City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, December 1, 2021

I. CALL TO ORDER

The meeting was called to order at 6:35 pm by Carole Triem, Chair.

II. ROLL CALL

Committee Members Present in Chambers: Chair Carole Triem; Mayor Beth Weldon; Maria Gladziszewski; Greg Smith; Christine Woll; Alicia Hughes-Skandijs; Wade Bryson

Committee Members Present Virtually: Wáahlaal Gíidaak (present for part of the meeting)

Committee Members Absent: Michelle Bonnet-Hale

Staff Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Adrien Speegle, Budget Analyst; Carl Uchytil, CBJ Port Director
Staff Members Present Virtually: Jeff Rogers, Finance Director; Robert Palmer, City Attorney
Others Present: Don Etheridge, Docks and Harbors Board Chair

III. APPROVAL OF MINUTES

The November 3, 2021 minutes were approved as presented.

IV. AGENDA TOPICS

a. Update on FY21/FY22/FY23

Jeff Rogers, Finance Director, presented an overview of the last fiscal year, the current fiscal year, and the upcoming fiscal year on packet pages 22-29, and the accompanying memos on packet pages 14-21.

Mr. Rogers reviewed the changes that occurred in FY21 since the adopted budget, which included $11.5 million in supplemental appropriations, $1.8 million in additional revenue, and $6.7 million in expenditure authority lapses. These changes combined resulted in a $1.9 million surplus at the end of the fiscal year, which was down from the anticipated $5.0 million surplus in the FY21 adopted budget. The unrestricted General Fund balance increased from $25.6 million to $27.5 million.

The major changes to revenue in FY21 included $1 million less in sales tax collection, $1.2 million in lost user fees and charges for services, $3.1 million additional use of federal CARES Act funding for core city services and a Transit grant, and $2.9 million application of federal American Rescue Plan Act (ARPA) funding for the replacement of lost revenue.

The major changes to expenditures in FY21 included a $5.9 million transfer of general funds to the Debt Service Fund as a result of not receiving reimbursement for school bond debt from the State of Alaska, $4.9 million in supplemental community grants, and a $6.7 million expenditure authority lapse. Nearly half of the expenditure lapse was unspent personnel service authority from CBJ facility closures and staff being substantially diverted due to the pandemic, which federal stimulus funding paid for.

Mr. Rogers reviewed the actual and anticipated changes in FY22 since the adopted budget on packet pages 15 and 24. The changes include $10.7 million in supplemental appropriations, $14.3 million in additional revenue, and $1.5 million in expenditure authority lapse. These changes combined are projected to result in a $26,000 surplus at the end of the fiscal year. The unrestricted General Fund balance is projected to remain flat at $27.5 million.

The major revenue changes include an additional $3.4 million in anticipated sales tax receipts based on a strong first quarter and the continuous rise of remote sales tax collections. Additionally, $11.9 million in ARPA funds were received from the State of Alaska to help replace lost state marine passenger fee revenue. The major expenditure changes include $5.5 million for the Statter Harbor Phase IIIC and Seawalk capital improvement projects and $2.8 million for the purchase of the Juneau Fisheries Terminal from the University of Southeast Alaska (UAS), which are both still pending final Assembly consideration. Additionally, $1 million was appropriated for Emergency Operation Center costs in FY22 to fund CBJ's continued response to the pandemic.

Assemblymember Woll asked about allocation of funds from Resolution 2972 adopted earlier in the evening during the Special Assembly meeting. The State allocated funds to the Local Government Lost Revenue Relief Program from their allocation of federal ARPA funds. The resolution authorizes the Manager to execute any necessary grant agreement with the State for the City and Borough of Juneau to receive this additional American Rescue Plan Act funding. Adrien Speegle, Budget Analyst, clarified that $50M is appropriated to the program, but final allocation of funding for local municipalities has not yet been released. Mr.

Rogers speculated that CBJ's allocation could be in the range of $5 million depending on other communities' eligibility. However, it could be more since Juneau did experience greater hardship than other communities due to the severe impact of the pandemic on Juneau's cruise ship season. Ms. Speegle stated per staff calculations, CBJ experienced an approximate 12.7% revenue loss through December 31, 2020, which amounts to about $34 million.

