ASSEMBLY FINANCE COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
Wednesday, August 21, 2019, 5:30 PM.
Assembly Chambers

I. **CALL TO ORDER**

II. **ROLL CALL**

III. **APPROVAL OF MINUTES**

a. **Wednesday, May 15, 2019**

b. **Wednesday, June 12, 2019**

IV. **ITEMS FOR DISCUSSION**

a. **Budget Update - FY19 and FY20 Revenue Update**

b. **Impact of State Budget Actions**

c. **Remote Sales Tax Compact**

V. **INFORMATION ITEMS**

a. **Financial Sustainability Review**

b. **Wire Fraud**

VI. **EXECUTIVE SESSION**

a. **If Needed - Topic: Wire Fraud**

VII. **NEXT MEETING DATE**

a. **Wednesday, September 25, 2019**

VIII. **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, May 15, 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, Wade Bryson, Carole Triem, Mary Becker, Loren Jones, Chair; Maria Gladziszewski, Michelle Bonnet Hale, Rob Edwardson and Mayor Beth Weldon.
Committee Members Participating Telephonically**:** None.
Committee Members Absent: None.

Staff Present: Rorie Watt, City Manager; Mila Cosgrove, Deputy City Manager; Bob Bartholomew, Finance Director; Jeff Rogers, Finance Director; Rob Palmer, City Attorney; Robert Barr, Library Director; Andrea Hirsch, Librarian; Beth McEwen, City Clerk; Sam Muse, Controller; and Elisabeth Jensen, Budget Analyst.

Others Present: Susan Bell, McDowell Group, Reed Stoops, Juneau Community Foundation Board; Saralyn Tabachnick, Executive Director, AWARE.

III. Approval of Minutes

The May 8, 2019 minutes were approved as presented.

IV. Fund Balance – Committee Questions

Bob Bartholomew discussed the information provided on pages 9 - 11 of the meeting packet. He cautioned that it appears we are heading into unsustainable budget situation after projecting out 3 years.

V. Pending Items List – For Final Action

The Assembly members took action on the Pending Items List found in the May 8, 2019 AFC Packet. Bob Bartholomew advised the Assembly members that the general fund would be the default-funding source on adopted incremental spending increases, should another funding source not be identified within the motion.

Wade Bryson, moved to amend the FY20 CIP Resolution 2845(c), by decreasing Areawide Street Sales Tax Priorities by $817,000 to fully fund the AFC's Pending Item List.

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Mr. Bryson amended his initial motion to decrease the FY20 CIP Resolution 2845(c) by the total amount of the items on the AFC's Pending Item List approved by the AFC.

Maria Gladziszewski, and Mayor Weldon, OBJECTED.

Roll call votes:
Ayes: Edwardson, Becker, and Bryson.
Nays: Hale, Gladziszewski, Triem, Hughes-Skandijs, Jones, and Mayor Weldon.
Absent: None.
Motion FAILED 3-6.

Mayor Weldon, moved to provide incremental funding to the Juneau School District's Kinder Ready Program in the amount of $300,000.
Without OBJECTION.

Mayor Weldon, moved to provide incremental funding to Travel Juneau in the amount of $120,000; funding provided from the Hotel Tax Fund's Fund Balance.
Loren Jones OBJECTED.

Roll call votes:
Ayes: Bryson, Triem, Becker, and Hale.
Nays: Gladziszewski, Edwardson, Hughes-Skandijs, Jones, and Mayor Weldon.
Absent: None.
Motion FAILED 4-5.

Maria Gladziszewski, moved to provide increased recurring funding to the Youth Activities Board (YAB) in the amount of $17,500.
Loren Jones and Mayor Weldon OBJECTED, noting the YAB Board had not requested an increase.

Roll call votes:
Ayes: Gladziszewski, Bryson, Hughes-Skandijs, and Becker.
Nays: Triem, Hale, Edwardson, Jones, and Mayor Weldon.
Absent: None.
Motion FAILED 4-5.

Mayor Weldon, moved to provide increased recurring funding to seaaeyc – HEARTS Program in the amount of $89,800.
Without OBJECTION.

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Mayor Weldon, moved to provide one-time funding to the Manager for a Review of Child Care in the amount of $60,000; funding provided from the General Fund's Fund Balance.
Without OBJECTION.

Mayor Weldon, moved to provide one-time funding to Juneau Economic Development Council (JEDC) for Child Care Programs in the amount of $150,000; funding provided from the Tobacco Tax Fund's Fund Balance.
Without OBJECTION.

Mayor Weldon, moved to provide one-time increased funding to the Juneau Festival Committee in the amount of $8,700; funding provided from the General Fund's Fund Balance.
Without OBJECTION.

The meeting recessed at 6:24 PM.
The meeting reconvened at 6:34 PM.

Mayor Weldon, moved to provide recurring funding to the Juneau Economic Development Council (JEDC) to administer Juneau Council on Aging (JCOA) in the amount of $10,000; funding provided from the General Fund's Fund Balance.
Ms. Hughes-Skandijs OBJECTED.
MOTION WITHDRAWN.

Mayor Weldon, moved to provide recurring funding to the Juneau Economic Development Council (JEDC) to administer Juneau Council on Aging (JCOA) in the amount of $8,000; funding provided from the General Fund's Fund Balance.
Without OBJECTION.
(Clerk's Note: This motion was AMENDED. See following AMENDING MOTION.)

Maria Gladziszewski, moved to AMEND the previous motion, to provide one-time ~~recurring~~ funding to the Juneau Economic Development Council (JEDC) to administer Juneau Council on Aging (JCOA) in the amount of $8,000; funding provided from the General Fund's Fund Balance.
Without OBJECTION.

Mayor Weldon, moved to provide one-time incremental funding to the Juneau Council on Aging (JCOA) for the Senior Survey in the amount of $23,809; funding provided from the General Fund's Fund Balance.
Without OBJECTION.

Susan Bell, McDowell Group, spoke in support of $50,000 in funding for Southeast Conference for Alaska Marine Highway System (AMHS) Program Development Work.

Carole Triem, moved to provide one-time incremental funding to the Southeast Conference for Alaska Marine Highway System (AMHS) Program Development Work in the amount of $20,000; funding provided from the General Fund's Fund Balance.
Without OBJECTION.

Mayor Weldon, moved to provide one-time incremental funding to the Juneau Community Foundation (JCF) as part of the Hope Program for the Mental Health Study in the amount of $45,000; funding provided from the Tobacco Tax Fund's Fund Balance.

Ms. Gladziszewski asked for a representative from the Juneau Community Foundation to provide clarification on the difference between the Hope Fund, and SSAB Fund.

Mr. Reed Stoops, Juneau Community Foundation Board, addressed the Assembly, outlining the structure of JCF's funds. He explained that the City's SSAB fund has a broader purpose, with 50 percent of the fund dedicated to resolving substance abuse issues.

Mayor Weldon requested an at-ease.
The meeting recessed at 6:58 PM.
The meeting reconvened at 7:03 PM.

