ASSEMBLY FINANCE COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
Wednesday, December 4, 2019, 5:30 PM.
Assembly Chambers

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

a. **Wednesday, November 6, 2019**

IV. ITEMS FOR DISCUSSION

a. **Fiscal Sustainability Process**

b. **Motor Vehicle Registration Tax (MVRT) Update**

c. **School Bond Debt Memo**

V. NEXT MEETING DATE

a. **Wednesday, December 11, 2019**

VI. ADJOURNMENT

ADA accommodations available upon request: Please contact the Clerk's office 72 hours prior to any meeting so arrangements can be made to have a sign language interpreter present or an audiotape containing the Assembly's agenda made available. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.org

DRAFT
City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, November 6, 2019, 5:30 PM

I. Call to Order

The meeting was called to order at 5:30 PM by Loren Jones, Chair.

II. Roll Call

Committee Members Present: Alicia Hughes-Skandijs, Carole Triem, Maria Gladziszewski, Wade Bryson, Greg Smith, Michelle Bonnet Hale, Chair Loren Jones, and Mayor Beth Weldon.
Committee Members Participating Telephonically**:** Rob Edwardson.
Committee Members Absent: N/A.

Staff Present: Mila Cosgrove, Deputy City Manager; Jeff Rogers, Finance Director; Robert Palmer, City Attorney; Mike Vigue, Director, Engineering & Public Works; and Elisabeth Jensen, Budget Analyst.

III. Approval of Minutes

Clerk's Note:
An in-meeting supplemental 8-page packet, "DRAFTV2" of the Saturday, November 2, 2019, AFC Minutes was distributed at the beginning of the meeting. The 2nd version of the minutes offered two additional pages, including additional information highlighted in yellow on pages 6 – 8. The edited set of minutes was reviewed in full by the Assembly members.

The November 2, 2019, minutes (V2) were approved as presented.

The Assembly members discussed the level of detail that should be provided in the AFC minutes. The body agreed that an approach capturing high level minutes continues to be appropriate for AFC meetings.

IV. RecycleWorks

Jeff Rogers, Finance Director, introduced a Draft "Ordinance Repealing the Waste Management Utility Code", found on pages 8 – 11 of the meeting packet, providing a brief history of the actions and discussions leading to the document.

Robert Palmer, City Attorney, described the draft ordinance and responded to questions from the Assembly.

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Wednesday, November 6, 2019, 5:30 p.m.

Mayor Weldon, moved to refer Ordinance 2019-__, An Ordinance Repealing the Waste Management Utility Code, to the full Assembly for approval.

Michelle Hale OBJECTED for the purpose of making a request.
Ms. Hale requested that the Ordinance come to the Assembly along with a Manager's Memo (Report).
Ms. Hale REMOVED OBJECTION.

Without OBJECTION.

V. Motor Vehicle Registration Tax (MVRT) Update

Jeff Rogers, Finance Director, presented the memo "Consideration of Increase to Motor Vehicle Registration Tax", found on pages 12 – 20 of the meeting packet, providing a brief history of the actions and discussions leading to the document.

The Assembly discussed the information, and requested staff return with information regarding Commercial Vehicles relating to the Commercial Passenger Vehicle program; a sixth scenario, where biennial motor vehicle registration tax would increase from $44 to $70 for non-commercial vehicles and from $4 to $10 for motorcycles and non-commercial trailers, and that a draft ordinance include Consumer Price Index (CPI) adjustments in future years.

Mayor Weldon excused herself from the remainder of the meeting at 6:43 PM.

The meeting recessed at 6:44 PM.
The meeting reconvened at 6:53 PM.

VI. Information Item – Staff Update – Airport Bond Sale

Jeff Rogers, Finance Director, introduced the topic referring to page 21 of the meeting packet, providing an explanation of the pricing comparison and outcome of recent bond transaction.

The Assembly discussed the information.

VII. Information Item – Staff Update – Negotiation with Airbnb

Jeff Rogers, Finance Director, outlined the issue, providing a brief history of the actions and discussions leading to the current negotiation with Airbnb, that he hopes to result in a

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Wednesday, November 6, 2019, 5:30 p.m.

similar relationship to that of Uber / Lyft, etc. where Airbnb would collect and remits sales/bed tax for their partners, instead of having each property manager collect and remit sales/bed taxes to the CBJ.

The Assembly discussed the information.

VIII. Information Item – Staff Update – Single-Item Sales Tax Cap – CPI Adjustment

Jeff Rogers, Finance Director, introduced the topic referring to pages 22-23 of the meeting packet, regarding the regularly scheduled, proposed code change. The update simply adjusts the amount of the tax cap, consistent with the most recent Consumer Price Index for Anchorage, as required by CBJ code.

IX. Next Meeting Date

Wednesday, December 4, 2019

X. Adjournment

Meeting was adjourned at 7:07 PM.

City and Borough of Juneau
Assembly Finance
Wednesday, December 4, 2019
Responses to AFC Questions / Requests Generated in AFC Meeting of Saturday, November 2, 2019 Relating to Fiscal Sustainability Review

Assembly Finance Committee members requested additional information on various CBJ topics during the fourth session of the Fiscal Sustainability Review, AFC meeting on Saturday, November 2, 2019. Summarized below are the specific questions/requests and additional information grouped by subject. For certain items, information is still being gathered. Where an attachment is provided, the reference to the attachment is indicated within the response.

Program Expenditure Review

1. <u>Contracting out services:</u>

Question:
Can the CBJ save money by contracting out services to a private business for those services currently performed by Landscape Maintenance?

Response:
The Landscape Maintenance function is currently performed by 12 employees (6.34 FTEs).

- 1 year-round, 11 seasonal
- 8 employees receive benefits; 4 employees are ineligible for benefits, holidays, or leave
- Groundskeeper Assistant average wage is $19.82; crew leaders/supervisors are paid more
- Personnel Services Total: $475,000
- Commodities and Services Total: $114,000
- 25% of the budget is paid by Enterprise Departments

Determining if the CBJ could save money would require a solicitation of interest from the community to see if a company was interested in doing the work and what the fees associated with that service might look like. Generally, contracting out services results in lower wages/benefits paid to workers, and results in somewhat less control over the quality of the work performed. At the Assembly's direction, staff can make a formal solicitation.

Contracting out this service would trigger a PERS termination study and the potential of ongoing indebtedness payments to the Division of Retirement and Benefits. The first step in determining the cost would be to ask the Division of Retirement and Benefits to conduct an actuarial review.

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2. <u>Eagle Valley Center</u>:

Question:
Can you provide more detail on the Eagle Valley Center cost recovery?

Response:
Eagle Valley Center is projected to cover all general operating expenses through revenue and generate a small surplus. Like other programs, facility costs (including internal building maintenance costs) at Eagle Valley Center are partially funded by the general fund, as they are not yet fully supportable via program revenue. In FY20 Eagle Valley Center is budgeted for $36,400 in building maintenance costs.

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3. <u>Mt Jumbo Gym:</u>

Question:
What are the costs associated with tearing down Mt. Jumbo Gym versus the CIP costs to repair the facility for use? Please provide a copy of the Facility report.

Response:
Destruction:
The Engineering Division estimates the cost of tearing down Mt. Jumbo gym to be approximately $650,000, based on the size, location and condition of the building. There is reasonable likelihood given the age of the building of asbestos abatement work.

CIP Investment:
The cost of deferred maintenance for Mt. Jumbo Gym is a range depending on the level of repairs and the ultimate intended use. A summary of the condition report is attached. A copy of the full report is available upon request.

Minimum investment to repair for continued use: $690,000
Minimum investment to upgrade for improved use: $2,026,000
Minimum investment to bring to "like new" standard: $4,821,000

Attachment Reference: Executive Summary Excerpt – 2014 Mt Jumbo Gym Facilities Condition Report

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4. <u>Zach Gordon Youth Center (ZGYC):</u>

Question:
Why did the Zach Gordon Youth Center (ZGYC) expenditures increase from $75k in FY18 to $200k in FY19? What is the source of funding?

