City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, April 21, 2021

I. CALL TO ORDER

The meeting was called to order at 5:54 PM by Carole Triem, Chair.

II. ROLL CALL

Committee Members Participating Virtually: Mayor Beth Weldon; Carole Triem, Chair; Loren Jones; Michelle Bonnet Hale; Maria Gladziszewski; Greg Smith; Christine Woll

Committee Members Absent: Alicia Hughes- Skandijs; Wade Bryson

Staff Present Virtually: Rorie Watt, City Manager; Mila Cosgrove, Deputy City Manager; Rob Palmer, City Attorney; Jeff Rogers, Finance Director; Adrien Speegle, Budget Analyst; Beth McEwen, Municipal Clerk

Others Present Virtually: Liz Perry, Travel Juneau Chief Executive Officer; Reecia Wilson, Travel Juneau Board Treasurer

III. APPROVAL OF AGENDA

Chair Triem noted that the 'Establish Local Funding for School District Operations' agenda topic was addressed in the Special Assembly meeting that was held immediately before the Finance Committee meeting, therefore requiring no additional action. Additionally, the Travel Juneau budget presentation will be moved to the beginning of the meeting agenda.

IV. APPROVAL OF MINUTES

The April 14, 2021 minutes were approved as presented.

V. BUDGET PRESENTATIONS

a. Travel Juneau

Liz Perry and Reecia Wilson of Travel Juneau presented Travel Juneau's proposed FY22 budget.

Ms. Wilson emphasized the work and role that Travel Juneau plays in keeping Juneau a diverse, vibrant travel destination. Ms. Wilson stated that the total proposed budget for consideration is $1.2 million, keeping Travel Juneau's request for Hotel Bed Tax funding flat over FY21. Travel Juneau is also requesting an additional $150,000 of marine passenger fee funding in FY22.

Mr. Smith noted the use of reserves in the budget, and asked what the total reserve balance is at the beginning of FY22.

Ms. Perry stated that there will be approximately $350,000 in Travel Juneau's reserve account at the beginning of FY22.

Ms. Perry and Ms. Wilson responded to committee questions.

Motion: by Mayor Weldon to move the proposed FY22 Travel Juneau budget to the pending list.

The motion passed by unanimous consent.

The committee recessed at 6:28 PM.
The committee reconvened at 6:38 PM.

b. **Consumer Tax Forecasts**

Mr. Rogers presented updated consumer tax forecasts to the Committee, explaining that consumer taxes include sales, liquor, marijuana, tobacco, and hotel bed taxes. Mr. Rogers provided additional detail relating to how the economic downturn resulting from the COVID-19 pandemic has impacted each consumer tax category. Updated forecasts assume that the economy starts to normalize in FY22, but also takes into consideration that Juneau will likely not see any large cruise ship tourism in the summer of 2021.

Mr. Rogers responded to committee questions.

c. **2021 (FY2022) Property Assessments**

Mr. Rogers directed the Committee to the Assessment Valuations Summary Report from the CBJ Assessor's Office on packet page nine. Mr. Rogers presented a PowerPoint presentation to highlight the content of the report at a summary level. From 2020 to 2021, total taxable assessed property values increased borough-wide by approximately 6.49% after anticipated appeals. Mr. Rogers noted that this increase is primarily driven by a 17.97% increase to total commercial property value assessments. Mr. Rogers stated that commercial property assessments have been relatively flat for the past 10 years. Prior to 2021, median commercial property was assessed at 72.86% of sales price, and median vacant commercial land was assessed at only 39.22% of sales price. Essentially, commercial real estate parcels are selling for a much higher price than what they are assessed for, an indication that the historical assessed valuation is not reflective of fair market value. The Assessor's Office is attempting to fix this disparity by refining the land adjustments and adjusting improvement values to reflect market sales in future years. The CBJ Assessor's target for median assessment is 98%.

Mr. Rogers explained that over this ten year period, the property tax burden has largely shifted to residential property owners. With this correction to commercial property assessments, the tax burden will shift partially back to commercial property owners.

Mr. Rogers responded to committee questions.

