City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, December 9, 2020

I. Call to Order

The AFC meeting was called to order at 6:02 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; Marie Gladziszewski; Greg Smith; Christine Woll

Committee Members Absent: None

Staff Present Virtually: Rorie Watt, City Manager; Mila Cosgrove, Deputy City Manager; Jeff Rogers, Finance Director; Adrien Speegle, Budget Analyst; Rob Palmer, City Attorney; Katie Koester, Public Works and Engineering Director; George Schaaf, Parks & Recreation Director

Others Present Virtually: Erin Walker-Tolles, Catholic Community Services Executive Director

III. APPROVAL OF MINUTES

a. The November 4, 2020 and November 10, 2020 minutes were approved as presented.

IV. ITEMS FOR ACTION

a. **General Fund to Debt Service Transfer – Ordinance 2020-09(Z) - $5,900,000 General Funds – Introduced 11/23 & Public Hearing 12/14**

Mr. Rogers presented Ordinance 2020-09(Z), an ordinance that would appropriate $5,900,000 of general funds as partial funding for CBJ's required debt service in FY21. This subsidy is necessary as a result of the State of Alaska reimbursing 0% of the current fiscal year's school construction bond debt, as the current debt service mill rate does not generate sufficient revenue to cover CBJ's FY21 debt obligations. Mr. Rogers stated that school construction debt was only reimbursed at 50% in FY20, and 0% in FY21. In FY20, available fund balance in the Debt Service Fund was used to cover the obligation, however this year general funds will be needed to cover the debt.

Mr. Rogers responded to committee questions.

<u>Motion:</u> by Mayor Weldon to forward Ordinance 2020-09(Z) to the full Assembly.

The motion passed by unanimous consent.

b. **Proposed Projects for $15 Million G.O. Bond**

Ms. Koester presented a memo on packet page 21 updating committee members on the proposed projects the voter-approved general obligation bond package would fund. Preliminary projects include: school roof repair, maintaining park infrastructure and recreation facilities, street repair, and completing energy efficient building maintenance.

Ms. Koester responded to committee questions.

Mr. Smith asked for more information concerning the cost per project.

Ms. Koester stated that all cost estimates are preliminary, but she is happy to provide and share the information she has on fund allocation and tentative costs.

<u>Motion:</u> by Mayor Weldon to accept the list of projects for the $15 million G.O. bond package proposition that Public Works and Engineering presented.

The motion passed by unanimous consent.

c. **G.O. Bond Projects – Ordinance 2020-09(AB) - $376,000 Bond Proceeds – Introduction 12/14 & Public Hearing 1/4**

Ms. Koester presented a memo on packet page 22. This ordinance aims to appropriate $376,000 for the planning and design of bond-funded capital improvement projects. This appropriation of project funding is consistent with the intent of the $15 million general obligation bond package approved by voters in the October 6, 2020 municipal election. The three proposed projects are: Crest Avenue reconstruction, Eagle Valley Center improvements, and mechanical and electrical upgrades for the downtown and Glacier fire stations.

Mr. Jones noted that in Ordinance 2020-09(AB), the fund source is listed as bond proceeds, however the bond will not be sold until the spring. He inquired as to whether this ordinance is obligating bond funds with the intent of advancing funds from the General Fund via central treasury loan, and whether the ordinance should be revised to reflect this.

Mr. Rogers responded, stating that the ordinance as presented only obligates CBJ to sell the bonds before the end of the fiscal year.

Motion: by Mayor Weldon to move Ordinance 2020-09(AB) to the full Assembly.

The motion passed by unanimous consent.

d. **Dimond Park Field House – Ordinance 2020-09(AA) - $45,000 General Funds – Introduction 12/14 & Public Hearing 1/4**

Mr. Schaaf presented a memo relating to the Dimond Park Field House (DPFH) on packet page 24. Ordinance 2020-09(AA) would appropriate $45,000 for Parks and Recreation's costs to operate the DPFH for the last two quarters of FY21. Approximately $20,000 would be used for facilities maintenance, and $25,000 would be used for immediate repairs to building and fire systems. This appropriation is needed as a result of the transference of management of DPFH from Eaglecrest to Parks and Recreation in January, 2021. Mr. Schaaf stated that funding received by Eaglecrest from the CARES Act was used to pay back payroll expenses.

