City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, January 21, 2015, 5:30 p.m.

I. Call to Order

The meeting was called to order at 5:30 PM by Karen Crane, Chair.

II. Roll Call

Committee Members Present: Karen Crane, Merrill Sanford, Mary Becker, Debbie White, Jesse Kiehl, Jerry Nankervis, Kate Troll, Maria Gladziszewski, Loren Jones
Committee Members Participating Telephonically**:** None
Committee Members Absent: None

III. Change to Agenda

Item V. "Cruise Ship Berth Expansion Revenue Bond Update" was removed, and will be addressed at a future meeting.

IV. Approval of Minutes

The December 17, 2014 minutes were adopted as presented.

V. FY14 Financial Audit Overview, CBJ, JSD & BRH

Bob Bartholomew offered hardcopies of the CAFR, in addition to electronic copies available online. Bob introduced Elgee Rehfeld Mertz, LLC as the auditor for the City, along with CBJ's Controller, Mary Norcross, CIP Grants Accountant, Janella Lewis, Grant Accountant, Kevin Steigerwalt, and Assistant Controller, Jean Hodges.

Bob turned the time over to Max Mertz, CPA & Partner with Elgee Rehfeld Mertz, LLC.
Mr. Mertz went through a slide presentation.
Mr. Mertz discussed JSD audit & findings.
Mr. Mertz discussed BRH audit & findings.
Mr. Mertz discussed CBJ audit results.

Ms. Crane asked Bob Bartholomew to explain investment monitoring and financial forecasting procedures. Bob reported that the big change that had been made in the last year was going from internal investment management for half of CBJ's investment portfolio to 100% external investment management. The audit finding related to two pieces, the first pertained disclosing in the footnote of the financial statements exactly how much cash we have and relating characteristics of the investment. CBJ needed to add some more accounts to the footnotes. The second piece of the finding pertained to the oversight on the investment transactions. Our contractor in Anchorage, Alaska Permanent Capital, has two mandates from the City; one to invest funds in Corporate Bonds and another to mandate to invest in U.S. Treasuries or U.S. Securities. We look at the monthly statements and the contractor reports each month. But we hadn't been keeping a written record showing that we had looked at what was purchased, looked at our policies and determined that they complied. We and the contractor are comfortable that they have complied, but we will document it moving forward. We think things are stable with the investments.

VI. Increase Tobacco Excise Tax Ordinance

Ms. Crane mentioned that this Ordinance had already been passed on to the Assembly, it had been introduced at the last Assembly meeting and is up for adoption at the next Assembly meeting.

Mayor Sanford mentioned that he thought there were some questions regarding the use of the funds that would be collected. Where do we put those funds? What are they going to be used for? Ms. Crane did not think that was part of the Ordinance. Mr. Bartholomew said, at this point we haven't identified the potential uses. We need to wait and see if it is going to happen. We haven't included it in our FY16 budget or FY15 budget updates yet. If the Ordinance were to pass, there would be two major paths that could be taken:
One of the options would be to allow the revenue to go into the General Fund or you can look at specific issues, specific tasks or projects. Historically, when the tobacco tax has been increased, there has been supporting language to use it to help fund two primary purposes. Of the current tobacco tax, 15% goes into the Bartlett Hospital Operating Budget and the remaining 85% is committed to social services. We have a list of grants that the Assembly approves every year, and those grants are about a little over $1.5 million, which is more than our tobacco tax. That is what we have said it was used for historically, but it hasn't been "dedicated" in the past. As a part of putting together the ordinance, the $1.7million projected increase resulting, we haven't had any internal discussion or with the Assembly regarding where it would go. Ms. Crane said that she thought there had been some discussion that some of this might go to Housing First. Mayor Sanford said he wanted to know where the money was going to go before he would approve it. Ms. White also wanted be able to tell the public where the funds were going to go.

Ms. Gladziszewski asked if the 15/85 was more of a legend or if it was recorded somewhere. Mr. Bartholomew said that this information was located in the budget allocation notes, so it has just been for the last few years that there has been a little flexibility where it moves to. However the costs have certainly increased more than the revenue has been able to fund the costs, so the General Fund has been picking up the offset.

Ms. Troll thinks it is worthwhile to determine where the funds will go, and would like Staff to come forward with recommendations of where to put the additional funds. Ms. Crane requested that there still be broad enough flexibility for the needs that present themselves, there is flexibility to meet those needs with the funds.

Mr. Bartholomew said Staff could develop a list of ideas, but asked for clarification and guidance to determine if some of the revenue could go towards the sustainability of the existing operating budget. He recommended using some of the revenue to help balance the FY16 Budget that has already adopted the expenditures, but relied on using some Fund Balance and CIP funding.

Mr. Kiehl said that at a minimum, replacing that general fund support to the things that we have traditionally funded with the tobacco tax revenue would help serve that purpose. He expressed that his own key priorities for monies raised from an excise tax on an addictive product would be funding addiction services, along with a piece of that being Housing First. He went on to say that the Assembly has committed to provide a significant piece of funding for construction and they (Housing First) have also said they will need a little help with operations. In an ideal world Mr. Kiehl thought he'd look at the grants to social services non-profits. He didn't know if we are going to get that kind of revenue. I think that funding the things we have been funding with Tobacco Tax Revenue instead of using General Funds would be key.

Mayor Sanford said that he hadn't heard that Housing First would need help with Operating Funds, like Mr. Kiehl had heard. The Mayor asked that staff please clear up the confusion.

Mr. Jones reminded everyone that the Assembly can't by ordinance or by any other manner dedicate funds. Instead, these are decisions that get made at Assembly Finance meetings every year. He went on to say, we are precluded by our own charter from saying where the funds will go.

Ms. Crane asked that Staff provide proposals for further discussion.

VII. Information Item – Report on Review of the Parks and Recreation Department

Ms. Kiefer introduced the topic and asked if there were any questions pertaining to the report.

Mr. Nankervis wondered if this had gone out to bid. Ms. Kiefer said that this was conducted under a professional services contract that is not required to go out to bid.

Mr. Kirk Duncan discussed the report.

VIII. Next Meeting Date

Wednesday, February 11, 2015 - (Review TERC recommendations)
Wednesday, February 18, 2015 - (Regular meeting)

IX. Adjournment

Meeting was adjourned at 6:30 PM