Mr. Rogers presented preliminary information to the Assembly relating to FY23 on packet page 17.

Per conversations with the Cruise Line Industry Association (CLIA), there is capacity for 1.5 million cruise passengers to come to Juneau in the summer of 2022. CLIA did clarify that they will be sailing at a reduced capacity of 5-10% to account for COVID safety. As a comparison, this past summer, ships sailed at a range of capacities between 35-85%. Mr. Rogers and Rorie Watt, City Manager, are taking a conservative approach to these estimates and advised the Assembly that at this time, a 1.15 million passenger estimate will be used for FY23 budget planning purposes.

(Assemblymember Wáahlaal Gíidaak signed off zoom at 7:12pm and was unable to rejoin the meeting.)

Mr. Rogers stated that no additional federal relief funds are anticipated in FY23, which means the CBJ budget must be balanced principally by municipal revenues. However, the federal Infrastructure Investment and Jobs Act was signed into law, potentially bringing billions to Alaska. It is unknown what allocation of funds will come to Juneau, but early indications are that these funds will require a 20% local match.

Mr. Rogers stated that CBJ will see inflationary cost growth through the end of the current fiscal year and into FY23. CBJ should expect to see costs rise across the board, especially in relation to labor shortages that will drive up the cost of professional services (architects, engineers, etc.) and non-professional services (custodial, shipping/freight, transit/logistics, etc.). Mr. Rogers stated that it's likely too early to predict the impacts on the FY23 budget, but higher costs will require additional general funds or service reductions.

Mr. Rogers notified the Assembly that CBJ is entering into negotiations with its three labor unions starting in December or January. These negotiations could include significant wage increases as a result of the labor shortage and the impact of inflation on consumer's buying power. These potential increases have not been included in projections for the FY23 budget.

Mr. Rogers stated that the Finance Department is trying to better understand why projections for sales tax have consistently been below actual returns. It's possible that the department may be under appreciating inflation. Mr. Rogers prepared a calculation that considers cruise ship passenger numbers and the impact of inflation over time in relation to sales tax receipts. Prices will rise as inflation increases and, while it's easy to think that consumption will drop as prices rise that may not be the case in terms of summer visitation in Juneau. Presumably, each visitor will continue to purchase goods, services, and attractions that cost more, generating additional sales tax as a percentage of cost of goods and services sold.

Mr. Rogers noted that ultimately sales tax will go up with inflation even as supply costs rise. The only reason that CBJ would think that sales tax would go down is because of economic contraction or a reduction in wages. Currently, there is no reason to think that will occur.

CBJ plans to use a 2.5% property valuation growth rate for planning purposes in the FY23 budget until the Assessor finalizes the 2022 assessments in March. The Finance Department will use 50% as an estimate for the amount of eligible school bond debt that will be reimbursed from the State in FY23. This number could fluctuate from 0% to 50%, as in FY20/21/22 the amount reimbursed was 50%, 0%, and 42% respectively. Mr. Rogers stated that it was hard to imagine that CBJ would receive more than 50% reimbursement.

Mr. Rogers noted that there is a lot of optimism around the state being able to fund lots of local community support projects and pay out a decent dividend with current elevated oil prices.

With preliminary projections of sales tax receipts and cost growth, the FY23 budget is currently estimated at a $2.1 million deficit without the consideration of negotiated wage increases.

Mr. Rogers stated that ultimately the unrestricted General Fund balance is at a healthy amount, and the next step for the Assembly could be to consider spending this balance down through investment in large capital improvement projects.

The committee recessed at 7:48 PM.
The committee reconvened at 8:00 PM.

b. Resolution Opposing a Statewide Sales Tax

Mr. Rogers presented the newest draft of Resolution 29XX opposing a statewide sales tax on packet page 30. This draft was workshopped by Mr. Rogers, Mayor Beth Weldon, Assemblymembers Hale and Smith.