Loren Jones, moved to AMEND the MAIN MOTION, to provide one-time incremental funding to the Juneau Community Foundation (JCF) as part of the Social Services Advisory Board (SSAB) ~~Hope Program~~ for the Mental Health Study in the amount of $45,000; funding provided from the Tobacco Tax Fund's Fund Balance.
Mary Becker OBJECTED.

Mary Becker, moved to AMEND the AMENDED MOTION, to provide one-time incremental funding to the Juneau Community Foundation (JCF) as part of the Social Services Advisory Board (SSAB) ~~Hope Program~~ for the Purpose of the Mental Health Study / Substance Abuse Study in the amount of $45,000; funding provided from the Tobacco Tax Fund's Fund Balance.
Without OBJECTION.

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Mayor Weldon, moved to provide ongoing incremental funding to the Juneau Community Foundation (JCF) for Glory Hall in FY20, and to the Social Services Advisory Board (SSAB) for FY21 and beyond, in the amount of $150,000; funding provided from the Tobacco Tax Fund's Fund Balance.
Maria Gladziszewski OBJECTED.

Maria Gladziszewski, moved to AMEND the MAIN MOTION to provide ongoing incremental funding to the Juneau Community Foundation (JCF) for Glory Hall in FY20, ~~and to the Social Services Advisory Board (SSAB) for FY21 and beyond,~~ in the amount of $150,000; funding provided from the Tobacco Tax Fund's Fund Balance.
Without OBJECTION.

Saralyn Tabachnick, Executive Director, AWARE, provided an overview of AWARE's request for one-time incremental partial funding of $22,567 for a Healing Totem.

Wade Bryson, moved to provide one-time incremental funding to for partial funding of a Healing Totem in the amount of $22,567; funding provided from the General Fund's Fund Balance.
Without OBJECTION.

Mayor Weldon, moved to provide increased recurring funding to the Alaska Committee in the amount of $100,000; funding provided from the General Fund's Fund Balance.
Without OBJECTION.

Mayor Weldon, moved to allocate $300,000 for Airport LEEDS Capital Improvement Project; funding provided from the Airport Fund's Fund Balance.
Rob Edwardson OBJECTED.

<u>Roll call votes</u>:

Ayes:	Gladziszewski, Triem, Hale, Hughes-Skandijs, Becker, Jones, and Mayor Weldon.
Nays:	Bryson, and Edwardson.
Absent:	None.

Motion PASSED 7-2.

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Rorie Watt, City Manager, spoke in support of the final item on the AFC's Pending List, Land for Senior Housing. He said it is always going to be difficult to allocate land for land development, but it may be the only way to successfully move forward. A competitive process will be necessary and this action tonight is only the first step in a complicated process. Mr. Watt state that he is strongly in favor of this.

Mayor Weldon, moved to allocate $1,512,000 for Land for Senior Housing Capital Improvement Project; funding provided from the General Fund Sales Tax Fund's Fund Balance.
Without OBJECTION.

The meeting recessed at 7:35 PM.
The meeting reconvened at 7:47 PM.

Clerk's Note – Change to Order of the Day – New agenda item Added: Homestead Park Restroom Funding from Marine Passenger Fees (MPF)

VI. Homestead Park Restroom Funding from Marine Passenger Fees (MPF)

Bob Bartholomew, Finance Director, outlined a one-page issue paper that was handed out during the meeting, "Homestead Park Restroom funded by MPF". This is a request to reallocate the MPF memo that the AFC had already approved in a recent meeting.

There is an important and immediate need for portable toilets to be placed in Homestead Park (off Douglas Highway), which is used extensively by cruise passengers.

Background: Through coordination with CLIA, it was determined that there was an urgent need at Homestead park for restrooms. The cost of providing this service would be roughly $800 a month or a total of $5,000 for FY20. Included in this cost would be the servicing of the restrooms three times a week with an additional five emergency callouts per month. Additionally, it was determined that the Manager's office would not need the full $30,000 in Marine Passenger Fee (MPF) funding allotted in FY20 regarding shipping mitigation.

Current Status: The Manager recommends that $5,000 of CBJ Marine Passenger Fees be reallocated from the funding for Shipping and Congestion mitigation to Parks and Recreation to provide restroom services to Homestead Park. CLIA did not object to the use of MPF, outside of the port area, for this service.

Rorie Watt, City Manager clarified, that CLIAA recognized that this would be an expenditure outside of the MPF Zone. CLIAA did not "authorize" the expenditure, the Assembly has the

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ability to "authorize" the expenditure, and CLIAA does not object to the Assembly authorizing this expenditure outside of the Zone.

Maria Gladzisewski, moved to have $5,000 of CBJ Marine Passenger Fees reallocated from the funding for Shipping and Congestion mitigation to Parks and Recreation to provide restroom services to Homestead Park.
Wade Bryson OBJECTED for the purpose of making a statement.
He said that there are no restrooms between City Hall and the State Capitol Building. This area is in the right zone to place restrooms and make them available to the tourists.
Mr. Bryson REMOVED OBJECTION.
Without OBJECTION.

VII. Set Mill Rates – For Final Action
Bob Bartholomew outlined the information provided on pages 13 – 14 of the meeting packet.

Mayor Wedlon, moved to adjust the Manager's FY20 Proposed Mill Levy, and set the Rates of Ley as follows:

Operation Mill Rate by Service Area	Millage	
Roaded Service Area	2.45	
Fire Service Area	0.31	
Areawide	~~6.60~~	6.70
Operating Total	~~9.36~~	**9.46**
Debt Service	**1.20**	
Total	~~10.56~~	**10.66**

Michelle Hale and Wade Bryson OBJECTED.

Michelle Hale, moved to AMEND THE MAIN MOTION, by postponing the decision on Mill Levy until June 11, 2019.
Loren Jones and Mayor Weldon OBECTED to the AMENDMENT.

<u>Roll call votes</u>:

Ayes: Bryson, and Hale.
Nays: Hughes-Skandijs, Becker, Edwardson, Gladziszewski, Triem, Jones, and Mayor Weldon.
Absent: None.
Motion TO AMEND FAILED 2-7.

The meeting recessed at 8:23 PM.

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The meeting reconvened at 8:25 PM.

Roll call votes:

Ayes:	Triem, Becker, Gladziszewski, Hughes-Skandijs, Jones, and Mayor Weldon.
Nays:	Edwardson, Bryson, and Hale.
Absent:	None.

MAIN Motion PASSED 6-3.

Clerk's Note – Change to Order of the Day – New agenda item Added: Sleep-Off

VIII. Sleep-Off Center

A one-page Issue Paper titled, "FY20 Budget Comparison – Sleep-Off Center" was distributed to the Assembly members during the meeting.

Bob Bartholomew, Finance Director, outlined the request and stated that the request to amend the Manager's Proposed FY20 Budget would increase the budget for CCFR, and decrease the budget for Bartlett Regional Hospital. The "Sleep-Off" program is currently administered by BRH. The Manager's Office has worked with program folks and determined it would improve program effectiveness if administered by CCFR. The Assembly COW reviewed this issue and directed staff to prepare the budget documents necessary to implement this change.

