City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Thursday, August 11, 2016, 5:30 PM

I. Call to Order

The meeting was called to order at 5:30 PM by Jerry Nankervis, Chair.

II. Roll Call

Committee Members Present: Ken Koelsch, Debbie White, Mary Becker, Jerry Nankervis, Maria Gladziszewski, Kate Troll, Jamie Lynn Bursell, and Loren Jones.
Committee Members Participating Telephonically**:** Jesse Kiehl.
Committee Members Absent: None.

Staff Present: Rorie Watt, City Manager; Mila Cosgrove, Deputy City Manager; Bob Bartholomew, Finance Director; Rob Steedle, CDD Director; Robert Barr, Juneau Public Library Director; Kirk Duncan, Parks & Rec Director; Robert Healy, PE, Engineering Director; Lauri Sika, City Clerk; Jessica Paskowski, Juneau Police Administrative Officer; Jean Hodges, Acting Controller; Elisabeth Jensen, Budget Analyst; Dr. Mark Miller, Superintendent, Juneau School District; and Matt Lillard, Ski Manager, Eaglecrest.

III. Approval of Minutes

The May 11, 2016 minutes were approved as corrected.

IV. Manager's Budget Message

Rorie Watt paraphrased the main pieces of his memo dated August 11, 2016.

1.) Politely and firmly, we need to restate to the State our dissatisfaction with the lack of a fiscal plan. It is really important to Juneau, and the other Alaska communities, that the State solve their fiscal issues in a way that gives us predictability. We need that so we can build our own fiscal plan, and do the best we can with our resources for our community. Finding out late in our budget process, or after we've updated our budget, doesn't allow us to do that. It is really incumbent on the Governor and the Legislature to provide a complete Fiscal Plan.

2.) I want to communicate to the Juneau Public, that we are in a relatively good position because we have saved. This Assembly and staff, and prior Assemblies and staff have worked hard on our budgets and we have saved money for tough times. Even though we have a negative hit to our budget of $4.5M, we have savings, and can use that to provide a smooth transition. It is our duty to set the stage so that we don't affect our economy any more than necessary. Our task is to determine how we use our reserves to manage our situation and transition to what are probably going to be smaller municipal budgets. We have the resources to make good decisions.

3.) Economic Realism Message – We are not going to be able to hold on to everything. We are going to make tough decisions. We are probably going to do a few, fewer things than we currently do. The process we are rolling out tonight is our approach to a careful and thoughtful process on how to decide what is important to us and what we can afford.

V. CBJ Operating Budget Issue Paper
Financial Update

Bob Bartholomew provided a high level update since the AFC last met in May, 2016, and the FY17/18 Budget Adoption on May 23, 2016.

On May 23, 2016, our FY17 Budget was adopted, and FY18 was adopted as a placeholder budget drawing $1.2M from Fund Balance, that we felt was sustainable. Staff recommended returning to the AFC in the interim, based on any impact from the State.

Handout *– Outlines FY14 – FY17 General Government – Operating Budget Reductions*

Bob Bartholomew discussed pages 12 of the packet.

Jones: I thought there was already $800K loss to Sales Tax in the Budget. Is this additional?
Bartholomew: We did project the loss of dividend/sales tax revenue in FY18. We did not project for that loss in FY17 so the estimated shortfall was added in.

Jones: Are most recent Sales Tax figures in line with projections?
Bartholomew: I got an update today. We are almost dead on to the FY16 budget. We are seeing about a 2% increase from FY15 to FY16.
We forecasted that increase for two reasons: 1.) The change in the exemptions 2.) A 2% growth in tourism. We are actually seeing a higher growth in tourism.

Nankervis: On page 12 of the packet, looking at the figures in parenthesis, or shortfalls, did we have those figures when we adopted the budget?
Bartholomew: No, it all happened in June, 2016, after the budget was adopted. Definitely, School Debt Reimbursement was unexpected.

