City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, August 18, 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: Carole Triem, Chair; Mayor Beth Weldon; Greg Smith; Wade Bryson; Maria Gladziszewski; Christine Woll; Michelle Bonnet-Hale; Alicia Hughes-Skandijs

Committee Members Participating Virtually: Loren Jones

Committee Members Absent: None

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

Others Present: None

III. APPROVAL OF MINUTES

The June 2, 2021 minutes were approved as presented.

IV. AGENDA TOPICS

a. Incentive for Online Filing of Sales/Hotel Taxes (Ordinance 2021-29)

Jeff Rogers, Finance Director, presented to the Committee a short, step-by-step video guide (created by Amanda Judy with CBJ) for how to file sales/hotel taxes online. Mr. Rogers noted that additional educational materials for online filing are available on packet pages 10-28 and on CBJ's Sales Tax website.

Mr. Rogers presented additional information not addressed in the memo on packet page 6. He stated that about 1,000 merchants filed online at the end of the last filing period, which includes both monthly and quarterly filers. Mr. Rogers stated that the City Manager will sign a contract amendment to remove the $1.00 ACH fee for filing online.

<u>Motion #1:</u> by Mr. Bryson to amend Ordinance 2021-29 by proposing a flat $30 monthly and $60 quarterly discount incentive for timely online filing instead of the sliding scale discount detailed in Ordinance 2021-29 on packet page 8.

The Committee discussed the amendment.

Mr. Bryson clarified that his amendment was an effort to "level the playing field" for both large and small businesses. To illustrate his point, as the ordinance is currently written, a large business that makes over $100,000/month would receive a $50/month discount for filing timely online while a smaller business making less than $20,000/month may only receive a $10/month discount depending on sales. He states that if the incentive is $30 across the board for monthly, and $60 for quarterly, then each company no matter the size or volume of sales, would receive the same monetary incentive for about the same cost to the city as the current proposed incentive.

Ms. Gladziszewski asked for clarification on the mechanics of when and how the incentive credit would apply to tax payers. Mr. Rogers clarified that the city prefers monthly filing and remittance and that tax payers could elect to change from annual filing to monthly filing in the interest of capturing a greater discount.

Ms. Hale implored staff and the Committee to refocus on the purpose of the original ordinance which was, simply, to provide an incentive to encourage online filing in the hopes that most tax filers may transition away from paper filing. She stated that before making any amendments to the ordinance under consideration, she would like more information about the cost to the city of changing the incentive amount.

Mr. Bryson clarified that he believed this was the appropriate time to propose a change to the incentive amount while the Committee was considering the ordinance, however if the Committee requires more information, he is comfortable continuing the discussion at a future meeting

Mr. Bryson withdrew his amendment and requested it as an agenda item at the next Assembly Finance Committee (AFC) meeting.

<u>Motion #2:</u> by Mayor Weldon to amend the ordinance to keep the $50 monthly and $100 quarterly timely filing discount, and implement a $75 monthly and $150 quarterly discount for timely online filing.

<u>Objection:</u> by Ms. Hale, who stated that she felt this amendment did not serve the purpose of incentivizing businesses to file their sales taxes online.

Mayor Weldon clarified that this amendment is in response to her convictions that the city should not penalize merchants for an online system that is "clunky" and does not work well.

Mr. Rogers clarified that the online software filing system has already been "upgraded" under an $800,000 contract with Govern. There will be no further updates in the near future under the current contract and system. He also stated purchasing an alternative online sales tax filing system (ex. MUNIRevs) is entirely possible, but he warned the Committee that it would be costly, in the range of 1% of total taxes collected, estimated to be $500,000 annually for CBJ.

Ms. Gladziszewski stated that she is comfortable keeping an incentive to file on-time, but filing online should be priority.

Roll Call Vote:
Ayes: Weldon, Jones, Smith
Nays: Hale, Hughes-Skandijs, Woll, Gladziszewski, Bryson, Triem

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

Motion #3: by Mr. Smith to keep Ordinance 2021-29 on the agenda for the next AFC meeting.