Mayor Weldon moved to have the Sleep-Off Center administered by CCFR instead of by BRH, and reallocate the associated funding of Liquor Tax Funds be reallocated from BRH to CCFR in the FY20 Budget.
Wade Bryson and Loren Jones OBJECTED.

Roll call votes:

Ayes:	Becker, Gladziszewski, Hale, Edwardson, Triem, Hughes-Skandijs, and Mayor Weldon.
Nays:	Bryson, and Jones.
Absent:	None.

MAIN Motion PASSED 7-2.

IX. Final FY20 Revised Budget Decisions

Mayor Weldon, moved to refer Resolution 2845(c), AS AMENDED, A Resolution Adopting the City and Borough Capital Improvement Program for Fiscal Years 2020 through 2025, and Establishing the Capital Improvement Project Priorities for Fiscal Year 2020, to the full Assembly for approval.

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Without OBJECTION.

Maria Gladziszewski, moved to refer Ordinance 2019-05, An Ordinance Establishing the Rate of Levy for Property Taxes for Calendar Year 2019 Upon the Proposed Budget for Fiscal Year 2020, to the full Assembly for approval.
Without OBJECTION.

Maria Gladziszewski, moved to refer Ordinance 2019-06, AS AMENDED, An Ordinance Appropriating Funds from the Treasury for FY20 City and Borough Operations, to the full Assembly for approval.
Without OBJECTION.

X. Next Meeting Date
Wednesday, June 12, 2019.

XI. Adjournment
Meeting adjourned at 8:39 PM.

DRAFT

City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, June 12, 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, Wade Bryson, Carole Triem, Mary Becker, Loren Jones, Chair; Maria Gladziszewski, Michelle Bonnet Hale, Rob Edwardson and Mayor Beth Weldon.
Committee Members Participating Telephonically**:** None.
Committee Members Absent: None.

Staff Present: Mila Cosgrove, Deputy City Manager; Bob Bartholomew, Finance Director; Jeff Rogers, Finance Director; Patty Wahto, Airport Manager; Dallas Hargrave, Human Resources Director; John Bohan, Engineer; Autumn Sapp, Engineering Business Manager; Robert Barr, Library Director; Sam Muse, Controller; Angelica Lopez-Campos, Accountant; and Elisabeth Jensen, Budget Analyst.

Others Present: David Epstein, Chair, Airport Board; Angela Rodell, Secretary, Airport Board; Leon Vance, Chair, Utility Advisory Board (UAB); and Geoffrey Larson, Vice-Chair, Utility Advisory Board (UAB).

III. Approval of Minutes

N/A

Clerk's Note – Change to Order of the Day – New agenda item Added: ***Recognition of Bob Bartholomew during this, his last AFC meeting prior to his upcoming Retirement***

IV. Airport Terminal Project

A 1-page memo, dated 6/11/2019 from Patricia Wahto was distributed to the Assembly members as an in-meeting handout.
Bob Bartholomew, Finance Director, discussed the information found on pages 2 – 43 of the meeting packet. He outlined the current cost projection, methods to pay for the project, the current shortfall in the funding plan and the recommended action on the ordinances found in the packet.
The Assembly discussed the information.

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Mayor Weldon, moved to forward bond ordinances 2019-21 & 2019-22 to the full Assembly for adoption.
Without OBJECTION.

Mayor Weldon, moved to direct staff to draft and introduce an FY20 appropriating ordinance that authorizes the transfer of $800,000 of airport fund balance to the North Terminal capital project.
Without OBJECTION.

Mayor Weldon, moved to direct staff to draft and introduce an FY20 appropriating ordinance that authorizes the transfer of $300,000 of sales tax fund balance (prioritized as the funding source to be used as a last resort) to the North Terminal capital project.
Without OBJECTION.

The meeting recessed at 6:18 PM.
The meeting reconvened at 6:30 PM.

V. Utility Rates Part 2 Discussion (Follow-up to April 17, 2019, meeting.)
Jeff Rogers, Finance Director, discussed pages 44 – 58 of the meeting packet.
The Assembly members asked discussed the issue, and questions of staff and representatives from the Utility Advisory Board.

Wade Bryson, moved to increase Water and Wastewater Utility System Rates in each of the next five years, the rates would be increased by 4% in the first year, effective January, 2020; and by 2% in each of the next four years, with the first 2% increase effective July, 2021.

Mary Becker, and Mayor Weldon, OBJECTED.
Mayor Weldon WITHDREW the OBJECTION.

<u>**Roll call votes**</u>**:**

Ayes:	Triem, Bryson, Hale, Edwardson, Hughes-Skandijs, Gladziszewski, Jones, and Mayor Weldon.
Nays:	Becker.
Absent:	None.

Motion PASSED 8-1.

The meeting recessed at 7:20 PM.
The meeting reconvened at 7:27 PM.

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VI. Sustainable Budget Discussion

A 1-page graph was distributed to the Assembly members as an in-meeting handout.
Jeff Rogers, Finance Director, discussed the information in the in-meeting handout and on pages 59 – 60 of the meeting packet. He described the information as an attempt to pull together a view of the various requests the public would potentially like the Assembly to fund, totaling approximately $50M in concert with an Operating budget that is unsustainable. He recommended the Assembly commit time and energy to reevaluating priorities and discuss whether they would return to a Priority Driven Budget exercise.
The Assembly members discussed the topic.

VII. Information Item – Draft FTE Policy

Jeff Rogers, Finance Director, discussed page 61 of the meeting packet, essentially a policy paper documenting the unwritten policy followed by staff for some time.
The Assembly members discussed the topic.

VIII. Staff Retirement Recognition – Bob Bartholomew, Finance Director

Chair Jones, and other Assembly members payed tribute to Bob Bartholomew who plans to retire from the City and Borough of Juneau in July. They thanked him for the tremendous job he has done and wished him well. They presented him with several parting cards and tokens of appreciation, including a custom cutting board created by the Woodworking Group at Thunder Mountain High School.

Figure 1Chair Jones bids farewell to Bob Bartholomew

Figure 2Mayor Weldon bids farewell to Bob Bartholomew

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IX. Executive Session

Employee Compensation Negotiations.

Carole Triem moved to recess and reconvene to Executive Session for the purpose of discussing Employee Compensation Negotiation matters. There being no objection or public comment, it was so ordered that Executive Session would commence after a ten minute recess.

The meeting recessed at 8:05 PM.
The meeting reconvened at 8:18 PM.

The committee entered into Executive Session at 8:18 PM.
The committee returned from Executive Session at 8:40 PM.

Loren Jones reported that during the executive session the committee had discussed "contract negotiations" and the committee gave direction to staff.
Chair Jones asked if there was any other business. There was none.

The meeting was adjourned.

X. Next Meeting Date

Wednesday, August 21, 2019

XI. Adjournment

Meeting was adjourned at 8:41 PM.

