

ASSEMBLY COMMITTEE OF THE WHOLE

DRAFT MINUTES

THE CITY AND BOROUGH OF JUNEAU, ALASKA

August 20, 2018, 5:00 PM.

Assembly Chambers - Municipal Building

Immediately followed by Special Assembly Meeting

I. ROLL CALL

Deputy Mayor Jerry Nankervis called the meeting to order at 5:00p.m.

Assemblymembers Present: Ken Koelsch, Mary Becker, Rob Edwardson, Maria Gladziszewski, Loren Jones, Jesse Kiehl, Jerry Nankervis

Assemblymembers Absent: None.

A quorum was present; there were 2 vacant seats on the Assembly due to resignations of Beth Weldon (7/31/2018) and Norton Gregory (8/13/2018).

Staff present: Deputy Manager Mila Cosgrove, Interim City Attorney Robert Palmer, Mead, Municipal Clerk Beth McEwen, Finance Director Bob Bartholomew, Deputy Clerk Diane Cathcart

II. APPROVAL OF AGENDA

No changes, approved as presented.

III. APPROVAL OF MINUTES

IV. AGENDA TOPICS

Public Testimony on Ordinances 2018-40, 2018-43, and 2018-39

Ordinance 2018-40: *An Ordinance Authorizing the Issuance of General Obligation Bonds in the Principal Amount of Not to Exceed \$12,000,000 to Finance Capital Improvements to the Facilities of the City and Borough, and Submitting a Proposition to the Voters at the Election to Be Held Therein on October 2, 2018.*

Ordinance 2018-43: *An Ordinance Authorizing the Issuance of General Obligation Bonds in the Principal Amount of Not to Exceed \$7,000,000 to Finance Capital Improvements to the Facilities of the City and Borough, and Submitting a Proposition to the Voters at the Election to Be Held Therein on October 2, 2018.*

Ordinance 2018-39: *An Ordinance Increasing the Hotel-Motel Room Tax by Two Percent and Providing for a Ballot Question Ratifying the Increase.*

The following citizens testified in support of or against adoption of the above ordinances:

Nancy DeCherney spoke in favor of passing the ordinances, and specifically in support of placing the Juneau Arts and Culture Center (JACC) question on the ballot under Ordinance 2018-40.

Bud Carpeneti spoke in support of Ordinance 2018-40 and pointed out that the New JACC will be self-sustaining and that Juneau and Alaska have never seen a project of this scope where most of the funds for the project is primarily coming from private funds. He said that if Ordinance 2018-40 passes that only 20-30% of this project would be coming from public funds while the rest is through donations and grants.

John Pugh spoke in support of Ordinance 2018-40. He also testified as to the fundraising aspect Mr. Carpeneti mentioned and how much of the new JACC funding was coming from private sector funding.

Crystal Sommers-Brand spoke in support of Ordinance 2018-40. She said she sees the new JACC as an economic issue, Juneau has been compared as one of the top ten cities in the country. She noted that Centennial Hall and the JACC are city properties and should continue to be city properties.

Joe Nelson, president of Sealaska Heritage Center said he was speaking on behalf of the Sealaska Board and they are in favor of the new JACC project and that the community needs to be able to have a fair debate on this topic.

Mike Stanley spoke in support of adopting the ordinance to place the question of the JACC on the ballot.

Jim Clark spoke in favor of the JACC question appearing on the ballot and he provided copies of document/brochure entitled "The Arts Economy of Southeast Alaska" from September 2014. After clarifying questions by Assemblymembers, Mr. Clark said his support specifically related to Ordinance 2018-40.

John Clough said that although he is on the board for the new JACC, he was speaking on his own behalf in a personal capacity. He noted that in his role as one of the primary spokespersons for this project, he has had the privilege to speak with hundreds of people about this project and he also did a lot of listening. He said that the one thing that struck him as he was listening was the broad spectrum of Juneau residents who support this project and how it crossed a wide variety of socio-economic lines. He said that while it was not unanimous, he felt it was important to place the question on the ballot to allow it to be debated by the community at large.

Maryann Ray said she is the owner of Pearson's Pond B&B in the valley and was speaking on her own behalf but also other B&B and hotel owners who are in favor of the new JACC but are opposed to raising the hotel/bed tax in order to pay for it. She said Juneau is one of the highest cities in the state of Alaska and if 2% is added to it, we would be approaching the rates of New York City. Their concern is primarily

on the impact it will have on the independent travelers. She said they believe that looking for the funding to come from a property tax mill rate that is already expiring without having to increase taxes is not a bad way to fund it but to lay part of the tax burden on the travelers coming to Juneau is something they strongly oppose.