Response:
The increase of $129k in the Zach Gordon Youth Center budget as reflected on Prioritization Card #83 – ZGYC - Supplemental Youth Programs, reflects a shift of ongoing program costs that may have been better reported on Card #84, ZGYC – Core Youth Center Programs. Prior to FY19, these costs and associated revenues from Youth Sports fees had been historically

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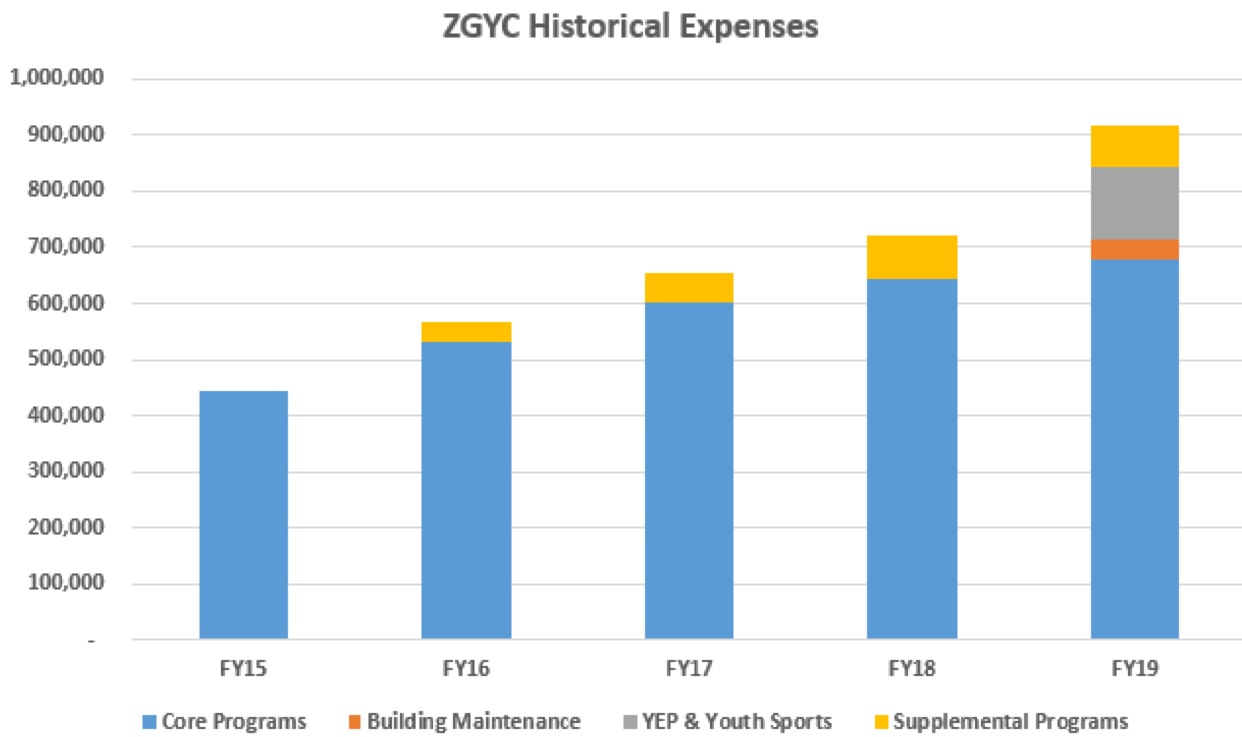
12/4/2019

accounted for in Parks & Recreation - Areawide. In FY19, youth programs were realigned, so the increase is primarily due to the addition of Youth Employment in the Parks (YEP) staff and youth sports moving over to ZGYC. In FY19 Youth Sports fees generated $76K in revenue.

The following graph and table provides a more accurate representation of historical costs for all of ZGYC by concatenating the data of both cards (#83 and #84). The drivers of cost increases in FY19 were due to the aforementioned realignment of services, along with the introduction of CBJ-wide Building Maintenance Allocation.



	FY15	FY16	FY17	FY18	FY19
Core Youth Center Programs	$ 445,196	532,879	601,813	644,691	680,331
Building Maintenance Allocation*	N/A	N/A	N/A	N/A	32,500
YEP & Youth Sports**	N/A	N/A	N/A	N/A	131,448
Supplemental Youth Programs	-	32,281	51,178	75,453	72,688
Total	**$ 445,196**	**565,160**	**652,991**	**720,144**	**916,967**

* CBJ Introduced the Building Maintenance Allocation in FY19.
** Prior to FY19, YEP & Youth Sports was accounted for in Parks & Recreation – Areawide.

Revenue
Approximately 10% of ZGYC's revenue is generated from various fees, grants, rentals and donations. Support from Roaded Service Area funding constitutes the largest portion of funding at this time.

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5. Assembly's Economic / Tourism Grants:

Question:
Please provide a breakout of the Assembly's Economic / Tourism Grants (Card D-13).

Response:
The Fiscal Prioritization card #61-Assembly's Economic / Tourism Grants, (D-13) reflects a portion of the Mayor & Assembly's Grants & Community Projects. Grants were grouped in this manner for ease of consideration by the Assembly during the fiscal sustainability process. This grouping does not consider other grant funding provided by the Assembly, nor is it reflective of all funding granted to JEDC in FY20.

Funding Source	Grantee	FY20 Budget
Hotel Bed Tax	Travel Juneau	$1,358,700
MPF	Franklin Dock	$395,000
MPF	AJ Dock	$252,800
MPF	TBMP	$15,000
MPF	Downtown Business Association	$140,000
GF	Small Business Dev Center	$28,500
GF	JEDC*	$273,000*

*The amount shown is only a portion of the full amount granted in FY20

6. Competitive Process for Assembly Economic / Tourism Grants:

Question:
What would it look like to broaden the scope of the groups receiving funding from the Assembly's Economic / Tourism Grants – potentially through a competitive process, RFP process?

Response:
Two Alaskan communities, North Pole and Fairbanks both administer an annual Bed Tax Grant Program that requires community organizations to submit funding applications for the purpose of promoting the tourist industry and other local economic development. In both communities, an appointed advisory committee reviews applications and makes funding recommendations to the City Council.

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7. Capital Transit Fare History:

Question:
Please provide information on the last time Capital Transit fares were increased.

Response:
Capital Transit Fares were most recently increased on August 1, 2012. Adult Walk-On-Board cash fares increased to $2.00, from $1.50. Youth Walk-On-Board fares have remained consistent to encourage mobility and ability to participate in youth and community activities.

A comparison of current CBJ fare rates to earlier rates is shown in the table below:

HISTORY OF CAPITAL TRANSIT FARES MONTHLY PASSES – BY CALENDAR MONTH			
Monthly Passes	**As of 2012**	**As of 2004**	**As of 2002**
Adult	$40.00	$36.00	$31.50
Youth	$12.00	$12.60	$10.50
UAS Student	$20.00	$18.90	$18.90
Tokens			
Roll of 20 Tokens	$31.50	$25.20	$21.00
Cash – Walk–On-Board			
Adult	$2.00	$1.50	$1.25
Youth	$1.00	$1.00	$1.00
Children	FREE	FREE	FREE
Seniors	FREE	FREE	FREE

**All rates listed include CBJ Sales Tax*

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8. Support to Schools for CIP:

Question:
Please provide an accounting of expenditures for CIP Support to Schools, along with a follow-up on the $5M in Sales Tax already provided.