Mayor Weldon noted that DPFH reports having about $80,000 cash on hand, and asked why CBJ is being asked to provide $45,000 of funding if they have available funds.

Mr. Schaaf stated that the $80,000 is being used to cover staffing costs and ongoing building expenses.

Ms. Hale questioned whether DPFH could continue advertising and fund raising to defray costs.

Mr. Schaaf responded, saying that advertising and sponsorship is something that will continue to happen at the field house with hopes of offsetting costs. Mr. Schaaf stated that budget projections are based off of current revenues, assuming that revenues will remain similar to what they were pre-pandemic. It is assumed that the costs will be slightly higher, as Parks and Recreation plans to operate DPFH year-round.

Mr. Jones stated that when the field house was first built, funding was obtained as a direct grant from the state legislature. He inquired how the Juneau Community Foundation (JCF) became involved, and what organization now owns the building.

Mr. Schaaf stated that JCF led the construction efforts for the field house, but they were not interested in operating the facility. Dimond Park Field House, Inc., a non-profit corporation, was created and assumed ownership of the building.

Mr. Jones stated that JCF houses the Juneau Parks Foundation, which CBJ has funded. He inquired whether this group could potentially take on the field house as a project, instead of CBJ taking over ownership. Mr. Jones also asked whether Mr. Schaaf had spoken with Engineering about potentially using the general obligation bond proceeds to fund the maintenance work needed at the field house, specifically in relation to the turf repairs and energy efficiency projects.

Mr. Schaaf stated that he had not thought about utilizing the bond proceeds for DPFH, as CBJ was not aware at the time the proposition was on the ballot that Dimond Park Field House, Inc. would be seeking to transfer ownership of the building. He continued that the current capital improvement plan does not factor in DPFH projects, but that this could potentially be reevaluated.

Mr. Jones stated that he will closely review Parks and Recreation's budget for FY22 to determine whether CBJ should be operating this facility from a financial standpoint.

Mr. Bryson inquired whether the building could be transferred to the Juneau School District (JSD), as students are one of the largest field house user groups, and the building is connected to many school properties.

Mr. Schaaf stated that this idea had been discussed, however adding 27,000 additional square footage to JSD would have adverse consequences on their budgeting and funding through the State. Mr. Schaaf expects to continue operations throughout the winter similar to Eaglecrest's management plan, mandating wearing masks and imposing limitations on capacity. This is prone to change as the COVID-19 risk in the community shifts over time.

<u>Motion:</u> by Mayor Weldon to move Ordinance 2020-09(AA) to the full Assembly.

Objection by Mayor Weldon. Ms. Hughes-Skandijs and Mr. Jones also objected to the motion.

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

The motion passed 6/3.

The meeting recessed at 6:57 p.m.
The meeting reconvened at 7:05 p.m.

e. **Grant to Perseverance Theatre – Emergency Appropriation Resolution 2926 - $85,738 CARES Act Funds – Introduction & Public Hearing 12/14**

Mr. Rogers introduced Emergency Appropriation Resolution 2926 and directed the Committee to a memo on packet page 32. The appropriation would authorize $85,738 as a grant to Perseverance Theatre to offset economic hardship experienced as a result of the COVID-19 pandemic. Mr. Rogers explained that Perseverance Theatre is in a unique situation compared to other non-profit organizations in Juneau. Most non-profit social service providers have remained fairly stable during the pandemic as a result of enhanced federal funding and generous donations. However, Juneau's live performance organizations, such as Perseverance Theatre, have endured great economic stress resulting from limits on large social gatherings. As a result, a large portion of Perseverance Theatre's revenue sources have been curtailed. Furthermore, unlike most other live performance organizations in Juneau, Perseverance Theatre owns several permanent buildings and has full-time year-round professional staff, representing costs that cannot easily be avoided. The purpose of the grant extends to offsetting losses in ticket sales and donations in support of sustained personnel and overhead expenses, with the intention of stabilizing the organization.