Mr. Jones noted that they have had some discussion with Ms. Ray on this over the email. He noted that Travel Juneau had also submitted a letter opposed to the increase in the bed tax. In that letter they reference a study by the tourism council that notes that a 1% increase in the bed tax would have a .32% change in occupancy in hotels. He said that he tried to read the literature, but could not find anywhere where it referenced the effect of a decrease in the bed tax and if that had any effect on increasing occupancy. He asked Ms. Ray if she would support a decrease in the bed tax as a way to increase occupancy in her B&B or local hotels.

Ms. Ray said that she would support a decrease in the bed tax but she would not suggest doing that or increasing the tax without putting more work into assessing what the action implications are. She said the idea of using the JACC expansion as a way to slip in a non-sun setting, ongoing tax to independent travelers is, in her opinion, not the right way to go.

Ben Brown said he is employed by the Juneau Arts and Humanities Council [JAHC] doing marketing development. He said he was not speaking as their employee however but rather as the Chairman of the Alaska State Council of the Arts (ASCA). He noted that for the past year, he has also served as the Chairman of the National Assembly of Arts Agencies Board of Directors and in that role he has had the opportunity to see how arts agencies across the nation work and receive their funding. Every arts agency is different but they all have to come up with matching funds locally in order to receive funding from the National Endowment for the Arts (NEA). NEA has a formula for funding and will not give the state any money unless there is a match dollar/dollar. He said that across the nation, more and more state art agencies are trying to do get more funding through public/private partnerships.

Art Peterson, resident of Parkshore Condos, said that when he served in the National Guard they marched around in the facility that is the current JACC. He said he was in support of virtually everything before them tonight but he is not in support of the funding coming from a raise in the hotel/motel bed tax. He noted that he is a member of the National Law Commission and that many of their members want to come to Juneau and a facility like the new JACC would be a good way to bring them to Juneau.

Renda Heimbigner, a member of the hospitality industry for the past 16 years, spoke in opposition to the ordinances that use city funds for financing the new JACC. She compared the city budget to that of family budgets and what is left over after essentials are paid. She referred to those expenditures as luxury/discretionary spending and what the Assembly is considering is a mandatory expense for a luxury/discretionary item when essential services are in need of attention, maintenance, and repair. She said that competition for the spending of city sales tax dollars is fierce and that the \$1 million has already been given to refurbish the current JACC and she asked why they are considering pillaging Centennial Hall to make way for other facilities that would require additional ongoing maintenance. She said that in all her years of owning/operating a B&B, none of her guests have indicated a desire to

attend a concert or event due to the many other competing local offerings for tourist time. She noted that any funding sources with taxes are a burden to someone.

Paula Terrel spoke in support of putting these questions in front of the voters to get a sense of how Juneau voters feel. She noted that for those who think this is a luxury, one of the beneficiaries would be the kids of Juneau. We have a lot of programs like the Music Matters, the Star Program and other programs that the kids thrive as a result of participating in these programs locally and can't really be called a luxury but rather a necessity for these families.

Kathleen Harper stated that she works at the JACC currently and previously worked at Perseverance Theater for 16 years. Juneau's vibrant art community allowed her to go away to school and come back to Juneau. Many people have moved to Juneau and/or returned to Juneau to work in the arts community. She stated that the building is needed. Her husband is the high school auditorium manager and they are often running up against the problem that there are more needs than venues available to meet the needs of our community.

Norton Gregory said he was recently up in Fairbanks at the state fair and the number one concern he heard from people there was related to having access to the community and the number two concern was the expense to stay here. He said that as the Capital City, we need to consider the expense of those who come to visit the capital. He said he has some concerns about the JACC and while he supports the arts community, he had a number of questions: 1) Is the new JACC big enough for the Symphony? 2) Is the new JACC too big for Perseverance Theater? 3) If they build the facility based on the "if we build it, they will come" mentality, has there been any studies showing that the need is there and they will come? He said there are \$3 million in deferred maintenance for CBJ properties that should be considered as well when making these decisions. He said if they do consider bonding for this request, there is already a high cost of living in Juneau and this would increase property taxes. He said as a capital city, we need to remain affordable as a place to visit and as far as the JACC goes, to look at how much has been raised, how much is being asked for and where the difference may need to come from and what is the return on the community's investment.

Rodney Hesson, President of the Juneau Building Trades Council said that this would be a "perfect storm" of opportunities include a building project in the community. He noted that with the JAHC Board's promise to use PLAs in this project, it would be possible to train apprentices in the community. He distributed a copy of a letter to the Assemblymembers in more detail.

