

City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Saturday, November 2, 2019, 9:00 AM

I. Call to Order

The meeting was called to order at 9:04 AM by Loren Jones, Chair.

II. Roll Call

Committee Members Present: Alicia Hughes-Skandijs, Carole Triem, Maria Gladziszewski, Wade Bryson, Rob Edwardson, Chair Loren Jones, and Mayor Beth Weldon.

Committee Members Participating Telephonically: Michelle Bonnet Hale.

Committee Members Absent: Greg Smith.

Staff Present: Rorie Watt, City Manager; Mila Cosgrove, Deputy City Manager; Jeff Rogers, Finance Director; Ed Mercer, Police Chief; David Campbell, Deputy Chief of Police; Rich Etheridge, Fire Chief; Robert Palmer, City Attorney; Deb Senn, Law Office Manager; George Schaaf, Director, Parks & Recreation; Lindsey Foster, Admin Officer, Parks & Recreation; Myiia Wahto, Admin Officer, Parks & Recreation; Carl Uchytel, Port Director, Docks & Harbors; Jill MacLean, Director, Community Development Department; Brenwynne Grigg, Admin Officer, Community Development Department; Robert Barr, Director, Library; Ed Foster, Operations Superintendent; Public Works; Tom Mattice, Emergency Programs Manager; Mike Vigue, Director, Engineering & Public Works; Dallas Hargrave, Director, Human Resources; Matt Scranton, Director, MIS; Beth McEwen, City Clerk; Dave Scanlan, General Manager, Eaglecrest; Sonia DelGado, Accountant; Sam Muse, Controller; and Elisabeth Jensen, Budget Analyst.

III. Approval of Minutes

The October 9, 2019, minutes were approved as presented.

IV. Other Business

The AFC meeting previously scheduled for Wednesday, November 13, 2019, has been cancelled.

V. Fiscal Sustainability Process

Clerk's Note:

An in-meeting supplemental 9-page packet, "Fiscal Sustainability Program Review" was distributed at the beginning of the meeting – and reviewed in full during the course of the meeting.

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Through the course of the meeting, the following 1-page each in-meeting handouts were distributed: "Seasonal Sales Tax in Alaska" provided by Jeff Rogers, and "Capital Transit Revenue Option" provided by Assembly member Michelle Hale.

Chair Loren Jones, thanked the Assembly members for completing the Fiscal Sustainability Ranking Exercise, and thanked staff for their continued work on the Fiscal Sustainability Process.

Mr. Bryson asked how the ranking was compiled

Jeff Rogers, Finance Director stated that the assembly members' scores were averaged and then re-ranked them based on the averages. The level-of-agreement reflects the standard deviation of the collective scoring.

VI. Fiscal Sustainability Process – Prioritization Rankings – Aggregate Results Discussion

Mila Cosgrove, Deputy City Manager, introduced the "CBJ Assembly Fiscal Sustainability Program Priority Ranking Results", found on pages 2 – 5, of the In-Meeting Handout packet, providing a general overview of the document's layout. She explained that the Assembly members all submitted their individual rankings of the program cards provided, and staff aggregated the prioritization scores (averaging all scores and re-ranking based on the averages). The level-of-agreement reflects the standard deviation of the collective scoring. Where the column says high, more assembly members looked at the prioritization in the same way, while a "low" agreement signals more disparity in agreement. The column, titled "Assembly Review Notes", lists any comments that were received from any of the individual members, and is not reflective of the collective view.

Ms. Cosgrove guided the discussion through the quartiles (1 per page), asking the group to let staff know if there are questions, or requests for more information on specific items the Assembly may require as it pertains to program expenditures.

Rorie Watt, City Manager, noted that the Assembly did weigh the bulk of expenses as the highest of their priorities.

Costs of Quartile 1 (Page 1) is \$40M. Highest Prioritized Items.

Costs of Quartile 2 (Page 2) is \$24M.

Costs of Quartile 3 (Page 3) is \$17M.

Costs of Quartile 4 (Page 4) is \$ 6.6M. Lowest Prioritized Items.

Specific Assembly member questions / requests for staff follow-up:

- Mayor Weldon asked if the CBJ would save money by contracting out services to a private business for those services currently performed by Landscape Maintenance.