MEMORANDUM

DATE: August 19, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: FY19 and FY20 Revenue Update

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

Background

For several years, CBJ Finance has maintained a rather conservative revenue outlook, which was based on two reasonable assumptions:

1.) Reductions to state spending would affect local employment and Juneau's overall economy
2.) Further increases to CBJ revenue from increased summer tourism was not certain

In hindsight, some may perceive that those revenue projections were overly conservative, but 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.

FY17-FY19 Revenue Trend

As you see on the attached table, from FY17 to FY19 revenue growth was exceptionally strong and revenue significantly exceeded budgeted projections. Some takeaways:

- Sales tax revenue grew an average of 3.6% annually
- Property tax revenue grew an average of 2.3% annually (mill rate was flat, property values increased)
- Actual sales tax revenues exceeded budgeted sales tax revenues by 8.2%
- Higher-than-forecast revenues turned budgeted *draws from* into actual *contributions to* Fund Balance

FY20 Revenue Projection Update

The budgeted draw on fund balance in FY20 exceeds $4.0 million. As in previous recent years, I cannot forecast increased revenue growth for the same reasons referred to above. Significant state reductions to the University, the social services sector, and to local state employment are likely to impact Juneau's overall economy. A local economic downturn would impact local sales tax receipts (which may be partially offset by the continued expansion of tourism) and could impact property tax receipts if property values soften in response.

The FY20 adopted budget for sales tax revenue is roughly equivalent to the actual sales tax revenue for FY19. That assumption is certainly conservative, but it balances reasonable concern about a potentially softening economy with the offsetting expectation of increased tourism. Each 1% of unexpected sales tax growth would reduce the draw on fund balance by $500,000. If sales tax grew 3% as in recent years, the budgeted draw on fund balance in FY20 could be reduced from $4.0 million to $2.5 million.

Preparation for Potential Economic Recession

CBJ must also remain aware of the potential for a recessionary environment, either locally or nationally. During the last national recession, sales tax receipts declined from $40.6 million in FY08 to $38.2 million in FY10—a 5.9% decline over two years. A similar decline to sales tax today would result in a reduction of sales tax receipts by more than $2.9 million. Sales tax receipts did not fully recover until FY13. That recession also brought about similar, though lower magnitude, reductions to property tax receipts, passenger fees, and other revenues—which would likewise be expected in a recession today.

City and Borough of Juneau

FY19 and FY20 Major Revenue Update Table

Assembly Finance Committee

August 21, 2019

Sales Tax

	FY17		FY18		FY19	
Adopted Budget	$	44,350,000	$	43,470,000	$	46,550,000
Actual Revenue	$	46,629,900	$	48,608,600	$	50,078,054 *
Adopted to Actual $	$	2,279,900	$	5,138,600	$	3,528,054
Adopted to Actual %		5.1%		11.8%		7.6%
Year-over-Year Growth $			$	1,978,700	$	1,469,454
Year-over-Year Growth %				4.2%		3.0%

Property Tax

	FY17		FY18		FY19	
Adopted Budget	$	48,009,700	$	50,287,600	$	50,877,800
Actual Revenue	$	48,813,900	$	50,284,300	$	51,037,000
Adopted to Actual $	$	804,200	$	(3,300)	$	159,200
Adopted to Actual %		1.7%		0.0%		0.3%
Year-over-Year Growth $			$	1,470,400	$	752,700
Year-over-Year Growth %				3.0%		1.5%

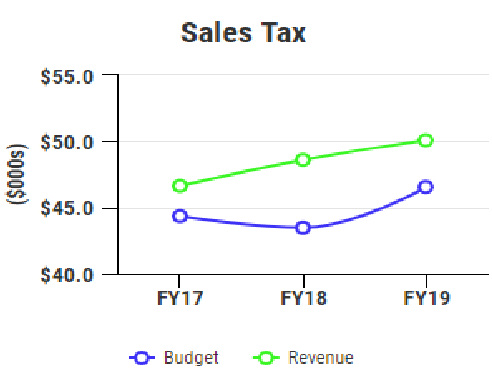
Total: Sales and Property Tax

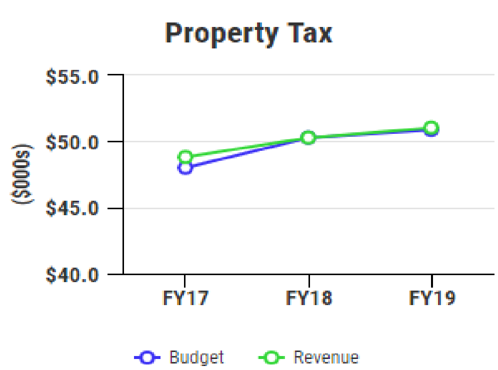
	FY17		FY18		FY19	
Adopted Budget	$	92,359,700	$	93,757,600	$	97,427,800
Actual Revenue	$	95,443,800	$	98,892,900	$	101,115,054
Adopted to Actual $	$	3,084,100	$	5,135,300	$	3,687,254
Adopted to Actual %		3.3%		5.5%		3.8%
Year-over-Year Growth $			$	3,449,100	$	2,222,154
Year-over-Year Growth %				3.6%		2.2%

	FY18		FY19	
Draw on Fund Balance in "Adopted Budget" (see note)	$	(1,546,200)	$	(2,959,800)
Actual Contribution to Fund Balance	$	4,813,300	$	250,000 *

** FY19 Projection*

"Adopted Budget" represents point-in-time budget at time of passage, and does not include supplemental appropriations. Notably, this budget draw excludes usage of fund balance for the supplemental appropriations for emergency services and the Housing First project in FY19.





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

DATE: July 8, 2019

TO: Maria Gladziszewski, Chair, Assembly Committee of the Whole

FROM: Mila Cosgrove, Deputy City Manager

RE: Potential Impact of Governor's Vetoes

Direct Impacts in FY20:

The following vetoes will have a direct impact on CBJ finances in FY20.

Veto	Fiscal Impact	Response Strategy
50% veto on School Bond Debt reimbursement	$3,700,000	Short Term: recommend Protected Budget Reserve with a plan to increase mil rate to pay back the fund. Should look at remaining debt obligations in considering overall plan.
Medicaid Cuts - BRH	$1,500,000	BRH may need to raise service fees to cover loss of funding.
Medicaid Cuts – CCFR	Undetermined	Medicaid is 30% of ambulance revenues. Reductions will likely result in needing additional general fund support.
OWL/Live homework help - Library	$10,000	Program would likely have to be cut.
State Travel cuts	Undetermined	Airport: reduced state travel will impact AIP (annual entitlement dollars) and Passenger Facility Charges (PFC).
Local Emergency Planning Council	$16,000	The LEPC coordinates local and regional emergency preparedness.
Total Direct Impact	$5,226,000+	

Immediate Indirect Impacts:

The following vetoes have the potential to impact the community through job losses, economic contraction and/or reduction or elimination of services. The financial impact on CBJ is harder to predict but could result in lower sales and property tax revenues as well as increased grant requests to CBJ to provide baseline services.

