

AQUATICS BOARD MEETING AGENDA

Thursday, April 23rd 2020

Teleconference/Zoom Meeting

Statement of Philosophy:

Create Community through People, Pools and Effective Swim Programs

- A. Call to Order
- B. Roll Call
- C. Agenda Changes
- D. Approval of minutes from February meeting.
- E. Public Participation on Non-Agenda Items
- F. Old Business
- G. New Business
 - a. ABP Renovation Recommendation
- H. Staff Report
 - a. Operations Update
- I. Board Comments & Standing Agenda Items
 - a. Subcommittee Reports
- J. Adjournment
- K. **Next Board Meetings :**
 - a. TBD



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

TO: Chair Jones and Assembly Finance Committee

DATE: April 14, 2020

FROM: Rorie Watt, City Manager

RE: Augustus Brown Pool – Recommendation to Delay Renovation

As part of the budget process, I recommend delaying the renovations to the August Brown Pool.

As a result of COVID19, ABP is currently closed and is likely to be required to be closed by Governor's Health Mandate at least through the end of the school year. The pool is highly appreciated by the public and they have shown significant willingness to support the facility. The pool was scheduled to undergo major renovation beginning this summer, funding is from the voter approved 1% sales tax extension that was passed in the municipal election of 2017.

Due to the economic and social uncertainty around COVID19, I recommend the following:

1. Delay the renovation project.
2. Maintain ABP in good working order, moth ball status.
3. Re-allocate \$3.3M of CIP funding to the budget problem.
4. Revisit this situation in +/- 6 months.

This recommendation is based on the idea of de-linking the need to solve the budget problem from any long term decisions about the pool. Essentially, I am advising to hit the ABP "pause" button for now. In six months, I hope that our ability to forecast the economy and our ability to afford public services will become more clear.

One last note, we should also be cautious about potential changes to building codes as a result of COVID19. It is not inconceivable that changes to air handling or pool operation could be an outcome of the pandemic.

4/21/2020 ADDITION TO MEMO:

Staff has advised me that a portion of the already allocated ABP renovation project could be used to replace the aged roof, photo attached. Project cost estimate is ~\$420,000 and completion of this work would require no further new appropriation. In the decision matrix I have suggested that one end game for the facility is demolition at a cost of around \$1M – this is an overly simplistic view. I provided that number for the purpose of identifying that closure of the pool would not be a walk away, no cost option. In reality, if ABP closed, we would likely go through other potential uses for the facility, no doubt ranging from JSD to Childcare to disposal to the private sector. All of those options would have pro's and con's. It is reasonable to proceed with a roof repair project this summer, because it is more likely than not that the building will be used for some purpose, rather than be demolished.

I add to the above:

5. Repair the roof this summer at a cost of ~\$420,000.



August Brown Pool Decision Matrix

Facility Decision:

	Operating Cost in FY21	Operating Cost in FY22	Capital Cost	
Begin renovation project.	\$12K/mo.	\$743,100	\$4M	Note: Reliable operation, maintenance and revenues.
Closed, never open again	\$2,000/mo.	\$3,000/mo.	~\$1M	Note: Some ongoing security and eventually demolition costs.
Closed, open when Health Mandates lifted, operate with unpredicted shut downs until end of life 2-5 years.	\$62K/Month, Net of Revenue	Increasing as systems age and fail	~\$1M	Note: Maintenance costs increased, revenues decreased due to increasingly failing physical plant.
Closed, keep closed for +/- six months, minimal maintenance, re-evaluate economic conditions.	\$12K/Mo	Undecided	Undecided	Note: Use Capital Funds to help solve budget problem, defer long term decision for +/- 6 months



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FROM: Rorie Watt, City Manager

RE: Macro Budget Balancing Tool

Attached is a high level budget balancing tool that will hopefully help the Assembly work the budget process major decisions. As you have been advised, we have an estimated revenue shortfall of \$34.5M over the next 30 months. This estimate may be optimistic or conservative, we claim no special expertise in predicting the future.

This tool is intended for the Assembly to do budget planning which will greatly inform the FY21 municipal budget. From a revenue perspective, the last two quarters of FY20 are dismal and that problem must impact the FY21 budget. Every month farther into the future, our ability to forecast accurately is diminished. By June 15th, the Assembly must set the property tax mil levy and must pass the municipal budget. This tool, however crude, is designed to help the bigger picture thinking. In general, the Assembly will not have much time to focus on costs or revenues less than in the range of about \$0.5M.

Property Tax Increase: Nobody likes raising property taxes, but it is the Assembly's major revenue raising tool. I have recommended that the Assembly begin the budget process with a 1 mil increase; that is a large increase. Typical Assemblies strive to hold the line on tax increases. 1 mil for one year generates about \$5.5M in revenue.

