City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, November 3, 2021

I. CALL TO ORDER

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

II. ROLL CALL

Committee Members Present in Chambers: Carole Triem, Chair; Wáahlaal Gíidaak; Greg Smith; Christine Woll; Michelle Bonnet-Hale; Alicia Hughes-Skandijs, Wade Bryson

Committee Members Present Virtually: Mayor Beth Weldon; Maria Gladziszewski

Committee Members Absent: None.

Staff Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Jeff Rogers, Finance Director; Adrien Speegle, Budget Analyst; Robert Palmer, City Attorney

Others Present: Jim Calvin, McKinley Research Group Vice President; Amy Skilbred, Juneau Community Foundation Executive Director; Mariya Lovishchuk, The Glory Hall Executive Director

III. APPROVAL OF MINUTES

The September 1, 2021 minutes were approved as presented.

IV. AGENDA TOPICS

a. COVID-19 Economic Impacts Report – McKinley Research Group

Jeff Rogers, Finance Director, directed the public and the Assembly to the updated *Impact of the COVID-19 Pandemic on Juneau's Economy* presentation in the meeting packet under "Supplemental Items" and introduced Jim Calvin, McKinley Research Group Vice President.

Mr. Calvin presented his research on the economic impacts of the pandemic to Juneau's economy.

<u>Employment</u>

Mr. Calvin presented a graph showing the monthly change in employment in 2020 relative to 2019. The graph shows no significant change in employment for January and February and depicts a 1% drop in employment in March of 2020. The pandemic effects are obvious starting in April with 16% (2800) fewer jobs and in May 21% (4000) fewer jobs. Through the rest of the summer and winter, the graph trended slightly better. However, at the end of the year, Juneau was roughly still 5-7% below (1000 jobs) pre-pandemic employment numbers.

Mr. Calvin presented a similar graph depicting job losses across the Southeast Alaska region. Juneau makes up roughly 40% of the regional economy so the data depicted comparable trends. However, as a region overall, other communities had sharper drops in employment in comparison to Juneau.

Mr. Calvin expects to see an inverse wave pattern persisting into the future with significant job losses reflected in both the spring and summer of 2020 and 2021, but with declining unemployment rates in the winter months. The biggest concern is whether or not there will be adequate labor to take advantage of record capacity cruise traffic in the summer of 2022. Even with pandemic uncertainties, Mr. Calvin is hopeful that the wave pattern will become less significant over time with the possibility of returning to pre-pandemic employment numbers in 2023.

Wages

Mr. Calvin presented another graph on wage data based on quarterly reports from the Department of Labor comparing 2019 to 2020. In the first quarter of 2020, Juneau was about 5% above 2019 reported wages. In the second quarter of 2020, Juneau's numbers were about 4% below the previous year. At its worst, in the third quarter of 2020 Juneau experienced an 11% decline over 2019, which amounts to about $30 million in lost wages. About $25 million of wages lost were in the private sector. Interestingly, in the fourth quarter of 2020, wages increased to 8% above 2019 levels in the same quarter. Government did account for most of that increase with some private sector exceptions, specifically in mining. Mr. Calvin remarked that this study highlighted that government is an important steadying influence in the Juneau economy. The most recent wage data in the first quarter of 2021 shows that Juneau is currently slightly above pre-pandemic numbers, but Mr. Calvin expects the second quarter will continue the trend into the negatives.

Mr. Calvin remarked that the loss in jobs being significantly higher (12%) than loss of wages (1%) could indicate that the jobs lost were lower paying jobs.

On packet page 101, Mr. Calvin compared the annual and summer changes in employment from 2019 to 2020 statewide. This graph highlighted that Southeast

Alaska was hit much harder than the rest of the state due to the large influence of cruise ship tourism.

Business Sales

On packet page 102, Mr. Calvin presented a graph detailing loss of business sales in 2020/2021 compared to 2019. Overall, slightly over $300 million business sales were lost in 2020 relative to 2019. The 2021 data shows that Juneau was 6% above pre-pandemic sales in the first quarter, but the second quarter loss, when Juneau would normally be seeing its first bump in cruise ship sales, was about $82 million. Mr. Calvin expects to see an estimated $200 million in losses by the end of 2021.

Mr. Calvin clarified that the research does not show how many businesses actually went out of business since some businesses could have stopped sales without shutting down entirely. He also remarked that Juneau's businesses "are not out of the woods" yet since in the winter of 2020 federal relief funds were widely available to support local businesses and households, which are not likely to be available in the winter of 2021.