Response:
School District Capital Improvement Projects (CIP) are grouped into two categories – small and large. The following table outlines the differences between these two categories:

	Small CIPs	**Large CIPs**
Types of Projects	Small Deferred Maintenance	Large CIP activities including building renovations and major maintenance.
Funding	The JSD Deferred Maintenance Fund was created by the Assembly to support small deferred maintenance.	Prior to FY15, the Legislature partially funded Large CIP projects through DEED. The program offered a 50–70% reimbursement rate on CIP bonds. The program was suspended due to state budget issues. Previously approved projects are still being partially reimbursed & DEED is still processing applications for future grant projects, but is not accepting applications for debt reimbursement projects.
Evaluated and Prioritized by	JSD Facilities Committee	JSD Facilities Committee

The current Small CIP Deferred Maintenance fund has collected $4.2M in funding. Since FY17, 11 projects have been completed with final costs totaling $1.5M. Approximately $1.9M has been spent on open projects. The remaining available fund balance is $811K. A prioritized list of 21 current projects complete with cost estimates, and meaningful descriptions, is provided in the referenced attachment. Approximately $4.8M in additional funding will be needed to complete these small projects.

Attachment Reference: JSD Current Small CIP Priority List

Revenue Concepts

The AFC developed a list of Revenue Ideas in their meeting on November 2, 2019, to follow-up on with continued discussion and research. This list is provided as a reference preceding the section of this document focusing on questions directly related to these topics.

1. A 6% sales tax from April – October. (Alternatively, April – June; or July – Sept)
2. Taxing sales by/to nonprofit organizations
3. Taxing On Board Cruise Ship Sales
4. Raising property tax by .1 mil
5. Sales tax holiday – last Sunday in February
6. Removing the sales tax from food & filling this gap with a seasonal (April – October) 1% additional sales tax.
7. Single purchase cap / Single service cap (Parking lot items)
8. Online sales tax (Parking lot item)

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Sales Tax

9. <u>Impact of Seasonal Sales Tax Increase & Food Exemption on Living Wage:</u>

Question:
Please provide information on the potential impact an increased sales tax would have on people and the living wage.

Response:
See attached paper on the impact of a seasonal sales tax rate in conjunction with a sales tax exemption on unprepared food. This is a preliminary analysis that requires further refinement.

Attachment Reference: Impact of a Seasonal Sales Tax Increase and Food Exemption on Living Wage

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10. <u>Seasonal Sales Tax – 6% Summer / 5% Winter:</u>

Question:
Please provide an analysis on a revenue increase of a seasonal 6% sales tax.

Response:
Staff analysis indicates the implementation of a seasonal sales tax increase from 5% to 6%, while maintaining 5% sales tax throughout the remainder of the year, could potentially provide additional revenue as follows:

Scenario	6% Sales Tax Period	Revenue Increase
#1	April – September	$6.2M
#2	April – June	$2.8M
#3	July - September	$3.4M

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11. Seasonal Sales Tax – Three Scenarios:

Question:
Please provide an analysis of a seasonal increase in summer and a decrease on sales tax in the winter.

Response:
Staff analysis indicates the implementation of these seasonal sales tax scenarios, could potentially provide additional revenue as follows:

Scenario	Summer* Sales Tax Rate	Winter* Sales Tax Rate	Revenue Increase
A	6%	4%	$2.3M
B	7%	3%	$4.7M
C	8%	2%	$7.0M

**Note: Summer = April – September; Winter = October - March*

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12. Sales Tax – Revenue Neutral Option with Sales Tax Exemption for Food Sales:

Question:
Please provide an analysis on a revenue neutral option on removing sales tax from food.

Response:
Staff analysis finds one option for removing sales tax from food, having the least impact on annual sales tax revenue may be achieved by implementing a seasonally adjusted sales tax rate paired with a year round exemption on food sales. A seasonal rate could be established at a slightly higher level in the summer when local commerce / sales are traditionally the highest. A slightly lower winter rate could offer a reprieve for locals, and potentially benefit businesses that remain open year round.

Though numerous possibilities exist, for the purpose of this review staff settled on a nearly neutral revenue outcome while minimizing dramatic seasonal rate shift/spikes. This revenue option would raise the sales tax from 5% to 7% in the Summer (April – September), and decrease the sales tax rate from 5% to 3.5% in the Winter (October – March). This scenario results in an estimated revenue increase of $160K.

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13. Removing the sales tax from food:

Question:
If sales tax was eliminated from food, would CBJ continue to follow SNAP guidelines to define food?

Response:
It would be simplest to maintain the Supplemental Nutrition Assistance Program (SNAP) definition of food as currently outlined by the USDA, and used by the CBJ for our local senior sales tax exemption. SNAP defines food as edible items that will be taken home for preparation/consumption. Edible items sold to be eaten on-premises do not meet the SNAP

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definition of food. Other more nuanced definitions of food could be considered, but they would be more complex for retailers to administer, and they could be more difficult for the public to understand.

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14. <u>Removing the sales tax from food:</u>

Question:
How difficult would this change be for vendors? Is there any new information that should be considered since the Assembly last discussed this issue 2-3 years ago?

Response:
Overall, it would likely be easier than it was to implement the senior exemption changes back in 2016. The effected merchants are already aware of which items in their inventory meet the USDA's Supplemental Nutrition Assistance Program (SNAP) definition of food. All they would have to do is code those items to be exempt from sales tax for all customers – rather than just a small subset.

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15. <u>Sales Tax Monthly Scenario Tool:</u>

Question:
Is it possible to provide a monthly sales tax forecast tool offering which would offer a finer degree of analysis than the current quarterly forecast tool?

Response:
Finance has re-developed the sales tax tool to allow users to model rate changes based on any date range. Note that estimations of revenue impact are considerably less precise when considered for any period other than a quarter because most merchants only report taxable sales by quarter. While taxable sales by day/month can be derived from quarterly sales totals, those taxable sales are unlikely consistent day-by-day or month-by-month within a quarter. (For example, there is likely far more sales activity in the late days of June than the early days April, but the model cannot well account for this because sales are generally reported for the entire quarter.)

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16. <u>Sales Tax – Tourism Impact on Revenue Analysis:</u>

Question:
How much of CBJ's annual sales tax revenue is attributable to tourists?

Response:
Determining how much sales tax revenue is received by CBJ that is a direct result of tourism spending is not simple: tourism occurs year-round in Juneau and much of tourism spending occurs in industries that are also frequented by locals. Hence, it is exceedingly challenging to estimate sales tax from winter and independent visitors. However, summer visitation (primarily as a result of cruise activity) is more readily identified in the overall trends.

In early 2019, the Finance Department undertook a research project to examine reported sales activity for several years, in an attempt to better isolate the tourism effect on sales tax revenue.

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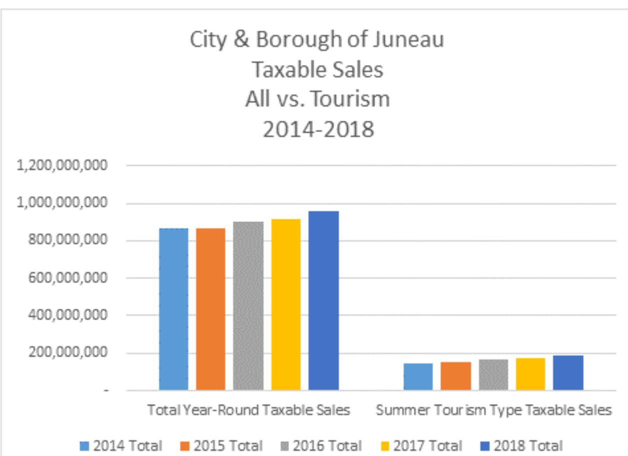
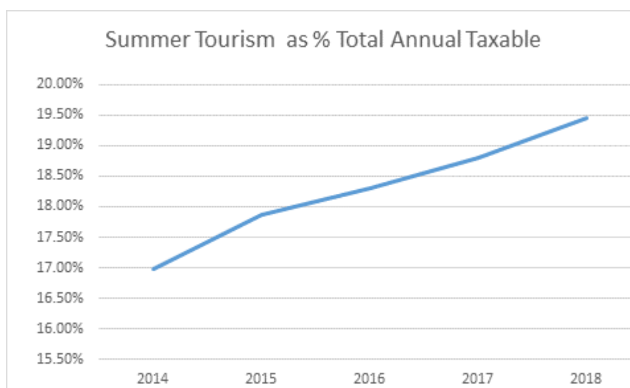
The business categories that were identified as being primarily or heavily tourism oriented were: Restaurants/bars, Hotels, Jewelry Stores, Tours, Rental Cars, Air Charters, and Gift Shops.