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- Maria Gladziszewski asked for further clarification on items on the program list like Eagle Valley Center that included full cost recovery.
The Finance Department will follow-up with information.
- Carole Triem requested to see an estimate of the tear down costs vs. the CIP costs for Mt. Jumbo Gym.
Ms. Cosgrove offered to have staff provide the Mt. Jumbo facility report.
- Maria Gladziszewski asked for further clarification on the change in ZGYC budget from \$75k to \$200k in FY19. Where did the money come from?
Ms. Cosgrove offered to have staff research the answer.
- Loren Jones would like to look at broadening the scope of the groups receiving funding from the Assembly's Economic / Tourism Grants – potentially through a competitive process, RFP process, etc.
The Finance Department will follow-up with information.
- Maria Gladziszewski asked for further breakout of the Assembly's Economic / Tourism Grants (Card D-13).
Ms. Cosgrove offered to have staff research the answer.

The meeting recessed at 10:08 AM.

The meeting reconvened at 10:22 AM.

- Alicia Hughes-Skandijs requested for information on the last time Capital Transit fares were increased.
Mr. Watt offered to have staff provide an update.
- Mayor Weldon asked for an accounting of expenditures for CIP Support to Schools, along with a follow-up on the \$5M in Sales Tax already provided.
The Finance Department will follow-up with information.

The meeting recessed at 10:53 AM.

The meeting reconvened at 11:07 AM.

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VII. Fiscal Sustainability Process – Revenue / Expense Balancing Options Discussion

Chair Jones, introduced “Revenue Concepts”, found on page 9, of the In-Meeting Handout packet, providing a list of specific revenue ideas submitted by Assembly members. He asked for the committee to sort through the list, and come to an agreement on a shortened list of items that could provide a direct and immediate revenue impact, and are within the control of the Assembly itself.

The Assembly discussed the information and where at least five members were in favor of continuing discussion on an item, added said items to the following Revenue List for further discussion and information:

Revenue List for follow-up

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)

The Assembly discussed the items on their new revenue list, and requested further information on a number of specific items.

A 6% sales tax from April – October. (Alternatively, April – June; or July – Sept)

Mr. Watt reminded the body and the audience that this change to sales tax would require citizen approval.

- Chair Jones, suggested analysis on a revenue increase on a seasonal 6% sales tax.
- Chair Jones, suggested analysis on a revenue neutral option on removing sales tax from food.
- Rob Edwardson requested information on the potential impact an increased sales tax would have on people and the living wage.
- Carole Triem, suggested a seasonal increase in summer and a decrease on sales tax in the winter.

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- Ms. Gladziszewski, requested a sales tax forecast tool offering finer degree of analysis from the current quarterly forecast tool, instead providing a monthly sales tax forecast generating tool.
- Ms. Hughes-Skandijs, asked if there is precedent for sales tax that increases by cruise ships September instead of October. Can sales tax revenue analysis provide groupings of tourist / locals, or Downtown sales / Valley sales?

Mr. Rogers handed out a one-page briefing on Seasonal Sales Tax in Alaska. He stated that any seasonal rate can be set in code. However, CBJ sales tax information is available by quarter because the majority of vendors collect, remit and report quarterly. Only the largest of vendors collecting sales tax report on a monthly basis. Though it is possible to set a sales tax rate that is unrelated to quarters, staff is not able to predict the outcome with any certainty, and the impact of the rate could be difficult to administer for CBJ and for vendors.

Single purchase cap / Single service cap (Parking lot items)

- Mayor Weldon asked for an analysis showing the impact of adjustment to the cap limits.
- Ms. Triem asked for staff to provide information on the sales tax exemption relating to lobbyists.
- Ms. Gladziszewski, requested a copy of the report that had been issued during the TERC meetings in 2014/15.
- Chair Jones, asked staff to simply provide direction to access the report online or in City Hall.

Taxing sales by/to nonprofit organizations

- Mr. Edwardson, requested 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 are we expecting to generate? How much revenue will be lost? If the nonprofit must collect sales tax, would it be harder for them to generate sales?
- Ms. Gladziszewski, requested information on thresholds / tiers. Would Girl Scouts have to collect sales tax on the sale of Girl Scout cookies?

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The meeting recessed at 12:12 PM.

The meeting reconvened at 12:17 PM.

- Ms. Gladyszewski, requested general information about Sales to Nonprofit organizations (\$24M reference).

Taxing On Board Cruise Ship Sales

- Mr. Edwardson, requested existing information found in a report from the State of Alaska Department of Environmental Conservation 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.
- Chair Jones, requested an update on how much revenue we are currently foregoing by not taxing on board cruise ship sales. He asked if there anything in the CLIA Lawsuit Settlement that limits or prohibits taxing on board cruise ship sales?
- Ms. Triem asked if other communities are taxing on board cruise ship sales, and would this tax change behavior. She asked for an explanation of on board sales, and examples of what things are being sold/purchased.