Ms. Gladziszewski asked to confirm with Mr. Rogers that CBJ has sufficient funding available from the CARES Act allocation to grant Perseverance Theatre the full amount.

Mr. Rogers stated that there is still funding that is unobligated. Additionally, there are appropriations that are expected to be underspent.

<u>Motion:</u> by Ms. Gladziszewski to move Emergency Appropriation Resolution 2926 to the full Assembly.

The motion passed by unanimous consent.

f. **CBJ Pandemic Emergency Response – Emergency Appropriation Resolution 2927 - $3,000,000 General Funds – Introduction & Public Hearing 12/14**

Mr. Rogers introduced Emergency Appropriation Resolution 2927, on packet pages 34-36. This appropriation would provide $3 million of funding for CBJ COVID-19 pandemic emergency response management for the remainder of

FY21 after the CARES Act funding expires on December 30, 2020. These funds would be utilized for COVID-19 testing, public communications, personal protective equipment, sheltering of vulnerable populations, and quarantine and isolation. CBJ will seek FEMA reimbursement of all eligible costs, however in the event that outside funding sources are unavailable, CBJ's Emergency Operations Center needs to continue operations after January 1, 2021 with general funds.

Ms. Hale asked if this $3 million was included in the FY21 budget.

Mr. Rogers responded by stating that the $3 million is not in the FY21 budget, however was an anticipated expenditure introduced at the November 4, 2020 Assembly Finance Committee meeting. Mr. Rogers shared a document from the November 4, 2020 meeting which reflected a projected budget through FY22, contextualizing that there is a need to get spending under control as General Fund balances are rapidly diminishing.

Ms. Gladziszewski asked for clarification of spending, and how many items are FEMA reimbursable.

Mr. Rogers stated that general testing costs are unknown, however the State will continue to reimburse CBJ for all costs associated with airport testing operations. CBJ is intending to transfer the contract for airport testing operations in early 2021. Mr. Rogers stated that FEMA reimbursement eligibility has changed rapidly throughout the COVID-19 pandemic and aspects are still in flux.

Ms. Cosgrove elaborated on the anticipated cost for testing after December 30, 2020. She stated that $275,000 includes the rough cost of processing the tests. This figure is based on the number of tests multiplied by $70 per test for processing. A testing machine has been purchased and is scheduled for arrival at Bartlett Regional Hospital next week, however the operating costs of this new machine are unknown. She stated that it is logical for testing run by the State and testing run by CBJ to have two separate contractors, as they are able to better cater to residents by having separate entities. Running testing operations at the community level allows for flexibility to meet testing needs as they are identified, whether they are in individual homes, homeless shelters, or at asymptomatic testing sites.

Mr. Watt reiterated that the baseline is that testing is an expensive non-negotiable necessity. Mr. Watt stated that he finds comfort in that every iteration of the CARES Act, money for testing and vaccine distribution has never been in disagreement with Congress, and hopefully will be provided in a potential future federal stimulus package.

Ms. Cosgrove responded to committee questions.

Motion: **by Ms. Hale to move Emergency Appropriation Resolution 2927 to the full Assembly.**

The motion passed by unanimous consent.

g. **ESTF Recommendations on Business Sustainability Grant and Economic Hardship Grant**

Mr. Rogers provided an update on packet pages 37-39. The Economic Stabilization Task Force (ESTF) recommended the Assembly reopen the Business Sustainability Grant program. The City Manager took action on Friday to reopen this program on a first-come, first-served basis. Additionally, the ESTF recommended to reallocate any excess funds from the Business Sustainability Grant program to the Extreme Hardship Grant program after the application period has closed for the Business Sustainability Grant program. Finally, the ESTF recommended and endorsed Emergency Appropriation Resolution 2926 for the grant to Perseverance Theatre.