The graph on packet page 103 details the loss in gross sales across several types of businesses in Juneau. In summary, tour providers were hit the hardest, losing 95% of sales while the construction industry increased $35 million in comparison to 2019. Total business sales were down approximately $304 million in 2020 (-12%) and were concentrated in the sectors most impacted by cruise ship visitation. The impacts of the pandemic on Juneau's economy could have been much worse if it wasn't for the significant amount of federal relief funding infused into the economy. Mr. Calvin remarked that 2021 will continue to see more federal stimulus to offset the impact of the pandemic, but at reduced levels from 2020.

Mr. Rogers directed the Assembly to packet page 60, page 38 of the McKinley report that contains a complete list of relief funds that came through CBJ.

Unemployment Insurance Payments

On packet page 106, Mr. Calvin showed a graph detailing Unemployment Insurance payments to Juneau residents by month from January 2019 to July 2021. In total, $2 million in unemployment insurance was paid in 2019 compared to $28 million in 2020.

Mr. Calvin directed the Assembly to packet page 58, page 36 of the McKinley report and stated that tribal governments in Alaska received over $23 million from the Coronavirus Relief Fund (CRF) and also received additional federal relief through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) in 2021.

<u>Other Indicators</u>

Mr. Calvin noted Juneau's slow 4% decline in population since 2015 is likely to continue in 2021 since outmigration is outpacing in-migration.

In summary, Mr. Calvin noted the primary concern in the coming years will be labor shortages. Many businesses have had trouble finding skilled labor and it is likely that employment this past year would have been much higher had businesses been able to satisfy their labor needs. It's likely that businesses will continue to have difficulty finding employees at affordable cost since they will have to attract non-resident workers (a third of Juneau's summer labor force) at higher cost. Also, Juneau residents continue to feel sidelined and frustrated with infrastructure because of the added difficulties of finding childcare while attempting to reenter the labor force.

Cruise ship traffic is most likely to affect the wave function seen in Juneau's employment picture over the next couple years. Whether the ships are full, whether passengers have disposable income, and whether the businesses that serve those visitors can fully meet the demand with adequate staffing remains to be seen.

Mr. Calvin answered committee questions.

Assemblymember Hale updated the Committee on the most recent Juneau Economic Development Council (JEDC) meeting relating to the discussion with the Juneau Chamber of Commerce. The Chamber and the JEDC are working together to get $800,000 of additional relief funds out to businesses in some form or another. There is also a discussion of reallocating some of the American Rescue Plan Act (ARPA) funds that "missed the target for businesses" because of stringent criteria. Additional funding is available at the State level, but the State is currently undecided on how to disperse these funds.

Mr. Calvin remarked on some issues outside of the pandemic that have impacted Juneau labor shortages. Notably, the cost of housing was and continues to be a key issue for attracting outside workers to come to Juneau as a business can only compensate so much with higher wages. He is not sure local government can do anything to mitigate this problem as there is already a tremendous amount of effort placed on addressing housing in general. Also, whatever the community can do to provide quality and affordable childcare to get parents into the labor force will help.

Mr. Rogers reminded the Committee that a contract with McKinley Research Group is in place to update the Juneau Economic Plan.

b. CBJ Social Service Grant Funding

Mr. Rogers presented a memo on packet page 63 summarizing the details of the $300,000 grant request from The Glory Hall and the questions the Committee faces in response. Packet page 64 reflects a table provided by the Juneau Community Foundation of funds distributed from 2017 to 2021, both from the CBJ Social Service Grant Program and the Juneau Hope Endowment Fund, which are managed side-by-side.

Amy Skilbred, Juneau Community Foundation (JCF) Executive Director, and Mariya Lovishchuk, The Glory Hall Executive Director, were introduced via Zoom for questions.

Ms. Skilbred clarified that grant awards from the Juneau Hope Endowment Fund have a disbursement deadline of March each year, creating a timing difference from when funds from CBJ's Social Service Grant Program are available, as the Assembly doesn't appropriate these funds until the city budget has been adopted in June. Decisions about grant amounts are made in early spring, before the JCF knows the exact amount available for the CBJ Social Service Grant Program. As a result of this timing difference, the grant agreement states that the CBJ portion of the award is subject to appropriation and will be disbursed at a later time than the endowment awards. The Glory Hall's request for additional funding was approved by the JCF in spring, but was inadvertently omitted from the JCF's request for funding from CBJ during the annual budget process.

