ASSEMBLY FINANCE COMMITTEE MINUTES

April 05, 2025 at 8:30 AM

Assembly Chambers/Zoom Webinar

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A. CALL TO ORDER

The meeting was called to order at 8:41 am by Chair Christine Woll.

B. ROLL CALL

Committee Members Present: Chair Christine Woll; Mayor Beth Weldon; Greg Smith; Paul Kelly; Maureen Hall; Neil Steininger; Ella Adkison; Alicia Hughes-Skandijs; Wade Bryson

Committee Members Present Virtually: None

Committee Members Absent: None

Staff Members Present: Katie Koester, City Manager; Robert Barr, Deputy City Manager; Angie Flick, Finance Director; Adrien Wendel, Budget Manager; John Bohan, Chief Capital Improvement Project Engineer; Alexandra Pierce, Visitor Industry Director; Craig Cimmons, Eaglecrest General Manager; Carl Uchytil, Port Director; Joe Wanner, Bartlett Regional Hospital Chief Executive Officer; Frank Hauser, Juneau School District Superintendent

Staff Members Absent: None

Other Members Present: Mike Satre, Eaglecrest Board President; Deborah Johnston, Bartlett Regional Hospital Board President; Angela Rodell, Airport Board Member; Chuck Williams, Airport Board Member; Deedie Sorensen, Juneau School District Board President

Other Members Present Virtually: None

C. APPROVAL OF MINUTES

1. March 5, 2025

The March 5, 2025 minutes were approved as presented.

D. AGENDA TOPICS

2. Budget Process Overview (approx. 9:00 AM)

Christine Woll, Chair, recognized that the budget process is challenging but is one of the most important things the Assembly does. Chair Woll expressed her desire to start this year's budget process by writing down agreements that the Assembly and staff would follow. The Committee discussed options and decided to use the same agreements developed last budget cycle with slight modification, which were recorded to be hung up in Assembly Chambers during the budget season.

Angie Flick, Finance Director, presented an overview of the budget process on packet pages 9-16. Ms. Flick stated that the City Manager, Board of Education, and empowered boards have worked with their departments and staff to pull together the FY26 Proposed Budget. Today's meeting is intended to provide the Body a high-level overview of the scope and contents of the budget. Ms. Flick stated that no big decisions or formal approvals are required of the Committee today. Ms. Flick reviewed the Assembly Finance Committee (AFC) Budget Process Calendar on packet page 330, noting key topics and deadlines. The calendar is fluid and as changes are made, an updated version will be provided to the AFC. She stated that staff manages a Pending List for the Committee, which is a list of topics that require decisions. Internal requests not included in the Manager's Proposed Budget are placed on the Pending List, as well as community grant requests. Ms. Flick concluded by stating that the FY26 budget and accompanying legislation will be up for adoption at the Regular Assembly meeting on June 9.

3. Budget Summary & Overview (approx. 9:10 AM) (with Supplemental Materials)

Ms. Flick stated that the FY26 budget was developed based on the direction provided by the Assembly at the December retreat to build a status quo budget. The Budget Summary and Overview presentation, which starts on packet page 17, includes a summary of the total budget, an overview of department budgets within the manager's purview, debt service, major revenues, and the proposed mill rate.

Ms. Flick provided an overview of total CBJ revenues and expenses, highlighting year-over-year changes and stating that there is some uncertainty with the $11.7 million of federal support to CBJ based on recent funding cuts and freezes at the federal level. Ms. Flick presented an overview of CBJ full time equivalents (FTEs), noting a decrease of 66.61 FTEs over FY25 primarily due to staffing reductions at the hospital. A full accounting of all year-over-year FTE changes can be viewed on pages 25-26 and page 32 of the annual budget book.

Packet page 23 highlights the departments under the manager's purview in green, which will be the focus of this morning's budget presentation, with enterprise departments presenting their budgets to the Committee in the afternoon. Ms. Flick stated that although union wage negotiations are still in process, the Manager's Proposed Budget includes a 2% increase to salaries, which assumes the same increase as in FY25. CBJ has also experienced some savings in the FY26 budget due to longevity staff turnover. Staff reviews vacancy trends on an annual basis and adjusts vacancy saving rates as necessary. Staff also increased the anticipated General Fund lapse in the FY26 budget from approximately $1 million to $1.75 million due to substantial lapsing authority experienced over the last few budget cycles.

Assemblymember Steininger expressed that he would like to see a year-over-year budget comparison by department, which is not included in the budget book. Staff acknowledged that this information can be provided.

Katie Koester, City Manager, Robert Barr, Deputy City Manager, and Ms. Flick provided high-level overviews of department budgets under the manager's purview on packet pages 24-36. As each department budget was presented, staff highlighted significant programmatic changes, staffing levels, one-time (non-recurring) costs, and any federal funding risks or concerns. Department increment requests included and not included in the Manager's Proposed Budget were also discussed.