The following table and graphs offer the results of the analysis for 2014 – 2018, reporting summer-only taxable sales for the tourism business categories listed above, along with the corresponding total year-round taxable sales for all businesses. Note that these numbers do not include the impact of winter or independent tourists. The final result is that summer tourists pay 18% to 20% of total sales taxes collected, and that proportion appears to be growing.

Summer Season Only					
Tourism Type					
Taxable Sales	2014 Total	2015 Total	2016 Total	2017 Total	2018 Total
Restaurants / Bars	14,382,415	15,621,393	18,017,637	19,610,397	21,381,508
Hotels, B&B	24,581,428	26,013,604	26,634,024	27,544,417	28,467,142
Jewelry	30,811,547	31,008,784	33,617,975	34,973,049	36,834,494
Tours	56,458,303	61,377,821	66,836,423	70,399,249	78,808,297
Rental Cars	4,434,787	4,746,491	4,736,717	4,749,467	4,886,603
Gift Shops, misc	15,815,364	16,268,543	15,844,723	15,329,114	15,382,907
Tourism Taxable Sales:	146,483,844	155,036,636	165,687,499	172,605,693	185,760,951
5% Sales Tax Revenue:	7,324,192	7,751,832	8,284,375	8,630,285	9,288,048
Year-Round					
All Taxable Sales	2014 Total	2015 Total	2016 Total	2017 Total	2018 Total
Total Taxable Sales:	862,906,000	868,100,000	905,001,000	918,300,000	955,109,000
5% Sales Tax Revenue:	43,145,300	43,405,000	45,250,050	45,915,000	47,755,450



Graph 1



Graph 2

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17. Taxing On Board Cruise Ship Sales:

Question:
How much revenue we are currently foregoing by exempting on-board cruise ship sales? Is there anything in the CLIA settlement that limits or prohibits taxing on board cruise ship sales? Do other communities are taxing on board cruise ship sales, and would this tax change behavior?

Response:
The Finance Department estimates that the revenue impact from removing the exemption for onboard cruise ship sales will be an annual increase ranging from \$500K - \$750K. This range includes the 3% liquor tax that will also be collected on sales of alcoholic beverages. The CLIA settlement does not preclude the imposition of sales taxes for on-board sales. The Ketchikan Gateway Borough is currently the only other Southeast Alaska community that has an exemption in place, but staff is not aware of any communities that actually tax onboard sales. Staff can only speculate about any potential change in behavior, but the exemption of on-board sales gives on-board businesses a competitive pricing advantage over shore-side businesses.

Attachment Reference: Onboard Cruise Ship Sales Discussion White Paper

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18. Single purchase cap / Single service cap:

Question:
Please provide an analysis showing the impact of an adjustment to the Single Item and Single Service cap limits.

Response:

Estimated Effect of Cap Increase – Single Item & Single Service Caps
Current Revenue based on 2018 data

Industry Category	Est # Transactions*	Current Revenue w/ \$12,100 Cap	Est. Revenue Gain** w/ \$15,000 Cap	Est. Revenue Gain** w/ \$17,500 Cap
Automotive Dealers	768	464,640	100,224	186,624
Contractors	678	410,190	88,479	164,754
Wholesale Trade	473	286,165	61,727	114,939
Professional Services	334	202,070	43,587	81,162
Electric, Gas, Sanitary	274	165,770	35,757	66,582
Real Estate	200	121,000	26,100	48,600
Transportation Services	108	65,340	14,094	26,244
Food Service	102	61,710	13,311	24,786
Retail Sales-Specialized	71	42,955	9,266	17,253
General Retail	50	30,250	6,525	12,150
Other	21	12,705	2,741	5,103
Automotive repair	9	5,445	1,175	2,187
Communication	2	1,210	261	486
Total	**3090**	**\$1,869,450**	**\$403,245**	**\$750,870**

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**Est # of transactions is based on results from 2014 questionnaire, which were extrapolated based on 2018 reported sales.*

***It cannot be assumed that each transaction will meet the higher cap. For example, a $13,000 sale would not meet the $15,000 cap and would only be taxed on the $13,000. These estimates attempt to reflect shrinkage in the number of transactions that would meet each increasing level of the cap.*

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19. Sales Tax Exemptions – Lobbyists:

Question:
Please provide information on the sales tax exemption relating to lobbyists.

Response:
The City and Borough provides a sales tax exemption for lobbying services performed by lobbyists regulated by the State. There are approximately 105 registered lobbyists reporting $14 million (2019) in fees to APOC. Lobbyists reporting to the CBJ Sales Tax Office are reporting approximately $4.2 to $5.0 million in exemptions annually, including those associated with non-profit and government entities. Due to reporting by lobbyists not located in Juneau, it is not possible to accurately calculate the actual total of sales tax revenues exempted.

The Tax Exemption Review Committee (TERC) considered the sales tax exemption relating to lobbyists and recommended that no change be made. Their reported rationale follows:

Staff advised the Subcommittee that services are taxed where rendered. Due to the nature of how lobbying services are provided, staff believes it would be very difficult for lobbyists to calculate or allocate the fees charged within Juneau. The Subcommittee also discussed this issue with the CBJ's lobbyist. After an extensive review, the Subcommittee recommended no change in this exemption.

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20. Taxing sales by/to nonprofit organizations:

Question:
Please provide a list of the nonprofit organizations that aren't required to be in Juneau (based on their charters, etc.), and the impact that would occur if they left. How much tax revenue would be generated by this change? How much revenue might be lost if nonprofits relocated? If the nonprofit must collect sales tax, would it be harder for them to generate sales?

Response:
Staff is unable to determine which nonprofits would be willing and able to relocate as response to removing the non-profit exemption for sales tax.

The amount of potential sales tax revenue generated is estimated to be $1.36M relating to all sales by nonprofit organizations, and $1.25M pertaining to all sales to nonprofit organizations, though these amounts could vary depending on whether the complete sales tax exemption was fully or partially removed.

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21. <u>Taxing sales by/to nonprofit organizations:</u>

Question:
Please provide further information on thresholds / tiers. As an example, would Girl Scouts have to collect sales tax on the sale of Girl Scout cookies?

Response:
If the Assembly wishes to pursue eliminating this exemption, discussion should include whether or not to include isolated fundraising activities of limited scope (girl scouts, youth sports teams, etc.), resale of donated goods (Salvation Army, St. Vincent Thrift shop), or other types of sales that are more traditionally considered overtly charitable. The Law Department will need to be consulted about the legality of carving out some non-profit activity and taxing other non-profit activity.

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22. Taxing sales to nonprofit organizations:

Question:
Please provide general information about Sales to Nonprofit organizations ($25M reference).

Response:

Purchases by Non Profit Organizations
Grouped by Type of Purchase / Activity
Data from 2018 Reported Exempt Sales

Industry / Activity Description	Exempted Sales
Accounting Services	$ 2,369,778
Arts/Entertainment/Recreation	209,846
Auto Repair / Auto Sales	515,814
Business Services	1,900,135
Construction / Contractors	2,718,245
Education Services	120,731
Equip leasing	258,674
Financial Services	73,369
Food Products	45,556
Fuel	785,891
Hotels / Lodging	130,184
Legal Services	993,510
Media Services	296,623
Personal Services	221,086
Professional Services	5,110,192
Publishing	667,001
Real Estate/Leasing	1,573,086
Restaurants / Bars	393,299
Sanitation Services	388,572
Telecommunications	256,290
Transportation	235,284
Utilities	1,499,069
Wholesale Goods	1,241,015
Retail Sales	2,983,645
Total Exempt Purchases by NP:	**$ 24,986,893**

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Property Tax

23. Raising Property Tax by .1 mil:

Question:
What would the impact of raising property tax by .1 mil have on the cost of living?

