

ASSEMBLY FINANCE COMMITTEE MINUTES

May 17, 2023, at 5:15 PM

Assembly Chambers/Zoom Webinar



<https://juneau.zoom.us/j/93917915176> or 1-253-215-8782 Webinar ID: 939 1791 5176

A. CALL TO ORDER

The meeting was called to order at 5:52 pm by Mayor Weldon, acting chair for Carole Triem.

B. ROLL CALL

Committee Members Present: Mayor Beth Weldon; Maria Gladziszewski; Greg Smith; Christine Woll; Wade Bryson

Committee Members Present Virtually: Michelle Hale; Alicia Hughes-Skandijs

Committee Member Absent: Chair Carole Triem; Wáahlaal Gíidaak

Staff Members Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Jeff Rogers, CBJ Finance Director; Adrien Speegle, Budget Manager; Katie Koester, Engineering and Public Works Director; Sam Muse, Bartlett Regional Hospital Chief Financial Officer; Sherri Layne, Acting Municipal Attorney; Alexandra Pierce, Tourism Manager.

Others Present: Kenny Solomon-Gross, Bartlett Regional Hospital Board of Directors President

C. APPROVAL OF MINUTES

1. May 10, 2023

The May 10, 2023 minutes were approved as presented.

D. AGENDA TOPICS

2. Revenue Tax Forecast

a. Sales Tax Forecast

Jeff Rogers, Finance Director, introduced the update to the FY23 Sales Tax Actuals and Forecast, stating that the actuals figure for FY23 Q3 was recorded at \$1.3 million under forecast. Mr. Rogers further stated that the reason for this is a timing difference in the reporting, with \$0.8 million being recorded in Q2 and approximately \$0.5 million will be recorded in Q4.

Mr. Rogers stated to the Committee that the result of the findings is that the collections are not as largely different from the forecast as was feared and does not recommend making any changes to the forecast for FY24 at this time.

Mr. Rogers answered Committee questions on the nature of fiscal year quarterly reporting.

b. Update on Assessment Appeals, Property Valuation Increase Metrics

Mr. Rogers introduced the update on residential property assessments and appeals found on pages 58-60 of the packet. Mr. Rogers stated that for FY23 the Assessor's Office received 395 property appeals, 252 of which have been closed. He stated that for most cases the appeals resulted in a lowering of property values because the appellant was able to give further information regarding the property that was not available to the Assessor's Office previously.

Mr. Rogers reviewed the graph on page 59 of the packet, stating that the median home price and the CBJ assessed home values line up. He further noted on the graph that the rise in housing and inflation in the Consumer Price Index (CPI) shows that home prices are rising much quicker than other cost of living factors.

Mr. Rogers answered Committee questions.

3. Updated Budget Summary

Mr. Rogers presented the updated budget summary document found on page 2 and 3 of the packet, stating that it shows the impact of Committee decisions in the FY24 budget process. It also gives the ability for the Committee to see impacts of various mill rates on fund balance and total property taxes. Mr. Rogers stated that the Committee can revisit this document during the mill rate discussion under Agenda Topic #6.

4. Capital Improvement Plan & 1% Sales Tax Allocation Amendments

Mayor Weldon introduced Bartlett Regional Hospital leadership to give a special presentation on the impacts of the \$2.5 million grant approved by the Committee earlier in the budget process being transformed to a Central Treasury Loan.

Kenny Solomon-Gross, Bartlett Regional Hospital Board President, thanked the Committee for allowing Bartlett Regional Hospital (BRH) to present tonight and introduced Sam Muse, BRH Chief Financial Officer.

Mr. Muse stated to the Committee that additional funding is appreciated and explained why BRH is requesting funding to be given in the form of a grant instead of a loan. Mr. Muse stated that funding in the form of a loan would have to be recorded differently than a grant would. A loan would result in a temporary boost in cash, however, would also be recorded as a liability because it is a debt. The result of this would be to limit BRH's ability to take out future debt to fund capital assets that support their strategic plan to become self-sustaining.

Mr. Muse stated to the Committee that BRH is in the difficult position of needing to expand operations to generate additional revenues, and at the same time trying to cover the losses that are currently occurring. The request BRH is making for a grant would support this effort in a way that a loan couldn't. Mr. Muse further stated that loans are rarely taken out to support operational deficits due to the nature of it being a debt.

Mr. Muse responded to the Committee's question of why the funds to cover BRH's deficit should come out CBJ's fund balance by stating that BRH is slightly larger than the rest of the CBJ and has lost over half of its fund balance in the previous five years. Mr. Muse further stated that BRH faces many uncertainties that CBJ does not face, including being dependent on patient metrics, while CBJ does not face this same issue. Mr. Muse thanked the Committee for past contributions that BRH has received from them.

Assemblymember Woll asked why BRH is not requesting recurring funding from the CBJ instead of this being a one-time funding request. Mr. Muse responded that BRH does not seek to be reliant on contributions from CBJ to continue operations and the goal of BRH leadership is to be self-sufficient in the future. BRH leadership does not see continual funding from CBJ as a sustainable long-term solution to funding operational deficits.