Mr. Rogers responded to committee questions.

Mr. Rogers clarified that in order to appropriate additional funding from the CARES Act allocation to a program, the money would need to be deappropriated from somewhere else. The timing is challenging, as there are still many unknowns.

Mr. Smith asked if funding has been appropriated to a program and is not expended whether the money is at risk of being sent back to the Federal Government.

Mr. Rogers responded by stating that CBJ will deappropriate funds from programs that underspend in late January or early February. These funds will be reappropriated for eligible expenditures incurred between March 1 and December 30, 2020 for either CBJ, JSD, or Bartlett Regional Hospital.

The Assembly came to a consensus to not take action on the ESTF recommendations at this time.

V. ITEMS FOR DISCUSSION

a. **A Balancing Act – Budget Simulator**

Mr. Rogers presented a budget simulator tool provided by a company called A Balancing Act. It is a web-based tool that allows the public to see how CBJ collects revenue and budgets for expenditures. This tool can be used for public education with budget and tax information explained in large, round terms. In addition, it is a valuable tool as the public can submit budgets as a type of survey response. The tool provides analytics on the survey responses, reporting how many of the public are using the tool and what their desires are. The simulator would take about a week to set up and go live, and cost a few thousand dollars a year to operate.

Mr. Bryson asked if it was necessary to pay for this service, considering Mr. Rogers made a similar excel simulator available on the website, referencing the Macro Budget Tool used in the FY21 budget review process.

Mr. Rogers stated that using software like this would gain a much larger public response, as it is more user-friendly and less complicated.

Mr. Rogers responded to committee questions.

Ms. Hale pointed out that a large population of the community, mostly the middle to lower working class, may not have access, time, or technological confidence to use this tool. This could skew results and leave out an important sector of the community. She emphasized that the privilege gap is an important figure to take into consideration when receiving and evaluating data.

After some discussion, the Committee agreed that it is important to do everything possible to increase community engagement and knowledge, promoting transparency in CBJ's budgeting practices. It will be necessary to identify if the tool would be used for education, or if it would be used to obtain community feedback. Ms. Woll and Mr. Jones emphasized that there is a difference between an education-only tool and a message to the public that the Assembly's decisions will be influenced by the responses, and it is important to be clear in how this tool is promoted.

The meeting recessed at 8:16 p.m.
The meeting reconvened at 8:21 p.m.

b. **Divestment from Fossil Fuel Investments**

Mr. Rogers presented a memo from Insight Investment on packet page 40. He explained that CBJ's investment manager uses an Environmental, Social, and Governance (ESG) system to score companies. ESG scores are used to help determine investment risk. Insight Investment allows CBJ to set limitations on how they invest CBJ's money. The memo conveys that it is possible to restrict CBJ's portfolio from investing in fossil fuel extraction, pipelines, and energy service companies. Insight estimates that, if CBJ chose to divest from fossil fuels, CBJ's investment program will average between 0.02% and 0.05% in lost return per year, which is estimated between $33,000 and $83,000 annually. Mr. Rogers stated that CBJ currently holds bonds for Exxon Mobile and Chevron, which have performed well. How money is invested is a policy decision to be made by the Assembly.

Mayor Weldon asked if it would be possible to direct Insight Investment to keep the bonds and investments currently held, but avoid future investments in fossil fuel companies.

Mr. Rogers stated that he believes a forward looking direction such as the one described by Mayor Weldon would be an option.

Mr. Bryson stated that he believes it would be fiscally irresponsible and harmful to put sentiment in front of strategy. He stated CBJ has a fiscal responsibility to the city of Juneau and citizens, and this would be a detrimental time to divest from a source that has been making money.

