City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, April 27, 2022, 5:30pm

I. CALL TO ORDER

The meeting was called to order at 5:39 pm by Chair Triem.

II. ROLL CALL

Committee Members Present: Carole Triem, Chair; Mayor Beth Weldon; Greg Smith (*joined at 6:05pm*); Christine Woll: Michelle Bonnet-Hale; Alicia Hughes-Skandijs

Committee Members Present Virtually: None

Committee Members Absent: Maria Gladziszewski; Wáahlaal Gíidaak; Wade Bryson

Staff Members Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Jeff Rogers, Finance Director; Adrien Speegle, Budget Analyst; Patty Wahto, Airport Manager; Dave Scanlan, Eaglecrest General Manager; Robert Tyk, Bartlett Regional Hospital Interim CFO; Blessy Robert, Bartlett Regional Hospital Director of Accounting

Others Present: Al Clough, Airport Board Chair

III. APPROVAL OF MINUTES

The April 20, 2022 minutes were approved as presented.

IV. AGENDA TOPICS

a. Juneau International Airport

Chair Triem paused the meeting and the Committee recessed to handle technical difficulties with Zoom at 5:41pm.

The Committee reconvened at 6:05pm.

Patty Wahto, Airport Manager, presented packet pages 7-17. She reviewed specific changes in revised and projected numbers for FY22 and explained FY23/24 proposals and forecasts. Ms. Wahto noted the projected spike in expenses in spite of energy efficiency efforts (zero diesel fuel in all airfield facilities) due to rapid inflation, and the projected “rebound” in revenues to almost pre-COVID levels in FY22 due to increasing tourism related travel.

On packet page 10, Ms. Wahto reviewed the actual deficits in FY21, projected deficits in FY22, and budgeted deficits in FY23-24. She explained that they received three different Coronavirus Aid, Relief, and Economic Security (CARES) Act Grants through the FAA which includes the Tennant Relief Program (not included in FY22 or FY23 revenues). FY22/23/24 budget deficits will all be covered with CARES Act funding detailed on packet page 13.

In response to Assemblymember Hughes-Skandijs question, Ms. Wahto explained that the CARES Tennant Rent Relief included only rents, leases and parking fees. All tenants continued to pay landing fees, fuel, etc.

Ms. Wahto reviewed the detailed summary of CARES Act covered projects on packet pages 14-15. She highlighted that the Airport has $20 million in unfunded, federally ineligible projects in need of immediate funding plus $2 million required local match for FAA projects. She stated some of those projects are eligible for CARES Act funding instead. She also noted that the Airport continues to pay General Obligation (GO) Bonds and other Revenue Bonds that are funded by the Airport Passenger Facility Charges that could otherwise be used for future project match.

Al Clough, Airport Board Chair, presented packet page 16 and explained the Airport Board's concern for how the Airport will continue to fund operations once CARES Act funding ends. He also expressed concern about the Airport being assigned GO Bond Debt payments in FY23 and FY24, as this will use funding that could otherwise have been allocated to other priority projects.

In response to Assemblymember Smith's question about the Infrastructure Investment and Jobs Act (November 2021) funding any of the $20 million in pending projects, Ms. Wahto clarified that the Airport is a recipient of the Bipartisan Infrastructure Law (BIL) but the funding must be spent on projects that are very specific to airport maintenance.

<u>Motion:</u> by Mayor Weldon that the Committee take the GO Bond Debt Service question to the pending list and accept the Juneau International Airport budget as presented in the budget book.

Motion passed by unanimous consent.

b. Bartlett Regional Hospital

Robert Tyk, Bartlett Regional Hospital (BRH) Interim CFO, presented packet pages 18-28, commenting that he forecasted conservatively through the FY23/24 budget overall.

He summarized the framework decisions that determined the FY23 budget highlighting that personnel and supply costs are significantly higher due to physician losses and supply chain issues. He also noted that BRH decided to contract with a new equipment and medical supplier to save on supply costs. Specific changes to revenues and expenses are listed on packet page 22.