Mr. Muse responded to Committee questions regarding the benefits of having BRH be a city-owned operation by stating that because BRH is city owned, the people have a portion of say in how it operates. Mr. Solomon-Gross further stated that it allows for many city initiatives and needs to be incorporated into the operations and services that BRH offers. He further affirmed that having city health resources incorporated into the local hospital services is incredibly beneficial for the community.

Mr. Muse answered further Committee questions, stating that BRH needs to acquire more revenue streams to become self-reliant. He further affirmed that the funds that are being asked for are to cover current deficit that BRH has and to allow for the acquisition of additional revenue streams and services for the community.

Motion: by Assemblymember Bryson to fund BRH in the amount of \$2 million in one time funding from the General Fund.

Objection: by Assemblymember Woll for the purpose of clarifying if the motion is to be in addition to the previous funding granted in the form of a Central Treasury Loan to BRH and asked if that was possible to do.

Sherri Layne, Acting Municipal Attorney, clarified for the Committee that because the motion contains a funding amount that is different from the previous loan amount, it is allowable.

Assemblymember Hughes-Skandijs stated that more information is needed for her to support a grant of an additional \$2 million over the \$2.5 million loan, stating that more planning and development is needed to justify this additional funding.

Assemblymember Hale expressed concerns for the needs that BRH has in its operations and expressed support for providing funding for the strategic initiatives that BRH leadership has developed.

Assemblymember Gladziszewski expressed further support in giving assistance to BRH, stating that the cost of failure for a community hospital such as BRH would be unacceptable.

Roll Call Vote

Ayes: Weldon, Gladziszewski, Hale, Smith, Bryson

Nays: Woll, Hughes-Skandijs

Motion passed. Five (5) Ayes, Two (2) Nays.

a. Update on Construction Cost Escalation

Katie Koester, Engineering and Public Works Director, reviewed the memo found on page 10-13, stating that construction bids are coming in significantly higher than estimated. She stated that the estimates being used are recent and account for inflation projections, so the higher costs are

alarming. She further stated that the impact of these high costs are potential project cancellations, or the need for a funding increase for projects to be completed.

Ms. Koester answered Committee questions, stating that there are no changes being made to the CIP plan at present, however the information presented is a warning that there could be changes needed in the future.

Ms. Koester reviewed the 1% Sales Tax Schedule found on page 9 of the packet, stating that although the Committee is deciding on only the funding for FY24's scheduled projects during this budget cycle, any changes to FY24 funding allocations would likely impact the allocations in future years. Ms. Koester answered Committee questions.

b. Passenger Fee CIP Amendments

Alexandra Pierce, Tourism Manager, reviewed issues being faced with the shore power revenue bond, stating that effectually CBJ cannot issue the revenue bond of \$5 million as planned.

Mr. Rogers clarified for the Committee that the nature of revenue bonds require bond covenants that limit the amount of bond debt that can be issued. Due to the pandemic, significantly less revenue was collected and led to a technical default of the bond covenant for the 16B Dock and Seawalk revenue bonds, which prohibits the issuance of more bond debt in the current fiscal year. Mr. Rogers stated that on July 1, 2023 this issue will be resolved, however it does mean that the shore power project remains unfunded at this time.

Mr. Rogers advised the Committee that the options are to wait until July 1, 2023 and issue the bond debt at that time, or to fund the project with cash from FY24 passenger fees. Mr. Rogers advised that the best course of action is to fund the project with passenger fees and then issue bond debt to fund other projects that those fees were set aside for.

Motion: by Assemblymember Gladziszewski to accept the passenger fee amendments regarding shore power.

Motion passed by unanimous consent.

c. New City Hall

Rorie Watt, City Manager, reviewed the memo found on page 15-16 and discussed the need for a solution to the current city hall deterioration and the status of several CBJ offices being leased. Mr. Watt stated that currently there is at least one office that was inspected by OSHA that failed safety inspections. He further stated that the need is great for a new city hall facility and CBJ currently has a significant debt capacity moving into FY24.

Mr. Rogers clarified that the Committee does not have significant time to be able to get a proposition on the October ballot for public vote. He further clarified that an ordinance would need to be introduced by no later than July 10th to be adopted in time to be placed on the October ballot.

Motion: by Assemblymember Woll to amend the title on the FY24 CIP resolution from New City Hall to City Hall.

Motion passed by unanimous consent.

The Committee recessed at 7:03 pm.

The Committee reconvened at 7:10 pm.

d. Assembly Amendments

This item was discussed, noting that the Assembly did not submit any amendments to the CIP plan for consideration, however the Committee may propose amendments during Agenda Topic #6.

5. Passenger Fee Proposal

Motion: by Assemblymember Gladziszewski to adopt the Manager's Passenger Fee Proposal as amended.

Motion passed by unanimous consent.

6. Final FY24 Revised Budget Decisions

a. CIP Resolution 3016

Motion: by Assemblymember Smith to reduce the City Hall appropriation by \$2 million.

Objection: by Assemblymember Hale.