Ms. Hale directed the Committee to the last paragraph of Insight Investment's memo on packet page 40, stating that the investment manager has outlined an alternative option to include an investment policy objective that defines and encourages socially responsible investment practices. This option would begin the framework for a sustainable investment program without sacrificing return opportunity or the principle of diversification.

After some discussion, the Committee agreed that they would be interested in learning more about a sustainable investment program, requesting additional information be brought forward at another meeting in the near future.

c. **COVID Loan Program Update**

Mr. Rogers directed the Committee's attention to a memo from Brian Holst, JEDC Executive Director, relating to the COVID Emergency Loan program, on packet page 65. This report covers application and disbursement processes, and a summary of significant events and accomplishments.

Mr. Holst added that the program was well received by the community, as the quick, smaller loans were able to meet needs in a short amount of time. As intended, the COVID Loan was a bridge program, as many of the individuals who borrowed funds and experienced hardship were also able to apply and receive grants to aid in debt relief. Overall, Mr. Holst feels this program was successful.

Mr. Rogers responded to committee questions. He stated that CBJ does expect some businesses to default on the loan, and this was a known risk. A speculative default rate is about 15%. Thus far, about $500,000 has been repaid.

d. **CARES Act Funding Update**

Mr. Rogers provided an updated pie chart and table for CBJ's allocation of CARES Act funding. Most programs are expected to fully expend, however there are some programs, such as JSD's K-5 RALLY program, Kallaco COVID-19 Detection Platform, and Rental Assistance through AHDC that are expected to have remaining unspent funds.

Ms. Walker-Tolles indicated that she anticipates the $3 million appropriated for the Housing Assistance Grant program will fully spend, and she will have to begin turning applicants away on a first-come, first-served basis, unless the Assembly appropriates additional funding for that purpose. For the Individual Assistance Grant program, Ms. Walker-Tolles and Mr. Rogers speculated that $2 million dollars will be difficult to spend, as the income limits are quite low.

Ms. Hughes-Skandijs asked whether it was the increase in payments or a second surge of applications that caused the Housing Assistance Grant program to fully spend.

Mr. Rogers stated that he believes the Housing Assistance Grant program will fully expend due to a combination of the two factors.

Ms. Hale inquired whether people were being actively turned away.

Mr. Rogers responded that about 40% of Housing Assistance applications were incomplete and are pending approval while additional applicant information is recovered. They have continued taking applications while waiting on that information, and are logging applicants on a first-come, first-served basis. As the end of the month grows nearer, it will be increasingly evident where the program stands.

Ms. Hale followed up by questioning whether the uncommitted CARES Act funds could supplement the Housing Assistance Grant program if needed.

Mr. Rogers responded that there could be a possibility in a few weeks for additional funding, however the program will not run out of funds in the next few days.

Ms. Gladziszewski stated that funding should be in flux between the two assistance programs, as the overarching purpose of both programs is to get money to those who need it.

Ms. Hughes-Skandijs stated that she believes the overall amount of Individual Assistance awards should be raised, as the income limits are very low and depending on income level many grants are under $2,000.

Mayor Weldon stated that, with the Committee's permission, she would work with CBJ staff to determine what the best approach moving forward is for both programs, and will present possible solutions at the Special Assembly meeting the following week.

VI. INFORMATION ITEMS

a. **Bond Reserve – 16B Docks**

Mr. Rogers presented pages from the FY21 Adopted Budget book reflecting the Debt Service Fund on packet page 43-45. On page 45, he directed the Committee's attention to the "Beginning Reserve Balance" row, clarifying that the bond reserve for the 16B docks is held in the Debt Service Fund, not in the Port Development Fund. The $2.1 million reserve is included in the budget, and is intact. The actions taken tonight of advancing $5.9 million of general funds into the Debt Service Fund have corrected the issue of a negative Debt Service Fund balance of $5.8 million in FY21, as reflected in the budget book.

VII. NEXT MEETING DATE

a. Wednesday, January 6, 2021

VIII. ADJOURNEMNT

The meeting was adjourned at 9:10 p.m.