

**ASSEMBLY FINANCE COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
Wednesday, September 25, 2019, 5:30 PM.
Assembly Chambers**

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

- a. **Wednesday, August 21, 2019**

IV. ITEMS FOR DISCUSSION

- a. **Impact of Governor Vetoes on Social Services Sector**
- b. **Two Interest Rate Resolutions for Airport Bonds / Drafted by K&L Gates**
- c. **MVRT & RecycleWorks**
- d. **Out of Borough Exemption Clarification**

V. NEXT MEETING DATE

- a. **Wednesday, October 2, 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

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City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, August 21, 2019, 5:30 PM

I. Call to Order

The meeting was called to order at 5:32 PM by Loren Jones, Chair.

II. Roll Call

Committee Members Present: Alicia Hughes-Skandijs, Wade Bryson, Mary Becker, Maria Gladyszewski, Michelle Bonnet Hale, Rob Edwardson, Loren Jones, Chair; and Mayor Beth Weldon.

Committee Members Participating Telephonically: None.

Committee Members Absent: Carole Triem.

Staff Present: Rorie Watt, City Manager; Jeff Rogers, Finance Director; Teresa Bowen, Assistant Attorney; Robert Barr, Library Director; Lindsey Foster, Parks & Recreation; Sam Muse, Controller; and Elisabeth Jensen, Budget Analyst.

III. Approval of Minutes

The May 15, 2019 minutes were approved as amended.

Amendment to item, VII. Set Mill Rates – For Final Action, page 8 of the packet, included the addition of the following text as read into the record by Jeff Rogers, Finance Director.

“Mayor Weldon requested to have the 0.1 mill increase to Areawide Service Area Mill rate be used for either school bond debt (since the State of Alaska’s plan for school bond debt reimbursement is currently unknown), or to other capital projects.

Ms. Triem asked how binding the intent of language would be regarding the spending of the money.

Chair Jones said that he wasn’t sure that under our rules that the intent would be binding.

Mr. Bartholomew said he hadn’t spoken to the City Attorney on how binding this language would be. And advised the body that Finance staff could always tell the Assembly what the amount raised as a result of the increase, but how it the increase be used would be a separate discussion with the Law Department on how it would be used.”

The June 12, 2019 minutes were approved as presented.

Minutes - Assembly Finance Committee Meeting Wednesday, August 21, 2019, 5:30 p.m.

IV. Budget Update – FY19 and FY20 Revenue Update

Jeff Rogers, Finance Director, discussed the information provided on pages 15 -16 of the meeting packet. He reflected upon the conservative revenue planning and outlook long held by his predecessor. While some may have perceived prior projections as overly conservative, they reflected the best available information that CBJ Finance had at the time. Certainly, the risk of over-projecting revenue is greater than the risk of under-projecting it. Though revenue has continued to grow, Mr. Rogers said it is now hard to see continued growth into the future.

Mr. Rogers noted many signs are pointing to a U.S. recession by the end of 2021. In the last recession, the CBJ saw a 6% decrease in sales tax revenue over two years, roughly equivalent to a \$3.0 million impact in today's dollars.

The Assembly discussed the information.

V. Impact of State Budget Actions

A 3-page list, dated August 21, 2019, Impact of Governor's Vetoes on Juneau, Alaska, from Jeff Rogers was distributed to the Assembly member as an in-meeting handout.

Rorie Watt, City Manager, discussed the information found on pages 17 – 25 of the meeting packet, and within the 3 page in-meeting handout. Mr. Watt described the task at hand as an effort to look at the Governor's recent vetoes and make a planning horizon. Still there are many unknowns, including a looming third legislative special session in the coming weeks, the citizen effort to recall Governor Dunleavy, and so much else. The City is faced with determining what to do for our citizens what the State of Alaska (SOA) is not (doing).

Mr. Watt reminded the body of the current timing with the SOA preparing a budget to present in December. He encouraged the body to determine and develop the message / strategy the Assembly wants to express to the Governor and to the citizens of Juneau.

The Assembly discussed the information.

VI. Remote Sales Tax Compact

Jeff Rogers, Finance Director, discussed the information provided on page 26 of the meeting packet. In light of the implications of the Supreme Court's decision of South Dakota v. Wayfair, state and local governments across the U.S. are now evaluating their authority and capacity to assess sales tax on remote (online, mail, catalogue, and phone) sales. The State of Alaska does not have a single-level statewide program to collect sales taxes on behalf of the many Alaskan communities (like Juneau) that assess them.

The Alaska Municipal League (AML) now proposes an Intergovernmental Remote Sales Tax Compact – bringing together AML (members) taxing municipalities into a joint Compact to

Minutes - Assembly Finance Committee Meeting Wednesday, August 21, 2019, 5:30 p.m.

work towards collecting sales tax from remote sellers. The potential increase in sales tax revenue could be as much as \$1.5 million.

The Assembly discussed the information.

Maria Gladziszewski, moved to direct staff to draft and deliver the following to the Committee of the Whole for review and action:

- 1.) An ordinance adopting commonly agreed upon definitions for good and services (i.e. food, rent, etc.)**
- 2.) A resolution authorizing the City Manager to sign the compact.**

Without OBJECTION.

VII. Info Only – Financial Sustainability Review

Loren Jones, Chair, discussed the information provided on page 27 of the meeting packet.

The Assembly discussed the information.

VIII. Info Only – Wire Fraud

Loren Jones, Chair, explained that time had been set aside and noticed for an Executive Session following the Finance Director's presentation on the topic. The Executive Session would only take place as needed.

