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

I. CALL TO ORDER

The meeting was called to order at 6:00 pm by Carole Triem, Chair.

II. ROLL CALL

Committee Members Present Virtually: Chair Carole Triem; Mayor Beth Weldon; Maria Gladziszewski; Wáahlaal Gíidaak; Greg Smith; Christine Woll; Michelle Bonnet-Hale (*joined 6:07pm);* Alicia Hughes-Skandijs; Wade Bryson

Staff Members Present Virtually: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Jeff Rogers, Finance Director; Robert Palmer, City Attorney; Adrien Speegle, Budget Analyst; Jennifer Mannix, Risk Management Officer

Others Present Virtually: David Witthohn, Insight Investment Senior Portfolio Specialist; Jason Celente, Insight Investment Senior Portfolio Manager

III. APPROVAL OF MINUTES

The January 5th, 2022 minutes were approved as presented.

IV. AGENDA TOPICS

a. Investment Manager Report

Jeff Rogers, Finance Director, introduced David Witthohn and Jason Celente of Insight Investment (BNY Melon), CBJ's investment advisor since October 2019.

Together, they presented packet pages 8-54. Mr. Witthohn focused his presentation on "the pretext to strategy" by highlighting changing economics pre and in-pandemic and projections for 2022 and beyond. Mr. Celente focused on specific investment strategy in response to the current and projected economy.

Mr. Witthohn reviewed a summary of Q4 2021 on packet page 12. He further stated that the economy was "very robust" in Q4 2021 specifically highlighting the GDP (Gross Domestic Product) at a 6.9% year over year increase in Q4 alone. For context, before the pandemic, the ten year average GDP per year was about 1.9%. GDP growth is expected to slow down significantly overall and is projected to hover around 3.9% average in 2022.

Mr. Witthohn reviewed packet pages 13-14 which contain a chart comparing 2021-2022 economic growth drivers and a chart comparing fiscal and monetary impulses. He explained specific, projected effects of the lack of fiscal and monetary stimulus and reviewed policy changes that potentially created a significant “headwind” for the economy in 2022. Monetary stimuluses, including record low interest rates and “quantitative easing”, will likely stop by March 2022. While these changes will trigger a slowing economy, Insight projects that inflation will also slow in direct response.

Mr. Witthohn presented packet page 20 comparing Core PCE (Personal Consumption Expenditures), a measure of inflation, to CPI (Consumer Price Index). Mr. Witthohn emphasized that current levels of inflation (7%) have not been seen since 1982. Inflation rates are not expected to normalize until 2023.

Mr. Celente reminded the Committee that Insight manages a portion of CBJ’s funds ($167 million) in an Intermediate Term Portfolio. This portion of the portfolio is invested in fixed income or bonds instead of incoming and outgoing cash needs. Mr. Celente referenced the chart on packet page 28 to illustrate strategy behind the sources of return Insight attempts to generate on CBJ’s behalf.

Mr. Celente answered committee questions.

Mr. Celente presented packet page 27 to illustrate to the Committee that ESG (Environmental, Social, and corporate Governance) is already part of CBJ’s investment portfolio because it is part of Insight’s regular investment process. Mr. Celente reiterated that Insight is ready to further explore ESG data for deeper integration into the portfolio.

b. Insurance/Risk Update

Mr. Rogers introduced Jennifer Mannix, CBJ Risk Manager, and stated the reason for this particular insurance/risk update during the budget process is due to exponential rise in the cost of property/casualty insurance.

Ms. Mannix presented packet pages 55-74 beginning with a general overview of the insurance program and budgeted expenditures.

Packet page 59 illustrates that CBJ trended below the national average for cost of health claims last year. While costs may go up nationally, CBJ maintains the goal to stay below the national average each year.

Ms. Mannix specifically noted the surprising statistic that 2.1% of CBJ Premera members make up 48.3% of costs. Ms. Mannix highlighted the cost-saving success of the Health Yourself Wellness Program which directly assists employees with self-care as a form of effective prevention against the top five medical conditions costing CBJ each year (packet page 60). The hope is to expand resources and options for care especially for high risk/high cost employees.

