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

Committee Members Absent: None

Staff Present Virtually: Mila Cosgrove, Deputy City Manager; Jeff Rogers, Finance Director; Adrien Speegle, Budget Analyst; Dr. Bridget Weiss, Juneau School District (JSD) Superintendent

Others Present Virtually: Jim Calvin, McKinley Research Group, LLC Senior Vice President; David Whitthohn, Insight Investment Senior Portfolio Specialist; Jason Celente, Insight Investment Senior Portfolio Manager; Karen Tarver, Elgee Rehfeld Audit Partner

III. APPROVAL OF MINUTES

Chair Triem noted that the minutes from the February 3, 2021 Assembly Finance Committee meeting required amending, changing 'Ms. Weiss' to 'Dr. Weiss.'

The February 3, 2021 minutes were approved as amended.

IV. ITEMS FOR ACTION

a. Juneau School District FY21 Budget Revision #3 – Ordinance 2020-10(B)

Mr. Rogers introduced Ordinance 2020-10(B) representing JSD's third FY21 budget revision. Due to a decrease in projected student enrollment, the Hold Harmless provision of the Alaska Department of Education and Early Development's Foundation Formula has been triggered, providing additional state support to JSD in the amount of $246,283. As a result of this increase in funding, the amount of local support that CBJ can provide for general school operations has increased by $56,646. If approved, this additional amount would be paid from the General Fund's fund balance.

Ms. Gladziszewski asked Dr. Weiss why JSD requires additional funding when they were awarded CARES Act funding, and asked how the CARES Act money was spent.

Dr. Weiss stated that the majority of the CARES Act funds awarded to JSD by CBJ was spent on items such as air purifiers, air scrubbers, technology, and other pandemic related expenses. She stated that the School District has not laid off any employees, so there have not been any savings to personnel costs, despite attempts to mitigate spending wherever possible. Dr. Weiss stated that JSD has a $1.6 million deficit in anticipated revenue going into FY22.

Dr. Weiss responded to committee questions.

<u>Motion:</u> by Mayor Weldon to move Ordinance 2020-10(B) to the full Assembly and asked for unanimous consent.

Motion passed by unanimous consent.

b. **Juneau Economic Plan Proposal**

Mr. Rogers introduced a $36,000 proposal from McKinley Research Group to update key aspects of the Juneau Economic Plan and analyze impacts of the COVID-19 pandemic on Juneau's economy. Mr. Rogers stated that the funds for the project could either be appropriated as a supplemental ordinance in FY21, or included in the FY22 Manager's proposed budget.

Mr. Calvin of McKinley Research expanded upon the many factors that are taken into consideration when studying an economy. Mr. Calvin stated that he recognizes Juneau Economic Development Council (JEDC) is also looking into the economic trends of Juneau, and that McKinley Research would be working jointly with Mr. Holst of JEDC to ensure that the same studies are not repeated.

<u>Motion:</u> by Mayor Weldon to have staff draft an appropriating ordinance for $36,000 to complete the scope of work in McKinley Research Group's proposal, and forward to the full Assembly.

<u>Objection:</u> by Ms. Gladziszewski, who stated that she is not in favor of appropriating the funds in FY21. She believes it is necessary to ensure Juneau's current economic plan is fully exhausted before paying for a second plan.

The Committee discussed the motion.

Mayor Weldon withdrew her motion.

<u>Motion:</u> by Ms. Gladziszewski to move the discussion of an economic report to the FY22 Budget Pending List, where the scope of the work can be considered in more detail.

<u>Objection:</u> by Mr. Jones, who stated that there is an unprecedented number of unknown factors and unanswered questions relating to how current economic trends have been impacted by the COVID-19 pandemic. He believes that it is vital to obtain as much economic information as rapidly as possible.

Mr. Bryson questioned whether there could be value in splitting the cost between FY21 and FY22.

<u>Amendment:</u> by Ms. Hale to put Phase 1 of the proposal on the FY22 Budget Pending List and move forward with an appropriation for Phase 2 in FY21.

<u>Objections</u>: by Ms. Hughes-Skandijs, Ms. Gladziszewski, and Chair Triem.

<u>Roll Call Vote on Amendment:</u>

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

The motion to amend passed. Five (5) Ayes, Four (4) Nays.

<u>Roll Call Vote on Original Motion as Amended:</u>

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

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

The committee recessed at 7:02 PM.
The committee reconvened at 7:10 PM.