Jeff Rogers, Finance Director, discussed the information provided on page 26 of the meeting packet. Mr. Rogers explained that the CBJ had been the victim of a coordinated and sophisticated crime – not unlike someone walking in and robbing the CBJ of \$329,630.21. A timeline of events was presented in the meeting packet on page 28.

The CBJ received reimbursement from our insurer for \$250,000 – the policy limit for this type of fraud. The balance of the loss after insurance coverage, \$79,630.21, has been absorbed by the CBJ Risk Fund.

Since the incident, CBJ Finance leadership has finalized and implemented a new policy (pages 30 – 31 of the meeting packet), for changes to ACH banking information for all payees for CBJ.

The Assembly discussed the information.

IX. Executive Session as needed – Topic: Wire Fraud

An Executive Session did not take place.

Without questions on the topic from the Assembly members, Loren Jones, Chair, indicated the Assembly Finance Committee would not enter into an Executive Session.

Minutes - Assembly Finance Committee Meeting
Wednesday, August 21, 2019, 5:30 p.m.

X. Next Meeting Date

Wednesday, September 25, 2019

XI. Adjournment

Meeting was adjourned at 7:21 PM.

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September 18, 2019

City and Borough of Juneau
Finance Committee
155 S. Seward Street
Juneau, Alaska 99801

Dear Finance Committee Members:

On September 6th, the Juneau Community Foundation held a meeting with several of the key health and social service agencies in our community. This was the second meeting to determine the effects of the cuts in state grants, Medicaid, and direct funding for health and social services. Attached is a chart that compares the FY20 State budget with FY19, FY17, and FY15. This shows decreasing State funding for 75% of these social service programs since FY15. Almost all the programs have experienced budget cuts of 10% or more since FY15. At the same time costs of delivering services continue to increase.

During this period the nonprofit organizations delivering these services have been making adjustments in their budgets and business models – increasing revenue where possible, decreasing administrative costs, using reserves, restricting and decreasing programs, going without healthcare, low wages, and working overtime. Along with the FY20 State budget cuts, a large unknown is the impact of the \$50 million Medicaid cut and the 5% rate reduction.

Overall the sense from several, but not all, organizations is that delivery of services may be stable this year. Some State funds have been restored since July, some cuts in funding are being absorbed by organizations using their reserves, and/or increasing fund raising. The major areas of uncertainty in the coming year weigh on these nonprofit organizations, including:

- State Behavioral Health grant funding has been decreasing for several years. Organizations that use these funds to provide services have already increased efficiencies, altered their business model, and/or changed their program to address the shortfall in funding or have actively pursued other grants where available.
- Most health and social service organizations are facing an uncertain future because:
 1. Governor has stated his intention of decreasing funding further next year;
 2. State budget cuts may lead to decreased local donations as the impacts effect individuals, businesses, and the community;

3. Local government funds may decrease as less state funding goes to communities; and,
4. Uncertainty regarding the impacts on Medicaid payments.

The following section provides information on the impacts of the State budget, outlined in the attached chart, on Juneau's health and social service organizations. There may be additional impacts that we were not made aware of during the meetings with Juneau providers.

Impacts on Specific Areas of Juneau's Health and Social Services

I. Housing and Homelessness

AHFC Homeless Assistance Program is being cut by 20% statewide, funding for Juneau organizations that receive these funds is expected to be reduced from \$636,450 to \$509,160 (a reduction of \$127,090). This decreases funding for six key agencies: Gastineau Human Services, Glory Hall, AWARE, Alaska Housing Development Corporation, St. Vincent DePaul, and Juneau Youth Services.

AHFC Special Needs Housing Grant is flat funded for FY20. The operating funds for REACH, Inc. and Juneau Housing First Collaborative Phase I are intact for renewal. JHFC Phase II development funds and their first 3-year operating funds are still available.

DHSS Human Services Community Matching (HSCMG) Grant & Community Initiative Matching Grants (CIMGP) are funded at the same level as FY19 for FY20.

II. Behavioral Health and Medicaid

While several of the state programs that provide funding to alleviate homelessness are experiencing reductions in funding or are flat funded, Behavioral Health and Medicaid funding did experience significant cuts.

Behavioral Health Treatment and Recovery Grants were reduced statewide by \$6.1 million. This cut in funding affects several organizations that provide behavioral health services that are utilized by many of the same individuals served by the funding to alleviate homelessness. The larger nonprofits anticipated the continued reduction in State funding for these grants and have strategies to absorb the reductions. The Medicaid redesign cuts general fund grant dollars for Behavioral Health and moves these funds to Medicaid. At the same time Medicaid is going to be more tightly managed to provide savings to the state budget.

The following outlines the cuts to specific agencies from this reduction in State grant funding:

Gastineau Human Services (\$51,000) is absorbing their reduction.

Juneau Youth Services is reducing school-based services, and closing their outpatient chemical dependency program for youth, which is the only one in Juneau.

Polaris House funding is reduced (\$23,000), using some reserves to cover; will not receive funding to build educational services for members.

SEARHC lost 50% of grant funds (\$600,000), they will continue to provide services at the same level and anticipate losing all grant funds in the coming years.

JAMHI Health & Wellness requested 20% less in grant funding this year and received the notice of award, but are uncertain if there will be adjustments. *JAMHI* will not have a change in direct services, they have reorganized to reduce administrative costs.

Several critical social service agencies in Juneau that will not experience a direct impact on their budget from these cuts, rely on the services of the agencies that receive this funding to support their clients, this includes: *AWARE*, *SAIL*, *SERRC*, *Family Promise*, *Helping Hands*, *AEYC*.