Veto	Anticipated Impacts
41% cut to the University of Alaska UAA, UAF and Statewide operations	While funding for UAS remained intact, the Juneau campus is home to UAF and UAA faculty and Statewide employees. Loss of jobs will impact the economy. Loss of statewide educational

	opportunities will impact workforce readiness and ability to recruit and retain workforce from out of state.
Cuts to Homelessness and Housing services	Three key programs were cut - Homeless Assistance Program (HAP), Human Services Community Matching Grants (HSCMG), and Community Initiative Matching Grant Program (CIMBP). Glory Hall is reporting that 25% of their operating funds come from the areas that have been vetoed. They are looking at service cuts to accommodate. Other providers will likely follow suit. Total impact to community is $913,918. See Table A below for more detail.
Senior Benefits	There are 321 senior citizens in Juneau that qualify for this program.
Early Childhood Education (See Table B)	Up to 100 children may lose early learning support, an estimated 10 jobs, plus 600 children with less literacy support. This will further adversely impact the existing childcare capacity issue in Juneau. We are still trying to verify if there will be a $150,000 reduction to JSD for the Kinder Ready program.
Behavioral Health Treatment and Recovery Grants	The following are local Juneau organizations that receive these grant funds: • Gastineau Human Services • Hope Community Resources • Juneau Alliance for Mental Health, Inc. (JAHMI Health and Wellness) • Juneau Youth Services, Inc. • Rainforest Recovery Center • Southeast Alaska Regional Health Consortium With the proposed reduction in Medicaid funding, the housing and homelessness cuts and the 5% overall reduction of behavioral health rates, it is likely there will be significant adverse impact on local providers and the clientele they serve.
Cuts to Public Broadcasting – Radio and T.V.	Total extent of impact unknown at this time, has potential to adversely impact legislative coverage through gavel to gavel.
DEC Air Quality Monitoring	Cuts to the DEC Air Quality program could compromise CBJ's ability to administer the Mendenhall Valley Air Quality Monitoring program. DEC maintains the air quality sensor that our program uses to determine when to call an Air Emergency. Without DEC's monitoring station, we won't be able to manage the program. But since the descriptions of the cuts are general, it's hard to tell what the proposed cuts will mean for the program
Staffing for Public Defender Agency	Veto of increment for Public Defender Agency leaving current staffing in place.
Eliminate Law Office Assistant	This position was proposed to assist with the backlog of work on the DA's office. Continued triage and backlog of cases is anticipated.
Alaska Legal Services	Reduces funding for legal services to low income and other vulnerable individuals.
Eliminate State Council on the Arts	Program elimination will reduce arts programing in Juneau.

Repeal Ocean Rangers Program	Reduces environmental monitoring on cruise ships.
Civil Air Patrol	Will reduce response readiness in the community.
State Recorders Office in Juneau Closing	May need Ordinance revisions to Title 49

FY21 Impacts:

The following vetoes should be monitored to understand the impact on the community.

Veto	Anticipated Impacts
Capitalize Community Assistance Fund	Will not impact FY20 funding but may impact FY21 funding.
K12 Education	No immediate impact, may cause difficulties for school district in FY21 funding.

Table A

Program	BHAP	HSCMG/CIMGP	AHFC Match	Total
Alaska Coalition on Housing and Homelessness			$133,711	$133,711
AWARE		$50,000	$18,919	$68,919
Gastineau Human Services, Glory Hall, AWARE, Alaska Housing Development Corporation, St. Vincent DePaul	$636,450			$636,450
Juneau Cooperative Christian Ministry		$50,000		$50,000
St. Vincent De Paul SRA			$24,838	$24,838
Totals				$913,918

Table B

Notes from Joy Lyon at AEYC

Head Start:
Based on statewide projections, Southeast Alaska could potentially lose 3 classrooms, 50 children, and 9 jobs. Tlingit and Haida serves 10 communities in Southeast, so it is unknown yet which communities would see reduced services.

PreK:
1.2 million cut. There is some question about whether the upcoming year will still be paid to 9 grantees including Juneau for a final year. Bridget Weiss would be the best person to know about Juneau School District impacts, but potentially 2 Kinder Ready classrooms, 30 children, 4-5 jobs. The local CBJ investment will really help buffer the impacts this year.

Parents As Teachers:
$474,700 cut eliminates all state funding for the program. For Juneau that is a reduction of $90,000 for home visiting support for 35 children, 1.5 jobs. AEYC will continue to offer reduced services through the STEPS grant with Association of Alaska School Boards, and an Alaska Children's Trust grant.

Best Beginnings:
AEYC receives an annual matching grant to serve nearly 1200 Juneau children on the Imagination Library. We will need to raise an additional $15,000 per year to continue enrollments, at $25 per child per year for this all volunteer run program. Or we would need to reduce enrollment to 600 Juneau children (7,200 fewer books delivered per year).

Child Care Assistance and thread Alaska services are primarily federal pass through funds. Since there was a federal funding increase last year, the State Child Care Program Office has proposed increases in child care assistance rates and increased parent eligibility that will hopefully be implemented by October. Parents will then be better able to afford the cost of licensed child care. Many, if not most, states supplement the federal child care assistance funds to increase services, but Alaska only contributes the minimum match to draw down the funds. In spite of the federal increase, AEYC still received a 5% reduction of thread funds this year, and we eliminated a half time position for the child care assistance program.

City and Borough of Juneau
ASSEMBLY FINANCE COMMITTEE
Potential to Lose Some State Reimbursement of School Bonds
May 15, 2019

Issue:
If the State does not provide reimbursement of school debt in its budget the financial responsibility will shift wholly to CBJ. *See* A.S. 14.11.100. Although the Legislature appears to have funded the State's statutory financial reimbursement for this year, the CBJ is at risk of losing some or all the annual funding over the next 5 years.

Background:
Under the cost sharing law in effect at the time of the ballot question, Juneau voters were informed that the school construction costs qualified for the 70% State reimbursement and that reimbursement was subject to annual appropriation. *E.g*. Ord. 2010-26 ($18.7M for Auke Bay Elementary). The voter's approval authorized, if necessary, increasing the debt service component of the property tax mill rate to pay for school debt costs.

Current Status:
The Governor removed all FY20 school debt funding from his proposed budget. The Legislative conference committee put it all back in. We will not know the outcome until the Legislature & Governor complete their budget process. This may or may not be completed by the time CBJ's budget must be adopted in mid-June. The loss of funding could be up to:

- FY20 $7.1 million
- FY21 $6.5 million
- FY22 $5.7 million
- FY23 $2.7 million
- FY24 $1.1 million
- Total risk is $23.1 million.

If we had clear information from the State, we would schedule these debt payments in the most fiscally responsible way possible. This possibly could include providing citizens adequate time to plan for property tax increases. But, we are in the position of learning Legislative session by Legislative session if and how much debt the State tries to burden municipalities with.

The Manager's FY20 budget was proposed on not knowing what the State would budget for and assumed we would come back and address any State funding shortfall after adopting the budget. Currently the CBJ budget is scheduled for adoption Monday June 3rd. The Charter requires final Assembly adoption by June 15 or the Manager's budget is deemed adopted. Final assembly action could be deferred until Friday June 14 to provide more certainty about the State budget.