Mr. Tyk commented that managing funding for Capital Improvement Projects (CIP) is unique to him as he has never worked for a hospital that is a city entity. In FY23 BRH is contributing $3 million to hospital deferred maintenance. Mr. Tyk explained BRH Capital Outlay expenses on packet page 26 and noted that most of these projected purchases are Major Moveable items.

Mr. Tyk briefly reviewed the overall budget from FY21-FY24 and answered Committee questions.

Mr. Tyk commented that BRH has tremendous potential because there are many employees that want to improve.

<u>Motion:</u> by Mayor Weldon to approve the BRH budget.

Motion passed by unanimous consent.

Jeff Rogers, Finance Director, stated that skyrocketing interest rates have significantly impacted the city's investment portfolio losing "real money" which will heavily impact BRH especially in FY22. Mr. Rogers stated that he will prepare a report for the Committee detailing budget impacts from investment losses.

The Committee recessed at 7:18pm.
The Committee reconvened at 7:28pm.

c. Eaglecrest

Dave Scanlan, Eaglecrest General Manager presented packet pages 26-45. He reported historic snowfall and seasonal sales and presented a general overview of sales, rentals, and skier volume, and social media engagement over the season.

The Committee had specific questions about whether Eaglecrest's point of sale system could easily track repeat and/or local skiers versus travelers from out of town. Mr. Scanlan explained that repeat visitors are much more easily tracked than one-day visitors. A point of sales representative is working with Eaglecrest to expand and refine those capabilities.

Mr. Scanlan reviewed FY23 Budget highlights on packet page 37 and noted that the most significant increases were in Personnel Services due to a 7.5% pay scale increase that was approved by the Eaglecrest Board in January 2022 to better align employee wages with industry standards. Mr. Scanlan is confident Eaglecrest will be able to maintain a level of revenue that can fund this increase into the future. He also specifically stated that Eaglecrest's FY23 budget does reflect a small surplus to provide a buffer in the case of weather and lack of snowfall affecting sales.

Mr. Scanlan shared that even after a record successful year in revenue and a $122,000 projected transfer to fund balance, the fund balance is projected to be ($14,800). Eaglecrest hopes to achieve a neutral fund balance in FY23.

Mr. Scanlan briefly explained that the fund balance listed on the budget presentation on packet page 39 reflects two section, one for inventory reserve, which contains the value of parts and equipment on shelf, all product in retail shop, and all unfunded liabilities of accrued leave, with the second section reflecting Eaglecrest's available fund balance, which is not tied up in inventory. It is Eaglecrest's ultimate goal to accrue enough revenue to be able to cover unfunded liabilities.

Mr. Rogers clarified that Eaglecrest is unique because it does not operate like CBJ's Enterprises nor does it operate like a general fund department. Eaglecrest has a fund balance that CBJ reports as a Special Revenue Fund. Most of this money is non-spendable since the funds are tied up in consumable inventory, merchandise and/or employee leave.

Mr. Scanlan reviewed the ongoing issue of the Eaglecrest increment request detailed on packet page 40. In addition to the 7.5% pay scale adjustment approved in January 2022, Eaglecrest's Board is requesting an additional $210,000 in general funds to increase the pay scale by another 14%. The Board is researching price increases to assist Eaglecrest in meeting revenue targets to fund the pay scale increase, while maintaining community accessibility. Even with the additional 14% adjustment, wages are still 20% below industry. Mr. Scanlan presented packet pages 42-43 to illustrate wage comparisons to other small ski resorts.

Mr. Scanlan answered Committee questions. He stated that the Eaglecrest Board intends to meet and discuss pricing in mid-May, date to be announced.

In response to Committee questions, both Mr. Scanlan and Mr. Rogers confirmed that General Fund support was $725,000 in FY20 and $875,000 in FY21 and FY22. Mr. Scanlan stated the jump in support was due to the reallocation in interdepartmental fees and significant raises in insurance and workers compensation.

Motion: by Mayor Weldon to hold the Eaglecrest budget until there is another discussion about wage changes.

Motion passed by unanimous consent.

d. Updated AFC Schedule for FY23 Budget

This item was for information only and was not discussed by staff or the Committee.

V. NEXT MEETING DATE

a. May 4, 2022

VI. ADJOURNMENT

The meeting was adjourned at 8:15pm.