Medicaid Services are cut by \$50,000,000 state-wide and the Governor has put in place a 5% reduction for Medicaid reimbursement rates. These reductions will affect all Juneau agencies that provide behavioral health and physical healthcare and bill Medicaid for services. The State has been moving away from grants and to a system that pays for services for specific people (e.g., Medicaid, private insurance) and now funding for the Medicaid/earned revenue is also decreasing. Juneau's nonprofit agencies have been adapting to this change from grants to earned revenue. The larger Juneau agencies that bill for Medicaid Services include *Bartlett Regional Hospital*, *SEARHC*, *JAMHI Health & Wellness*, *Juneau Youth Services*, *Catholic Community Services*.

The overwhelming response from most of these agencies regarding the impacts of the Medicaid changes on their budget and ability to provide service is that they simply do not have enough information to know. *It is not clear how the \$50 million statewide cut will be implemented or how it will impact the ability of these agencies to provide services.* Medicaid covers healthcare for people with low income and behavioral health services are a small piece of that pie; there's no indication from the State how the cut will be proportioned between physical and behavioral health.

In addition, several of these agencies are already experiencing the 5% rate reduction for Medicaid reimbursements for behavioral health and physical healthcare services. Most are not planning to reduce or eliminate any specific programs at this time; although all will be affected to some extent. Agencies are looking at all options, while waiting for more information from the state.

At the same time as these cuts in Behavioral Health and Medicaid are being implemented, the number of people being served for behavioral health services is increasing. Information from *JAMHI Health & Wellness* shows them providing services in FY19 to about 100 more people than FY18. And, the number of people receiving behavioral health services has steadily increased since a low in FY16 of 481 to 692 in FY19. In addition, while homelessness figures fluctuate the trend is increasing numbers of homeless people. The HMIS (homelessness database) shows 2019 January-March (379 clients) homelessness figures to include 106 more people than 2017 January-March (273 clients).

Adult Dental Medicaid Benefits have been reduced by \$27 million. This reduction limits Medicaid payments for dental care to routine dental services provided through federally qualified health centers and community health centers. Dental work involving new crowns and dentures will no longer be covered. As our population ages, so do those people who are eligible for low-cost or free dental services through Medicaid, and will be in need of crowns and dentures.

III. Seniors, Early Childhood, Legal Services

Funding for all three of these areas was similar to last year. **Senior Benefits Payment Program** was funded at \$20,786,100 (equal to FY19 budget and supplemental passed in FY20 budget). Catholic Community Services is one of the major providers of senior services in Juneau, including Juneau Senior Nutrition Program (including: Meals-on-Wheels), the Bridge Adult Day Program, and Senior Wrap-Around Program. They have indicated that they are not cutting programs due to state funding. At the same time, some of their funding is dependent on local and tribal funding, and with cuts in State funding for communities they may receive less local community funding (CCS serves communities throughout southeast Alaska).

State funding for **Early Childhood Grants, Best Beginning Grants, and Head Start Grants** was not reduced. However, because of the July veto, Head Start had already cancelled some programs and may have a delayed start this year. **Parents as Teachers** was reduced by about 5% statewide. AEYC has advertised to re-fill their Parents as Teachers position. AEYC reports that the Medicaid services and other reductions, such as Adult Public Assistance, will negatively impact families.

Alaska Legal Services will receive a similar amount to last year \$749,100 statewide. Their base budget is \$450,000 and they add up to 10% of court filing fees to increase the amount of funding.

Summary

Our health and social service safety net in Juneau is a web of organizations that work together to provide housing, client assistance, physical health and behavioral health services. Reductions in funding in any one of these areas affects individuals and clients at not only the agency that delivers that service, but also clients of partner agencies that use those services.

Meanwhile, the 500-pound gorilla in the room for several organizations is that the main funding vehicle that the State is turning to – Medicaid, paying for services that qualified people receive – is being cut. While State grants are remaining flat funded, being reduced, or eliminated in order to provide the funding stream from Medicaid, Medicaid is also being reduced and *most agencies do not know what the impact of those cuts and reorganization will be on their revenue stream.*

What is clear from the meeting convened on behalf of local providers is that organizations are looking for additional revenue; leaving positions unfilled; reorganizing to reduce administrative costs; cutting programs; and using reserves to weather the budget reductions. The providers are also interested in convening to *reimagine* how the behavioral health system in Juneau operates, because the system will continue to shrink unless more funds are dedicated, especially if dedicated to a reimagined and more sustainable system.

The opportunity to reorganize and repurpose funding for client services, or save services that would be closed due to funding cuts, should be investigated. Other mutual, sector wide benefits that could be pursued include expanding the Medicaid Services agencies through a networking or shared services model.

In order to assist our vital behavioral and physical health nonprofit organizations through this uncertain time, the Juneau Community Foundation recommends an increase in the CBJ Social Service Grant of \$250,000 (bringing the total grant funds from CBJ to \$1,026,400). These additional funds would be used to temporarily assist agencies with the transition to new funding streams, shared services, and other efforts to stabilize the overall provider system while the State gives clearer guidelines on the Medicaid 1115 Waiver and ASO implementation, and State funding remains stagnant or in decline.

Thank you for your time and attention to this essential set of issues impacting our community.