Response:
One mill equals $1 of property tax per $1,000 dollars in taxable property value. The current mill rate is 10.66. That means that for every $1,000 in taxable property value, there is a tax of $10.66. The average cost of a single family residence is $350,000. A 0.1 increase to the mill rate would equal an annual property tax increase of $35.00. The precise impact on cost of living will vary widely based on an individual's total property ownership and/or the relative value of property that they lease (property taxes are generally passed down from owners to tenants through rental rates).

Q&A – Fiscal Sustainability Review
12/4/2019

Requests for Reports

24. Request for TERC Report:

Question:
Please provide a link to the report that was generated as a result of the TERC meetings in 2014/15. A hard copy should be made available for review in City Hall.

Response:
The historic Tax Exemption Review Committee website address is:
https://www.juneau.org/beta_transfer/clerk/ASC/TAX/TaxExemptionReviewCommittee2014.php

The Clerk's office does have a hard-copy of the materials on the shelf in City Hall, Room 224 if you wish to review the hard-copies in-person.

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25. Request for DEC Report:

Question:
Please provide existing information found in a report from the State of Alaska Department of Environmental Conservation (DEC) Commissioner to the Legislature, from the Science Advisory Panel – containing economic information outlining the levels of cost increases and their impact on cruise passenger rates.

Response:
The Current Science Advisory Panel (SAP) is a scientific advisory group structured to provide a balanced, unbiased technical expert assessment of commercial passenger vessel wastewater treatment systems. The DEC has archived the SAP reports at:
https://dec.alaska.gov/water/cruise-ships/cruise-reports/

FULL LIST OF ATTACHMENTS

Item No.	Document Title	Page No.
3	Executive Summary Excerpt – 2014 Mt Jumbo Gym Facilities Condition Report	2
8	JSD Current Small CIP Priority List	6
9	Impact of a Seasonal Sales Tax Increase and Food Exemption on Living Wage	8
17	Onboard Cruise Ship Sales Discussion White Paper	12

Executive Summary

Building History
The Mt. Jumbo Gym is a 5,800sf gymnasium attached to a 3-story, 12,105sf building. Originally constructed in 1940 as an addition to the previously-constructed adjacent building, the Mt. Jumbo Gym consists of the main 102' x 50' building, a 6' wide connecting Stairway, and RR/Shower Rooms located in the lower level of the adjacent building. The main Mt. Jumbo Gym building consists of a 75' x 50' single-story Gymnasium with a 15' x 50' strip of Stage and Storage/Mechanical Rooms on the West end and a 12' x 50' strip of Office/Storage/Mezzanine on the East. The majority of the building is single-story with a few second story spaces—most notably the Mezzanine over the eastern Office and Storage Rooms.

The original buildings were designed as a single educational facility with the lower-level RR/Shower Rooms of the gym opening directly to the hallway of the school. At a later date, the school was turned into a maintenance/storage facility and the Gym and associated spaces were walled off and used independently as a recreation facility.

Building Properties

1. Construction Type: The building is assumed to be of Type V-B Construction.
2. Building Address: 409 D Street, Douglas, Alaska 99824
3. Parcel Number: 2D040T300010

Total Estimated Construction Cost
Costs are provided for each deficiency. Many items are associated with other items so in planning to correct deficiencies, the associated cost and deficiencies should be analyzed. The costs are for construction only and are estimated in 2015 dollars. If the construction is to take place after 2016, an inflation rate of 3% should be used for each additional year. When planning to address an individual item or group of items, the total project cost including design, construction administration, inspection, FF&E, contingencies, and other indirect costs need to be added to the construction cost. For budgeting purposes, the project cost should be 140% of the estimated construction cost.

Summary of Major Work Items
The Mt. Jumbo Gym currently operates as a low-occupancy recreational space. The gym is not regulation-sized and has no side courts or viewing areas. Current uses include pre-school play space, adult court games, and occasional rental use.

Given the limitations of the facility, the Condition Survey offers three options for repair/renovation (see Appendix for Construction Cost Spreadsheets). All remedial work is identified with a Deficiency Category (Renewal & Replacement - RR, Code - C, Energy Upgrade – E, Functional - F).

Executive Summary

- **Option 1: Repair for Continued Use.** The facility will be patched and repaired as required to continue operation in its current or similar use. Only finishes and systems which are currently failing will be repaired or replaced. The facility will not look or perform much differently than its current configuration, but can continue to be used for 5-10 years. Highlights of the project include:
    - New roof
    - Replacement of failing structural elements
    - Replacement of furnace and correction of ventilation issues

  Construction Cost for Option 1: $437,245
  Total Project Cost for Option 1: $612,143

- **Option 2: Upgrade for Improved Use.** In addition to the repairs outlined in Option 1 (above), the facility will be upgraded with some new finishes and systems. The facility will feel newish on the interior, and the facility can be used for 10-15 years before further renovations will be required. Highlights of the project include:
    - New athletic floor and interior paint
    - Replacement of mechanical piping and fixtures
    - Replacement of electrical wiring and lighting
    - Voluntary (non-required) replacement of non-code compliant drinking fountain and exterior lighting

  Construction Cost for Option 2: $848,799
  Total Project Cost for Option 1: $1,188,319

- **Option 3: Upgrade for Like-New Lifespan.** In addition to the repairs outlined in Option 2 (above), all portions of the facility will be upgraded to a like-new condition so that the facility will not need major renovations for 25-30 years. It should be noted that functional issues (such as the undersized gym) will not be addressed. Highlights of the project include:
    - New exterior metal siding and insulation, elimination of all moisture issues through the envelope
    - Removal and replacement of all interior finishes including all interior wood-furring at exterior walls
    - Replacement of mechanical ductwork, new heating controls, and an automatic sprinkler fire-suppression system in the gym.

  Construction Cost for Option 3: $1,774,832
  Total Project Cost for Option 1: $2,484,764

Executive Summary

Condition Survey Assumptions and Qualifiers

The Mt. Jumbo Gym Condition Survey is for the Mt. Jumbo Gym only. Portions of the adjacent building were examined only if they were associated with the Gym (i.e.: the RR/Showers). The adjacent building was not analyzed comprehensively for issues such as structural deficiencies.

For purposes of this Condition Survey, it is assumed that the Gym will maintain its current use and occupancy without any change in room configuration. Any change in occupancy or room configuration will trigger additional code requirements depending on the extent (see IEBC Chapter 4 for room configuration change requirements, and IEBC Chapter 9 for occupancy change requirements). However, it is likely that a change to a lower occupancy category (i.e.: converting the gym to storage) is likely to be allowed without significant additional repairs required beyond what is described here.