Ms. Hale clarified that the original $150,000 grant request mentioned in the verbatim transcription on packet page 65 was supposed to be part of the JCF's annual request for funding from CBJ. However, it fell through the cracks because of COVID-19. As a result, the JCF has covered The Glory Hall's 2021 $150,000 request with a grant received from Norwegian Cruise Line. The Glory Hall is still requesting $150,000 in 2022 for sheltering operations. In the future, JCF will address any additional funding requests as part of the annual budget process.

<u>Motion:</u> by Assemblymember Gladziszewski to fund The Glory Hall's $150,000 request in FY22, and in the future address this request through the JCF grant process.

Motion passed by unanimous consent.

Ms. Hale and Ms. Gladziszewski both expressed concern at the timing of when funds are requested by the JCF and approved in the budget process and whether an alternate process should be determined.

Mr. Rogers clarified that in the past the JCF did not need to request funding when they were getting the same amount of money every year, but when there was an expectation of a different amount of money, it became necessary for the JCF to ask for a different sum.

Mr. Rogers explained that the normal fund request process could still be effective. In January, February, or March, Ms. Skilbred would send the Assembly a request for funding to be placed on the pending list. Then, the Committee would make a decision. If the JCF needed a decision in early April, it could be accommodated earlier in the budget process. If there was an interest to make that decision even earlier, the JCF could make a separate, direct request to the Assembly.

Ms. Skilbred answered committee questions.

The committee recessed at 7:12 PM.
The committee reconvened at 7:22 PM.

c. Bartlett Regional Hospital Bonding

Mr. Rogers presented a memo on packet page 76, stating that as part of its campus development efforts, Bartlett Regional Hospital's (BRH) Board is contemplating debt issuance. The BRH Board would like to pursue a bond rather than use hospital fund balance in order to maintain six months' worth of operating reserves at any given time. Additionally, their fund balance is generating interest revenue that would be reduced with a lower cash balance.

At the recommendation of Mr. Rogers, BRH is seeking tax-exempt debt financing on eligible projects including the Emergency Department Addition and Renovation CIP and the Crisis Stabilization Center/Behavioral Health Facility CIP that are already underway. The debt financing would take the form of a revenue bond, which pledges only hospital revenue as the source of repayment. Since the debt would not be a general obligation bond, it would not implicate CBJ general revenues and would not require a public vote to issue. Mr. Rogers stated that he engaged with a financial advisor who determined that a bond issued through the Alaska Municipal Bond Bank Authority (AMBBA) would result in lower interest costs and lower overall cost over the life of the debt.

The BRH Board of Directors already approved the $20 million debt issuance in late September.

BRH Board President Kenny Solomon Gross and BRH Chief Financial Officer Kevin Benson were available via Zoom for questions.

Motion: by Ms. Hale to direct staff to make application to AMBBA and draft and introduce a bond ordinance for $20 million of revenue debt after the BRH Board of Directors has formally approved the debt issuance.

Objection: by Mayor Beth Weldon for the purpose of a question, stating that her understanding was that the BRH Board had already approved the debt issuance.

Mr. Rogers clarified that the BRH Board of Directors did already formally approve the $20 million revenue bond.

Amendment: by Ms. Hale to direct staff to make application to the AMBBA and draft and introduce a bond ordinance for $20 million of revenue debt.

Mayor Weldon removed her objection.

Motion passed by unanimous consent.

d. Statewide Sales Tax Position

Rorie Watt, City Manager, presented a draft resolution on packet page 78 opposing a statewide sales tax.

Mr. Watt stated that historically CBJ has stayed out of specific advocacy at the legislative level with regard to the state fiscal plan. Therefore, the long term approach has been to advocate broadly and not specifically. However, it became clear the legislature may be leaning towards a statewide sales tax which may not be in Juneau's best interests. Mr. Watt stated he believes it's appropriate at this time to debate whether CBJ should formally oppose a statewide sales tax, for a number of reasons.

Mr. Watt stated that sales tax has long been the domain of municipal governments as a revenue source. It has not been a State source. Adding a statewide sales tax on top of local sales tax will drive the overall Juneau sales tax rate up and directly impact local businesses. It's likely once a statewide sales tax is in place, it will increase over time putting pressure on the overall sales tax rate, which could result in the municipality potentially cutting public services or raise property taxes as the main source of municipal revenue. Mr. Watt stated that he believes it's important to have this discussion now before attending the Alaska Municipal League (AML) conference later in the month.