Sincerely,



Amy Skilbred
Executive Director

**Comparison of State Social Service Budgets
FY15 to FY20**

	FY15	FY17	FY19	FY20 Enacted	Change FY15- FY20	Notes
REV						
1 AFHC Homeless Assistance Program (HAP)	\$8 million	\$7.7 million	\$7.8 million	\$6.55 million	(\$1.45) million	About 20% reduction statewide after \$2 million increase from SNHG.
				(\$4.44m+\$2m from SNHG)		
2 AHFC Special Needs Housing Grant (SNHG)	\$2 million	\$1.5 million	\$1.7 million	\$1.7 million	(300,000.0)	About 15% reduction statewide.
				(\$1.7million and \$2 million for HAP)		
HSS						
3 DHSS Human Services Community Matching Grant (HSCMG) & Community Initiative Matching Grants (CIMGP)	2,666.9	2,248.7	2,248.7	2,248.7	(418.2)	About 16% reduction statewide.
4 Senior Benefits Program	23,090.5	20,029.3	20,786.1	20,786.1	(2,304.4)	FY19 includes the \$800.0 supplemental to cover May & June payments for the lowest benefit tier (\$76/mo). 10% decrease from FY15
5 Behavioral Health Treatment & Recovery Grants	73,068.3	73,852.4	61,765.9	51,769.5	(21,298.8)	Between FY15-FY20, federal funding has almost doubled (\$11.5 m in FY20) while state funding has decreased approx 40% (approximately \$27 million) Overall funding decreased 30%.
				VETO: (\$6.1) million		
HSS (cont.)						
6 Adult Public Assistance	68,549.7	65,677.3	62,086.9	54,615.7	(13,934.0)	The Governor's original decrement was for \$14.7 million. Since the program has to change at the beginning of the calendar year, the remaining amount is likely to be requested in FY21. Funding decreased a little over 20%
				VETO: (\$7,471.2) half the fiscal year		
7 Adult Dental	•	•	27,004.5	-	(27,004.5)	FY20-eliminate program and vetoed \$8.3 million GF/\$18.7m fed.
				VETO: (\$8.3m GF & (\$18.7m) fed		
DEED						
8 Early Childhood Grants	\$2 million base + Moore Settlement	\$2 million base + Moore Settlement	\$3.2 million	\$3.2 million		Moore settlement concluded in FY17, subsequently, an average of \$1.2 million is appropriated to continue the effort (not legally binding)
			\$2 million base + \$1.2 million	\$2 million base + \$1.2 million		
9 Parents as Teachers Grants	680.5	500.0	500.0	474.7	(205.8)	30% decrease in funding.
10 Head Start Grants					-	
11 Best Beginnings	937.5	320.0	320.0	320.0	(617.5)	66% decrease in funding.
DCCED						
12 Alaska Legal Services	550.0	450.0	750.3	759.1	209.1	HB106, SLA 2018 allows for (up to) 10% of court filing fees to be added to ALS's base budget amount, currently \$450.0
			\$450.0 + \$300.3	\$450.0 + \$309.1		

Provided by Legislative Finance Division

MEMORANDUM



DATE: September 23, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Two Resolutions Providing for Interest Rates for Bonds Issuance / Sale

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

Background

CBJ legal counsel, K&L Gates, has prepared the two resolutions presented with this memo.

Resolution 2866

On November 21, 2019, CBJ is scheduled to sell, via the Alaska Municipal Bond Bank (AMBB), approximately \$5.95 million in General Obligation (GO) Bonds. The issuance of the bonds was authorized by the Assembly in Ordinance 2019-21, adopted June 24, 2019. The final Assembly action, per CBJ Charter, related to these bonds is to “prescribe” (set/accept) by resolution the interest rates and annual principal maturity dollar amounts.

Resolution 2867

On November 21, 2019, CBJ is scheduled to sell, via the Alaska Municipal Bond Bank (AMBB), approximately \$18.0 million in Airport Revenue Bonds. The issuance of the bonds was authorized by the Assembly in Ordinance 2019-22, adopted June 24, 2019. The final Assembly action, per CBJ Charter, related to these bonds is to “prescribe” (set/accept) by resolution the interest rates and annual principal maturity dollar amounts.

Prescribing the rate or rates of interest on Bonds

Section 10.2(b) of the CBJ Charter provides that the Assembly shall by resolution prescribe (set/accept) the interest rate or rates of interest on the Bonds and annual principal maturity dollar amounts.

Schedule A

Schedule A of the resolutions list the years and amounts when the bonds will mature and sets the maximum interest rates authorized. The aggregate coupon rate cost for all the bonds cannot exceed 5.50% (interest rate to be revised downward prior to official introduction). At today’s interest rates, the true all-in interest cost is estimated to be approximately 2.5%. The difference between the coupon rate and the estimated true interest cost is the impact of selling bonds at a “premium.” Offering bonds with premium coupon rate causes the bond to be sold for a lower principal amount while yielding the same total proceeds. When CBJ repays a premium bond, it pays the bond holder a higher interest rate (the coupon) but on a principal amount lower than the received proceeds from the bond sale. CBJ’s financial advisor views premium bonds as more marketable (which means the market will pay more for the bonds), yielding CBJ a lower true interest cost over the life of the repayment.

Recommendations

We recommend that the Assembly Finance Committee:

1. Refer Resolution No. 2866 to the full Assembly for adoption.
2. Refer Resolution No. 2867 to the full Assembly for adoption.

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Presented by: The Manager
Introduced: 10/14/19
Drafted by: Bond Counsel

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Resolution No. 2866

A Resolution Providing For Interest Rates For The General Obligation Bonds Being Issued Through The Alaska Municipal Bond Bank.

