City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, March 2, 2022

I. CALL TO ORDER

The meeting was called to order at 6:04 pm by Carole Triem, Chair.

II. ROLL CALL

Committee Members Present: Chair Carole Triem; Mayor Beth Weldon; Maria Gladziszewski; Wáahlaal Gíidaak; Greg Smith; Christine Woll; Michelle Bonnet-Hale*;* Alicia Hughes-Skandijs

Committee Members Present Virtually: Wade Bryson

Staff Members Present: Jeff Rogers, Finance Director; Robert Palmer, City Attorney; Adrien Speegle, Budget Analyst; Katie Koester, Public Works and Engineering Director; Dr. Bridget Weiss, Juneau School District (JSD) Superintendent

Others Present Virtually: Jon Bittner, Alaska Small Business Development Center (SBDC) State Director; Elizabeth Siddon, JSD School Board President

III. APPROVAL OF MINUTES

The February 2, 2022 minutes were approved as presented.

Jeff Rogers, Finance Director, suggested an agenda change to move the Manufacturing Export Exemption, Hospital Bond Resolution, and the Staff Report: Foreign Investments topics to the beginning of the agenda. Chair Triem approved the agenda change.

IV. AGENDA TOPICS

a. Manufacturing Export Exemption

Mr. Rogers presented packet pages 53-54 which summarized the manufacturing exemption requests recommended by the City Assessor, Mary Hammond, to the Assembly for approval as required by CBJ code and state statute.

<u>Motion:</u> by Mayor Weldon to approve the four (4) manufacturing exemption requests.

Motion passed by unanimous consent.

b. Resolution 2980 Hospital Revenue Bond Interest Rate

Mr. Rogers presented pages 1-6 of the supplemental materials (online packet pages 56-61) which is an interest rate resolution for the hospital bond that will be issued around March 30, 2022. Mr. Rogers reminded the Committee that the Assembly always sees three pieces of legislation for a bond before it is sold into public market: an ordinance authorizing the bond, an appropriation authorizing expenditure of the bond proceeds, and an interest rate resolution.

Mr. Rogers informed the Committee that online packet page 57 was not yet complete as staff did not yet have the average effective interest rates or coupon interest rates for these revenue bonds. The complete document will be presented on the consent agenda on March 14, 2022.

Motion: **by Assemblymember Gladziszewski to move Resolution 2980 to full Assembly.**

Motion passed by unanimous consent.

c. Staff Report: Foreign Investments

Mr. Rogers reached out to the investment managers of CBJ's mid-term portfolio to confirm that CBJ does not participate directly in any investments owned by Russian governments. Our investment manager is doing a detailed security review to determine if companies that we invest in have extensive business operations in Russia. Mr. Rogers said that there will be updates and ongoing open dialogue on this topic.

d. Economic Impacts on Alaska's Workforce

Mr. Rogers introduced Jon Bittner, Alaska Small Business Development Center (SBDC) State Director, who presented packet pages 9-24.

Mr. Bittner's presentation reviewed changes in Alaskan economy relating to funding, the business community, and workforce impacts as a result of the pandemic. Specifically, he focused on what local governments can do to mitigate some of the current and anticipated difficulties in their communities.

Packet page 10 focused on the distribution of federal funding across the state reaching nearly $3 billion for businesses alone. Most of that funding was allocated to maintain workforce.

Mr. Bittner reviewed data that confirmed the unprecedented rise in cost of goods and shipping, shipping delays, and inflation continue to be the leading financial burden on Alaskan businesses. Inflation is expected to remain high for several years.

Data shows that wages and benefits are increasing to compensate for rising labor shortages. As of December 2021 there are 12,400 fewer people in the workforce while the amount of jobs available has increased. All employers across all industries are having trouble recruiting and retaining workers. Private sectors are more likely to raise wages than non-profits and government agencies and therefore are more likely to maintain skilled workers, which is a concern across the state. Mr. Bittner stated that Alaska must find a way to be competitive across the country in all sectors, public and private, to maintain economic recovery as funding becomes available from the federal infrastructure bill.

Mr. Bittner also stated that most businesses surveyed were very pessimistic about raising new capital in 2022 due to poor performance over the last two years affecting their risk assessments with banks. The state received a $59 million allocation for small business initiative funding, which should help address some of these concerns with businesses.