The Governor has 15 days to veto a bill if the Legislature is in session or 20 days to veto a bill if the Legislature is not in session. AK Const. Art. 2, § 17. Assuming the Legislature delivers its budget bill to the Governor by tomorrow, the CBJ would know what the Governor vetoes, if any, by June 5 if the Legislature is still in session or by

June 11 if the Legislature is not in session. The Governor could also act quicker than the Constitutional deadlines. Thus, if the Assembly wants the most certainty on the State budget, the Assembly should tentatively schedule a Special Assembly meeting between June 11(Tue) and June 15 (Sat).

Payment Funding Options:
The Finance Department reviewed payment options ranging from a partial 1 year funding loss up to 100% loss of State funding share over 5 years.

1. One time FY20 50% loss (House proposal) with CBJ paying $3.55 million. Payment options:
    a. If loss known before CBJ adopts FY20 budget property tax rate you could increase mill rate by 0.7 mills (6.6% property tax increase).
    b. Initially pay from Borough Budget Reserve (BBR) and payback, over one or more years, by increasing the property tax. The BBR was created by Resolution 2629 (2012).
    c. Pay from the Available Fund Balance and reduce savings.
    d. Reallocate funding from other capital budget items.
2. One time FY20 100% funding loss with CBJ paying $7.1 million. Payment options:
    a. If loss known before CBJ adopts FY20 budget property tax rate you could increase mill rate by 1.4 mills (13.2% property tax increase).
    b. Initially pay from BBR and payback, over one or more years, by increasing the property tax.
    c. A combination of increasing the tax rates and reducing or eliminating other city services or capital projects and reallocating existing revenue to school debt.
3. If we are informed that the entire state funding is being eliminated and CBJ pays/owes $23.1 million over 5 years. Payment options:
    a. Target 5 years of level debt service at $4.6 million. If known before CBJ adopts FY20 budget you could increase mill rate by .9 (8.5% tax increase). If not known for FY20 the first year paid from Available Fund Balance or BBR.
    b. Pay the FY20 $7.1 million from the BBR and refinance the debt to extend the debt service payments out 10 or 15 years. This would allow for a smaller annual increase in the property tax rate. The increased mill/tax rate would collect sufficient revenue to repay the BBR, as required.
    c. A combination of increasing the tax rates and reducing or eliminating other city services and reallocating existing revenue to school debt.

Juneau Community Foundation

August 2, 2019

Mayor Beth Weldon
City and Borough of Juneau
155 So. Seward Street
Juneau, Alaska 99801

Dear Mayor Weldon,

On July 26 the Juneau Community Foundation held a meeting with over 20 agencies that provide health and social services in our community. This meeting was the beginning of a conversation to determine the effects that drastic cuts to state funding through grants, Medicaid, and federal matching funds would have on this sector of Juneau's nonprofit organizations and the people they serve.

If the current State cuts continue, the most direct and immediate impact to health and social services in Juneau will be the elimination of Head Start and a reduction in programs that serve the homeless. Reduced funding for substance use disorder treatment will result in scaled-back programs and assistance. More homeless people will be on the streets, more people will seek care at the hospital emergency department, many young children will not have the benefit of a successful pre-K program, and community members will lean more heavily on food bank programs that have already seen a tremendous increase in food needs this year.

Some impacts may not be very noticeable to the general public at first or even this fiscal year. Several agencies are staving off some of the immediate impacts of state budget cuts this fiscal year through carryover grants, reserves, and delayed decisions. But this is a short-term respite and it is also possible that there may be additional reductions in state funds next year and in the years ahead, which will make the apparent effects even greater

The 5% Medicaid reduction will first be felt at those agencies delivering health care. Bartlett Regional Hospital may lose as much as $1.5 million in revenue. SEARHC is also estimating a possible impact from the general Medicaid reduction, and is already planning to slow down their expansion of adult dental care which has been covered by Medicaid, but is affected by the vetoes. And, of course, State general fund reductions in Medicaid also result in losses of Federal matching funds so the program effects are larger than they first appear. The Medicaid reductions may be felt in higher health insurance rates as costs for uncompensated hospital care are spread to insurance and in reductions in health care provider jobs.

Agencies with state funding at risk are already leaving positions vacant as people leave or retire, and considering decreasing full-time positions to part-time, and layoffs. All of these solutions reduce the care available to clients of the agencies, but also directly impact the employees, as well with losses of income and health benefits.

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Many agencies are trying to hold out to see the final budget outcome before implementing measures to reduce spending that cannot be easily undone, although this strategy comes with the risk that absorbing the cuts, if they occur, will mean even deeper reductions. As mentioned above, some are using reserves to cover a deficit for this fiscal year, however even they fear the impact of the cuts this year since the other support services their clients rely on will be less available. The reduction and elimination of programs will continue unless cuts are reinstated. Reallocation of Juneau Hope Endowment and CBJ Social Service grants may help a little, but the existing grants will not offset the current cuts.

Based on preliminary estimates from organizations at the meeting, \$2.25 - \$2.5 million will be lost from social service providers in fiscal year 2020; an additional \$1.5 million reduction in funding for Bartlett Regional Hospital; and, further reductions for SEARHC programs. In addition, in the SE Alaska region the cuts reduce funding for Senior Centers by \$2 million and include a 30% reduction for Substance Abuse Programs. In 2021 the hole from current state cuts could increase to \$3.5 - \$4 million, as reserves and existing grants are used, and currently anticipated state funding does not come through.

The loss of qualified people serving in these agencies will have a lasting impact on Juneau. Getting a clear picture on what levels of local service will be sustainable going forward is critical to the well-being of many residents and our economy. The loss of Medicaid, other federal benefits, housing subsidies, federal grants, jobs, qualified providers will all adversely affect our economy. Based on research from Rain Coast Data the Southeast nonprofit economy as a whole provides 11.5% of all jobs, 8% of all wages, and \$470 million in income, which is nearly 75% of what tourists spent in the region last year.

As a 2018 Foraker report notes: "[Nonprofits] *play a critical role in the state's economy both as major employers and as revenue generators. No industry in Alaska can prosper without the nonprofit sector. We provide both a financial and social return on investment by leveraging public and private resources. ... Every Alaskan is the beneficiary of a nonprofit because nonprofits are woven into the fabric of our communities.*"

Some of the health and social service reductions that will occur if the current cuts in programs and budgets is maintained are listed here:

- Alaska Legal Services will lose one of its two Juneau attorneys responsible for covering all of SE Alaska.
- Big Brothers, Big Sisters will have fewer kids in their program.
- AWARE will have shorter operating hours and discontinue long-term services.
- Head Start in Juneau will be closed.
- Polaris House may have to reduce programs.
- Juneau Youth Services will focus only on those children that come with Medicaid funds.
- SEARHC will lose revenue for adult dental care patients on Medicaid.
- The Glory Hall will reduce daytime services, including breakfast and lunch.
- Juneau Suicide Prevention Coalition will cut its outreach program.