WHEREAS, on December 17, 2012, the Assembly of the City and Borough of Juneau, Alaska (the “City and Borough”), passed Ordinance Serial No. 2012-44 authorizing the issuance and sale of its General Obligation Bonds in the aggregate principal amount of not to exceed \$25,000,000 (the “Authorized Bonds”); and

WHEREAS, Ordinance Serial No. 2012-44 was amended by Ordinance Serial No. 2019-21 passed by the Assembly of the City and Borough on June 24, 2019; and

WHEREAS, pursuant to Section 13 of said Ordinance Serial No. 2012-44 as amended, the City Manager of the City and Borough or his/her designee shall be authorized to negotiate the sale of a portion of the Authorized Bonds (hereinafter defined as the Bonds) to the Alaska Municipal Bond Bank (the “Bond Bank”); and

WHEREAS, Section 10.2(b) of the Charter of the City and Borough provides that the Assembly shall by resolution prescribe the rate or rates of interest on the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA, as follows:

Section 1. Bond Sale. The sale of a portion of the Authorized Bonds is hereby authorized and approved under the terms prescribed in this resolution (the “Bonds”). The Bonds shall be designated as General Obligation Bond, 2019A (Non-AMT) and as General Obligation

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Bond, 2019B (AMT). Capitalized terms in this resolution which are not otherwise defined shall have the meanings given such terms in Ordinance Serial No. 2012-44 of the Assembly, as amended by Ordinance Serial No. 2019-21 (collectively, the “Bond Ordinance”).

Section 2. Bond Date, Maturity; Payments; Designation. The Bonds shall be dated the date of delivery, expected to be November 21, 2019, shall mature in the principal amounts for each series prescribed on Schedule A attached hereto and by this reference made a part hereof and shall bear interest payable on April 1, 2020 and semiannually thereafter on the first days of each April and October at the rates for each series prescribed on Schedule A. At the time of sale of the Bonds, the City Manager or his/her designee may increase or decrease the estimated principal amounts for each series on Schedule A within the parameters specified in the Bond Ordinance, and may decrease the interest rates for each series shown on Schedule A depending upon orders received for particular maturities, so long as (i) the net proceeds of the Bonds (principal amount, plus net premium, less costs of issuance) does not exceed \$5,950,000; and (ii) the true interest cost for the Non-AMT series (as described in Schedule A) of the Bonds (in the aggregate) does not exceed 4.00% and the true interest cost for the AMT series (as described in Schedule A) of the Bonds (in the aggregate) does not exceed 5.00%. The authority granted to the City Manager and his/her designee pursuant to this Section shall be effective from the date of adoption of this resolution until November 14, 2019. If the Bond Bank has not made a final offer of terms approved by the City Manager or his/her designee consistent with the prescriptions of this resolution by November 14, 2019, the authority granted by this resolution shall be rescinded. Both principal of and interest on the Bonds shall be paid as provided in the Bond Ordinance and in the Loan Agreement(s) between the Bond Bank and the City and Borough.

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Section 3. Delivery of the Bonds. The proper officials of the City and Borough are authorized and directed to execute all documents and to do everything necessary for the preparation and delivery of the Bonds in definitive form to the Bond Bank.

Section 4. Continuing Disclosure Undertaking. The City and Borough acknowledges that, under the Rule, the City and Borough may now or in the future be an “obligated person” with respect to the Bond Bank Bonds. In accordance with the Rule and as the Bond Bank may require, the City and Borough shall undertake to provide certain annual financial information and operating data as shall be set forth in the Loan Agreement. The City Manager or his/her designee is hereby directed and authorized to review, approve and execute a continuing disclosure undertaking if required by the Bond Bank.

Section 5. Ratification. All actions taken by the City Manager or his/her designee relative to the sale of the Bonds are hereby in all respects ratified and confirmed. The City Manager of the City and Borough or his/her designee is hereby authorized to do all things necessary for the prompt execution, issuance and delivery of the Bonds and for the proper application and use of the Bond proceeds; is hereby authorized to review and approve on behalf of the City and Borough portions of the final Official Statement relative to the Bonds and the City and Borough with such additions and changes as may be deemed necessary or advisable; and his/her approval of portions of the Preliminary Official Statement is ratified and confirmed.

Section 6. Severability. The covenants contained in this resolution shall constitute a contract between the City and Borough and the owner of the Bonds. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the City and Borough shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed

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separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

Section 7. Effective Date. This resolution shall be effective immediately upon adoption.

ADOPTED this 14th day of October, 2019.

Mayor

Attest:

Clerk

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CERTIFICATE

I, the undersigned, Clerk of the City and Borough of Juneau (herein called the “City and Borough”) DO HEREBY CERTIFY:

1. That the attached Resolution No. 2866 (herein called the “Resolution”) is a true and correct copy of a resolution of the City and Borough as adopted at a meeting of the Assembly of the City and Borough (the “Assembly”) held on October 14, 2019 and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of October, 2019.

Clerk
City and Borough of Juneau

DRAFT**Schedule A****City and Borough of Juneau, Alaska
General Obligation Bond, 2019A (Non-AMT)****[PRELIMINARY] Prescribed Maturity Schedule**

Maturity Years (October 1)	Principal Amounts*	Coupon Interest Rates*	Maximum Effective Interest Rates*
2020	\$ 205,000	5.50%	2.43%
2021	220,000	5.50	2.46
2022	230,000	5.50	2.52
2023	245,000	5.50	2.58
2024	255,000	5.50	2.64
2025	270,000	5.50	2.68
2026	280,000	5.50	2.74
2027	295,000	5.50	2.80
2028	310,000	5.50	2.88
2029	<u>325,000</u>	5.50	2.96
Total:	\$2,635,000		

**City and Borough of Juneau, Alaska
General Obligation Bond, 2019B (AMT)****[PRELIMINARY] Prescribed Maturity Schedule**

Maturity Years (October 1)	Principal Amounts*	Coupon Interest Rates*	Maximum Effective Interest Rates*
2020	\$ 195,000	5.50%	2.53%
2021	210,000	5.50	2.61
2022	220,000	5.50	2.72
2023	235,000	5.50	2.78
2024	245,000	5.50	2.84
2025	255,000	5.50	2.88
2026	270,000	5.50	2.94
2027	285,000	5.50	3.00
2028	300,000	5.50	3.08
2029	<u>310,000</u>	5.50	3.16
Total:	\$2,525,000		

*Preliminary, subject to change.