Packet pages 39-43 include summary level budget presentations for the Juneau School District (JSD) and enterprise departments. The Committee will hear presentations from these departments in the afternoon. A brief overview of these budgets was presented by Ms. Koester and Mr. Barr. Mr. Barr directed the Committee to packet page 287, which reflects a summary of Eaglecrest's FY26 budget request. He explained that the FY26 budget column reflects the Eaglecrest Board's budget request, with a year-over-year comparison to FY25. The light blue column summarizes the status quo increase request amount and the dark blue column lists the non-status quo funding request increase. In total, Eaglecrest is requesting an additional $2.7 million in General Fund support in FY26. Mr. Barr stated that the Committee will need to consider this request as part of the budget process and that Eaglecrest is a topic scheduled for additional discussion at the May 7 AFC meeting.

Assemblymember Smith asked if work was being done on a financial plan to transition Eaglecrest to summer operations.

Ms. Koester responded that there is more work to be done, but that the work completed by independent consultant Kirk Duncan showed the schedule and level of investment needed in capital projects to be able to keep Eaglecrest running until the Gondola is operational.

Ms. Koester touched briefly on the Airport, Docks and Harbors, and Bartlett Regional Hospital's (BRH) budgets. The Assembly granted BRH a $2 million subsidy in FY24 to help address financial hardship the hospital was experiencing. Since this time, BRH has gone through a strategic reorganization and is now on much better financial footing. Due to this turnaround, the BRH Board voted to voluntarily repay the $2 million General Fund subsidy from FY24 over a three-year period. The first year of the repayment from BRH to the CBJ General Fund is reflected in the FY26 budget.

Ms. Koester presented significant one-time funding from the General Fund on packet page 44. Ms. Koester clarified that these expenditures are already included in the Manager's Proposed Budget.

Ms. Flick summarized risks to CBJ's budget position on packet page 45. One of the primary unknowns for FY26 are the outcomes of the collective bargaining agreements for employee wages. As mentioned previously, the Manager's Proposed Budget assumes that the increase will be no less than what was seen in FY25 at 2%. Other risks to CBJ's budget position include community funding requests, which will be considered later in the budget process, shifting costs from the State to local government, and federal policy impacts resulting in unemployment, tariffs, and the potential for a recession. Ms. Flick stated that one way to protect against these risks is maintaining a healthy fund balance to care for the immediate impact while taking time to develop a longer-term solution. Ms. Koester stated that one other risk CBJ is facing to its budget position is the impact of federal funding reductions. She presented the table on packet page 286 listing federal grants that fund CBJ capital improvement projects and fleet replacement. Ms. Koester stated that the Safe Streets for All funding is not in jeopardy, however funding for electric buses is still subject to reductions. For grant agreements that are not yet fully executed, communication has been challenging with federal contacts, but staff is generally confident most of the funding is still secure. Staff confidence is lower for the electric bus charging infrastructure, as this grant was awarded in the final days of the Biden administration and may be a lower priority to the new administration. CBJ is also vulnerable to FEMA reimbursements. CBJ has multiple disaster reimbursement requests submitted to FEMA from 2020 landslides and the 2023 and 2024 glacier outburst flooding events, for which very little reimbursement has been received to date. Ms. Koester stated that the last risk to CBJ's budget position is the ballot initiatives submitted to CBJ for the upcoming October election. There are three ballot initiatives: 1) cap the property tax at nine mills, which would have a $7.5 million impact on CBJ's budget; 2) exempt utilities and food from sales tax, the impact of which was estimated at $7 million when the Assembly last considered this topic in 2022; and 3) repealing vote by mail, which does not have a direct impact on the budget. Ms. Koester stated that these initiatives, once certified by CBJ, will move into the signature collection stage to qualify for the October ballot.

Ms. Flick summarized packet page 47 regarding debt service, stating that the FY26 budget includes a debt service mill rate of 1.08.

Assemblymember Smith requested that the chart on packet page 47 be presented to the Committee in a dashboard what-if scenario format during the discussions about bonds for the upcoming ballot. Ms. Flick concurred.

Ms. Flick presented revenues included in the FY26 budget on packet pages 48-53. She noted that the FY26 budget includes less aggressive sales tax and tobacco tax forecasts for FY25 and FY26. Ms. Flick responded to Committee questions regarding the revised sales tax forecast for FY25. Ms. Flick stated that in approximately ten days staff will have the results from FY25 Q3, which will provide additional economic insight.

Ms. Flick highlighted Juneau's assessed borough-wide property valuations for FY26 on packet page 54, stating that FY26 experienced a modest increase of 0.3% over FY25. Ms. Flick noted that the median home price in FY23 was $526,000, last year it was $524,000, and this year it's $515,000, and that it's interesting we are seeing a downward trend in these amounts.