Amendment: by Assemblymember Bryson to change the amount of the reduction to \$1 million.

Objection: by Assemblymember Smith and Mayor Weldon.

Roll Call Vote on Amendment:

Ayes: Bryson, Gladziszewski, Woll, Hughes-Skandijs,

Nays: Weldon, Hale, Smith

Amendment failed. Four (4) Ayes, Three (3) Nays.

Objection to Original Motion: by Mayor Weldon, and Assemblymembers Woll and Hughes-Skandijs, for the purpose of stating that a new City Hall facility is a priority need and is not where funds should be reduced.

Roll Call Vote on Original Motion

Ayes: Smith, Gladziszewski

Nays: Weldon, Hale, Woll, Hughes-Skandijs, Bryson

Motion failed. Two (2) Ayes, Five (5) Nays.

Motion: by Assemblymember Gladziszewski to move CIP Resolution 3016 to the full assembly as amended.

Motion passed by unanimous consent.

b. Mill Levy Ordinance 2023-16

Mr. Rogers reviewed the document on page 3 of the packet which shows the impact of the decisions already made by the Committee during the budget review process. Mr. Rogers showed various mill rate options using this document and reviewed the impact these mill rates would have on the General Fund balance.

Mr. Rogers answered Committee questions on what the historical low is for the mill rate, stating that the lowest mill rate over the last 20 years in Juneau was 10.17 mills in 2007. Assemblymember Bryson asked for the impact on fund balance if the mill rate were to be set at 10.16 mills. At this mill rate, the decrease in property taxes collected would be \$780,000, with a total recurring deficit after the projected \$1 million lapse of \$1.1 million. This includes \$325,000 of recurring expenditures the Committee added to the budget.

Assemblymember Smith asked for clarification on the historical philosophy that has guided mill rate determinations. Mr. Rogers stated there has not been an established method of setting the mill rate and that in large part the mill rate has varied relative to fiscal needs and determinations of the Assembly. He further stated that this has been changing and the mill rate has been flat over the past several years, partly in response to the desire to create a more consistent method and partly due to the pandemic and the desire not to raise taxes during that time.

Assemblymember Smith further expressed concerns for the rise not only in property tax but in sales tax revenue over the past several years.

Motion: by Assemblymember Hale to amend the proposed mill rate from 10.28 to 10.16 mills, stating that a mill rate of 10.16 mills will result in a 16% rise in property taxes which is commensurate with other inflationary measures.

Objection: by Assemblymember Woll and Smith. Assemblymember Woll stated that reducing the mill rate significantly from the manager's proposed rate is not wise. Assemblymember Smith stated that the mill rate reduction should be more aggressive.

Assemblymember Hughes-Skandijs stressed the importance of having stability in budget decisions and although she supported determining an as low as possible mill rate, she cannot support being overreactive in the determination.

Assemblymember Gladziszewski stated that the jump in property values is not the greatest that Juneau has seen, and that she supports a reasonable reduction in the mill rate. She further stated that downward pressure on the budget is not achieved by reducing revenues, but rather by reducing expenditures, and reducing the mill rate aggressively would not be wise.

Mayor Weldon further stated that although home assessments are up, so are expenditures and the city is facing inflationary costs as well.

Amendment: by Assemblymember Smith to reduce the proposed mill rate from 10.28 to 10 mills.

Objection: by Assemblymember Gladziszewski and Mayor Weldon.

Roll Call Vote on Amendment

Ayes: Smith, Hale

Nays: Weldon, Gladziszewski, Woll, Hughes Skandijs, Bryson

Amendment failed. Two (2) Ayes, Five (5) Nays.

Assemblymember Hale withdrew her original motion, to change the order of her motions.

Motion: by Assemblymember Hale to reduce the amount transferred in the manager's budget to the Restricted Budget Reserve from \$4 million to \$3 million, with the additional million going to the General Fund.

Motion passed by unanimous consent.

Motion: by Assemblymember Hale to amend the proposed mill rate from 10.28 to 10.16 mills.

Roll Call Vote on the Original Motion

Ayes: Weldon, Gladziszewski, Hale, Smith, Hughes-Skandijs, Bryson

Nays: Woll

Motion passed. Six (6) Ayes, One (1) Nay.

Motion: by Assemblymember Gladziszewski to move Ordinance 2023-16 as amended to the full Assembly.

Motion passed by unanimous consent.

c. CBJ Budget Ordinance 2023-14

Motion: by Assemblymember Gladziszewski to move Ordinance 2023-14 as amended to the full Assembly.

Motion passed by unanimous consent.

E. SUPPLEMENTAL MATERIALS

7. May 10, 2023 Meeting Minutes

This item was discussed at the beginning of the meeting.

8. Updated Sales Tax Forecast and Memo

This item was discussed under Agenda Topic #2.

9. Update on 2023 Residential Property Assessments and Appeals – Memo

This item was discussed under Agenda Topic #2.

F. NEXT MEETING DATE

June 7, 2023

G. ADJOURNMENT

The meeting was adjourned at 8:04 pm.