Troll: I heard breaking news that Senator Bill Wielechowski is challenging the Governor's PFD veto. Are you aware of this? Is the whole loss of the PFD still a moving target? Or for purposes of our budget should we lock in on this $1.0M loss?
Bartholomew: I am not aware of this news. We can make decisions tonight, without implementing them for several months and adjust if we secure extra revenue.

Jones: School Debt Retirement – We have to pay that bill. Pupil School Funding, $212,000 – Can we make that up to the School District, or does it affect the cap at all, or change the cap?

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Bartholomew: The Debt reimbursement is really a General Government obligation, and we are going to follow through with that. I still think the State should follow through with their commitment. My understanding is that the vetoes do not change that we have funded to the cap. So the $212,000 vetoed funds cannot be replaced by CBJ. As far as Pupil Transportation, we have funded some of that outside of the Cap in the past, so that is a Finance Committee decision.
Jones: Do we have the legal ability to cover the Pupil Transportation, $248K?
Nankervis: Have you checked with the Law Department?
Bartholomew: No.
Superintendent Dr. Mark Miller: Pupil Transportation can be covered outside the cap. The Formulas did not change. Our reserve is almost exactly what the total of those numbers together, so we'd be down to zero if they aren't funded.

Gladziszewski: Looking at the CBJ handout the Manager prepared, would JSD prepare a similar document covering the last five years?
Miller: Yes.

Bursell: Regarding High School Transport, can students choose which school they go to?
Miller: Yes, that is still happening. There aren't that many buses. We'd have to study that.

Mayor Koelsch: In the letter from David Means to Bob Bartholomew, dated 8/2/16, it says, "At this time the District anticipates using fund balance to cover the two reductions…" What happened between the 2^{nd} and the 11^{th}?
Miller: We can still do that, but there will be no fund balance left. The flexibility to cover emergency situations goes away.

White: Are there examples from the past when you had to dip into reserves?
Miller: Special needs students. I'd have to check with Mr. Means.

Bartholomew: Coming into FY17, I show there was a fund balance coming in, but I'd need to check with Mr. Means because General Education looks like it was closer to $1.5M.
Miller: That fails to account for the personnel costs of about $1.0M from contract negotiations since budget adoption.
Gladziszewski: You have $1.5M, but you used $1.0M for salary increases?
Miller: We submitted the budget in March – assuming no increases at all. Negotiations occurred later.
Gladziszewski: Why isn't $1.0M on the list?
Miller: Those are cap dollars, that we can't ask you for and we are still estimating the impact.

The meeting recessed at 6:16 PM.
The meeting reconvened at 6:24 PM.

Chair Nankervis recognized Special Guests in the audience:

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Linda from Oregon; Tracy and Erlene from Idaho.

Available Fund Balance
Bob Bartholomew presented page 13 of the packet and responded to questions about funding for Housing First.

Chair Nankervis and the body requested an update on Housing First at the upcoming AFC meeting in September, 2016.

Budget Reserve Balance & Guidelines
Bob Bartholomew discussed pages 14 – 16 of the packet.

Nankervis: As a refresher, what is the purpose of the Reserve?
Bartholomew: It is like a two-month cash-flow.
Nankervis: What is that number?
Bartholomew: Our current estimate is $16.5M. We recalculate each year based on what the resolution 2629 requires.

Mayor Koelsch: Is FY17 already in the budget reserve?
Bartholomew: No, that comes in throughout the year. Basically, 1/12th of it comes in each month.
Jones: Is that based on the 1% sales tax?
Bartholomew: Yes, that is correct.

VI. Funding Options FY17
Bob Bartholomew discussed pages 17 – 19 of the packet, and outlined the budget deficit funding options for FY17.