Ms. Flick summarized the FY26 General Fund revenues and expenditures on packet page 55, stating that the operating budget is balanced with a proposed 10.19 mill rate (an increase of 0.15 mills over FY25) and consideration of a $1.75 million lapse. Ms. Flick stated that if you take last year's median home price, and you apply the 10.19 mill rate to it, then that property owner would have an increase of $78 a year. If you take this year's median home price and compare it to last year's taxes, it's a decrease of $9 per year. The median homeowner will pay less in property taxes this year, even with an increased proposed mill rate.

Mayor Weldon inquired about the assessed value of homes in the Mendenhall Valley impacted by the glacier outburst flood.

Ms. Flick responded that the assessed value of properties impacted by the flood reflect a reduced valuation for 2025.

On packet pages 56-57, Ms. Flick provided a line-by-line summary of the fund balance changes from the FY24 ending balance to the FY26 projected ending balance. At the end of FY26, the Unrestricted General Fund balance is projected to be $15.9 million and the Restricted General Fund balance is projected to be $16.6 million, for a total fund balance of $32.5 million. Ms. Flick noted that by resolution, the Restricted balance is recommended to be $26.2 million.

Ms. Flick briefly summarized the Hotel Bed Tax Fund and Affordable Housing Fund budgets for FY26 on packet pages 58-59, stating that $2.7 million is available in the Affordable Housing Fund for competitive grants and loans in the new fiscal year.

On packet pages 60-61, Ms. Flick, Ms. Koester, and Mr. Barr presented a list of decisions the Committee will need to make as part of the budget process in April and May. These topics have been added to the Pending List for consideration with more information presented to the Committee later in the process.

Ms. Koester summarized the last slides of the presentation on pages 62-63, which reflect that the CBJ's General Fund recurring expenditure growth in FY26 compared to FY25 is less than one percent. This doesn't capture the full picture since the impact of ongoing collective bargaining agreements are still unknown.

4. Capital Improvement Plan (approx. 11:30 AM)

Ms. Koester invited John Bohan, Chief Capital Improvement Project Engineer, to present the FY26 Capital Improvement Plan (CIP) starting on packet page 64. Mr. Bohan stated that the Capital Improvement Program is the City's six-year strategy for how to take care of major non-recurring budget items such as infrastructure, streets, utilities, etc., as well as build new things. The first year of the plan is critical, as the first year reflects the projects that are receiving funding appropriations. Future plan years will be adjusted annually based on emerging needs. The CIP resolution that was introduced at the Special Assembly meeting earlier in the morning reflects specific project funding allocations. Mr. Bohan reviewed the CIP process timeline on packet page 66. On packet pages 67-74, Mr. Bohan summarized the uses of the four major funding categories included in the CIP: voter approved 3% sales tax, which includes general and areawide street sales tax allocations, voter approved special 1% sales tax for projects, passenger fees, and enterprise department funds. Mr. Bohan described the process of selecting projects for funding allocations and concluded by stating that the FY26 CIP funding allocations are mostly for existing infrastructure maintenance.

Chair Woll stated that Assemblymembers may propose amendments to the CIP on May 7.

The Committee recessed at 11:56 am.

The Committee reconvened at 12:45 pm.

5. Passenger Fee Plan (approx. 11:45 AM)

Alexandra Pierce, Visitor Industry Director, introduced the FY26 Passenger Fee Proposal on packet pages 80-82. Ms. Pierce stated that the seawalk and shore power projects usually receive larger funding allocations because they are high dollar infrastructure projects that will eventually need to go out to bid and may require future revenue bonds to complete project work. Ms. Pierce summarized other capital investments allocated passenger fees in FY26 on packet page 82. Ms. Pierce stated that although allocations are included in the proposal for the two private docks, AJ Docks and Franklin Dock, in previous Assembly meetings there was discussion about not funding the private docks in calendar year 2026. Because these grants are on a reimbursement basis, she has included the full year funding in the proposal, but the private docks will only receive reimbursement for expenses through the 2025 tourist season, if the directive to not fund private docks continues.

Mayor Weldon asked if we account for the increased solid waste CBJ deals with from the cruise ships and Statter Harbor being largely utilized by tourist operations.

Ms. Pierce stated that we do not directly account for this, however the annual cost allocation funds City departments based on visitor industry impact.

Assemblymember Hughes-Skandijs asked if we need to consider contributing more to the seawalk and shore power projects to adjust for inflationary impacts or other potential dock infrastructure projects, such as the Huna Totem project, if it receives the appropriate approvals.

Ms. Pierce responded that the funding needs are significant, but the allocations are limited based on available funding and other priority projects. Planning conversations will be held over the coming months regarding the seawalk, factors impacting design such as private dock infrastructure projects, and potential revenue bonds that will be brought to the Assembly for consideration. If the Assembly increases dockage fees, those could also be a source of revenue for the project.

Assemblymember Smith asked about ongoing maintenance and operational costs associated with the dock safety cameras.