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Presented by: The Manager
Introduced: 10/14/19
Drafted by: Bond Counsel

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Resolution No. 2867

A Resolution Providing For Interest Rates For The Airport Revenue Bonds Being Issued Through The Alaska Municipal Bond Bank.

WHEREAS, on June 24, 2019, the Assembly of the City and Borough of Juneau, Alaska (the “City and Borough”), passed Ordinance Serial No. 2019-22 authorizing the issuance and sale of its Airport Revenue Bonds in the aggregate principal amount of not to exceed \$18,000,000 (the “Authorized Bonds”); and

WHEREAS, pursuant to Section 9 of said Ordinance Serial No. 2019-22, the City Manager of the City and Borough or his/her designee shall be authorized to negotiate the sale of a portion of the Authorized Bonds (hereinafter defined as the Bonds) to the Alaska Municipal Bond Bank (the “Bond Bank”); and

WHEREAS, Section 10.2(b) of the Charter of the City and Borough provides that the Assembly shall by resolution prescribe the rate or rates of interest on the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA, as follows:

Section 1. Bond Sale. The sale of the Authorized Bonds is hereby authorized and approved under the terms prescribed in this resolution (the “Bonds”). The Bonds shall be designated as Airport Revenue Bond, 2019A (Non-AMT) and as Airport Revenue Bond, 2019B (AMT). Capitalized terms in this resolution which are not otherwise defined shall have the

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meanings given such terms in Ordinance Serial No. 2019-22 of the Assembly (the “Bond Ordinance”).

Section 2. Bond Date, Maturity; Payments; Designation. The Bonds shall be dated the date of delivery, expected to be November 21, 2019, shall mature in the principal amounts for each series prescribed on Schedule A attached hereto and by this reference made a part hereof and shall bear interest payable on April 1, 2020 and semiannually thereafter on the first days of each April and October at the rates for each series prescribed on Schedule A. At the time of sale of the Bonds, the City Manager or his/her designee may increase or decrease the estimated principal amounts for each series on Schedule A within the parameters specified in the Bond Ordinance, and may decrease the interest rates for each series shown on Schedule A depending upon orders received for particular maturities, so long as (i) the net proceeds of the Bonds (principal amount, plus net premium, less costs of issuance) does not exceed \$18,000,000; and (ii) the true interest cost for the Non-AMT series (as described in Schedule A) of the Bonds (in the aggregate) does not exceed 4.00% and the true interest cost for the AMT series (as described in Schedule A) of the Bonds (in the aggregate) does not exceed 5.00%. The authority granted to the City Manager and his/her designee pursuant to this Section shall be effective from the date of adoption of this resolution until November 14, 2019. If the Bond Bank has not made a final offer of terms approved by the City Manager or his/her designee consistent with the prescriptions of this resolution by November 14, 2019, the authority granted by this resolution shall be rescinded. Both principal of and interest on the Bonds shall be paid as provided in the Bond Ordinance and in the Loan Agreement(s) between the Bond Bank and the City and Borough.

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Section 3. Delivery of the Bonds. The proper officials of the City and Borough are authorized and directed to execute all documents and to do everything necessary for the preparation and delivery of the Bonds in definitive form to the Bond Bank.

Section 4. Continuing Disclosure Undertaking. The City and Borough acknowledges that, under the Rule, the City and Borough may now or in the future be an “obligated person” with respect to the Bond Bank Bonds. In accordance with the Rule and as the Bond Bank may require, the City and Borough shall undertake to provide certain annual financial information and operating data as shall be set forth in the Loan Agreement. The City Manager or his/her designee is hereby directed and authorized to review, approve and execute a continuing disclosure undertaking if required by the Bond Bank.

Section 5. Ratification. All actions taken by the City Manager or his/her designee relative to the sale of the Bonds are hereby in all respects ratified and confirmed. The City Manager of the City and Borough or his/her designee is hereby authorized to do all things necessary for the prompt execution, issuance and delivery of the Bonds and for the proper application and use of the Bond proceeds; is hereby authorized to review and approve on behalf of the City and Borough portions of the final Official Statement relative to the Bonds and the City and Borough with such additions and changes as may be deemed necessary or advisable; and his/her approval of portions of the Preliminary Official Statement is ratified and confirmed.

Section 6. Severability. The covenants contained in this resolution shall constitute a contract between the City and Borough and the owner of the Bonds. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the City and Borough shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed

DRAFT

separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds.

Section 7. Effective Date. This resolution shall be effective immediately upon adoption.

ADOPTED this 14th day of October, 2019.

Mayor

Attest:

Clerk

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CERTIFICATE

I, the undersigned, Clerk of the City and Borough of Juneau (herein called the “City and Borough”) DO HEREBY CERTIFY:

1. That the attached Resolution No. 2867 (herein called the “Resolution”) is a true and correct copy of a resolution of the City and Borough as adopted at a meeting of the Assembly of the City and Borough (the “Assembly”) held on October 14, 2019 and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Assembly voted in the proper manner for the adoption of the Resolution; that all other requirements and proceedings incident to the proper adoption of the Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of October, 2019.