- Association for the Education of Young Children will reduce or cut Parents as Teachers program and scale back the Imagination Library program.
- Housing First operations will feel the effects in 2021.
- Juneau School District will lose partnership programs with local non-profits.
- Catholic Community Services will lose revenue from Medicaid, adversely effecting hospice and Senior Centers throughout SE Alaska; Meals on Wheels will experience a reduction in funding.
- St. Vincent de Paul will lose housing and client care funding.
- SAIL will have to reduce Senior Disability Services next year.
- Gastineau Human Services will serve fewer people and no longer be able to subsidize living expenses.

This is a very difficult time for Juneau's health and social service organizations, which already do more with less, and stretch their funds by limiting salaries and benefits, and relying heavily on volunteers; while, at the same time effectively leveraging donations, grants, and income from fundraisers that bring in additional dollars.

Every reduction has a ripple effect. Not only will Juneau residents of all ages have fewer services available, but problems we have worked hard to manage will reemerge with all the costs that accompany them. Homelessness leads to disruptions that affect the business community and increase emergency hospitalizations, as well as the incidence of crime, which leads to increased costs for policing, State and local prosecutors, the court system, and the jails. Cuts in services to seniors increase the likelihood of those seniors requiring hospitalizations and earlier admission to nursing home care, which further depletes the Medicaid resources. Cuts in services to young children and families lead to longer term, but certain negative outcomes for the children, their families, and ultimately the community as a whole.

As the fiscal year 2020 state budget is still fluid, we anticipate bringing these organizations together again after the final actions by the governor and the legislature, to obtain a clearer picture of how state funding will affect their programs. It is important that the City and Borough of Juneau is aware of and considers these pending impacts on the young, old, and most vulnerable in our community

Sincerely,

Amy Skilbred
Executive Director

cc. Assembly Members
Rory Watt, City Manager
Legislative Delegation

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MEMORANDUM

DATE: August 19, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

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

SUBJECT: AML Compact to Participate in the Collection of Sales Tax on Remote Sales

Background

In light of the implications of the Supreme Court's decision of South Dakota v. Wayfair, state and local governments across the United States are now evaluating their authority and capacity to assess sales tax on remote (online, mail, catalogue, phone) sales. The collection of sales tax on remote sales levels the playing field for local businesses and strengthens the ability of local government to generate revenue and provide public services.
The Wayfair decision requires a single-level statewide administration that reduces or removes potential burdens to interstate commerce. Said another way: to collect sales tax from remote sellers, taxing jurisdictions must make it relatively simple for sellers to comply by means of uniform administration that is not unduly burdensome.

Single-Level Statewide Administration

In states with a state-level sales tax, the state administers the collection of all sales taxes and remits receipts to localities as appropriate. However, Alaska has no single-level statewide program to collect sales taxes on behalf of the many Alaskan communities that assess them.

The Alaska Municipal League (AML) now proposes an Intergovernmental Remote Sales Tax Compact so that it may charter an organization to serve the required role for single-level statewide administration. In concept, the Alaska Municipal League will charter an organization similar to the Alaska Municipal League Investment Pool (AMLIP), which CBJ utilizes for the money market management of our working capital. As envisioned, the Alaska Municipal Remote Sales Tax Commission (the "Commission") would have the authority to implement a technological solution that meets the tests of the Wayfair decision while allowing for the variety of sales tax programs across the state. This Commission's staff would maintain the system, collect taxes due, and remit those taxes to municipalities. Localities retain complete control over sales tax rates and exemptions. Costs of the Commission's operations would paid by a portion of taxes collected. The Commission would have its own articles of incorporation, bylaws, board, and committees. Members of the Commission must be members of AML. The agreement envisions that any community can withdraw from the Commission by ordinance or resolution with 30 days notice.

Revenue Potential

A major online retailer is now voluntarily collecting and remitting sales tax for their remote sales to Juneau residents. Using an extrapolation from their current sales tax filings, we calculate a conservative potential of ~$30 million in total taxable sales from all remote sellers, which would induce $1.5 million in sales tax under a successful statewide program compliant with the Wayfair decision. Juneau is collecting only a small portion of that potential today. AML calculates a higher potential using a different methodology applied statewide.

Recommendation

I recommend that the Assembly Finance Committee direct staff to draft and introduce the following for Assembly review and action:

1. An ordinance adopting commonly agreed upon definitions for good and services (i.e. food, rent, etc.)
2. A resolution authorizing a representative of Juneau to sign the compact

City and Borough of Juneau
ASSEMBLY FINANCE COMMITTEE
Financial Sustainability Review Proposed for Oct / Nov 2019
August 21, 2019

Background:
At the conclusion of the FY20 budget process there was general agreement by the Assembly that it was time to review the fiscal sustainability of the CBJ operating and capital budgets. Factors impacting this decision included use of one time savings for ongoing operational costs, increased staffing for public safety, increases in employee wages and benefits, as well as the potential impact of adding childcare as an ongoing expense and desired capital project investments.

Goals:
To provide budget direction to the City Manager in advance of the FY21/22 budget development and to provide direction to the City Attorney if needed to draft necessary ordinances related to revenue or expense changes.

Process:

Meeting 1: Overview of Revenue Sources, Debt Capacity and CIP spending

Meeting 2: Overview of all CBJ Programs & Services to include revenue, expense, staffing and use details.

Homework: Individual Assembly members prioritize programs and services and send results to staff. Staff will provide an aggregate of the scoring at the third meeting as a starting place for the discussion.

Meeting 3: Assembly members review/discuss aggregate results. Review/Discuss revenue options and begin to look at how to bring revenues and expenses into balance. Committee flags additional items that need more information/explanation.

Meeting 4 - 6: Continuation of discussion at meeting three. Assembly flags items for action in keeping with the goals above.

Proposed Time Line:
Time lines were developed with the assumption that action items would be flagged prior to the December 7th retreat in order to provide clear direction to the Manager for the FY21/22 budget preparation.

1. Wednesday, October 2nd, 5:30 – 7:00 (Mayor Weldon will Chair, L. Jones by phone)
2. Wednesday, October 9th, 5:30 – 7:00
3. Saturday, November 2nd, 8:00 – 12:00
4. Wednesday, November 6th, 5:30 – 7:00 (in place or in addition to regular AFC)
5. Wednesday, November 13th, 5:30 – 7:00 (If needed)
6. Wednesday, December 4th, 5:30 – 7:00 (If needed)

Note: It is possible to begin this process earlier in the calendar year, however, education and decision making sessions would span the election and might create duplication of efforts.

MEMORANDUM

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

DATE: August 19, 2019

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: CBJ Victim of Financial Wire Fraud

Background

Nationwide, the occurrence of financial theft by means of wire fraud is an increasingly alarming occurrence. The schemes vary, but requests to change ACH (i.e., direct deposit) payment information are on the rise and increasing in their sophistication. CBJ Finance staff have thwarted many such attempts, including many attempts to change payroll ACH information for prominent city employees.

CBJ now finds itself to have been a victim of one such coordinated and sophisticated scheme. A timeline follows as well as a description of corrective action taken.