Carl Uchytil, Port Director, responded that there are currently cameras in place, but they are aged. A server collects data and after a specific number of days cannot retrieve any additional data. Once the new cameras are installed, as long as sufficient memory is available on the server, there are no ongoing maintenance costs anticipated.

Assemblymember Hughes-Skandijs asked whether the funding allocation amount of $771,500 included in the proposal is the annual maintenance cost expected for downtown public wi-fi.

Ms. Pierce responded in the affirmative, explaining that the exact costs were unknown last cycle but since then staff has gained additional understanding and clarity regarding the maintenance costs associated with the public wi-fi need.

Chair Woll inquired about the timing of the passenger fees, and whether the FY26 proposal is allocating funds already collected in the prior year or funds anticipated to be collected in FY26.

Ms. Pierce responded that the FY26 Passenger Fee Proposal allocates funds forecast to be collected in FY26.

Assemblymember Hughes-Skandijs asked if future passenger fees expected to be collected after FY26 could be obligated in FY26.

Ms. Pierce stated that typically CBJ would only allocate funds on an annual basis based on anticipated collections within the fiscal year in question. Her understanding is that CBJ can self-fund projects through annual allocations over multiple years until funding needs are met or choose to issue revenue bonds to meet funding needs earlier.

Chair Woll inquired about the Capital Civic Center (CCC) project, and why it isn't included in the FY26 Passenger Fee Proposal.

Ms. Koester stated that CBJ has an agreement with the cruise industry that the industry will not oppose CBJ appropriating up to $10 million of passenger fees to the CCC. This does not mean that the Assembly has committed to this funding level. The Assembly has appropriated $3 million in total passenger fees to the CCC. Ms. Koester stated that she did not include an allocation for CCC in her proposed budget because she sees that as an Assembly level decision.

Chair Woll asked that in this moment of fiscal uncertainty, has CBJ's strategy been to fund as much of CBJ's operations from passenger fees as possible, or have we balanced that with community needs.

Ms. Pierce responded that both are correct, and that staff tries to fully fund CBJ's operational and capital needs, while also following the process that allows the community to request funds for various purposes. CBJ's operational funding levels are primarily determined by the annual passenger fee allocation prepared by a third-party consultant, per the CLIA settlement. CBJ tries to meet both City and community needs each year with the approximate $21 million of available fee revenue.

Assemblymember Hughes-Skandijs stated that there have been many discussions about how to mitigate the impacts of tourism on Juneau citizens, especially the impact of tourism on public transit. She asked whether the Mendenhall Loop Road covered bus stop funding allocation is anticipated to exacerbate the public transit capacity issue by making the use of public transit to the Mendenhall Glacier more attractive for visitors.

Ms. Pierce responded that she doesn't necessarily see a covered bus stop as making it more attractive. This is a popular bus stop in the community regardless of who is using it. However, the nexus to the tourism industry allows CBJ to use passenger fees to address a known need in the community.

Mayor Weldon stated that there was a community request for $10 million for the Eaglecrest gondola in the packet materials. She inquired on whether any use of passenger fees for the gondola would be appropriate and eligible.

Ms. Pierce responded that staff's interpretation of the CLIA settlement is that the gondola is not an eligible use of funds. However, if this is something the Assembly wants to pursue with the industry, staff could engage in those conversations.

Ms. Pierce directed the Committee to the memo on packet page 235 regarding supplemental funding to support Mendenhall services. She stated that an ordinance will be introduced to the Assembly on Monday appropriating $200,000 for contingency federal staffing support related to tourism. Ms. Pierce stated that the environment is rapidly changing. The current status of the Mendenhall Glacier Recreation Area is that the 31 employees who were terminated are reinstated; however, only about half of them returned to work. The Forest Service is under a hiring freeze so they cannot post the vacant positions for recruitment. Last week the federal government offered another buyout option; more Forest Service employees took the buyout than were reinstated. The intent behind the proposed appropriation is to give CBJ the flexibility to step in to be able to weather federal funding shocks, if needed. Staff will continue to monitor the situation throughout April and May prior to the ordinance's scheduled adoption on May 19.

6. Eaglecrest (approx. 12:45 PM) (Supplemental Material)

Mike Satre, Eaglecrest Board President, stated that Eaglecrest experienced a low snow winter, but that staff maximized the use of the mountain on days where the ski area was operational. In the FY26 budget request, the Eaglecrest Board has prioritized making sure staff is paid at a rate comparable with industry standards, as well as investing in infrastructure, primarily by addressing deferred maintenance needs. Eaglecrest is also trying to bridge a gap to year-round operations, but the current request focuses solely on operations for the upcoming fiscal year.