JSD Small Capital Improvement Projects

S102-02 FUND BALANCE $ 811,393

School	Project	Lead	Current Cost to Date	Estimated Cost to Complete	Total Estimated Project Cost	Cumalative Additional Project Cost	Estimated FY Completion	Priority	Description
DhMS & MDAS	HVAC Controls & Mechanical Upgrades	CBJ	$ 1,838,952	$ 150,000	$ 1,988,952	$ 150,000	21	1	Replace heating controls and associated valves at DHMS. Replace heating controls, associated valves and replace AHUs in gym wing.
TMHS	Water Heater Replacement	JSD	$ 20,402	$ 26,600	$ 47,002	$ 176,600	21	2	Product failure
JDHS	Boiler Repairs	JSD	$ 2,044	$ 10,000	$ 12,044	$ 186,600	21	3	1. Tune up units 2. Evaluate performance
MULTI	Lock Upgrades	JSD		$ 75,000	$ 75,000	$ 261,600	21	4	Modernize locks and doors at multiple facilities.
MD	Kitchen Upgrades	CBJ	$ 1,754	$ 400,000	$ 401,754	$ 661,600	21	5	Remodel kitchen in conjunction with MDAS Phase II HVAC upgrades
JDHS	Boiler Room Assessment	CBJ		$ 30,000	$ 30,000	$ 691,600	21	6	Preliminary design. Assess boiler room equipment and provide a cost estimate for renovation.
JDHS	Stage Set Door Replacement	JSD		$ 20,000	$ 20,000	$ 711,600	21	7	End of useful life. Replace stage set door due to operator failure.
AB	Traffic safety	JSD		$ 10,000	$ 10,000	$ 721,600	21	8	Install additional crosswalk safety equipment
MRCS	Traffic safety	JSD		$ 15,000	$ 15,000	$ 736,600	21	9	Install pedestrian safety equipment, explore crosswalk options
MRCS	Site Drainage Upgrades	CBJ		$ 250,000	$ 250,000	$ 986,600	22	10	Improve existing culverts, various grading issues
MRCS	Boiler Room Renovation	CBJ		$ 800,000	$ 800,000	$ 1,786,600	22	11	Fall: planning and design. Following summer: construction
FDMS	Metal Cladding at Fascia	CBJ		$ 125,000	$ 125,000	$ 1,911,600	22	12	North wall, initial planning and assessment
JDHS	Boiler Room Renovation	CBJ		$ 800,000	$ 800,000	$ 2,711,600	23	14	Fall: planning and design. Following summer: construction
MRCS	Gym floor replacement	CBJ		$ 200,000	$ 200,000	$ 2,911,600	23	15	Initial planning and assessment.
MDAS	Exterior Entry Improvements	CBJ		$ 800,000	$ 800,000	$ 3,711,600	24	16	Initial planning and assessment. Concrete work, drainage improvements
DHMS	Commons Window Replacement	CBJ		$ 115,000	$ 115,000	$ 3,826,600	24	17	Replace Commons windows.
MRCS	Restroom Renovation	JSD		$ 600,000	$ 600,000	$ 4,426,600	25	18	Upgrade MRCS restrooms
DHMS	Toilet Partition Replacement	JSD		$ 15,000	$ 15,000	$ 4,441,600	25	19	Replace toilet partitions.
MRCS	Carpet Replacement	CBJ		$ 475,000	$ 475,000	$ 4,916,600	25	20	Initial planning and assessment.
FDMS	Adair Kennedy Track Surfacing	CBJ		$ 600,000	$ 600,000	$ 5,516,600	26	21	Parks & Rec is not interested, min $600K
TOTAL			**$ 1,863,152**	**$ 5,516,600**	**$ 7,379,752**				
ADDITIONAL FUNDING REQUIRED				**$ 4,705,207**					

Impact of a Seasonal Sales Tax Increase and Food Exemption on Living Wage

Prepared by Jeff Rogers, Finance Director, for the CBJ Assembly Finance Committee

November 23, 2019

Introduction

This paper attempts to respond to questions from the CBJ Assembly Finance Committee about the impact of a seasonal sales tax rate in conjunction with a sales tax exemption on unprepared food. In particular, this paper will consider the impact of these changes on wages at various levels of income.

Assumptions

This analysis assumes:

- Number of Juneau resident households is 12,273
- Number of summer visitors is 1,300,000
- "Unprepared food" is defined by the Bureau Labor of Statistics as "food for home"
- "Other taxable items" shall be the sum of all other BLS categories of taxable expenditures
- Summer visitors pay 18% of CBJ sales tax annually (based on analysis by Bonnie Chaney 2019)
- Of the amount that summer visitors spend, only 5% is spend on "food for home"
- CBJ taxes $1 billion in sales of goods and services to generate $50 million in sales tax revenue

Methodology

The attached calculation estimates impact in the following steps:

1. CBJ gross taxable sales are allocated between residents and visitors using the assumptions above
2. Sales tax generated is calculated for two scenarios
    a. Status quo scenario: 5% year-round rate with food subject to tax
    b. Contemplated scenario: 5%/6% seasonal rate with unprepared food exempt
3. The difference between these two scenarios is calculated for residents and visitors and divided by the number of resident households and summer visitors
4. National Bureau of Labor Statistics regarding income and expenditures is localized to Juneau based on taxes actually paid
5. Sales tax and % of income/expenditure by income quartile is calculated for two scenarios
    a. Status quo scenario: 5% year-round rate with food subject to tax
    b. Contemplated scenario: 5%/6% seasonal rate with food-for-home exempt
6. The difference between these two scenarios is calculated

Result of Analysis: Estimated Impact

Annual Sales Tax Savings for Residents	**$ 1,760,854**	Annual Sales Tax Increase on Visitors	**$ 1,260,000**
Annual Sales Tax Savings per Resident Household	**$ 143.47**	Additional Sales Tax Cost per Visitor	**$ 0.97**

Annual Savings from 5%/6% Rate and Food Exemption	**Income Level**					
	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	All Households
Annual Sales Tax Savings per Resident Household	$ 132.13	$ 172.84	$ 156.00	$ 162.66	$ 93.13	$ 143.47
Annual Savings as % of Resident Household Income	0.58%	0.28%	0.14%	0.09%	0.02%	0.09%
Annual Savings as % of Resident Household Expenditure	0.25%	0.21%	0.15%	0.12%	0.04%	0.11%
					Total Annual Sales Tax Savings by Residents	$ 1,760,854

ESTIMATED IMPACT OF 5%/6% SEASONAL RATE AND FOOD EXEMPTION

Analysis of Variable Impact on Visitors and Resident Households

Prepared by Jeff Rogers, Finance Director, City and Borough of Juneau

		All Payers		
		Food	**Non-Food**	**Subtotal**
Gross Sales	Q1	$ 26,464,871	$ 152,969,433	$ 179,434,304
	Q2	$ 30,430,917	$ 246,887,275	$ 277,318,192
	Q3	$ 31,973,141	$ 307,130,112	$ 339,103,253
	Q4	$ 31,951,619	$ 172,192,633	$ 204,144,251
	Total	$ 120,820,548	$ 879,179,452	**$ 1,000,000,000**

Variables	
% of Annual Sales to Visitors	18%
% of Visitors Sales on Food	5%
Assumptions	
Resident Households	12,273
Summer Visitors	1,300,000
Juneau/BLS Adjustment (Food)	208.8%
Juneau/BLS Adjustment (Other)	190.9%

		Residents			**Visitors**			All Payers
		Food	Non-Food	**Subtotal**	Food	Non-Food	**Subtotal**	Total
Gross Sales	Q1	$ 26,464,871	$ 152,969,433	$ 179,434,304	$ -	$ -	$ -	$ 179,434,304
	Q2	$ 26,420,238	$ 170,684,389	$ 197,104,627	$ 4,010,678	$ 76,202,887	$ 80,213,565	$ 277,318,192
	Q3	$ 26,983,820	$ 212,332,998	$ 239,316,818	$ 4,989,322	$ 94,797,113	$ 99,786,435	$ 339,103,253
	Q4	$ 31,951,619	$ 172,192,633	$ 204,144,251	$ -	$ -	$ -	$ 204,144,251
	Total	$ 111,820,548	$ 708,179,452	**$ 820,000,000**	$ 9,000,000	$ 171,000,000	**$ 180,000,000**	$ 1,000,000,000

		Residents			**Visitors**			All Payers
		Food	Non-Food	**Subtotal**	Food	Non-Food	**Subtotal**	Total
Status Quo Tax Revenue	Q1	$ 1,323,244	$ 7,648,472	$ 8,971,715	$ -	$ -	$ -	$ 8,971,715
	Q2	$ 1,321,012	$ 8,534,219	$ 9,855,231	$ 200,534	$ 3,810,144	$ 4,010,678	$ 13,865,910
	Q3	$ 1,349,191	$ 10,616,650	$ 11,965,841	$ 249,466	$ 4,739,856	$ 4,989,322	$ 16,955,163
	Q4	$ 1,597,581	$ 8,609,632	$ 10,207,213	$ -	$ -	$ -	$ 10,207,213
	Total	$ 5,591,027	$ 35,408,973	**$ 41,000,000**	$ 450,000	$ 8,550,000	**$ 9,000,000**	$ 50,000,000