Clerk
City and Borough of Juneau

DRAFT**Schedule A****City and Borough of Juneau, Alaska
Airport Revenue Bond, 2019A (Non-AMT)****[PRELIMINARY] Prescribed Maturity Schedule**

Maturity Years (October 1)	Principal Amounts*	Coupon Interest Rates*	Maximum Effective Interest Rates*
2020	\$ 1,660,000	5.50%	2.43%
2021	1,790,000	5.50	2.46
2022	1,880,000	5.50	2.52
2023	1,970,000	5.50	2.58
2024	2,070,000	5.50	2.64
2025	2,175,000	5.50	2.68
2026	<u>2,285,000</u>	5.50	2.74
Total:	\$13,830,000		

**City and Borough of Juneau, Alaska
Airport Revenue Bond, 2019B (AMT)****[PRELIMINARY] Prescribed Maturity Schedule**

Maturity Years (October 1)	Principal Amounts*	Coupon Interest Rates*	Maximum Effective Interest Rates*
2020	\$ 240,000	5.50%	2.53%
2021	260,000	5.50	2.61
2022	270,000	5.50	2.72
2023	285,000	5.50	2.78
2024	300,000	5.50	2.84
2025	315,000	5.50	2.88
2026	<u>330,000</u>	5.50	2.94
Total:	\$2,000,000		

*Preliminary, subject to change.

MEMORANDUM



DATE: September 23, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Consideration of Increase to Motor Vehicle Registration Tax

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

Background

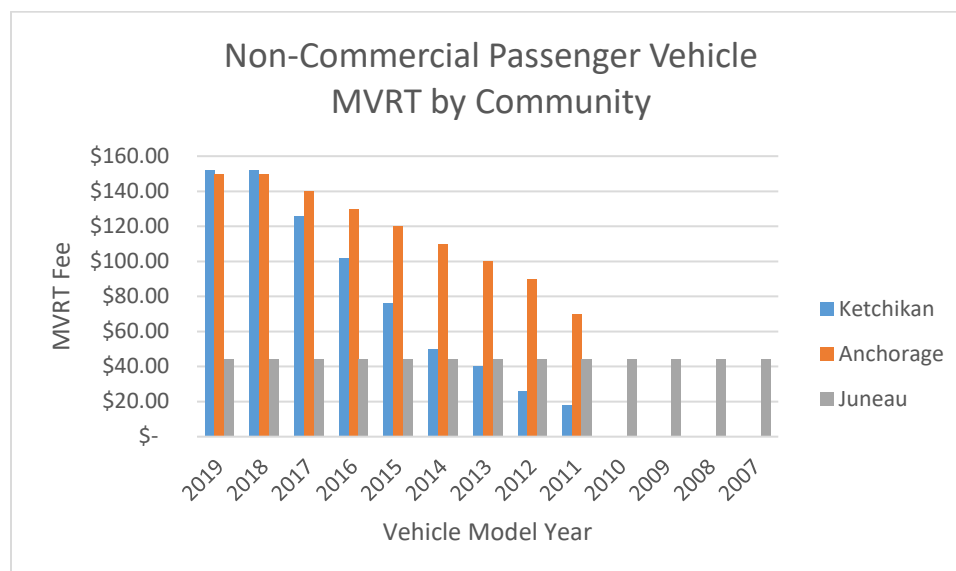
In a memo dated May 4, 2018, the Manager recommended that the assembly consider increasing the Motor Vehicle Registration Tax (MVRT) as part of a strategy for funding the Waste Management program while eliminating a \$4/month fee.

Fees and Funding for CBJ Waste Management Program

Expenditures	\$1,700,000
Revenues	
Waste Management Fee	\$632,000
Motor Vehicle Registration Tax	\$500,000
Support from 1% Sales Tax	\$400,000
<u>Support from General Fund</u>	<u>\$300,000</u>
Total	\$1,832,000

Motor Vehicle Registration Tax (MVRT)

The Manager's memo acknowledged that CBJ's MVRT is among the lowest in the state at just \$44. Former Finance Director, Bob Bartholomew, proposed that doubling the fee to \$88 would double the revenue received, which would nearly replace the waste management fee to be repealed. Several Alaskan communities have MVRTs as high as \$152, but their MVRTs have a step-down structure, as graphed here:



Note in the graph that CBJ already collects far more MVRT than comparison communities for all model years 2010 and older. Furthermore, CBJ collects more MVRT than Ketchikan for model years 2011/12 and roughly the same MVRT for model years 2013/14.

There are other differences as well, especially MVRT for commercial vehicles. CBJ does not assess an MVRT for commercial vehicles. Anchorage has commercial MVRT rates from \$150 to \$500 depending on weight for a 2019 vehicle. Similarly, Ketchikan has commercial MVRT rates from \$152 to \$656 for a 2019 vehicle. As with its non-commercial passenger vehicle rates, Ketchikan's rates step down more aggressively than Anchorage for older vehicles, and vehicles older than 2011 are exempted by both.

See attachment for complete breakout of MVRT fees charged by Juneau, Anchorage, and Ketchikan.

Projected Revenue

Obviously, doubling CBJ's current fee would roughly double revenue. However, it is challenging to precisely model future revenues with a new graduated structure of MVRT revenue because vehicles only register every other year and older model vehicles eventually stop registering. Preliminary rough calculations indicate the following:

- Ketchikan's fee structure *with* the exemption of older models would lower CBJ's MVRT revenue
- Ketchikan's fee structure *without* the exemption of older models would equal CBJ's MVRT revenue
- Anchorage's fee structure *with* the exemption of older models would equal CBJ's MVRT revenue
- Anchorage's fee structure *without* the exemption of older models would double CBJ's MVRT revenue

Discussion

It is possible to view MVRT in two ways: as a kind of personal property tax or as a user fee. If one takes the view of MVRT as a tax levy on personal property, then a graduated structure that steps down with vehicle age and value may be appropriate. If one takes the view that MVRT is a user fee that supports the maintenance of streets for use by vehicle owners, then it may be most appropriate for fees to correspond primarily to size and weight, not to vehicle age or value. Since CBJ does not tax any other personal property (including marine vessels), the view of MVRT as a user fee is more intuitive. In either case, the exemption of commercial vehicles from MVRT appears inequitable.