Craig Cimmons, Eaglecrest General Manager, presented the slides starting on packet page 288. He stated that he has previous experience with ski areas during transitional periods, all of which resulted in successes. He highlighted his six-month assessment of the ski area on packet page 291, emphasizing that the leadership team is experiencing fatigue. He discussed the broken Black Bear chair lift, and that staff did not have the capacity this year to fix the chair lift prior to the ski season commencing. Mr. Cimmons presented packet pages 294-296, summarizing independent reports regarding Eaglecrest's operational and deferred maintenance risks. Mr. Cimmons emphasized that Eaglecrest does not currently have the funding, therefore the staff capacity, to focus on a culture of safety; they can only operate. Mr. Cimmons stated that Eaglecrest continues to experience high costs of staff turnover, as reflected on packet page 298. Eaglecrest also has a substantial amount of leaky revenue due to inefficiencies, lack of staff, high staff turnover, and an incomplete organizational chart. To help address this, Eaglecrest needs ticket checkers and additional ski instructors. Mr. Cimmons believes that there is significant capacity to generate more revenue at Eaglecrest if staff can pull some of the levers listed on packet page 300. Eaglecrest also needs to develop a long-term marketing strategy and establish a robust sales team to market Eaglecrest non-locally.

Mr. Cimmons stated that Eaglecrest currently has 33 FTEs, many of which are part-time seasonal positions. There are currently over 50 vacant positions. Eaglecrest's current pay scale is estimated to be 40% behind industry standard when cost of living is factored in. Mr. Cimmons presented Eaglecrest's funding request on packet pages 303-305. Mr. Satre stated that the Eaglecrest Board approved 6.43 new FTEs and a 40% increase to personnel costs to address the pay scale issue.

Assemblymember Kelly asked how much analysis the Eaglecrest Board has done on the opportunities listed on packet page 300.

Mr. Cimmons responded that staff has not had the capacity to flesh out the opportunities because they are so consumed by operations. Mr. Satre stated that the Board is supportive of expanding revenue, however this takes resources to accomplish. Every 5% increase to the current sale structure results in approximately $130,000 of additional revenue, so it would take substantial increases to generate a material amount of revenue. He acknowledged that Eaglecrest needs to be more creative in their approach to revenue generation, including addressing leaky revenue and expanding summer revenue opportunities. To accomplish this, the staffing schedule needs to be more complete. Mr. Cimmons stated that they currently only have one lever to pull to generate additional revenue, which is increase ticket prices, but they need more and bigger levers to pull to save Eaglecrest.

Mayor Weldon asked if the 6.43 FTE ask provides sufficient staffing to generate additional revenue.

Mr. Cimmons responded that these positions will make a big difference with catching up with maintenance, generating additional revenue, and increasing leadership team capacity.

Assemblymember Hughes-Skandijs asked why the worker's compensation costs are declining in FY26 over FY25.

Adrien Wendel, Budget Manager, responded that the worker's compensation rates charged to departments are calculated using a blended exposure and experience methodology. Exposure is based on personnel services and experience is based on a five-year average claim history. Eaglecrest had a large claim drop off from FY19, resulting in their calculated rates decreasing.

Assemblymember Bryson stated that most ski areas in the country are private not public. The Assembly has considered funding requests from Eaglecrest year after year, with the requests continuing to increase. He asked at what point does Eaglecrest and the Assembly consider whether it makes sense for a private sector company to operate the ski area.

Mr. Cimmons responded that there are also underfunded, poorly operated private sector ski areas. Mr. Cimmons stated that it comes down to commitment and support. Eaglecrest needs direction from the

Assembly on whether they will provide the support. Mr. Satre stated that it is an Assembly policy decision whether to provide direction to the Eaglecrest Board to explore private sector funding and management opportunities. Mr. Satre acknowledged that Eaglecrest does not collect sufficient revenues to support expenses, and that the ski area relies on a General Fund subsidy each year. He stated that the Board's plan to move Eaglecrest away from relying on this subsidy is the expansion to summer operations.

Assemblymember Smith inquired about a five-year operating and financial plan to get Eaglecrest through the period until the gondola is operational.

Mr. Satre stated the Committee has been provided a chart in previous meetings that reflect a financial trajectory for Eaglecrest once the gondola is operational. He discussed Eaglecrest's capital plan reflected on packet page 304.

Assemblymember Smith asked if he should expect an updated chart and supporting narrative reflecting Eaglecrest's FY26 request on May 7.

Mr. Satre stated that he could provide an updated version of the model.

Assemblymember Hughes-Skandijs asked how much attention the Board has been giving the gondola project compared to operational needs. She also asked if Eaglecrest received their full ask in FY26, whether that would allow the Board to turn their attention back to the gondola.

Mr. Satre acknowledged the Board has been focusing on ski area operations, and additional resources are needed for them to be able to turn their attention back to the gondola project.

The Committee recessed at 2:07 pm.

The Committee reconvened at 2:10 pm.

7. Docks & Harbors (approx. 1:30 PM)

Mr. Uchytil presented Docks and Harbors' budget on packet pages 236-250. Mr. Uchytil noted Docks' $3 million contribution to capital projects in FY25 for the Statter Harbor parking lot paving, as well as the additional FY26 revenue from dockage fees based on the Assembly's direction to increase cruise ship fees starting in calendar year 2026. Mr. Uchytil stated that staff is confident in the Docks enterprise financial health.