Ms. Hale distributed copies of a 2019 resolution from the Aleutian's East Borough (supplemental item on packet page 110). Ms. Hale stated that the resolution is similar to the draft resolution on packet page 78 as it expresses the difficulty of a statewide sales tax on top of local sales taxes. It also informs and advocates for a progressive income tax rather than a statewide sales tax. Ms. Hale commented on the value of East Borough's resolution aiming for positive action rather than negative opposition. Ms. Hale stated that Juneau could work with other municipalities in the future so there is a larger united front opposing a statewide sales tax.

The Committee discussed CBJ specifically opposing a statewide sales tax.

Chair Triem asked the Committee and, specifically, Ms. Hale what they think CBJ could positively suggest in lieu of a statewide sales tax. Ms. Triem was hesitant to suggest something like an income tax as seen in the East Borough resolution stating that a complete change in policy may be "out of the wheelhouse" of the Assembly.

Ms. Hale countered by suggesting an income tax would be within the Assembly's purview citing the Committee talks about cost shifting from reduced state revenue sharing and overall municipal support. Ms. Hale stated that she is leaning toward suggesting an income tax with full understanding that it would be suggested through a resolution with no real legal weight.

Mr. Rogers suggested that a small group of Assemblymembers convene to workshop the resolution to complete a draft before the AML conference in mid-November.

<u>Motion:</u> by Ms. Gladziszewski that a group of three named by the Mayor (Assemblymember Smith, Ms. Hale, Mayor Weldon) work on the resolution to bring it back in front of the Assembly Finance Committee (AFC) or the Committee of the Whole (COW).

Motion passed by unanimous consent.

e. Repeal of On-Board Cruise Ship Sales Tax Exemption (Ordinance 2020-48)

Mr. Watt presented packet pages 84-87 containing an ordinance and an associated amendment repealing the current exemption on the taxation of goods and services aboard cruise ships under CBJ Code 69.05.040. Mr. Watt reminded the Committee that this topic was discussed in late 2020 but was de-railed by COVID-19.

Mr. Watt stated that he has been in contact with the Juneau Chamber of Commerce and the Cruise Line Industry Association (CLIA) about repealing the onboard sales tax exemption. CLIA reportedly understands and expects the repeal. In broad context of all the things happening with sales tax and the Remote Seller

Sales Tax Commission, repealing the exemption makes CBJ's sales tax code more uniform.

Mayor Weldon prepared an amendment on packet page 87 addressing the main concerns to which CLIA objected to. The amendment would only require sales tax to be applied within the Gastineau Channel. If a ship is transitioning through borough waters without stopping in port, also referred to as "innocent passage", sales tax would not be charged.

Mr. Rogers clarified that we do not know the percentage of sales that actually occur within the Gastineau Channel. With a detailed analysis of sales with specific times listed, it's possible that an educated guess could be made.

Robert Palmer, City Attorney, was available for questions and offered help in drafting a more expansive ordinance with clarifying language for borough boundaries.

Mayor Weldon clarified that they verified with CLIA having a landmark as the boundary is much easier than tracking latitude/longitude.

Mr. Rogers clarified that each cruise ship is required to report their exempt sales in each borough boundary. The list of exempt sales includes beverage sales, spa services, gift items, artwork, etc. Mr. Rogers guessed that the afternoon and evening hours before the ship departs contain the bulk of the revenue (ie. specialty dining in the evening, alcohol, etc). Mr. Rogers also clarified about how CBJ taxes tours. In short, CBJ taxes the portion of any tour price that is paid to a local tour vendor and does not currently tax the portion that is retained by the cruise line as a commission. As it stands today, no other community in Southeast Alaska taxes sales aboard cruise ships. However, other communities in the United States, like Miami, do tax onboard cruise ship sales.

Assemblymember Hughes-Skandijs expressed concern over creating a sales tax boundary in Gastineau Channel within the borough boundary and the "gray areas" that it may create. As an example, she spoke of tour companies that operate within the borough boundary but outside of Gastineau Channel for which tours may be sold on the ship within the Gastineau boundary. Ms. Hughes-Skandijs asked if it might be easier to establish the tax boundary at the borough boundary with an innocent passage clause included to clearly exclude ships that will not port in Juneau.

Assemblymember Bryson had questions about collecting alcohol tax and sales tax concurrently.

Mr. Rogers clarified that currently CBJ does not collect alcohol tax from sales on cruise ships. If the ordinance were to be adopted, then there would likely also need to be a clause in CBJ's code clarifying whether alcohol tax will be collected aboard cruise ships. Mr. Rogers stated that CBJ would almost certainly move toward a posture where, if a tour is sold within the borough boundary, the commission amount is taxable in addition to the amount that is paid to a local vendor. The law would then compel CBJ to require cruise ships to tax the commission portion as well, if the tour is sold inside the borough.