Recommendations

We recommend that the Assembly Finance Committee direct staff to:

1. Introduce an ordinance to repeal 36.12, including the fee structure
2. Introduce an ordinance to increase CBJ's MVRT, by either:
 - a. Doubling current \$44 CBJ MVRT fee to \$88 for all vehicles, and establishing proportionate MVRT rates for commercial vehicles based on vehicle weight, or
 - b. Matching the Anchorage model (graduated step-down fee by model year, including commercial vehicles) without exemption of older models
3. Introduce appropriation ordinances to
 - a. Transfer annual MVRT revenue to Streets
 - b. Appropriate areawide general fund receipts to the Recycleworks program to offset the transfer of MVRT revenue and the repeal of waste management fees

City & Borough of Juneau - Current MVRT Rates

[illegible]

Anchorage - Current MVRT Rates

[illegible]

Ketchikan - Current MVRT Rates

[illegible]



City and Borough of Juneau
City & Borough Manager's Office
155 South Seward Street
Juneau, Alaska 99801
Telephone: 586-5240 | Facsimile: 586-5385

DATE: May 4, 2018
TO: Jesse Kiehl, Chair, Assembly Finance Committee
FROM: Rorie Watt, City Manager 
RE: RecycleWorks Program Fee Structure

As part of the push to find longer term, lower cost programs we have analyzed our programmatic revenue structure and have several recommendations to make.

Most Alaskan municipalities use a Motor Vehicle Registration Tax (MVRT) to provide partial funding for road maintenance and improvements. The MVRT is locally set by Ordinance by the Boroughs, collected by Alaska DMV and remitted back to the Boroughs. CBJ has used the MVRT for our junk vehicle program, a program whose costs have oscillated greatly depending on the value of scrap metal. CBJ's MVRT is also at the lower end of fees charged by Boroughs and CBJ does not charge commercial vehicles. Because it is derived from vehicle licensing, in my opinion a MVRT is more closely correlated with wear and tear on road systems. The cost of junk vehicles is more related to market conditions and is a desired community service that requires general government support. Because of this closer connection, I recommend we switch the revenue streams for streets and the household hazardous waste and recycling programs funded by the waste management utility fee established under 36.12.04.

I also recommend repealing code that provides funding for the RecycleWorks programs (eliminate the monthly household fee) and providing programmatic funding from the general fund. This would make the service available area wide and provide a matching funding source.

I recommend the following specific actions:

1. Repeal 36.12, including the fee structure.
2. Provide funding for recycling and hazardous waste programs through the General Fund as an area-wide service. Consider use of some fund balance to phase in this approach.
3. Allocate MVRT collected by DMV (authorized under CBJ 69.30) to our Street Maintenance program.
4. Allocate a similar fund amount from the General Fund towards the Junk Vehicle program.
5. Outside of the budget process, consider increasing the MVRT to amounts charged by other Alaskan communities (CBJ is lowest in the State), and consider including a MVRT for commercial vehicles which are currently not taxed.

Action:

Forward Ordinance repealing 36.12 and budget changes in accordance with the above to the Assembly for action. AFC to take up further policy questions about the MVRT at a later date.

MEMORANDUM



DATE: September 23, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Need to Clarify Sales Tax Exemption for Out of Borough Sales

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

Background

CBJ 69.05.040(3) exempts the sale of goods outside the borough as follows:

Sales of goods and associated shipping and handling charges resulting from orders received from outside the city and borough where delivery is made outside the city and borough. Delivery outside the city and borough must be verified by postal documents or shipping documents.

CBJ Sales Tax has historically allowed this provision to apply to transactions in which the buyer pays shipping charges.

Discussion

UCC 2-103(e) defines “delivery” as “the voluntary transfer of physical possession or control of goods.” When a buyer, rather than the seller, pays for shipping costs, CBJ Sales Tax now interprets that the location of the delivery is the location where control of those goods are surrendered by the seller to the shipper—inside of the borough. If delivery is made inside the borough, then the out-of-borough exemption cannot be applied.

Staff have contemplated various alternative solutions to the problem described above, namely the use of FOB shipping terms. Specification of FOB shipping terms on an invoice would more clearly delineate the location where the legal possession of a good is transferred from seller to buyer, irrespective of whether the seller or the buyer pays for the shipping. However, the concept of FOB shipping terms is not commonly well understood or employed by many vendors, and hence does not appear to solve the problem.

It would be possible for staff to continue the historic practice of allowing the out-of-borough exemption when the buyer pays for shipping costs. However, doing so would be inconsistent with CBJ’s otherwise strict interpretation of the exemption language. Continuing with an interpretation of the code language that appears to be in conflict with the UCC’s definition of “delivery” invites challenges to staff decisions and complicates compliance and enforcement activities.

Recommendation

I recommend that the Assembly Finance Committee direct staff to draft and introduce the following amendment to CBJ 69.05.040(3) for Assembly review and action:

Sales of goods and associated shipping and handling charges resulting from orders received from outside the city and borough where goods are received by the buyer outside the city and borough after seller ships the goods by mail or common carrier. ~~delivery is made outside the city and borough.~~ Delivery Shipment outside the city and borough must be verified by postal documents or shipping documents.

For the purposes of applying 69.05.040(3), “common carrier” means a commercial enterprise that holds itself out to the public as offering to transport freight for a fee, without refusal.