Mayor Weldon stated that she doesn't believe the Assembly has weighed in on how the increased dockage fee revenue should be spent. She asked if that revenue is included in the Docks budget.

Mr. Uchytil stated that without other direction, they assume the revenue goes to the Docks enterprise. Mr. Uchytil stated approximately $3.2 million of increased revenue from dockage fees is anticipated annually, with the FY26 budget reflecting half of that amount for fee increases starting in calendar year 2026, the last half of FY26. Ms. Flick clarified that the increased revenue is reflected in the budget, but no additional expenditures associated with the revenue are included.

Mr. Uchytil presented Harbors' budget, highlighting the $2 million contribution in FY25 for Aurora Harbor improvements. FY26 also includes a $3.95 million contribution to capital projects for a new drive down float at Aurora Harbor that is primarily grant funded.

Mayor Weldon asked if Docks and Harbors' grants are vulnerable to federal funding reductions and freezes.

Mr. Uchytil responded that he has no indication any of the grants are at risk.

Mr. Uchytil stated that Harbors raised rates 9% across all fees in 2023, which is contributing to the enterprise's good financial health. Mr. Uchytil provided a list of ongoing capital projects for the Docks and Harbors departments on packet page 249.

Assemblymember Smith inquired about Docks and Harbors' rapidly escalating insurance rates, and whether other plans had been pursued.

Mr. Uchytil responded that CBJ's Risk Management Division handles property insurances and that Docks and Harbors had not independently explored other options.

Assemblymember Hall asked about the accounting windfall referenced on packet page 247.

Ms. Flick responded that as part of the annual audit, it was discovered that some deferred revenue had not been recognized as actual revenue in the subsequent period. Finance corrected this in FY25, resulting in a one-time increase to Harbors revenue.

Chair Woll asked how the 9% fee increases were staggered.

Mr. Uchytil responded that the only fee increase that is staggered is for moorage fees. The moorage fee increase is structured as a 3%/3%/2.8% over three years, with the last 2.8% increase going into effect in January 2026.

8. Bartlett Regional Hospital (approx. 2:00 PM)

Deborah Johnston, BRH Board President, stated that the hospital has done a lot this year to make the organization sustainable and thanked the Assembly for its support. One of the hospital's major approach changes over the last year has been transitioning from operating in a reactive manner to operating in a proactive and deliberative manner. The hospital has also transitioned to a lean strategy, tying operating and facilities plans to strategic goals.

Joe Wanner, BRH Chief Executive Officer, stated that the hospital has ended the last ten months with positive margins, with a $6.5 million net margin through February, which is $12.5 million more than February from the prior year. Mr. Wanner stated the lean strategy has contributed to this, as well as an FTE committee that evaluates the need for vacant positions prior to recruitment. All programs and contracts are looked at through a lean lens. Bartlett has expanded some services in FY25, including opening an orthopedic clinic in January as well as onboarding an ophthalmologist. BRH has also contracted with Virginia Mason to open a new pool of specialists to BRH. Overall staff engagement has improved.

Mr. Wanner discussed the budget assumptions and risks on packet page 253. One specific risk he highlighted was the potential cut of Medicaid, which could result in reduced funding to the hospital of up to $4.6 million.

Assemblymember Hughes-Skandijs asked if Mr. Wanner knew the percent or number of traveling workers the hospital currently contracts for.

Mr. Wanner responded that BRH currently has 53 contract workers.

Assemblymember Hughes-Skandijs asked if there are any other federal funding sources in danger of being cut for BRH.

Mr. Wanner stated that there are CVS funds that he has not yet heard are in jeopardy.

Mr. Wanner summarized the hospital's expenditure and revenue budgets on packet pages 254-255. He discussed their capital needs relating to aging infrastructure and systems. He noted that the Board's goal is to repay the $2 million grant the Assembly approved from General Funds in FY24 over a three-year period; the first-year repayment is included in the FY26 budget. The home health and hospice programs continue to operate at a deficit, with an estimated shortfall of $400,000 next year between the two programs. He stated the Assembly's approved $200,000 of General Fund support for these programs is included in the hospital's budget. Mr. Wanner stated that these programs are necessary but are chronically underfunded by the federal government.

Mr. Wanner presented BRH's fund balance on packet page 256.

Assemblymember Hughes-Skandijs asked if the hospital is giving new contracts the same level of scrutiny as they are giving contract renewals and FTE recruitments.

Mr. Wanner confirmed that new contracts receive a higher level of scrutiny than renewals.

Mayor Weldon asked how much of the charges for services increase reflected on packet page 255 is attributable to expansion of services.

Mr. Wanner responded that approximately $1-2 million is attributable to expansion of services, however these revenues also have increased costs associated with them.