Ms. Mannix stated that the property insurance premium for FY22 jumped an unexpected $1.4 million, and the per claim deductible has risen to $500,000. It is expected that Risk will exceed their budgeted amount in FY22 and that charges to Bartlett Regional Hospital (BRH), Juneau School District (JSD), and enterprise departments for participation in the property insurance program will rise significantly in FY23. Packet page 68 illustrates the claims that triggered a higher premium for CBJ in FY22.

Ms. Mannix answered committee questions.

Mr. Rogers clarified that JSD's property insurance costs will likely double and will have to be entirely absorbed by JSD as property insurance costs cannot legally be paid for outside of the education local funding cap.

The Committee recessed at 7:10 PM.
The Committee reconvened at 7:20 PM.

c. Real Estate Price Disclosure Amendments

Mr. Rogers presented the memo and ordinance on packet pages 75-79. He stated three recommendations from staff to the Assembly regarding real estate price disclosure and regulations surrounding the Board of Equalization (BOE).

First, staff requests that the Assembly repeal the confidentiality provision enacted under Ordinance 2020-47(am) with Ordinance 2022-13 on packet page 78. Prior to confidential disclosures, appellants were allowed access to all sales prices the Assessor's Office had archived. The imbalance of accessible information is not in the best interests of the appellant and created a sense of distrust between appellant and assessor.

Second, staff requests for a compliance mechanism on the disclosure requirements as over 500 sales have not been disclosed since the original amendment passed about 15 months ago. The Assessor's Office believes a monetary compliance mechanism (civil fine) is necessary for buyers to recognize the new law.

Third, staff requests the Assembly write into CBJ code a prescriptive process for the BOE. The memo on packet page 80 was written by former city attorney John Hartle (Hartle Memo) which gives the BOE only basic direction and significant discretion in each hearing. To illustrate, as it stands today, the BOE could be three of any combination of nine members and could elect a different presiding officer each time. This creates an inconsistent environment for hearings for various appellants to proceed very differently.

The Committee discussed staff requests. Mr. Rogers and Mr. Palmer answered committee questions.

Motion #1: by Mayor Weldon to move Ordinance 2022-13 to the full Assembly for public hearing.

Amendment: by Ms. Gladziszewski to change "Grantee" on line 16 of page 1 to "Buyer". Mr. Palmer noted that the wording should stay as it is and "Buyer" can be written in parenthesis as a clarification.

Amendment passed by unanimous consent.

Objection: by Ms. Woll for the purpose of a question.

Ms. Woll removed her objection.

Motion passed by unanimous consent.

Motion #2: by Mayor Weldon that the Assembly work on codifying the BOE standards and procedures.

Motion passed by unanimous consent.

d. FY22/FY23 Debt Service Fund

Mr. Rogers presented packet pages 95-96. He stated that as a result of the state reimbursing only 42% of eligible FY22 school bond debt, the Debt Service Fund has a shortage in FY22, as CBJ was planning for 50% reimbursement. Normally, as a result, a $257,750 general fund transfer would be required to make the Debt Service Fund whole again in the current fiscal year. Instead, Mr. Rogers proposed an alternative solution to have the Assembly direct staff to lapse the FY22 budgeted transfer of general funds to the Debt Service Fund totaling $2,546,600. Also, Mr. Rogers recommended that staff be directed to propose a budget for FY23 that retains the debt service mill rate of 1.20 and transfers general funds to the Debt Service Fund in the amount of the estimated fund balance shortfall.

Motion: by Mayor Weldon for the Assembly to direct staff to lapse the FY22 budgeted transfer of general funds to the Debt Service Fund totaling $2.5 million.

Motion passed by unanimous consent.

e. Airport GO Debt Payments

Mr. Rogers presented packet page 97 which summarizes the federal funds available to the airport including funds from the American Rescue Plan Act and the Coronavirus Aid, Relief, and Economic Security Act in the amount of $30,590,133. These funds are flexible and can be used to pay for a number of things including rent abatements and capital projects. In FY21 and FY22, the Assembly chose to require the airport to self-fund its general obligation (GO) debt service, saving the General Fund $1.3 million over both years. In FY23 and FY24, these funds can be used for the same purpose until their sunset date at the end of FY24, saving the General Fund an additional $1.3 million over both years.

