenue impact is not disputed and the FY27 Budget will need to be reduced. There are many ways that a budget gap may be addressed, including "across the board" reductions of a certain percentage, hiring freezes, cancellation of training and certifications, reduction or elimination of services, and/or increasing revenue. There are also some "behind the scenes" tools that the Manager and Finance and Budget staff can use as they work through budget preparation. These tools include using things such as personnel lapses, "right sizing" expected personnel turnover, and others.

Staff have discussed possible options for moving forward, and their recommendation for the Committee's consideration is a combination of service reductions, adjusting revenue, and internally using the tools associated with budget assumptions.

Chair Woll asked about possible options for addressing the budget shortfall, such as debt, and redirecting revenues including dockage fees and hotel bed tax and asked how these things would fit into the categories that Ms. Flick mentioned.

Ms. Flick first addressed the option of reallocating or redirecting revenue and explained that this would come under the revenue category or could be a combination of revenue and service reductions.

Regarding debt, the budget reduction options that are in the memo are geared toward operations and operational reductions to the budget. Debt should not be used to fund operations but ideally is used as a mechanism to fund projects. It may be that the City decides to use debt to fund various infrastructure and/or capital projects in the future rather than using fund balance for allocating money toward such projects.

Assemblymember Smith asked about market swings, noting that in FY25, the City's investments did better than anticipated due to higher-than-expected interest rates, and noted that swings in the other direction are also possible.

Ms. Flick responded that one benefit of that interest-based revenue windfall was to provide some budget cushion so that for FY26, the Assembly has time to make thoughtful decisions and engage the public rather than needing to cut expenses immediately without time for rich discourse.

Ms. Flick added that an additional item of note for FY26 is that when General Fund-based Assembly grants were approved for the FY26 Budget, a portion of those grants were distributed. The grantees were notified that the Assembly would follow up in mid-November after the election, to let them know if the full FY26 grant amounts would be remitted to them or if there would need to be a reduction of FY26 grants.

Ms. Flick stated that the Committee was provided with a list of FY26 Assembly grantees, the amount that was budgeted to them, the amount that has been disbursed, and the remaining amount left to be disbursed. Some of the grantees are outside of the scope of the discussion, including reimbursement grantees and those that are funded by Marine Passenger Fees. Staff requested guidance from the Committee regarding how to proceed with the remaining FY26 grant distributions.

Ms. Flick added that there are additional areas where the Assembly may wish to provide guidance to Staff in terms of spending. These could include programs such as the Affordable Housing program where consideration of grants and loans is in process, but no awards have been made yet. Other projects where spending could be paused include the Gondola Project, Burns Building renovations, the waterfront city museum, and/or the North State Office Building Parking Garage. Ms. Flick noted that regardless of what action is taken on these projects, Staff's recommendation to the Committee is to hold off on making any broad service or formal operating reductions for FY26 until further discussion and public input.

The Committee continued to discuss the topic.

<u>Motion:</u> by Mayor Weldon to direct staff to not implement any broad service reductions or formal operating budget reductions for FY26 and to fund the anticipated $6,400,000 FY26 deficit from the Unrestricted General Fund balance.

<u>Objection:</u> by Assemblymember Smith as he would like to see Staff recommendations on service reductions before making that decision.

The Committee took a ten-minute at ease.

The Committee discussed the motion.

<u>Amendment to the Motion:</u> by Assemblymember Smith to amend the original motion by adding "though targeted reductions such as new programs or projects may be implemented."

Amendment to the motion passed by unanimous consent.

Motion as amended passed by unanimous consent.

The Committee took a two-minute at-ease.

<u>Motion:</u> by Mayor Weldon to direct staff to reach out to each organization on the Assembly grant list and ask them to consider an amended request.

<u>Objections:</u> by Assemblymember Hughes-Skandijs and Adkison.

<u>Roll Call Vote on the Motion</u>
Ayes: Mayor Weldon, Smith, Brooks, Steininger
Nays: Hughes-Skandijs, Adkison, Kelly, Hall, Chair Woll

Motion failed. Four (4) Ayes, Five (5) Nays.