Motion: by Mayor Weldon to move Resolution 29XX to the full Assembly.

Motion passed by unanimous consent.

c. Update: Status of Commercial Property Appeals

Mr. Rogers presented a table on packet page 32 listing the status of commercial property appeals in Juneau. In particular, he noted that there are 45 more complex appeals on which the Assessors' office is still working. Those may or may not go to the Board of Equalization (BOE) for consideration.

Mr. Rogers stated the commercial appeals process is complicated and has consumed a lot of resources for both CBJ and the appellants. At the time of the meeting, the BOE had not yet voted in favor of any appellant as the law clearly states that the burden of proof lies with the appellant. While compelling arguments were made, significant proof of incorrect assessment has not been proven. Mr. Rogers clarified that BOE meetings and appeals are unlikely to end until after the holidays in January. A more exact date of completion is not currently possible because only 10 appeals are heard each week.

Four cases are advancing to the Alaska Superior Court.

Mr. Rogers reminded the Assembly that CBJ's property assessment process is typical. The value of property will (likely) go up in price each year for various reasons and, under State law, the Assessor's office must try to assess each property at fair market value. The 50% increase to the assessed value of commercial land in 2021 is an attempt to correct these properties from being under-assessed for the last ten years. Mr. Rogers stated that he believes the previous city Assessor did not raise the value of commercial land for fear of lack of information.

Joe Casey, State Assessor, was on-boarded to give advice and review the Assessor's method for determination. Mr. Rogers expects a report this week from Mr. Casey. Marty McGee, former State Assessor, is not under contract with CBJ but he has been widely available to the City Assessor to answer any questions she has.

Mr. Rogers answered committee questions.

d. Purchase of 2.8 Acres from UAS (Ordinance 2021-08(b)(am)(P))

Mr. Rogers presented the ordinance on page 33-35 of the packet. The ordinance would appropriate $2.88 million of general funds for the purchase of approximately 35,000 square feet of uplands and two acres of tidelands from UAS. The short history is that Docks and Harbors leased this property from UAS to support commercial fisheries and commercial boat repair activity. The 33 year lease was negotiated at a "sweetheart deal" fixed market rate since CBJ had donated funds to UAS in the past. Continuation of the lease after expiration in May 2022 will result in significant increases in leasing costs to the Docks and Harbors enterprise which cannot be recovered through existing subleases, as UAS intends to lease at market rate.

Investment in the purchase of this property will reduce ongoing operating costs and alleviate pressure on Docks and Harbors user fees.

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

<u>Amendment #1:</u> by Mayor Weldon to split the cost of the property equally between general funds and Harbors funds.

<u>Objection:</u> by Ms. Woll, stating that she believes CBJ can afford to purchase the property with general funds without requiring the Harbors Department to increase rates.

The committee discussed the amendment.

Assemblymember Gladziszewski supported Mayor Weldon's amendment, stating that other communities pay for dock usage at a much higher rate than Juneau. Don Etheridge, Docks and Harbors Board Chair, stated that no matter what, dock rates are subject to increase, as the enterprise needs to recover more of their costs. He clarified that if Docks and Harbors must come up with $1.4 million dollars to help pay for the property, then nearly all of those funds would come from higher dock fees. He stated his concerns about the impact higher rates will have on dock patrons. Whatever increase this new property is going to bring may also affect other projects (new lighting, ramps, etc.).

Carl Uchityl, CBJ Port Director, clarified that the Dock Enterprise and the Harbors Enterprise are separate entities financially.

Mayor Weldon removed the original amendment.

Amendment #2: by Mayor Weldon to split the cost of the property $2 million from the General Fund and $880,000 from the Harbors Fund.

Objection: by Ms. Woll, reiterating the reasons for her previous objection.

Roll Call Vote:
Ayes: Smith, Gladziszewski, Weldon, Bryson, Triem
Nays: Hughes-Skandijs, Woll
Motion passed. Five (5) Ayes, Two (2) Nays.

V. NEXT MEETING DATE

a. **January 5, 2022**

VI. AJOURNMENT

The meeting was adjourned at 8:47pm.