Restricted Budget Reserve (\$16.55M balance-\$3M Business loans = \$13.55M Available): Prior Assemblies directed savings for exactly this kind of time. By Assembly Resolution, the RBR can be used if there is a repayment plan. I think that using \$11M is not unreasonable in the short run. Using more than that should be considered in the context of "how much worse" could this get and how could we react in the event of further downturn. Note that the amount available is reduced by the business loan program until repayment of those loans is made.

General Fund (\$18.23 Balance): This is the aggregate of unspent budget authority, accumulated over the years (good job CBJ employees!) and revenue collections above forecasts. Maintaining a minimum balance of \$5-7M is prudent and maintaining a reserve for the Assembly to fund one time projects or feather in programmatic cost increases has been a traditional practice. My recommendation is to first use the RBR because the severe impact to the economy from COVID19 is the type of problem that caused the CBJ to create this reserve.

CIPs: Annually, the Assembly has appropriated 1% + \$1 to \$1.5M (total of \$11M this year) of our sales tax for streets and facility maintenance. An additional 1% of sales tax has been appropriated for special projects. Both of these sales taxes have been approved by voters with intent language. The CIP is an important economic engine for the private sector; many architects, engineers, contractors and skilled tradespeople rely on the CIP for employment. The Assembly is free to re-appropriate sales tax funds as necessary, there is no legal restriction to use of the funds.

School Debt: The Governor vetoed 100% of the State's share of bonded school debt and his staff has advised that he intends to replace it with funding from the federal CARES act. Legal and process issues remain unresolved. The amount of funding for school debt has high variance.

FEMA Eligible Costs (and reimbursement):

Given that we cannot predict the size of a COVID19 outbreak or the length of an outbreak, we have very low precision on these estimates.

Economic Recovery / Decline: As the budget process unfolds, this line may be used to adjust revenue projections.

Summary:

In closing, this is a tool to look at the big picture, while the Assembly works on the FY21 budget and while it works on adjustments to the budget as a result of revenue losses in the FY20 budget. I encourage you to think through various approaches as you balance the competing interests of taxation, service and expenditure of savings all while forecasting an uncertain world.

Macro CBJ Budget Balancing Concept Tool

Adjust the Numbers Highlighted Yellow

Projected 30 Month Budget Deficit (M): **\$34.5**

Fund Balances:	FY2019	FY2022
Restricted Budget Reserve	\$ 16.6	\$ 13.6
General Fund Fund Balance	\$ 18.2	\$ 18.2
Affordable Housing Fund	\$ 1.1	\$ 1.1
Total:	\$ 35.9	\$ 32.9

Changes to Revenue

		Mill Change	
Property Tax Increase FY21	\$ -		(positive number equals mill rate increase from 10.66)
Property Tax Increase FY22	\$ -		(positive number equals mill rate increase from 10.66)
Draw from Restricted Budget Reserve			(positive number equals use of reserve)
Draw from Unrestricted Fund Balance			(positive number equals use of fund balance)
Lost User Fees and Charges for Service			(negative number equals lost revenues)
CARES Act Thru SOA	\$ -		(positive number equals funds received)
School Debt Reimbursement			(pos number = reimb more than 50%; neg number = reimb less than 50%)
FEMA COVID19 Reimbursement:			(positive number equals funds received)

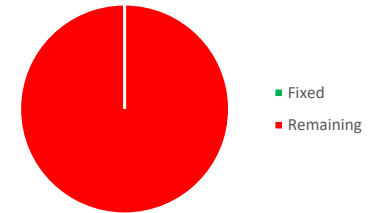
Changes to Expenditures

GF Reduction to CBJ Operations	\$ -		per year (positive number equals cost reduction)
GF Reduction to Assembly Grants	\$ -	\$ -	per year (positive number equals cost reduction)
New CBJ Programs or Grants	\$ -		per year (negative number equals cost increase)
Deappropriation of Prior GF CIPs			(positive number equals reduction to current projects)
Reduction in FY21 GF CIPs			(positive number equals reduction to future projects)
Reduction in FY22 GF CIPs			(positive number equals reduction to future projects)
Reduction of Augustus Brown Pool CIP			(positive number equals reduction to project)
Reduction of Centennial Hall CIP			(positive number equals reduction to project)
Added Priority CIP Projects			(negative number equals new funding for projects)
Transfers to other funds (HBT, JNU, etc)			(negative number equals transfers to other funds)
Small Business Loan Program	\$ (3.0)		(negative number equals appropriation already made)
Rental Assistance Grants			(negative number equals grants for rental assistance)
COVID19 FEMA Eligible Costs Incurred			(negative number equals costs incurred for COVID)
Economic Rebound/Decline Adjustment:			(positive = improved outlook, negative = diminished outlook)

