

ASSEMBLY FINANCE COMMITTEE MINUTES

September 6, 2023, at 6:00 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 6:06 pm by Chair Woll.

B. ROLL CALL

Committee Members Present: Chair Christine Woll; Mayor Beth Weldon; Maria Gladziszewski; Michelle Hale; Greg Smith; Loren Jones; Alicia Hughes-Skandijs; Wade Bryson

Committee Member Present Virtually: Wáahlaal Gíidaak

Staff Members Present: Rorie Watt, Outgoing City Manager; Katie Koester, Incoming City Manager; Robert Barr, Deputy City Manager; Angie Flick, Finance Director; Beth McEwen, City Clerk

Others Present: David Witthohn, Senior Portfolio Manager at Insight Investments

C. APPROVAL OF MINUTES

1. August 2, 2023

The August 2, 2023 minutes were approved as presented.

D. AGENDA TOPICS

2. Investment Update

Angie Flick, Finance Director, introduced David Witthohn, Senior Portfolio Manager at Insight Investment, the City and Borough of Juneau's investment manager.

Mr. Witthohn discussed the current state of the economy and stated that overall, the economy is doing well. Insight is projecting inflation to slow from the current 4% to a rate of 2.7% in the coming year as a result of high Federal Reserve interest rates. Mr. Witthohn reviewed the inflation metrics and expectations found on pages 15-17 of the packet, stating that although inflation is still high, it has every sign of being reduced to the Federal Reserve's goal of 2% by the end of 2025.

Mr. Witthohn reviewed CBJ's Portfolio Summary found on pages 24-29 of the packet, stating that the portfolio is doing well and exceeding all established benchmarks.

Mr. Witthohn answered Committee questions.

Ms. Flick stated that CBJ has for many years participated in the Alaska Municipal League Investment Pool (AMLIP). AMLIP opened a Series II Portfolio investment option in June 2023 that CBJ is participating in. She clarified that the purpose of this additional portfolio is to offer a mid-term investment option for the CBJ and that it carries a higher rate of return than the AMLIP Series I Portfolio.

Ms. Flick answered Committee questions and clarified that the accounts that the CBJ maintains with AMLIP operate differently from the investment accounts Mr. Witthohn presented earlier. She further stated that the AMLIP Series I & II accounts operate similarly to a savings account, in which there is an APY return that provides a return on the funds in the account, however, these accounts allow those funds to be used for day-to-day CBJ operational needs.

3. Hotel Bed Tax Allocation

Ms. Flick introduced packet page 49, which contains a list of documents included in the packet pertaining to the historical changes to Hotel-Bed Tax allocation.

Ms. Flick introduced the memo found on page 50 which contains a graph depicting historic Hotel-Bed Tax revenues by type of rental and provides a table that illustrates the funding allocation breakdown for each of the options listed in the memo.

Assemblymember Hale asked for details of Hotel-Bed Tax revenue across the previous fiscal years and what factors resulted in the increased revenue. Ms. Flick clarified for the committee that the increase in Hotel-Bed Tax revenue is due in part to a rapid rise in hotel and short-term rental (STR) rates in previous years as well as the temporary 2% Hotel-Bed Tax increase adopted on January 1st, 2020 to support capital improvements to Centennial Hall. She further clarified that Hotel-Bed Tax revenue has increased from \$1.6 million in 2019 to \$3.2 million in 2023.

Ms. Flick reviewed the first option contained in the memo which is to leave the current allocation as it is, which will result in no allocation to the Affordable Housing Fund (AHF) in the percentage split.

Ms. Flick reviewed the second option contained in the memo which examines separating the Hotel-Bed Tax revenue received from STR and allocating it directly to the AHF. She further stated that the remaining revenue would be allocated at the historic percentage split.

Ms. Flick reviewed the third option contained in the memo which examines redesigning the historic percentage split of all Hotel-Bed Tax revenue in recognition of the impact of STR. The effect of this option is to allocate a specific percentage of total Hotel-Bed Tax revenue to the AHF and reduce the percentage split of revenue being allocated to tourism promotion and Centennial Hall operations. Ms. Flick clarified that the percentage for splits contained in the memo is not limited to the figures in the memo but is to be set at the discretion of the Assembly.

Ms. Flick reviewed the fourth option contained in the memo which examines a move away from a fixed formulaic split of Hotel-Bed Tax revenue and instead relies upon the Assembly to provide the Manager with a set of priorities each year to include in their recommended budget. Ms. Flick stated that the priorities given to the Manager are flexible and provide the benefit of being adaptable to year-over-year needs of Centennial Hall operations, tourism promotion, and AHF projects.

Ms. Flick answered Committee questions.

Assemblymember Smith asked for clarity on how the temporary 2% Hotel-Bed Tax increase is being used and if the percentage split put toward Centennial Hall for operations is enough to cover normal maintenance costs.

Kaite Koester, Incoming City Manager, stated that Centennial Hall improvements are ongoing with future improvement projects in development and are being funded primarily with the 2% temporary increase to

pay off the general obligation bond debt service obligation. She further stated that the total cost estimate for improvements has been reassessed to be significantly higher than originally projected and work is being done to reevaluate project scope and planning.

Motion: by Mayor Weldon to move Option 3 from the memo to the full Assembly. She further stated that having a fixed percentage split enables a more consistent set of funding priorities than the other options presented by Ms. Flick.