Mr. Bittner stated that one in five small businesses believe they will close in Alaska within the next six months without government assistance, even as the economy improves.

Mr. Bittner answered committee questions.

The Committee recessed at 6:52 PM.
The Committee reconvened at 7:00 PM.

e. Sales Tax on Food

Mr. Rogers presented the memo on packet pages 25-26 and encouraged “sequential decision making” as an effective group mentality tactic when considering the exemption of sales tax on food.

The Committee discussed the memo and reiterated that exempting sales tax on food is a prioritized initiative to push to the October ballot this year with a July deadline.

<u>Motion:</u> by Assemblymember Hale to consider using the SNAP (Supplemental Nutrition Assistance Program) definition of food, excluding guns, ammunition, and fishing equipment, as the basis for determining which food should be exempted from sales tax.

Mr. Rogers reviewed packet page 27 which lists specific definitions of items exempted from sales tax. This memo accords to Ordinance 2022-15 vAFC1 on packet page 30. In summary, SNAP eligible foods include any food for the household, such as fruits, vegetables, meat, dairy products, bread, seeds and plants, etc. Mr. Rogers noted one specific contradiction that SNAP benefits are usually not authorized to be used to include vitamins, medicines, or supplements. However, medicines are already exempt by CBJ code. An exemption of SNAP eligible foods is estimated to result in an annual $6.2 million loss of sales tax. Packet page 29 contains tables reflecting preliminary taxes estimated for FY23 using a combination of current and pre-pandemic spending data.

Mr. Rogers reviewed data on residential utilities listed on packet page 27 noting $41 million in taxable residential utility costs annually, which is about $2 million in sales tax revenue. Mr. Rogers anticipates some complication in the decision surrounding exempting sales tax on residential utilities (electricity, heating oil, garbage, etc.) and protecting confidential sales tax information when there are a limited number of vendors involved.

The Committee discussed the motion.

Motion passed by unanimous consent.

<u>Motion:</u> by Assemblymember Gladziszewski to exclude exempting residential utilities from sales tax at this time.

Mr. Rogers clarified that, if CBJ exempted sales tax from food, increasing sales tax by 1% would bring in about $8.8 million in additional revenue if the remaining taxable base does not change.

The Committee discussed the motion.

<u>Objection:</u> by Assemblymember Woll.

<u>Roll Call Vote</u>
Aye: Gladziszewski, Hale, Hughes-Skandijs, Weldon, Bryson, Wáahlaal Gíidaak
Nay: Woll, Smith

Motion passed. Seven (7) Ayes, Two (2) Nays.

Mr. Rogers presented the memo on packet page 28 which summarizes considerations of modifications to current sales tax exemptions. Mr. Rogers suggested to the Committee that they may wish to hold this discussion and decision until a later date (March 7, 2022 Committee of the Whole (COW) meeting or March 12, 2022 Assembly Finance Committee (AFC) meeting), as it is a complicated issue. Mr. Rogers urged extraordinary caution with modifications to existing exemptions. He suggested considering individually on the primary objective—the exemption of food from sales tax—and returning at a later time for a more complete examination of the necessity and public purpose of existing exemptions.

Mr. Rogers answered committee questions.

f. State Review of 2021 CBJ Assessments

Mr. Rogers presented packet pages 35-38 which include a memo from the State Assessor, Joseph Caissie. In summary, the State Assessor did not find any error with the way CBJ conducted assessments in 2021, but he gave some useful technical feedback about the limitations of ratio studies with very small data sets.

Mr. Rogers updated the Committee on Board of Equalization (BOE) hearing progress summarized on packet page 35. He specifically noted that 82 appellants withdrew their commercial appeals as a result of favorable corrections to their assessment based on new information offered by the appellant to the assessor's office or the correction of a mathematical error. He stated that these 82 cases are an example of why the appeals process is necessary.

Mr. Rogers answered committee questions.

Mr. Rogers clarified that, in all cases, the BOE upheld the Assessor's determination. However, in some of those cases, the Assessor's recommendation was to make a correction to the original property value determination. He also noted there were a very small number of parcels (two or three) where the Assessor's correction determined the original assessment was too low and recommended a higher assessment value which was upheld by the BOE.