Tom Williams stated that having a new JACC would be terrific but that it should not be publicly funded. He said that initially, that the project was proposed to cost \$26 million but that now it is being proposed at \$32 million. He said that initially, this project was going to be owned and operated by a non-profit but that now it is being proposed to be owned by the city and operated by a non-profit entity. The project was initially proposed to be totally privately funded and now they want the tax payers to help pay for it and then ultimately maintain it. He said this is beginning to feel like a bait and switch. He noted that projects do tend to grow in cost but there are other facilities that can and are used to support the arts and by passing this on to the voters, the City is basically endorsing it and he encouraged them not to

pass this on to the voters. He said more importantly, there are other projects that should take a higher priority over the new JACC. He said that as a B&B owner, he opposes the bed tax increase. He also stated that if they did in fact raise the bed tax, that it should not go to the new JACC but rather, it should go towards Centennial Hall.

Mr. Kiehl asked Mr. Williams where and when the comments were made that there would not be any public monies used for this project as he looked back through the minutes on this subject and could not where that was said during Assembly meetings on this issue. Mr. Williams noted that Mr. Peter Juraz stated that during one of the first meetings at which they presented this issue during a Thursday luncheon of the Juneau Chamber of Commerce. Mr. Kiehl asked if that was before or after the 2012 vote on the 1% tax. Mr. Williams said that it was sometime within the last two years.

Mel Perkins is owner of the Best Western Country Lane Inn and Best Western Grandma's Feather Bed. He said that he has his pulse on what is happening with respect to the independent travelers and the tourism industry and particularly those who come to Juneau during the legislative session. He said there is a lot of heartburn from those coming from South-central Alaska, that we are far away and many ask about the bed tax when they are checking out. He cautioned about the unintended consequences of these proposed tax changes. He said he is very supportive of the arts, especially since his granddaughter, Anna Graceman, was on America's Got Talent and is currently in Nashville. He said they love what is happening with the arts but he is concerned about the head tax as well as the 7% bed tax that we've been collecting since 1998 and how that has been utilized. He said he is very concerned when he goes into Centennial Hall as it is an embarrassment. Is there a way the efforts could be unified and improve the existing building.

Mr. Jones asked about his concerns regarding the 7% that has been collected and said that about 3/7 of that money has gone to Centennial Hall and about 4/7 of that money has gone to Travel Juneau and he asked Mr. Perkins what his concerns might be specifically.

Mr. Perkins asked if the maintenance of Centennial Hall funds has been used prudently and that it is in need of major repairs.

Bill Heueman spoke in support of the JACC from a business perspective. He said he has several rental units in Juneau and they rent to many lower level professionals here and it is important to be able to provide the amenities that people find elsewhere in order to attract and keep people in Juneau. He said that while times are tough and no one wants to pay taxes, if they want to build an economy, they have to invest in the economy.

Mr. Nankervis closed public testimony and opened up Assembly discussion on all three ordinances at once. Mr. Nankervis handed the gavel over to Mr. Koelsch so he could provide a handout with a red lined version (c) of Ordinance 2018-43. Mr. Jones asked procedurally how they would be handling the three ordinances. Mr. Koelsch noted that since this is a worksession, it is less formal and the body can decide if it wants to take up discussion on all matters at once or if they wish to consider the ordinances one at a time. Mr. Nankervis explained that the reason he chose to proceed in this fashion was that it was rather unusual to have two very similar ordinances in front of them for consideration at the same

DRAFT MINUTES Committee of the Whole, August 20, 2018 Page 5 of 8

time. He said he was going to offer an amendment to one of those so it seemed to him to do that up front and then they could consider them at the same time. He said he'd like to speak briefly to his proposal of Ordinance 2018-43(c) amendments and then would ask for a few minutes break so everyone had a chance to read through the document before proceeding.

Mr. Nankervis noted that with his version (c) of Ordinance 2018-43, he is picking up on the idea of doing a grant to the JACC and it would move \$2 million from the \$4.5 million they had set for sales tax to Centennial Hall to a \$2 million grant to the JACC. That would then require a \$2 million bond sale to make Centennial Hall whole again. He said that is what they had originally scheduled for Centennial Hall at the \$4.5 million, and it gets a grant that hopefully would help the JACC in its fundraising efforts for their facility. He said that with the smaller bond sale, it would allow them to lower the mill rate, not keep it the same. He said he anticipates they will need a bunch of school bonds soon. They don't know what the schools will be asking for but they have had Mendenhall River School before them with estimated costs needing at least \$1.5 million to repair their roof. That is just one thing and they will need to sale bonds to do that.

The Assembly took a break at 5:55 p.m. and returned at 6:03 p.m.

Mr. Kiehl said that as he reads Ordinance 2018-43(c) he noted that all references to the new arts and culture center has been removed from the proposition to go before the voters. He asked if it is the intention for \$6.5 million to go to Centennial Hall; the \$4.5 already approved by voters plus \$2 million in bonds as that is how he reads the ballot language.

Mr. Nankervis asked Mr. Kiehl for clarification as to where the \$6.5 million was coming from that he was referring to.