Assemblymember Kelly asked how confident Mr. Wanner and the Board are that they won't need the funds they are paying back to CBJ, given the current federal funding risks.

Mr. Wanner stated the Board's approach to the budget is very conservative, and he expects to exceed their revenue budget, even with a potential reduction to federal revenues of $4.6 million. Ms. Johnston stated that the hospital's ability to repay the $2 million grant will be evaluated annually prior to building the second and third repayments into the hospital's FY27 and FY28 budgets.

In response to Assemblymember questions, Mr. Wanner provided an update on Wildflower Court and the home health and hospice programs.

Mayor Weldon asked if BRH had developed a strategy to advertise their new services.

Mr. Wanner responded in the affirmative and that BRH would be releasing more information on this topic soon.

Chair Woll asked if the Hospital Board has a fund balance policy that outlines minimum balances and appropriate uses.

Mr. Wanner stated that the hospital's goal is to have 160-180 days cash on hand, and they are currently sitting at approximately 117 days. The goal is to also maintain sufficient fund balance to provide for the hospital's capital needs.

9. Juneau School District (approx. 2:45 PM) (with Supplemental Material)

Frank Hauser, JSD Superintendent, presented the School District's FY26 budget submission on packet pages 258-273. Mr. Hauser stated that JSD is in a very different financial position than they were last budget cycle and thanked the Assembly for their continued support. He presented the district's strategic plan for 2020-2025. The district is starting the process of updating their strategic plan, which will require inputs from the community, parents, and the Assembly. Mr. Hauser stated that JSD's FY26 budget reflects the district's best effort to present a spending plan that addresses the State funding uncertainty by demonstrating efficient and effective use of human and financial resources while also supporting the community's commitment to successful student learning. JSD's FY26 budget increases 4.4% over FY25 and totals $95,503,455. The FY26 budget projects 3,919 student enrollment (3.1% decrease from FY25) and a $400 increase to the Base Student Allocation (BSA). The BSA increase is currently unknown until the State budget process is complete, but Mr. Hauser believes the $400 planned increase is conservative. JSD is requesting the maximum local contribution amount of $35,004,712 for instruction, which is an increase of $572,673 over FY25, and $2,115,000 for non-instructional purposes, an increase of $75,000 over FY25. Mr. Hauser stated that JSD's federal funding makes up 0.41% of their total revenue, which represents Medicaid billing, so the district is mostly insulated from uncertainty surrounding federal funding.

Assemblymember Hughes-Skandijs asked what impact current labor union negotiations may have on JSD's budget and the status of the negotiations.

Mr. Hauser responded that JSD has been in negotiations with one union for two months and just starting on negotiations with the other two unions. He cannot speculate what the outcome of these negotiations will be.

Assemblymember Steininger asked if JSD has triggered the State student count hold harmless provision and how long it takes to phase out the hold harmless provision for school closures.

Mr. Hauser stated that there are two options districts can take advantage of: hold harmless for adjusted average daily membership and the school consolidation provision. These provisions use different calculations and the district can only qualify for one. Based on JSD's analysis, they qualified for the hold harmless provision which is a three-year provision with a step-down approach. The hold harmless provision is triggered when adjusted average daily membership declines more than 5%.

Assemblymember Steininger explained that as we see the hold harmless phase out after FY27, we should see less revenue to JSD. He asked if the district has thought about the budget changes needed to address the reduction in revenue.

Mr. Hauser stated that the three-year hold harmless plan provides districts sufficient time to strategize on the appropriate budget changes needed prior to the funding no longer being provided. He confirmed that staff and the Board of Education are already having conversations about what those budget reductions will look like moving forward.

Mayor Weldon inquired about the funding for high school student activities, as it appears to be flat in FY26 over FY25 even though two high schools were consolidated into one.

Mr. Hauser responded that last year JSD committed to maintaining the same level of funding for student activities to provide the same activity opportunities for all students. Even though schools were consolidated, JSD has the same number of students who should be provided the same opportunities they were when there were two high school.

Assemblymember Kelly asked if JSD did receive a larger BSA increase, how the budget would be adjusted for the additional revenue.

Mr. Hauser stated that a list has been prepared by staff and the Board that includes priorities and potential add-backs if a larger BSA increase is approved by the State legislature.

Mayor Weldon asked why the transportation costs on packet page 270 don't reflect a reduction with the school consolidations. She also asked why the Learn to Swim funding is being reduced.

Mr. Hauser responded that he believes the Learn to Swim program can be operated at a reduced cost of $50,000. This reduction should not impact the opportunities provided to students. The transportation costs are not declining because JSD still has around the same number of routes to service the schools. Furthermore, there has not been a meaningful increase in pupil transportation from the State in more than a decade and this component has historically been underfunded.