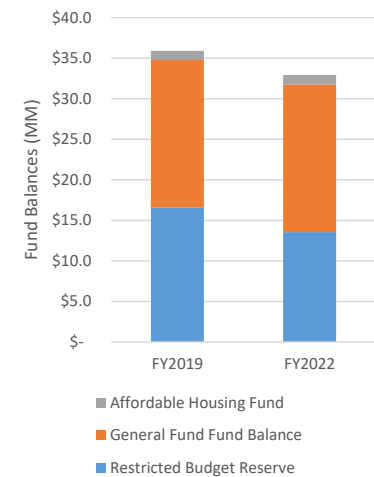
Deficit after Adjustments:

\$ 34.5 Additional reductions, revenue, or fund balance needed

Remaining
30 Month Deficit



Impact on Fund Balances



Macro CBJ Budget Balancing Concept Tool

Adjust the Numbers Highlighted Yellow

Projected 30 Month Budget Deficit (M): **\$34.5**

Changes to Revenue

		Mill Change	
Property Tax Increase FY21	\$ 5.5	1.00	(positive number equals mill rate increase from 10.66)
Property Tax Increase FY22	\$ 5.5	1.00	(positive number equals mill rate increase from 10.66)
Draw from Restricted Budget Reserve	\$ 11.0		(positive number equals use of reserve)
Draw from Unrestricted Fund Balance	\$ 6.2		(positive number equals use of fund balance)
Lost User Fees and Charges for Service			(negative number equals lost revenues)
CARES Act Thru SOA	\$ -		(positive number equals funds received)
School Debt Reimbursement			(pos number = reimb more than 50%; neg number = reimb less than 50%)
FEMA COVID19 Reimbursement:	\$ 1.0		(positive number equals funds received)

Changes to Expenditures

GF Reduction to CBJ Operations	\$ 1.4	\$ 0.7	per year (positive number equals cost reduction)
GF Reduction to Assembly Grants	\$ -	\$ -	per year (positive number equals cost reduction)
New CBJ Programs or Grants	\$ (1.7)	\$ (0.9)	per year (negative number equals cost increase)
Deappropriation of Prior GF CIPs	\$ 0.5		(positive number equals reduction to current projects)
Reduction in FY21 GF CIPs	\$ 3.5		(positive number equals reduction to future projects)
Reduction in FY22 GF CIPs	\$ 3.0		(positive number equals reduction to future projects)
Reduction of Augustus Brown Pool CIP	\$ 3.3		(positive number equals reduction to project)
Reduction of Centennial Hall CIP	\$ 1.0		(positive number equals reduction to project)
Added Priority CIP Projects	\$ (1.5)		(negative number equals new funding for projects)
Transfers to other funds (HBT, JNU, etc)			(negative number equals transfers to other funds)
Small Business Loan Program	\$ (3.0)		(negative number equals appropriation already made)
Rental Assistance Grants	\$ (0.2)		(negative number equals grants for rental assistance)
COVID19 FEMA Eligible Costs Incurred	\$ (1.0)		(negative number equals costs incurred for COVID)
Economic Rebound/Decline Adjustment:			(positive = improved outlook, negative = diminished outlook)

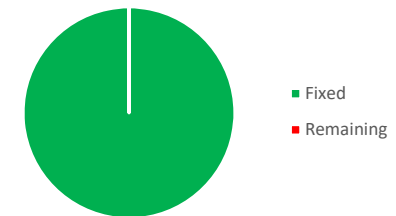
Deficit after Adjustments:

\$ - You balanced the deficit!

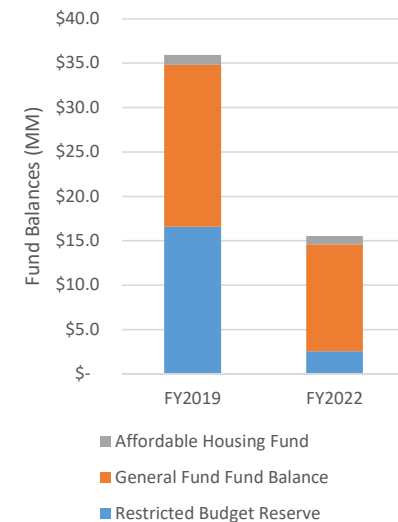
Fund Balances: FY2019 FY2022

Restricted Budget Reserve	\$ 16.6	\$ 2.6
General Fund Fund Balance	\$ 18.2	\$ 12.0
Affordable Housing Fund	\$ 1.1	\$ 0.9
Total:	\$ 35.9	\$ 15.5

Remaining
30 Month Deficit



Impact on Fund Balances



DRAFT MANAGER'S 30 MONTH BUDGET PLAN