Mr. Rogers stated that the BOE does understand the legal standard of state law for appeals to an assessor's determination is exceedingly high. Opinions of value are commonly heard in BOE hearings and are irrelevant because, under State law, the Assessor's determination is assumed to be correct unless the appellant can prove error or fraud.

Robert Palmer, City Attorney, answered committee questions.

Mr. Rogers clarified that the Assessor will continue to use ratio studies as CBJ has access to more sales data due to mandatory disclosures, and the idea is that the credibility of those ratio studies will improve. He stated this is part of why staff encouraged the Assembly to move forward with mandatory disclosure. The goal is to get assessed values to be as close as possible to fair market value of all parcels.

g. CBJ/JSD Deferred Maintenance Appropriation (Ord. 2021-08(b)(am)(AB))

Mr. Rogers presented the Manager's Report and Ordinance 2021-08(b)(am)(AB)) on packet pages 39-41. The specific breakdown of intended projects for $5.5 million deferred maintenance funding is on packet page 39. He stated that the Public Works and Facilities Committee (PWFC) has already reviewed this request.

Katie Koester, Public Works and Engineering Director, was present for questions.

Assemblymember Bryson left the meeting at 8:19pm.

The Committee recessed at 8:19 PM.
The Committee reconvened at 8:25 PM.

Ms. Koester clarified that appropriating these general funds to deferred maintenance spending is intended to compensate for escalating costs and to keep prioritized projects (Dzantik'i Heeni Middle School as a principal example) on schedule. She also clarified that industry standard for maintenance spending is 2-6% of replacement value and, currently, both CBJ and JSD spending is below industry standard each at about 1%. The appropriation would bring CBJ up to 2% of replacement value.

The Committee decided to further discuss the appropriating ordinance at the AFC meeting on March 12, 2022.

Motion: by Mayor Weldon to move Ordinance 2021-08(b)(am)(AB) to the full assembly.

Motion passed by unanimous consent.

h. Additional Ice Time for Juneau School District (Ord. 2021-09(A))

Mr. Rogers presented packet pages 42-44. In summary, the ordinance would appropriate $10,000 to the School District, not subject to the local funding cap, to purchase additional ice time at the rink from Parks and Recreation.

Motion: by Mayor Weldon to move Ordinance 2021-09(A) to the full assembly.

Motion passed by unanimous consent.

i. Juneau School District Budget Revision (Ord. 2021-09(B))

Mr. Rogers presented packet pages 45-48 and clarified that the $10,000 requested in Ordinance 2021-09(A) would be in addition to the $35,750 requested to be moved outside of the education function and into the student activities function in Ordinance 2021-09(B) on packet page 46.

Dr. Bridget Weiss, JSD Superintendent, and Elizabeth Siddon, JSD School Board President, were available for questions.

Motion: by Mayor Weldon to move 2021-09(B) to the full assembly.

Amendment: by Mayor Weldon to amend the Special Revenue line of the ordinance to $25,750 and the Outside the Cap amount to $25,750.

Objection: by Assemblymember Hale.

Dr. Weiss clarified that she and Ms. Siddon did not know about the amendment to adjust the revenue line and the cap amount to $25,750 until just this evening. She stated that any financial support from the Committee is appreciated.

Amendment Roll Call Vote:
Aye: Weldon, Smith
Nay: Hale, Hughes-Skandijs, Woll, Gladziszewski, Wáahlaal Gíidaak, Triem
Absent: Bryson

Amendment failed. Two (2) Ayes, Six (6) Nays.

Original motion passed by unanimous consent.

j. Alaska Local Government Lost Revenue Relief Grant (ARPA funds)

Mr. Rogers presented packet pages 49-52, informing the Committee of additional Federal American Rescue Plan (ARP) Act funding coming to CBJ. Mr. Rogers reminded the Committee of the resolution passed in December to support the city's application to the state for the Local Government Lost Revenue Relief Grant Program. $50 million was distributed statewide through the allocation summarized on packet page 52. CBJ was granted $9.26 million in grant funds that will be recorded into the general fund to replace lost revenue.

Mr. Rogers answered committee questions.

The Committee requested specific information from staff on the local allocation of those funds with the intent to discuss again at the AFC meeting on March 12, 2022.

V. NEXT MEETING DATE

a. **March 12, 2022**

VI. ADJOURNMENT

The meeting was adjourned at 8:59pm.