		Residents			**Visitors**			All Payers
Tax Revenue with 5%/6% Rate and Food Exemption		Food	Non-Food	**Subtotal**	Food	Non-Food	**Subtotal**	Total
	Q1	$ -	$ 7,648,472	$ 7,648,472	$ -	$ -	$ -	$ 7,648,472
	Q2	$ -	$ 10,241,063	$ 10,241,063	$ -	$ 4,572,173	$ 4,572,173	$ 14,813,237
	Q3	$ -	$ 12,739,980	$ 12,739,980	$ -	$ 5,687,827	$ 5,687,827	$ 18,427,807
	Q4	$ -	$ 8,609,632	$ 8,609,632	$ -	$ -	$ -	$ 8,609,632
	Total	$ -	$ 39,239,146	**$ 39,239,146**	$ -	$ 10,260,000	**$ 10,260,000**	$ 49,499,146

Annual Sales Tax Savings for Residents	**$ 1,760,854**	Annual Sales Tax Increase on Visitors	**$ 1,260,000**
Annual Sales Tax Savings per Resident Household	**$ 143.47**	Additional Sales Tax Cost per Visitor	**$ 0.97**

ESTIMATED IMPACT OF 5%/6% SEASONAL RATE AND FOOD EXEMPTION

Analysis of Variable Impact on Visitors and Resident Households

Prepared by Jeff Rogers, Finance Director, City and Borough of Juneau

National BLS Data (2017)	**Income Level**					
	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	All Households
Annual Household Income	$ 11,394	$ 29,821	$ 52,431	$ 86,363	$ 188,103	$ 73,573
Annual Household Expenditures	$ 26,019	$ 39,300	$ 50,470	$ 67,604	$ 116,988	$ 60,060
Amount Spent on Food at Home	$ 2,582	$ 3,622	$ 4,038	$ 4,893	$ 6,677	$ 4,363
Amount Spent on Other Taxable Items	$ 13,316	$ 19,891	$ 25,730	$ 33,732	$ 58,511	$ 30,230

National BLS Data Adjusted to Juneau Tax Data	**Income Level**					
	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	All Households
Annual Household Income	$ 22,771	$ 62,274	$ 109,490	$ 180,349	$ 392,809	$ 153,640
Annual Household Expenditures	$ 51,999	$ 82,069	$ 105,395	$ 141,175	$ 244,302	$ 125,421
Amount Spent on Food at Home	$ 5,392	$ 7,564	$ 8,432	$ 10,218	$ 13,943	$ 9,111
Amount Spent on Other Taxable Items	$ 25,417	$ 37,967	$ 49,113	$ 64,387	$ 111,684	$ 57,702

Status Quo Tax Program	**Income Level**					
	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	All Households
Sales Tax paid on Food for Home	$ 269.60	$ 378.18	$ 421.62	$ 510.89	$ 697.17	$ 455.56
Sales Tax Paid on Other Taxable Items	$ 1,270.86	$ 1,898.37	$ 2,455.64	$ 3,219.34	$ 5,584.21	$ 2,885.11
Total Sales Tax Paid	$ 1,540.46	$ 2,276.56	$ 2,877.26	$ 3,730.23	$ 6,281.38	$ 3,340.67
Sales Tax Paid as % of Resident Household Income	6.76%	3.66%	2.63%	2.07%	1.60%	2.17%
Sales Tax Paid as % of Resident Household Expenditure	2.96%	2.77%	2.73%	2.64%	2.57%	2.66%
					Sales Tax Paid by Residents on Food for Home	$ 5,591,027
					Sales Tax Paid by Residents on Other Taxable Items	$ 35,408,973
					Total Sales Tax Paid by Residents	$ 41,000,000

Tax Program with 5%/6% Rate and Food Exemption	**Income Level**					
	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	All Households
Sales Tax paid on Food for Home	$ -	$ -	$ -	$ -	$ -	$ -
Sales Tax Paid on Other Taxable Items: Q1	$ 274.51	$ 410.06	$ 530.43	$ 695.39	$ 1,206.21	$ 623.19
Sales Tax Paid on Other Taxable Items: Q2	$ 367.56	$ 549.05	$ 710.23	$ 931.10	$ 1,615.08	$ 834.44
Sales Tax Paid on Other Taxable Items: Q3	$ 457.25	$ 683.02	$ 883.53	$ 1,158.30	$ 2,009.17	$ 1,038.05
Sales Tax Paid on Other Taxable Items: Q4	$ 309.01	$ 461.59	$ 597.08	$ 782.78	$ 1,357.79	$ 701.51
Total Sales Tax Paid	$ 1,408.33	$ 2,103.72	$ 2,721.26	$ 3,567.57	$ 6,188.25	$ 3,197.19
Sales Tax Paid as % of Resident Household Income	6.18%	3.38%	2.49%	1.98%	1.58%	2.08%
Sales Tax Paid as % of Resident Household Expenditure	2.71%	2.56%	2.58%	2.53%	2.53%	2.55%
					Sales Tax Paid by Residents on Food for Home	$ -
					Sales Tax Paid by Residents on Other Taxable Items	$ 39,239,146
					Total Sales Tax Paid by Residents	$ 39,239,146

Annual Savings from 5%/6% Rate and Food Exemption	**Income Level**					
	Lowest Quintile	Second Quintile	Third Quintile	Fourth Quintile	Fifth Quintile	All Households
Annual Sales Tax Savings per Resident Household	$ 132.13	$ 172.84	$ 156.00	$ 162.66	$ 93.13	$ 143.47
Annual Savings as % of Resident Household Income	0.58%	0.28%	0.14%	0.09%	0.02%	0.09%
Annual Savings as % of Resident Household Expenditure	0.25%	0.21%	0.15%	0.12%	0.04%	0.11%
					Total Annual Sales Tax Savings by Residents	$ 1,760,854

CBJ SALES TAX OFFICE
WHITE PAPER

Onboard Cruise Ship Sales Discussion

Background

The current sales tax exemption for sales made onboard cruise ships exempts **only** the following sales:

- Sales of goods that are paid for and delivered to the passenger, onboard the cruise ship, while the ship is within CBJ borough boundaries and,
- Services which are paid for and performed aboard the cruise ship while the ship is within CBJ borough boundaries.

This exemption does not apply to prepaid goods or services packages.

Discussion

If this exemption were removed, the following example transactions would be subject to the CBJ Sales Tax:

- Food & beverage sales made within CBJ boundaries that are not sold as part of an all inclusive package,
- Alcoholic beverage sales made within CBJ boundaries would be subject to both the 5% sales tax & 3% liquor tax,
- Sales made in any of the shops or sales events that occur while the ship is within CBJ Boundaries,
- Personal services, such as salon or massage services that are both sold and performed while the ship is within CBJ boundaries.

Tour Sales Discussion

Under CBJ Sales Tax code, the tour operator is responsible for remitting the CBJ Sales Tax on tours that are provided within the borough boundaries. Most of the time, these tours are sold months in advance by a third-party broker or travel agent which is not located within the borough. When tours are sold by one of these third parties, they retain a commission, usually a percentage of a selling price of the tour. The third party then sends the tour operator the remainder of the selling price that was collected.

The third party has no requirement to collect the appropriate CBJ Sales Tax on behalf of the tour provider, so the tour provider is allowed to back out the appropriate sales tax from the portion of the tour sale received from the third party.