Mr. Rogers recommended that the Assembly Finance Committee assign repayment of this general obligation bond debt to the airport in FY23 and FY24 to be reflected in their budget this April.

<u>Motion:</u> by Ms. Gladziszewski for the Committee to assign repayment of the GO bond debt to the Airport in FY23/24.

Motion passed by unanimous consent.

The Committee recessed at 8:10 PM.
The Committee reconvened at 8:15 PM.

f. Sales Tax on Food

Mr. Rogers presented the memo on packet page 98.

Mr. Rogers acknowledged that a decision about sales tax on food was not likely to happen that evening, but he implored the Committee to think about whether they, together, want to put the effort into pushing this project "across the finish line".

Mr. Rogers suggested that the data from 2018 in the packet is likely more accurate for future projections than any data from today because of the pandemic.

There was consensus amongst committee members that the Assembly does want to pursue this effort, as it aligns with their goals and priorities.

g. Hospital Bond Proceeds

Mr. Rogers presented packet pages 109-111. Ordinance 2021-08(b)(am)(X) would appropriate $20 million of bond proceeds for the planning, design, and construction of two projects on the BRH campus.

The ordinance would also deappropriate $4 million of BRH fund balance that was previously appropriated to partially fund the Crisis Stabilization project. The net effect is a shift of costs from BRH fund balance to bond proceeds, which preserves BRH fund balance for other uses.

<u>Motion:</u> by Mayor Weldon to move Ordinance 2021-08(b)(am(X) to full Assembly.

Motion passed by unanimous consent.

h. Celebration 2022 Request

Mr. Rogers presented packet pages 112-114. Ordinance 2021-08(b)(am)(Y) would appropriate $25,000 of general funds for a grant to Sealaska Heritage Institute to support the 2022 Celebration event. This request was omitted from the current fiscal year's budget due to uncertainty surrounding the pandemic, but Celebration is planned for June 2022. A request for the June 2024 Celebration event will be included in the FY24 budget.

<u>Motion:</u> by Mayor Weldon to move Ordinance 2021-08(b)(am)(Y) to the full assembly.

Motion passed by unanimous consent.

i. Eaglecrest Gondola

Assemblymember Bryson presented packet pages 115-116. Eaglecrest staff has identified a used gondola in Austria that can be purchased for $2 million; inclusive of the shipping to Juneau.

This ordinance would appropriate general funds for the purpose of purchasing the gondola and getting it delivered to Juneau. Once received, the gondola could not be installed until Eaglecrest secures additional funding for the necessary mountain improvements—including the base station, towers, and summit station—necessary to facilitate the installation, estimated to be an additional $4.5 million.

Assemblymember Bryson urged haste because CBJ is already in competition with a private company that could buy the gondola without having to go through public process.

The Committee discussed the ordinance. Several committee members expressed discomfort with the speed and general informality of the request.

<u>Motion:</u> by Mr. Bryson to introduce Ordinance 2021-08(b)(am)(Z) to the full Assembly February 7th, the Committee of the Whole on Feb 14th, and public testimony on February 28th.

<u>Objection:</u> by Mayor Weldon, Ms. Woll.

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

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

j. Info Only: FY23/24 Proposed Budget AFC Calendar

Mr. Rogers stated that the draft FY23/24 Proposed Budget AFC Calendar is for information purposes only, and an updated one will be provided to the Committee prior to the budget review process in April.

V. NEXT MEETING DATE

a. March 2, 2022

VI. SUPPLEMENTAL MATERIALS

a. Fund Balance Usage

Mr. Rogers stated that the Fund Balance Usage memo prepared by City Manager Rorie Watt is provided as information in advance of the Committee's future planned discussion on use of fund balance.

VII. ADJOURNMENT