Assemblymember Hughes-Skandijs asked for clarity on the allocation reduction of the temporary 2% Hotel-Bed Tax towards Centennial Hall improvements listed in Option 4.

Ms. Flick stated that Option 4 includes only the allocation needed to serve the debt service for bonds issued for Centennial Hall improvements.

Assemblymember Bryson expressed support for Option 2, stating that it provides stability to Centennial Hall operations and tourism promotion in addition to providing specific funding to the AHF directly from Hotel-Bed Tax revenue generated from STR. He further stated that allocating funding to address community housing needs from the revenue generated from STRs in Juneau makes sense.

Assemblymember Gladziszewski stated whatever option is decided by the Committee, it should ensure that the 2% temporary funding is designated to Centennial Hall for its improvement.

Assemblymember Hale expressed support for Option 4 stating that it allows for stability and flexibility in where the Hotel-Bed Tax revenue is allocated. She further stated that Option 4 provides the advantage of allowing future assemblies to continue to reassess the funding sources and needs of Hotel-Bed Tax-funded organizations such as Travel Juneau.

Chair Woll expressed support for Option 3, stating that stability is needed for the organizations being funded by the Hotel-Bed Tax. She further stated that Option 3 allows for this stability, and she supports leaving funding structures in place for future assemblies.

Assemblymember Hughes-Skandijs expressed support for Option 4 and expressed support for establishing a similar budget and funding allocation process for Hotel-Bed Tax funded organizations that other CBJ organizations work through.

Amendment: by Assemblymember Gladziszewski to maintain fixed funding allocation of the temporary 2% increase to Hotel-Bed Tax funding to Centennial Hall improvements and direct the City Manager to include the remaining funds into its proposed budget.

Objection: by Mayor Weldon for the purpose of stating that the amendment result is the same as a motion for adopting Option 4.

Roll Call Vote on Amendment

Ayes: Gladziszewski, Wáahlaal Gíidaak, Hughes-Skandijs, Hale, Smith, Jones

Nayes: Bryson, Mayor Weldon, Chair Woll

Amendment passed. Six (6) Ayes, Three (3) Nayes.

Objection: to amended motion by Mayor Weldon for the same reason as her previous objection.

Objection: by Chair Woll for the purpose of stating that she would like to see a more structured method for the allocation of Hotel-Bed Tax revenue.

Roll Call Vote on Amended Motion

Ayes: Wáahlaal Gíidaak, Jones, Smith, Bryson, Hale, Hughes-Skandijs, Gladziszewski

Nayes: Mayor Weldon, Chair Woll

Motion Passed. Seven Ayes (7), Two Nayes (2).

Committee recessed at 7:25 pm.

Committee reconvened at 7:33 pm.

4. New City Hall Presentation

Rorie Watt, Outgoing City Manager, introduced the presentation beginning on page 70 of the packet which provides information on the City Hall Bond proposition that is up for public vote.

Mr. Watt reviewed the efforts that are being put into advocating for a new City Hall solution to the public and stated that the current situation is not operating efficiently, effectively, or as cost-effective as possible. Mr. Watt further stated the CBJ community deserves the most cost-effective arrangement that allows for the easiest access to CBJ services for the public and this is not the case at present.

Mr. Watt clarified that the current City Hall facility is rapidly aging and has not contained the required office space to house CBJ staff since 1984, at which time the CBJ began needing to rent additional office space.

Mr. Watt further addressed community concerns in the allocation of CBJ funds in advocating for a bond issuance to fund a City Hall solution. He reviewed page 72 of the packet containing the Alaska State Statue requiring the CBJ to issue a detailed financial authorization for any advocacy work done by the CBJ and that the authorization issued largely appropriates funds already in the CBJ budget for staff time.

Mr. Watt expounded on the reasons a City Hall solution is needed and outlined the current office space situation found on pages 75-76 of the packet. Currently, the CBJ owns City Hall which carries an annual maintenance cost of \$265,570 in 2023. In addition, the CBJ must maintain four lease agreements to meet office space needs with an annual cost of \$819,000 in 2023. The CBJ will pay \$1.08 million in 2023, a figure that is projected to rise to \$1.84 million by 2033.

Mr. Watt reviewed the cost comparison for continuing the status quo vs. a new City Hall found on pages 79-80, stating that the cost of a new City Hall facility would pay for itself year after year to meet the needs of our community. Mr. Watt stressed that it is wise to consider the needs of the community and consider how to operate city services in the long term, and funding the ownership of a new City Hall facility will enable the meeting of those needs and be as cost-effective as possible.

Mr. Watt reviewed the details and project scope for the planned potential new City Hall facility found on pages 86-89 of the packet. Mr. Watt clarified that the planned bond issuance will not raise the mill rate or create additional tax burdens on the CBJ residents.

Mr. Watt introduced a video presentation created to summarize the new City Hall project, the reasons a new City Hall option is desired, and the goals of the project that will be posted on social media and the city's webpage.

Mayor Weldon expressed support for the project and stressed that a new City Hall facility is not only for the CBJ staff that work in less than ideal rented spaces but for the public that often have to go to many different facilities to meet their needs.

F. NEXT MEETING DATE

November 1, 2023

G. ADJOURNMENT

The meeting was adjourned at 8:00 pm.