Motion passed by unanimous consent.

b. Amendment to the Sales Tax Code Regarding Taxability of Services (Ordinance 2021-30)

Mr. Rogers summarized Ordinance 2021-30 which states that under the Uniform Remote Sales Tax Code, services are always taxable at their destination of delivery. The way that Juneau's local sales tax code is currently written allows for services performed inside CBJ but delivered outside of CBJ to be taxed. Ordinance 2021-30 corrects this, establishing that services will only be taxed at their point of delivery which effectively exempts some services from taxation, and brings CBJ's local sales tax code in alignment with the Uniform Remote Sales Tax Code.

Mr. Rogers clarified that the Sales Tax Commission expects that member communities will do what is necessary to align local code with uniform code. Some Alaska communities, such as Wasilla, have already passed similar legislation to correct their local sales tax code. Many other communities are actively working in this direction.

Motion: by Mayor Weldon to move Ordinance 2021-30 to the full Assembly for public hearing and asked for unanimous consent.

Motion passed by unanimous consent.

c. 2021 Property Tax Payment Installments (2021-37)

Mr. Rogers summarized Ordinance 2021-37 on packet page 33. The base of this ordinance is that it would require all property tax payers to remit 80% of their taxes by the typical deadline on September 30th and the remaining 20% at the end of the year, December 31st. For each of those installments, penalties would not accrue until the day after the respective due dates. This would be a onetime ordinance for the 2021 tax year.

Mayor Weldon clarified that these changes are in response to the feedback from the community that this past year has been particularly difficult on property owners in Juneau. Also, with the Board of Equalization (BOE) hearings still ongoing, the new tax collection schedule will allow for community members who are appealing their property assessments to attend their hearings before paying their full property taxes due.

Mr. Palmer clarified city property assessments are entirely based on state law. The Assessor's office strives to assess each property at its full and true value as mandated by state law. If tax payers wish to challenge the city, they may appeal to the Assessor's office which may lead to BOE hearings depending on information provided by the appellant. The process is meant to stay entirely within a judiciary realm. The Assembly is not allowed to direct the Assessor to assess any property at a prior year's assessment. The Assembly is empowered to allow property tax payments to be paid in two installments, which is the intent of Ordinance 2021-37. The Assembly can also order re-evaluations of property values, but the Assembly cannot dictate what the evaluation should be or what the Assessor should consider in that process. Mr. Palmer clarified that he is not suggesting that an entire re-evaluation is appropriate since there is a clear appeals process in place. Also, a re-evaluation this late in the year may create more chaos and confusion as property taxes are due at the end of September, and may cause tax payers fiscal uncertainty. He explained that any re-evaluation may cause tax payers to pay taxes due on their current assessed property under protest on September 30th, and then, very likely, a higher property tax after re-evaluation based on assessor data.

Mr. Rogers briefly summarized the appeals process with the Assessor's office. Mr. Rogers also stated that all residential appeals have been resolved. At the time of the meeting, there were 170 commercial appeals outstanding, but it is unclear how many appeals would go to the BOE. Therefore, it is unclear when the appeals process will end.

Mr. Rogers reminded the Committee that the city does not normally get this many commercial appeals. The volume of appeals is a direct result of commercial land being under-assessed for the last decade, and the assessor implementing a 50% increase in assessed value in 2021 to correct this under-assessment.

Motion: **by Ms. Gladziszewski to move Ordinance 2021-37 to the full Assembly for public hearing.**

Motion passed by unanimous consent.

d. Authorization of Reimbursement for Bond Funded Projects (Resolution 2963)

Mr. Rogers presented the memo and resolution on packet pages 37-41 and explained some history behind the concept of bond funded projects.

Bartlett Regional Hospital (BRH) is considering buying property adjacent to its campus and has considered using bond proceeds to do so. Once purchased, a portion of the property would be leased back to a physician's office. Per the IRS, if purchased with bond proceeds, the lease-back causes the bond to be taxable instead of tax exempt, making the debt more expensive. Instead, Mr. Rogers counselled BRH to fund other capital projects with bond proceeds, and purchase this property with cash, which would be a lower cost option.