Timeline

December 27, 2018

CBJ was contacted by an individual (later identified to be an impersonator) who purported to be associated with SECON Construction, a company under contract with CBJ to provide construction services. In that communication, the individual requested that CBJ update the company's ACH payment information. The request asked that the bank account number alone be changed; not the routing number. Over the next several months, CBJ and the individual made several infrequent contacts, arranging for receipt of an updated W-9 form and voided check before allowing an update to the banking information.

March 21, 2019

The fraudulent individual provided an updated W-9 form and a voided check. At this time, CBJ Purchasing & Accounts Payable reviewed the information and updated the bank account number assigned to SECON Construction. CBJ also conducted a "pre-note" process in which a zero-dollar test transaction was sent to validate the bank account information. That process was successful. Meanwhile, SECON Construction was an active vendor performing construction work for CBJ. During its normal course of business, SECON sent a legitimate invoice to CBJ for actual work performed.

April 11, 2019

After appropriate review and approval of the legitimate SECON invoice for payment, CBJ issued an ACH payment for $329,630.21 to the new bank account. As with all ACH payments to vendors, CBJ e-mailed SECON indicating a notice indicating they would be receiving a direct deposit on April 12, 2019 for the specific invoice.

May 6, 2019

SECON staff contacted CBJ indicating they had not received the payment on April 12, 2019. Upon investigation of the situation, CBJ became aware of the fraudulent change to the banking information and confirmed the payment never made it to SECON; instead, it went to the fraudulent bank account set up by the individual impersonating a SECON employee.

May 7, 2019

CBJ reported the crime to the Juneau Police Department and the Federal Bureau of Investigation. Additionally, CBJ immediately implemented measures to secure banking information of CBJ payees to limit any future similar incidents. CBJ also notified their insurance carriers of the incident. CBJ's bank, First National Bank Alaska, also attempted to recall the ACH payment but were unsuccessful.

July 23, 2019

CBJ received reimbursement from our insurer for $250,000—the policy limit for this type of fraud. At this time, we believe the FBI investigation continues, but CBJ staff have had little follow-up interaction with the investigator assigned to the case.

Corrective Action Taken

Since the incident, CBJ Finance leadership has finalized and implemented a new policy for changes to ACH banking information for all payees of CBJ. That new policy is attached to this memorandum.

Recommended Assembly Action

At this time, a supplemental appropriation to the Risk Fund does not appear to be necessary for FY19, so no action by the Assembly Finance Committee is necessary.

If the Committee desires further discussion of the details of the incident, I recommend that the committee enter into executive session so as not to interfere with the ongoing FBI investigation.

MEMORANDUM

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

DATE: August 19, 2019

TO: All Finance Department Staff

FROM: Sam Muse, Controller

SUBJECT: Security policies over Purchasing, Accounts Payable, Treasury & Payroll

Background

Nationwide, the occurrence of financial theft by means of wire fraud is an increasing troublesome occurrence. The schemes vary, but requests to change ACH (i.e. direct deposit) payment information are on the rise and the increasing in their sophistication.

Policy Update

Vendor setup

When the CBJ procures a new vendor to provide goods/services, or procures a vendor that has been previously inactivated, that vendor will be required to complete a "Vendor Information Form". This form indicates the reason for update to the vendor database (e.g. a new vendor, or an update of previous vendor information).

A section of the Vendor Information Form will specifically address electronic payments and banking information. As a part of this section, the vendor will be required to provide a PIN which will be entered on the AP10.1, TELEX field. Additionally, the vendor will be required to include a minimum of two known contacts, including phone numbers/emails. These contacts will be added to the AP14.1 screen. Specific details for data entry can be found using the procedure for "Adding New Vendors" located in Purchasing (Accounting Tech Desk Manual). CBJ will ensure that the vendors are aware that these contacts/PINs are being requested in the specific case of banking changes.

It will be the Purchasing department's responsibility to enter all information in to the vendor database and to maintain the vendor record and any related changes requested. Copies of the vendor paperwork will be provided to Accounts Payable, who will audit each entry with supporting backup documentation. Requests for updates to data by Accounts Payable will be given back to Purchasing for official edit. The vendor will pre-note with the next check run performed by Accounts Payable. If successful, Purchasing will then have the vendor status changed to "Accepted" (at the direction of AP) in the database. This process generally takes two weeks.

REQUIREMENT SPECIFIC TO ACH

- A voided check must be provided and it must be a negotiated item (the vendor must provide a copy of a check that was issued and processed through their account within the last 90 days).
- If a voided check is not available, the Vendor should provide banking information on bank letterhead. Letter must be signed and include contact phone number.

The number of active vendors will be limited. Vendors that have not had invoices paid on for the preceding three years will be inactivated in the payable system. When a vendor is inactivated, purchasing and accounts payable will be required to obtain a new vendor information from a known contact of the vendor (if one can still be identified, if not other measures) in order to reactivate that vendor.

Changes to Vendor Banking Information

CBJ will validate all new electronic payment instruction and other bank change requests received even if the request is internal.

Upon notice of possible changes by a vendor an email will be sent to acknowledge the recipe of the email and the PIN (noted above) will be requested.

All follow up, including the acknowledgment email, will be to the email addresses and phone numbers of known contacts, as detailed in initial vendor setup or through previously verified changes to vendor information. The vendor must be reached via direct phone call at least once during the process. Purchasing & Accounts Payable will verify the new information provided by the vendor through this direct communication.

As part of the process, a "Banking Data Change Form" will be prepared and reviewed by Purchasing and Accounts Payable. This form will verify that the contacts were spoken to, and will be signed off on by all relevant parties. This requires that old banking information (if applicable) be confirmed and will also be maintained in the master vendor file.

Any request that comes outside of the known contacts will need to be verified independently. If a known number is not available or a PIN has been forgotten, the respective department will perform their own search for a correct number, outside of any information provided in the original request sent to the department.

Security over email/trainings

Email is set up so that all external emails are identified as such upon arrival.

Details of e-mail address are scrutinized for suspicious components, i.e., name does not match, email server inconsistent, extension indicate foreign or suspicious address

Phishing or scams are shared with MIS.

Results of all internal phishing campaigns are shared with relevant employees. For example, if the payables tech is subject of a phishing campaign, this is shared with the supervisors and with purchasing.

Purchasing/accounts payable/payroll/treasury are required to undergo training for fraud, such as social engineering, yearly or if a new employee is hired within the department.

Requests from outside for information regarding our Vendors

Requests for certain information regarding CBJ vendors (known contacts, banking information, tax I.D. numbers, etc.) should be confidential. Any request from a vendor regarding their own information should be verified independently, via phone call with known contact.

Additionally, information requested from the outside regarding non-confidential information must have a request for information form filled out and filed with the Clerk's office. The request will be vetted and only the information in the request will be provided.

Payroll Specific

Payroll staff will personally verify any direct deposit changes NOT received in-person in the Payroll Office. Employees will receive a call from payroll staff to verify the change(s). Payroll staff will fill out a form recognizing that this step has been completed. The change will not be processed until this step is complete. A "Direct Deposit Authorization form" will be completed and kept on file in the employee's master file.