Raising property tax by .1 mil

- Mr. Bryson asked what impact this will have on the cost of living.

Removing the sales tax from food & filling this gap with a seasonal (April – October) 1% additional sales tax.

- Mayor Weldon, asked if this were to be implemented, would we continue to follow SNAP guidelines to define food?
- Ms. Gladyszewski, asked how difficult this change would be for vendors, and requested any new information that had changed in the 2-3 years since the last deep discussion on the topic.
- Ms. Gladyszewski, asked if we were trying to be revenue neutral, and removing sales tax from food would result in a \$500K loss to revenue; then could we alternatively reduce sales tax to 1% and be revenue neutral? Please analyze.

The Assembly discussed other concepts that were ultimately placed on a Tier-2 priority list. These were viewed as items that could be explored at another time - potentially by the Lands & Economic Committee.

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- Land sales and leases of non-buildable land or non-traditional sites
- Increase funding to JEDC for incentive grants to open specific businesses

Mr. Bryson described the idea of “Land sales and leases of non-buildable land or non-traditional sites”, as being akin to what had been done years ago when a local enterprising couple rehabilitated a property and eroding stream impacted by a massive landslide. The reclamation process resulted in what is now Glacier Gardens Rainforest Adventure.

The Assembly also discussed tenants of other concepts that did not garner support of at least five members of the body to be included in the current list of ideas for pursuit at this time. Some of the items were determined by the body to be beyond the parameters of the exercise scope - providing increased revenue within a year, and/or within the Assembly’s direct control to implement.

- Eaglecrest summer operations
- Sales of waterfront park land for homes on Mendenhall peninsula
- Open logging and a mill
- Allow NCL to build the dock
- Increase small boat capacity
- Open more gravel pits / make more material available
- Get Juneau Hydro and Juneau district heating moving forward
- Get another hotel downtown
- Incentivize a downtown apartment complex
- Create additional sporting events / encourage increased participation
- Allow for an off-road ATV park for locals and tour operations
- Export as much weed and alcohol as possible
- Filling some of our “structural / recurring” deficit by making non-profit sales and on-board sales taxable
- Trying to fund some of our infrastructure needs (water and schools mainly) with a bonding plan that attempts to keep the debt service portion of our property tax rate low/flat
- Increase MPF Contribution to Capital Transit

Ms. Hale discussed the in-meeting handout (shown below) she had prepared to increase MPF contributions to Capital Transit given her observations of bus ridership on the Back Loop Road in the Summer of 2019. She described times when up to 40 tourists de-bussed from Capital Transit busses at the last stop, to walk to the Mendenhall Glacier area.

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Capital Transit

Revenue Option: Increase MPF contribution to Capital Transit

Submitted by Michelle Hale 10-31-19

Assumed # of tourists to glacier per day	50
Cost to tourist (round trip)	\$4
Revenue from tourists per day	\$200
Cost to CBJ per day for tourists to glacier (= revenue from tourists per day/28%)	\$714
Assumed # of days tourists travel to glacier on Capital Transit	100
Annual Subsidy of tourists traveling to glacier	\$71,429
Annual MPF funds to Capital Transit FY19 and FY20	\$17,960

Assumed # of tourists to glacier per day	75
Cost to tourist (round trip)	\$4
Revenue from tourists per day	\$300
Cost to CBJ per day for tourists to glacier (= revenue from tourists per day/28%)	\$1,071
Assumed # of days tourists travel to glacier on Capital Transit	100
Annual Subsidy of tourists traveling to glacier	\$107,143
Annual MPF funds to Capital Transit FY19 and FY20	\$17,960

Assumed # of tourists to glacier per day	100
Cost to tourist (round trip)	\$4
Revenue from tourists per day	\$400
Cost to CBJ per day for tourists to glacier (= revenue from tourists per day/28%)	\$1,429
Assumed # of days tourists travel to glacier on Capital Transit	100
Annual Subsidy of tourists traveling to glacier	\$142,857
Annual MPF funds to Capital Transit FY19 and FY20	\$17,960

Note: Tourist Numbers are anecdotal and based upon Assembly Member Hale's bus ridership on the Back Loop Road Summer 2019. They are probably low.

Note: The percentage of tourists from cruise ships riding the bus is unknown. Anecdotally, from conversations with tourists Summer 2019, many do come from cruise ships.

VIII. Next Meeting Date

Wednesday, November 6, 2019

IX. Adjournment

Meeting was adjourned at 12:53 PM.