Mr. Hauser stated that the State Department of Education and Early Development (DEED) confirmed that they will be proceeding with presenting a regulation change regarding local contribution to the State Board of Education in June. Mr. Hauser stated that this is surprising news, as DEED said it was proposing a regulation change for the Federal Department of Education (DOE) to align with recent guidance and orders from the Federal Impact Aid Program. When asked, the Federal DOE denied requesting the State make this change. The Federal DOE is being shuttered by the current federal administration, so DEED is attempting a regulation change for a federal agency that never asked for the change and is now being dismantled. This week, in Senate Education, a committee substitute for HB69 took preemptive steps on local contribution language for city and borough districts to support non-classroom related activities. JSD will wait to see what happens with this action.

Mr. Hauser stated that in November JSD had its first audit without a deficit in years.

Mayor Weldon asked for a status update on facilities maintenance shared services.

Mr. Hauser stated that the FY26 budget reflects facilities maintenance staff staying with the school district. Mr. Hauser said that if there were a change to the non-instructional contribution regulation, facilities maintenance would be considered an in-kind service outside the cap exceeding the local contribution. The FY26 budget does not include any funding from CBJ to JSD for shared services.

10. Juneau International Airport (approx. 3:15 PM)

Angela Rodell, Airport Board Member, introduced the Airport's FY26 budget on packet pages 274-282. She stated that the Airport's FY26 budget is considered status quo, primarily due to the change in airport manager at the end of the month and the completion of several capital projects, including the parking lot and terminal construction. Ms. Rodell summarized the expense and revenues, highlighting that over the last several years the Airport has used COVID CARES funding to help offset some of their operating costs, including tenant rent abatement. This rent abatement has come to an end and tenant leases are fully in place again.

Ms. Rodell stated that the Airport anticipates exceeding their expenditure authority by approximately $35,000 in FY25 due to a new automated badging security system. Current year revenues are projected to decrease $332,000 from air carrier flowage fees and the discontinuation of TSA's Law Enforcement Officer (LEO) reimbursements.

Mayor Weldon asked why there is a decrease in air carrier flowage fees.

Chuck Williams, Airport Board Member, stated that it depends on where planes are refueling. If they bring a lot of fuel with them, they don't need to refuel in Juneau.

Assemblymember Kelly asked for clarification on the TSA LEO reimbursement amount reduction in FY25 and FY26.

Ms. Rodell responded that her understanding is that there are timing issues and that the Airport did not receive any reimbursement this year.

Ms. Rodell stated that the FY26 expenditures increased $210,000 due to airport security and airfield mechanic personnel and the implementation of a new badging system. Revenue is anticipated to be relatively flat, decreasing only $45,000. The budgeted revenues and expenditures result in a draw on fund balance of $274,000 in FY26, leaving a healthy projected ending fund balance of over $4 million.

Assemblymember Kelly asked about the 2.0 FTE increase in FY26 compared to FY25.

Mr. Williams responded that the FTE increase is for airport security technicians and an airfield mechanic.

Chair Woll asked if the Airport expects the FY26 deficit to continue in the long term.

Ms. Rodell stated that there have been swings in fund balance in recent years, as reflected on packet page 280, and the Airport's goal is to get to a more stable and predictable budget that is less volatile to set tenant rates appropriately. The fund balance should be used for costs that aren't covered by the Federal Aviation Administration (FAA) as well as for FAA grant match. As the Airport goes through the next Passenger Facility Charge planning process, they will determine how much liquidity is needed to provide matching funds. How to pass on these costs and general fee structure will be topics addressed with candidates for the airport manager position.

Ms. Rodell concluded the presentation by providing an update on Airport capital projects as listed on packet page 281.

11. Info Only: Budget Calendar (Supplemental Material)

Chair Woll directed the Committee to the updated budget process calendar on packet page 330, highlighting key dates and deadlines. The Committee discussed the schedule.

E. NEXT MEETING DATE

12. April 16, 2025

F. SUPPLEMENTAL MATERIALS

13. Strategic Communications and Engagement Plan

This topic was discussed under *Agenda Topic #3 – Budget Summary & Overview.*

14. Federal Funding Risks

This topic was discussed under *Agenda Topic #3 – Budget Summary & Overview.*

15. Eaglecrest FY26 Budget Request Table

This topic was discussed under *Agenda Topic #6 – Eaglecrest.*

16. Eaglecrest Presentation (approx. 12:45 PM)

This topic was discussed under *Agenda Topic #6 – Eaglecrest.*

17. Juneau School District Budget Submission (approx. 2:45 PM)

This topic was discussed under *Agenda Topic #9 – Juneau School District.*

18. Info Only: Budget Calendar

This topic was discussed under *Agenda Topic #11 – Info Only: Budget Calendar.*

G. ADJOURNMENT

ADA accommodations available upon request: Please contact the Clerk's office 36 hours prior to any meeting so arrangements can be made for closed captioning or sign language interpreter services depending on the meeting format. The Clerk's office telephone number is 586-5278, e-mail: city.clerk@juneau.gov.