Nankervis: What is the "payback plan" as referenced in item 3 of FY17 on page 19 of the packet?
Bartholomew: We are currently considering two options. The first option will be to ask both the Governor and the Legislature to fund this, with the State paying the tab for both FY17 and FY18. If this isn't successful, the second option will be to use available fund balance. So instead of drawing $86K in fund balance, we'd increase that by an additional $3.1M.

Nankervis: Rather than throwing out a bunch of ideas tonight, my thought is that we have until October to figure out a way to cover the School Debt Reimbursement. Between now and then, let's come up with ideas, and bring those to Mr. Watt and/or Mr. Bartholomew so we can start a list of all of the ideas and review them at future meetings. I think it is also in our best interest for Mr. Bartholomew and Mr. Means to work together and firm up the school numbers. Is this approach amiable to the members tonight?

Gladziszewski: I agree
Troll: I think you are heading in the right direction. I also think we could look at using the $696K (on line 5 of page 19 of the packet). That is an easy one for me. I'd like to ask staff to find $500K in efficiencies.
Bursell: I agree with making the list, but we won't know about the School District until December.
Jones: I don't have a problem with the proposal. One caution is that some people's "Crystal Ball" says the Governor's Operating Budget in December is going to look horrible, even worst case scenario. If we were to use the budget reserve as a one-time only, do we violate the budget reserve clause of one time only because this may no longer be a one-time item?
Bartholomew: It is a new event so I think it'd qualify. But I don't think staff would bring forward that recommendation. Mayor: I don't want to put ourselves in a position that we can't go back and adjust. I don't want to go beyond the $696K tonight.
Kiehl: I concur with the process the Chair has laid out.
White: These are big decisions. I wouldn't want to rush into anything. I agree with the Mayor, I am ok with the $696K tonight.
Becker: I'm fine with the process. Is it helpful to move the $696K now?
Bartholomew: It makes sense.

Mary Becker, moved to approve the FY17 Property Tax Revenues initially allocated to CIP and put it into the budget.
Mary Becker WITHDREW the motion.

Bartholomew: Without direction we'd put it in General Fund, but if for debt service, we'd place it in the debt service fund. We don't need to make the decision tonight to move the $696K.
Gladziszewski: What is the advantage of moving the $696K now?
Bartholomew: Nothing needs to be done from our perspective tonight that can't wait until the AFC meeting in September.

Gladziszewski: I assume there are hundreds of communities across Alaska in this same situation. Why aren't we hearing news of other communities across Alaska suffering from the impacts of the School Bond Veto by the Governor?
Watt: Not all communities have this problem. Communities get their school projects paid different ways. It is the larger communities that participate in the program we participate in. Across the State, this hit was about $31M. Anchorage, Mat-su, Fairbanks, Ketchikan were among the other communities that also took this hit. We need to stress that this hurt us a lot and $31M does not go very far towards the $3.5 billion problem.
Gladziszewski: Where is the effort from these communities?
Bartholomew: We will be meeting with Alaska Municipal League (AML) next week and will be discussing this issue. AML is looking to develop a plan.
Mayor Koelsch: I'd like to reiterate that we sent a letter and met with our delegation, and had hoped that they'd come up with a solution in a lame duck session, but I don't think that

will happen. It is necessary that we work with the other communities to keep this on the front burner.
Troll: I'd like to hear back from the AML regarding their work on this issue.

VII. FY18 & 19 Budget Planning Process

Mila Cosgrove provided a proposal (page 20 – 21 of the meeting packet) to realign / rebalance the organization in a fiscally prudent manner to meet the needs of the community on a long term basis.
Through a program service inventory process at a very high level, the proposal would include looking for efficiencies and a process of program service inventory, determining associated costs, and mandates. With the AFC's approval, staff would move forward with this process.
The AFC body embraced the concept, and Ms. Cosgrove said she'd provide an update at the AFC meeting in September.

VIII. Next Meeting Date

Wednesday, September 7, 2016

IX. Adjournment

Meeting was adjourned at 7:30 PM.