Motion: by Mayor Weldon to direct staff to distribute the remaining funding to Assembly grantees for FY26.

Amendment to the Motion: by Assemblymember Hall to amend the original motion to direct staff to distribute the remaining funds but ask organizations if they do not need the funds to please inform the City.

Objection: by Assemblymember Hughes-Skandijs.

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

Amendment passed. Six (6) Ayes, Three (3) Nays.

Motion as amended passed by unanimous consent.

Motion: by Assemblymember Smith to pause any action related to the waterfront city museum.

Motion passed by unanimous consent.

The Committee took a five-minute at-ease.

In reference to the FY27 Budget Process and Considerations, Ms. Flick referred the Committee to the chart on page 27 in the packet which includes three revenue decreases which include estimates of $11,000,000 in sales tax and $1,000,000 in property tax cuts. She pointed out that these are annualized numbers, and the assumption is that no cuts are made for FY26 and all cuts are made for FY27.

Ms. Flick added that in addition to revenue cuts, there will undoubtedly be expenditure increases. Examples in the chart include negotiated contract wage increases for MEBA of roughly $1,100,000. IAFF and PSEA contracts to be negotiated are estimated at an increase of $2,500,000.

There are additional items that must be budgeted for on an ongoing, recurring basis due to Juneau's Glacial Lake Outburst Floods (GLOF). These expenses include annual GLOF emergency response, flood mitigation efforts, and HESCO barrier maintenance. These additional expenses are unknown at this time.

Excluding the unknown amounts related to GLOFs, there is a $16,000,000 gap with about $11,200,000 being operational/ongoing.

One of the potential methods that can be used to address the revenue gap is service reductions. There is a CBJ Service Listing on page 31 of the packet. These CBJ Services are grouped into four categories, which are 1. Core - mandated functions of the City; 1.5 Core – mandated functions with some discretion to the level of service; 2. Support – necessary services to provide functionality; and 3. Discretionary – services that are not required to be provided.

Ms. Flick provided an example of category 1.5 Core with some discretion to level of service:

After a snowstorm, CBJ Streets works to clear the roads of snow within 24 hours. A discretionary change to this service would be to amend that time frame goal to 36 or 48 hours for clearing the roads.

Category 3 – Discretionary Services are functions the City is not legally required to provide; however, they offer significant benefits and contribute to making the community an attractive place to live.

The Committee continued to discuss the topic, including questions about public engagement options and the demarcation between Category 1.5 and Category 3 Services.

Assemblymembers expressed interest in statistical surveys, public meetings, budget simulation tools (options: Balancing Act, Prioritize), drop boxes, etc. The Assembly expressed that it would like the Communications and Engagement Division to put together a proposal for Assembly consideration.

Motion: by Mayor Weldon to direct staff to focus public engagement and input on services that are Discretionary and Core (where the level of service can be adjusted).

Amendment to the Motion: by Assemblymember Kelly to also include Core and Support items, resulting in consideration of all four categories *(Core, Core 1.5, Support, and Discretionary).*

Amendment passed by unanimous consent.

Motion as amended passed by unanimous consent.

4. Foregone Revenue

This agenda topic will be addressed at the December 1, 2025 Assembly Finance Committee meeting.

5. Dockage Fee Increase

This agenda topic will be addressed at the December 1, 2025 Assembly Finance Committee meeting.

6. Information Only: Sales Tax Delinquencies

This agenda topic is for informational purposes only.

E. NEXT MEETING DATE

7. December 1, 2025

F. SUPPLEMENTAL MATERIALS

G. EXECUTIVE SESSION

8. Discussion on Collective Bargaining

Motion: by Mayor Weldon to move that the Assembly enter into Executive Session

to discuss collective bargaining negotiations, the immediate knowledge of which would adversely affect the finances of the municipality.

Chair Woll declared a conflict associated with negotiations with IAFF and stated that she would leave for that part of the discussion.

Motion passed by unanimous consent.

H. ADJOURNMENT

The Committee entered Executive Session at 9:07 pm. The Committee adjourned the meeting at 10:15 pm following the conclusion of the Executive Session.