V. ITEMS FOR DISCUSSION

a. Annual CBJ Investment Portfolio Update - Insight Investments

Mr. Rogers stated that Insight Investments has been managing CBJ's portfolio for the past 16 months, and that the Assembly meets with Insight Investments annually to review their performance. Mr. Rogers introduced Mr. Witthohn and Mr. Celente of Insight Investments.

Mr. Witthohn provided a summary of the Gross Domestic Product (GDP) rates and fluctuations in FY20 and predictions going into FY22. Mr. Witthohn spoke to graphs concerning unemployment statistics on packet page six. He reiterated that the leisure sector of employment has been hit hardest by the COVID-19 pandemic, shedding nearly 3.9 million jobs nationally. Given that these jobs are in 'virus sensitive' sectors, the labor market is unlikely to improve prior to widespread vaccination. Mr. Celente provided an overview of CBJ's portfolio performance.

Mr. Witthohn spoke about environmental, social, and corporate governance (ESG) investing, and explained how Insight Investments takes a proactive role in ensuring long-term sustainability and resiliency of clients' investments. The Insight Investment analysis considers an exclusionary policy to the energy sector of the corporate bond market.

Chair Triem inquired about the exclusionary policy and affirmed that if CBJ were to divest from fossil fuels and not invest in companies such as Exxon Mobil, the result would create a small drop in return. She asked if ESG has a sustainability alternative that would not affect the overall return as dramatically, yet still meet CBJ's sustainability policy goal.

Mr. Celente recommended issuing a policy statement and have staff issue a directive to no longer buy from the certain excluded sectors. Many companies are trying to raise their ESG score, therefore the benchmark score is beginning to rise also.

Mr. Witthohn and Mr. Celente answered committee questions concerning ESG investment policies.

<u>Motion:</u> by Ms. Gladziszewski that Mr. Rogers work on amendments to CBJ's investment policy for Assembly consideration for review in the summer, focusing on ESG responsible investing, and asked for unanimous consent.

Motion passed by unanimous consent.

The committee recessed at 8:07 PM
The committee reconvened at 8:15 PM

b. **Audit of FY20 Financial Statements – Elgee Rehfeld**

Ms. Tarver presented information relating to CBJ, Bartlett Regional Hospital, and Juneau School District's audited financial statements for FY20. The audit timeline was extended due to federal COVID-related funding guidance changing rapidly throughout the year. Ms. Tarver discussed the results of the audit, noting that CBJ did receive an audit finding. This audit finding was related to the CARES Act funding, and in a normal year would have been identified and corrected prior to finalization of the audit, however due to the adjusted timeline was identified too late in the process to be corrected. Ms. Tarver responded to committee questions.

VI. INFORMATION ITEMS

a. FY22 Revised Budget Calendar

Mr. Rogers provided the Assembly with the upcoming FY22 Revised Budget AFC Calendar. The Committee determined that April and May AFC meetings will continue to start at 5:30 PM.

VII. STAFF REPORTS

a. Update on FY22 Budget Development

Mr. Rogers provided an update on the FY22 budget development, stating that the City Manager has reviewed all departmental budgets and Finance staff are beginning to compile the Manager's proposed budget book. Mr. Rogers stated that due to unprecedented times it is difficult to predict how much sales tax revenue there will be in the next year, and an additional source of uncertainty stems from Congress' decision on the American Rescue Plan Act.

b. Update on 'A Balancing Act' Budget Tool

Mr. Rogers updated the Committee on the new budget simulation tool 'A Balancing Act'. He stated that CBJ has begun onboarding and has been pleased with the ease of the new interactive tool. Mr. Rogers stated that the plan is to continue to work with the tool until the Committee feels it is ready for public feedback, then open it up to community input in late summer or early fall with the intent of adding value to the Assembly's prioritization and budget directive process in November.

c. Update on FY22 Draft Manager's Passenger Fee Proposal

Mr. Rogers stated that the Manager's Passenger Fee Proposal has been changing rapidly as COVID-19 restrictions and vaccination timelines continue to be in flux. Mr. Rogers stated that it is likely the final passenger fee proposal will reflect zero passengers and no revenue for the summer of 2021.

d. **2021 Export Manufacturing Exemption**

Mr. Rogers stated that the Assembly must, on an annual basis, approve any export manufacturing exemptions for real or business personal property. Detailed information provided by the City Assessor is provided in the meeting packet.

Motion: by Mayor Weldon to approve the 2021 export manufacturing exemption applications for the businesses listed in the memo and asked for unanimous consent.

Motion passed by unanimous consent.

VIII. NEXT MEETING DATE

a. Wednesday, April 7, 2021

IX. ADJOURNMENT

The meeting was adjourned at 8:57 pm.