Mr. Rogers also clarified that if the Assembly passes the proposed amendment in the packet, CBJ would then require each ship to report both their exempt sales within the borough boundary and their taxable sales within the Gastineau Channel.

<u>Motion:</u> by Mayor Weldon to incorporate the amendment on packet page 87 into Ordinance 2020-48.

<u>Objection:</u> by Ms. Hughes-Skandijs.

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

Motion Passes. Eight (8) Ayes, One (1) Nay.

<u>Motion:</u> by Mayor Weldon to move Ordinance 2020-48, as amended, to the full Assembly.

Motion passed by unanimous consent.

The committee recessed at 8:41 PM.
The committee reconvened at 8:51 PM.

f. ARPA Funds for Lost Commercial Passenger Vessel Fees

Mr. Watt presented the memo on packet pages 89-90 regarding the allocation of $12 million in ARPA funds as hold-harmless payments for lost commercial passenger vessel (CPV) fee revenue over the past two fiscal years. Unlike typical passenger fees, these funds are not restricted to the requirements of the CLIAA settlement. Updates to the forecast revenue that eliminated negative passenger fund balance left approximately $10.5 million in unallocated passenger fees available through the end of the current fiscal year. The original recommendation was to appropriate $8.4 million for the purposes described in the table on packet page 90, leaving $2.1 million in fund balance to focus on waterfront projects.

Mr. Watt stated that upon clarified guidance from the State and the legislature that these funds should be treated as unrestricted, he has revised his initial recommendations for allocation of the funds.

Mr. Watt stated that instead of $8.4 million allocated for the purposes detailed in the table on packet page 90, he is instead recommending $3 million for Statter Harbor Phase IIIC (no change from the original recommendation) and $2.5 million for the Seawalk project (a reduction of $900,000 from the original recommendation). $1 million to replenish Docks & Harbors' fund balance and $1 million for the Seawalk Safety Rail project were removed from his recommendation.

Mr. Watt clarified that the Statter Harbor Phase IIIC project requires a $3 million match of non-passenger fee funding per a commitment with the cruise line indsutry.

The Committee discussed the memo and modified recommendations.

Motion: by Mayor Weldon to introduce an appropriating ordinance to the Assembly for $5.5 million of ARPA/CPV funds split $3 million for the Statter Harbor Phase IIIC project and $2.5 million for the Seawalk project.

Objection: by Ms. Gladziszewski, stating that she would like to discuss other funding options for the Seawalk, as this project is eligible to be covered by passenger fee revenue, rather than using unrestricted funds that could otherwise be used for general government infrastructure improvement.

Mr. Rogers clarified that the Finance Department does need some direction or sense of whether the ARPA funds should be deposited into the General Fund and appropriated from the General Fund or whether it should be deposited into a Passenger Fee Fund and then transferred to the General Fund for other purposes.

The Committee indicated that the funds should be treated as general funds.

Amendment: by Ms. Gladziszewski to leave the $3 million for the Statter Harbor Phase IIIC project but reduce the Seawalk project funding to $1 million and discuss the capital projects more at the next Public Works and Facilities Committee meeting.

Mr. Watt stated the Seawalk project cannot move forward with only $1 million, and that a minimum of $2.5 million is required. However, the funding source of this project could be adjusted as CBJ gets a clearer idea of what FY23 cruise visitation might look like.

Ms. Gladziszewski removed her objection and her amendment.

Motion passed by unanimous consent.

g. FY2022 Supplemental Appropriation for Plat Reviewer

Mr. Rogers presented the memo on packet pages 91-92 regarding a request for funding from the Community Development Department (CDD) for a Planner II (Plat Reviewer) position. $70,000 is roughly six months of the cost of a fully benefitted Plat Reviewer position. If endorsed, CBJ would recruit and hire a Plat Reviewer this fiscal year and funding for the position would be included in the Manager's proposed budget for FY23.

Mr. Watt clarified the purpose of hiring a new Plat Reviewer is to improve CBJ's permitting process.

Motion: by Mayor Weldon to move Ordinance 2021-08(b)(am)(J) to the Assembly for public hearing.

Motion passed by unanimous consent.

V. NEXT MEETING DATE

a. December 1, 2021

VI. AJOURNMENT

The meeting was adjourned at 8:14pm.