Mr. Kiehl stated that in 2017 voter approved \$4.5 million in sales tax monies to Centennial Hall. He said that what he sees in front of him, it doesn't make any reference to go before the voters reference to a new arts and culture center as that language is struck out. He asked if it was Mr. Nankervis' intention that the \$2 million in bond funding that would go before the voters is on top of the \$4.5 which comes out to \$6.5 million total.

Mr. Nankervis said that the \$2 million bond would replace the \$2 million that he is proposing would be granted to the new JACC which would restore the total to Centennial Hall at \$4.5 and with regards to the language, it is not under the explanation paragraph but it is in the whereas clause.

Mr. Kiehl said his concern is that the whereas clauses don't get before the voters and the voter approved \$4.5 million for Centennial Hall, it would make sense to him to ask the voters if it is the Assembly's intention to reprogram some of those funds and that is a challenge he has with the version (c) of the ordinance as currently proposed.

Mr. Nankervis said he did not wish to rebut that at this time, rather he is looking for a way to fit that into the amendment.

Ms. Gladyszewski said she appreciates the attempt to move something forward but her concern for this proposal is that it doesn't do enough for Centennial Hall. There are many things needing to be addressed at Centennial Hall and as many have said, you need to invest in the economy in order to grow it. She said in discussing the three ordinances at once, the original version included more upgrades to Centennial Hall but she feels this amended version doesn't include enough in this sector.

Mr. Nankervis said doesn't disagree with Ms. Gladyszewski's notion that more is needed but that they already considered those numbers during Assembly Finance Committee meetings at it was at that point that it was reduced to the current amount.

Mr. Kiehl asked Mr. Nankervis that as they look at this much smaller proposal, does that allow them to look at this as one facility with a causeway linking them or are they looking at two separate facilities.

Mr. Nankervis said he would anticipate those discussions would happen if the fundraising efforts are successful at that time and that it would be up to Centennial Hall to identify what was needed that they could afford at the \$4.5 million amount. That is why he struck the language setting out specific items such as the HVAC, sound system, lighting, etc... He said that he expects the Assembly would revisit those issues if the fundraising efforts are successful at that time.

Mr. Jones said he has a hard time support this amendment and he would rather support Ordinance 2018-40 in total. He asked if Mr. Bartholomew would be able to answer some questions. He asked if there were different costs by bonding at different times or for different types of bond issues.

Mr. Bartholomew said that the costs are somewhat variable. There are a couple of fees in a bond issue: 1) bond counsel fees which are a fixed cost and 2) underwriter costs which are a variable cost based on dollar amount. He said that there is also a potential for different interest rates depending on if CBJ were to go through a direct bond issuance itself, or if it was being part of a bond bank sale.

Mr. Jones said that if this amendment was in a way that we would use the current \$4.5 million in sales tax that has been approved by voters and if they took out a bond similar to Mr. Nankervis' proposal but at a \$4 million amount instead of \$2 million, he could support it. However, he said that he thinks the \$12 million proposal had the best package and the best balance between the needs of the JACC and Centennial Hall to bring the complex up that would be easier for Travel Juneau to market.

Mr. Kiehl said he was not terribly concerned with who owns the walls and that is the main difference between Ordinances 2018-40 and 2018-43. He said that if everything went together, it would still be on CBJ land and still be managed by the same entity. He was interested by the discussion about the economic returns and the efficiencies based on the economy of scale. He said that he is concerned that this drastically reduced amount does not get them the unified facility and it leaves them with the worst of all worlds.

Mr. Edwardson said this is a very different discussion than what he had anticipated going into these meetings. He said they are discussing the merits of the proposals and he was expecting this discussion to be about what would or would not be going on the ballot. He said the Assembly had asked the

organization to prepare items they wished to be submitted to the voters. He said the organization prepared the language in good faith and it was up to the Assembly to decide whether or not to put them on the ballot. He said he objects to the amendment as the amendment is not what was asked for by the organization. In light of that he would like to see Ordinance 2018-40 and 2018-43 be passed as presented and forwarded to the voters on the ballot.

Mr. Nankervis said he had some language in response to Mr. Kiehl's request about the sales tax but he didn't want to put it out there unless the body was willing to consider the amended ordinance.

Mayor Koelsch asked if there was any further discussion re: these ordinances. Ms. Gladziszewski said she thought they were considering the amendment of Ordinance 2018-43(c). Mayor Koelsch clarified that during they COW, there were discussing all the ordinances on the agenda, including the proposed amended Ordinance 2018-43(c) but that when this goes to the Assembly meeting, they would be taking action on the various items, one ordinance at a time.

V. ADJOURNMENT

There being no further discussion to come before the committee, There Assembly COW meeting was adjourned at 6:30p.m.

*Respectfully Submitted,
Beth McEwen, MMC
Municipal Clerk*