This same situation occurs with tours sold by cruise lines. To my knowledge, no cruise line provides any of its own tours. Cruise lines merely sell tours as broker/travel agent on behalf of local operators. The large majority of tours sold by cruise lines are sold months in advance, but a small number of tours are sold onboard the cruise ship during the voyage.

If any of these tours sold onboard the cruise ship are sold while the ship is within CBJ borough boundaries, the cruise line would be responsible to collect the appropriate sales tax on the full selling price of the tour, in the same manner that brokers selling tours on the local docks are required to collect sales tax. This sales tax would then be forwarded to the local tour operator for remittance to CBJ.

Revenue Estimates

Finance dept. estimates that the revenue impact from removing the exemption for onboard cruise ship sales will be an annual increase ranging from $500k - $750k. This range includes the 3% liquor tax that will also be collected on sales of alcoholic beverages.

MEMORANDUM

DATE: December 2, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Consideration of Increase to Motor Vehicle Registration Tax Follow-up

155 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

Background

- On September 25, 2019: the Assembly Finance Committee (AFC) considered an increase to Motor Vehicle Registration Tax (MVRT) and directed staff to provide several MVRT rate / revenue scenarios for consideration.
- On November 6, 2019: staff provided five rate / revenue scenarios for the AFC's consideration. AFC discussed the scenarios and directed staff to provide further information on tour busses, the CPV (Commercial Passenger Vehicle) Program, an option for codifying CPI adjusted rate increases, and a sixth scenario for consideration at the next AFC meeting on December 4, 2019.

On further review, the City Attorney has determined that according to Alaska Statute 28.10.431(g), a vehicle subject to MVRT may not also be taxed under CBJ's Business Personal Property Tax. Currently, CBJ does impose business personal property (BPP) tax on $18.8 million of commercial vehicles across 140 commercial taxpayers, generating approximately $200,000 in revenue annually. Hence, state law precludes the implementation of a commercial MVRT. The Assembly could consider the option to exempt commercial vehicles from BPP tax, which would then allow the imposition of commercial MVRT. Unless commercial MVRT rates were established significantly higher than non-commercial rates, the exemption of commercial vehicles from BPP tax in favor of a commercial MVRT would likely result in a net revenue loss.

As a result of committee direction and the above legal finding, the sixth scenario provided in this document, along with Ordinance 2019-41, establishes only non-commercial rates.

Ordinance

Ordinance 2019-41 was introduced at the Assembly meeting on November 25, 2019. The Assembly referred it to the Assembly Finance Committee for further discussion, and set it for public hearing at the next Regular Assembly meeting on December 16, 2019. The Ordinance is based on Scenario #6, the last scenario listed in this document.

Scenario #6

This model increases the existing passenger rates by 70%, from $44/$4 to $70/$10, generating approximately $280,000 of additional revenue annually.

Estimated Impact to Annual MVRT Revenue: Increase of **$280,000**

Vehicle Type	19	18	17	16	15	14	13	12	11	10	09	08	07&older
Non-Commercial													
Passenger	$70	70	70	70	70	70	70	70	70	70	70	70	70
Motorhomes	70	70	70	70	70	70	70	70	70	70	70	70	70
Pickups	70	70	70	70	70	70	70	70	70	70	70	70	70
Cargo Vans	70	70	70	70	70	70	70	70	70	70	70	70	70
Trailers	10	10	10	10	10	10	10	10	10	10	10	10	10
Motorcycles	10	10	10	10	10	10	10	10	10	10	10	10	10
Farm Vehicles													
Boats (Non-Vessel)													
Vessels													
Commercial													
(0-5,000 lbs)													
Taxicabs													
Tour Bus													
(5,001 - 12,000 lbs)													
(12,001 - 18,000 lbs)													
(18,001 & Over)													
Boats (Non-Vessel)													
Vessels													

Presented by: The Manager
Introduced: 11/25/19
Drafted by: R. Palmer III

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2019-41

An Ordinance Increasing the Motor Vehicle Registration Tax.

BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Classification. This ordinance is of a general and permanent nature and shall become a part of the City and Borough of Juneau Municipal Code.

Section 2. Amendment of Section. CBJ 69.30.010 is amended to read:

69.30.010 Tax levy.

(a) *Biennial tax levy.* There is levied a biennial motor vehicle registration tax pursuant to the provisions of AS 28.10.431 (Biennial Motor Vehicle Registration Tax) ~~as such statute may be hereafter amended, revised, or replaced,~~ according to the following schedule:

MOTOR VEHICLE TAX SCHEDULE - BIENNIAL SCHEDULE

	Tax According to Age of Vehicle Since Model Year, in the First Year of Biennial Period:							
Type	*1st*	*2nd*	*3rd*	*4th*	*5th*	*6th*	*7th*	*8th or over*
Motorcycle	$10 ~~4~~	$10 ~~4~~	$10 ~~4~~	$10 ~~4~~	$10 ~~4~~	$10 ~~4~~	$10 ~~4~~	$10 ~~4~~

Non-commercial passenger vehicles or motor homes as defined in AS 28.10.421(b)(1)	$70 44	$70 44	$70 44	$70 44	$70 44	$70 44	$70 44	$70 44
Non-commercial trailers, as defined in AS 28.10.421(b)(6)	$10 4	$10 4	$10 4	$10 4	$10 4	$10 4	$10 4	$10 4
Non-commercial pickup trucks or vans not exceeding 10,000 pounds unladen weight as defined in AS 28.10.421(b)(2)	$70 44	$70 44	$70 44	$70 44	$70 44	$70 44	$70 44	$70 44

(b) Commercial vehicles are not subject to the City and Borough Motor Vehicle Registration Tax.

Section 3. Effective Date. This ordinance shall be effective 30 days after its adoption.

Adopted this ________ day of _______________________, 2019.

____
Beth A. Weldon, Mayor

Attest:

____
Elizabeth J. McEwen, Municipal Clerk

MEMORANDUM

155 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

DATE: December 2, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Funding Options for Vetoed FY2020 State School Bond Debt Reimbursement (SBDR)

Background

Governor Dunleavy vetoed the legislative appropriation that would have funded the state SBDR payments that the City and Borough of Juneau expected to receive in FY2020. The Governor's partial veto did allow 50% of the expected reimbursement to be issued to CBJ for the debt payment. In order to avoid defaulting on CBJ's debt obligation, the Assembly Finance Committee must appropriate $3.6 million from an allowable source for the purpose of paying FY2020 debt service payments related to school construction.

Options

While the impact to CBJ's budget is severe and many strategies could be considered for paying this cost, there are two primary options:

1. Appropriate $3.6 million from unrestricted general government fund balance
2. Appropriate $3.6 million from the Restricted Budget Reserve, which requires the Manager to develop a plan to repay the reserve (Res. 2629)

Impact on Mill Rate

There has been some Assembly discussion about increasing the future mill rate to recoup these lost funds resulting from the Governor's veto. This option appears both reasonable and sensible considering that if the SBDR program had not existed when these school construction projects were approved by the voters, then CBJ would have been authorized to pay the full cost of the debt from the debt service mill rate. Since a 0.1 mill increase results in approximately $500,000 of revenue, to recoup the full amount of lost FY2020 state reimbursement, the overall mill rate would need to increase by approximately 0.7 in one year, 0.35 over two years, or 0.24 over three years. I recommend that the Assembly Finance Committee reserve consideration of this subject until the approval of mill rates during the FY2021/22 budget process.

Looking Forward

The Governor's veto creates grave uncertainty about the future of the SBDR program. Nobody can predict the outcome of future SBDR payments from the state. If the state continues to shift its responsibility to CBJ, then future Assemblies will need to rise to those challenges as they become known. The only thing we know is that costs shifted to CBJ must be paid, either by burning through critical fund balances/reserves or by burdening taxpayers through the debt-service mill-rate. Given this high degree of uncertainty, the Assembly may wish to consider action to recoup the lost FY2020 revenue as quickly as possible so as to avoid the potential of layering multiple multi-year mill rate increases on top of each other.