The committee recessed at 7:57 PM.
The committee reconvened at 8:10 PM.

d. **Debt Service**

Mr. Rogers presented a memo relating to CBJ's FY22 debt service to the Committee on packet page 27. He stated that CBJ's general obligation debt service has been impacted by unreimbursed school bond debt from the State of Alaska. Mr. Rogers reminded the Committee that in FY20 and FY21, the Assembly chose to not raise the debt service mill rate to pay for the unreimbursed portion of school bond debt. Instead, the Committee allowed the Debt Service Fund to draw down on its fund balance in FY20, and in FY21 the Assembly transferred general funds into the Debt Service Fund as a subsidy to cover the school construction bond debt obligations. In FY22, the Governor's budget includes funding for school bond debt reimbursement at 50%. To address this shortfall in funding, the FY22 Manager's Proposed Budget includes a $2.8 million general fund subsidy to the Debt Service Fund to cover the unreimbursed portion of school bond debt, and an additional $258,000 general fund subsidy to cover remaining debt obligations to avoid an increase to the debt service mill rate.

The Manager's Proposed Budget also includes a $277,700 transfer from the Hotel Bed Tax Fund to the Debt Service Fund to subsidize the new FY22 debt payments for the $7 million voter-approved bond for Centennial Hall improvements. Mr. Rogers reminded the Committee that as of January 1, 2020, the community increased the hotel bed tax from 7% to 9%. The additional 2% is intended to fund future capital improvements to Centennial Hall.

Mr. Rogers responded to committee questions.

e. **Proposed Mill Rate**

Mr. Rogers stated that the mill rate has held a narrow range between 10.51 and 10.76 mills for over a decade. The FY22 Manager's Budget proposes a total mill rate of 10.86, a .20 mill increase over FY21. The .20 mill increase is intended to support the Assembly's community grant for childcare. Mr. Rogers stated that an increase to taxable assessed valuations gives the Committee flexibility in determining options in setting the mill rate for FY22. Mr. Rogers drew the Committee's attention to packet page 32, which outlines three options for calculating the mill rate for the upcoming fiscal year. The first option is to accept the mill rate as it is proposed in the Manager's Budget, at 10.86 mills. The second option is to maintain the mill rate flat over FY21 at 10.66 mills. The third option is to recalculate the mill rate to a lower amount of 10.40, which results in the same amount of property taxes as what is currently in the Manager's Budget because the proposed budget only assumes a 1.5% increase in assessed valuations instead of a 6.49% increase. Mr. Rogers noted that calculating a lower mill rate in light of higher valuations may seem like the right thing to do, but may be counter-intuitive to set a historically low mill rate in the face of a historically large general fund deficit.

Mr. Rogers stated that these are not the only options for calculating the mill rate, and that the Committee could choose to set the rate at any amount up to the cap.

Mr. Rogers responded to committee questions.

VI. ITEMS FOR ACTION

a. **Vote-by-Mail Election Funding**

Beth McEwen, Municipal Clerk, presented information relating to CBJ's vote-by-mail election options to the Committee.

Ms. McEwen brought the Committee's attention to the table on packet page 69 that outlines various election options for consideration. Option A represents Juneau's status quo polling place election, Option B (1) represents a Juneau based vote-by-mail scenario that would require a CBJ election center and sorter, and Option B (3) highlights a hybrid option that would contract with the Municipality of Anchorage for a vote-by-mail election (similar to what was done in the 2020 municipal election). Ms. McEwen stated that CBJ is likely unable to secure ballot processing space for the first year, so the Committee could consider funding Option B (3) in Year 1 and Option B (1) in Year 2 and forward. Ms. McEwen stated that the Municipality of Anchorage is willing to partner with CBJ for the October, 2021 election, if that is the will of the body.

Ms. McEwen responded to committee questions.

Motion: by Ms. Gladziszewski to move forward with Option B (3) for the October, 2021 election, and put Option B (1) for $703,000 on the FY22 pending list for consideration later in the budget process.

The motion passed by unanimous consent.

b. Ordinance 2021-15 GO and Revenue Bonding Refinancing

Mr. Rogers stated that the Assembly passed an ordinance in May 2020 that authorized the refinancing of a number of eligible taxable bonds through the Alaska Municipal Bond Bank Authority (AMBBA). Shortly after the ordinance passed, AMBBA was put out of business by an Alaska Supreme Court decision, and the refinancing was never executed. AMBBA is now back in business, and Mr. Rogers stated that the refinancing is still an advantageous option for CBJ. Ordinance 2021-15 amends the specific maturities of the bonds that are eligible, as original authorized with Ordinance 2020-21.

Motion: by Mayor Weldon to move Ordinance 2021-15 to the full Assembly for public hearing.

The motion passed by unanimous consent.

VII. INFORMATION ITEMS

a. **FY22 Revised Budget AFC Calendar**

Mr. Rogers presented the Revised Budget AFC Calendar for the April 28, 2021 meeting on packet page 79.

VIII. NEXT MEETING DATE

a. Wednesday, April 28, 2021

IX. ADJOURNMENT

The meeting was adjourned at 9:04 pm.