This proposal creates one complication. BRH's current capital improvement projects, including the Crisis Stabilization Center, are already underway. The IRS does not allow tax exempt bond financing for governments to be used for expenditures that have already been incurred unless the local jurisdiction takes action to declare that those expenditures may someday be paid by bonds. Therefore, this resolution empowers the City Manager or Finance Director to sign a certificate declaring that select BRH capital improvement expenditures may someday be paid for by bonds. Mr. Rogers clarified that these expenditures do not have to be paid by bonds and this resolution does not authorize any project. The Assembly still holds authority over appropriation of capital projects and bond funding over debt issuance.

The Committee discussed the resolution and asked clarifying questions.

Mr. Rogers clarified that revenue bonds do not require voter approval at the ballot because they do not obligate general tax revenues. When a revenue bond is issued, specific revenues are pledged that are due to the city over a period of time. In this particular case, this revenue bond for the hospital would only pledge hospital revenues. Therefore, CBJ could default on the bond, if the hospital were to go bankrupt, without it affecting CBJ coffers. He also clarified that CBJ never wants to default on a revenue bond or a general obligation bond, but the legal obligation of the voters on a revenue bond is different because it does not expose the treasury.

Motion: by Mayor Weldon to move Resolution 2963 to the full Assembly and asked for unanimous consent.

Motion passed by unanimous consent.

e. Passenger Fee Projection (Information Only)

Mr. Rogers updated the Committee on revised passenger fee revenue expectations for FY22. At the time of budget development, CBJ was not anticipating any large cruise ship tourism in the summer of 2021. Since the budget was adopted, 100,000 passengers are now expected to visit Juneau in the July – September, 2021 period. The arrival of these passengers will generate an additional $800,000 in passenger fee revenue in FY22.

Mr. Rogers stated that the State of Alaska's hold-harmless provision for lost revenue went into effect, allocating an additional $5.9 million in State Marine Passenger Fee revenue to CBJ in both FY21 and FY22. This hold-harmless provision is funded by the American Rescue Plan Act federal stimulus package, and therefore use of the funds are not held to the same legal requirements as passenger fee revenue is (as outlined by the Cruise Line Industry Association legal settlement).

With these updates to forecast revenue, the issue of negative passenger fee fund balance is resolved. Mr. Rogers stated that the purpose of this update was to inform the Committee that approximately $10 million is now available for appropriation to capital improvement projects of the Assembly's choosing.

f. New City Hall Financing (Information Only)

Mr. Rogers presented the memo on packet page 45 which details calculations from early 2019 when the Assembly was first considering investing in a new city hall. The Public Works and Facilities Committee (PWFC) has taken up consideration of this topic again, and Mr. Rogers suggested that the AFC review the financing options for this project. The calculations detailed in the memo can be updated at any time by request of the Committee.

Mr. Rogers summarized that CBJ already spends a little more than $1 million annually on lease costs and building maintenance of the current city hall that could instead be spent on debt payments for a new city hall.

Ms. Hale updated the Committee on the PWFC agenda regarding consideration of a new city hall. The PWFC plans to survey the community about their interest in a new city hall and potential site locations. Putting the concept of a new city hall on the October, 2022 municipal election ballot is being considered.

g. Information Only: A Balancing Act – Taxpayer Receipt

Mr. Rogers presented packet page 46 which details plans to use and publicize *A Balancing Act – Taxpayer Receipt* module. Mr. Rogers demonstrated how to use the module, which allows the public to enter a few personal details (income, age, purchasing habits, and home ownership) to estimate how much sales and/or property tax they pay and what services that tax pays for. CBJ staff plans to publicize *Taxpayer Receipt* in the coming weeks.

V. NEXT MEETING DATE

a. September 1, 2021

VI. AJOURNMENT

The meeting was adjourned at 8:06pm.