

ASSEMBLY FINANCE COMMITTEE MINUTES

November 6, 2024, at 5:30 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 5:30 pm by Chair Christine Woll.

B. ROLL CALL

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

Committee Members Present Virtually: None

Committee Members Absent: Mayor Beth Weldon

Staff Members Present: Robert Barr, Deputy City Manager; Angie Flick, Finance Director; Adrien Wendel, Budget Manager; Nicole Lynch, City Attorney; Denise Koch, Engineering and Public Works Director; Brian McGuire, Utilities Superintendent

Staff Members Absent: Katie Koester, City Manager

Others Present: Ryan Kauzlarich, Gastineau Human Services (GHS) Finance and Admin Director; Jonathan Swinton, GHS Executive Director; Fred Sweetski, GHS Behavioral Health Director; Paul Quinn, FCS Group Project Manager

C. APPROVAL OF MINUTES

1. September 18, 2024

The September 18, 2024 minutes were approved as presented.

D. AGENDA TOPICS

2. Gastineau Human Services

Ordinance 2024-01(b)(P)

Chair Woll invited members of Gastineau Human Services (GHS) to speak on the topic of the GHS Residential Substance Use Treatment program. The three members present introduced themselves as Ryan Kauzlarich (GHS Finance and Administrative Director), Jonathan Swinton (GHS Executive Director), and Fred Sweetski (GHS Behavioral Health Director).

Mr. Swinton stated that eight additional beds had recently been added to the treatment program, bringing the total operating beds to 27. He expressed gratitude for the support from the Assembly in achieving this goal. He asked assemblymembers if they had questions for the GHS members.

Assemblymember Smith asked if the program was generating enough revenue to cover the costs it took to build out the program.

Mr. Kauzlarich replied that the original nineteen beds were covered by revenue from Medicaid. He shared that Medicaid billing does not cover all personnel and operating costs. He stated that \$620,000 of grant revenue has helped to cover the rest of the cost of these nineteen beds but that the additional eight beds had brought in added cost that still needed to be covered.

Mr. Kauzlarich shared that the Department of Corrections (DOC) had decided to renegotiate the contract for the GHS Community Residential Care (CRC) program which supplies security staff to help run their treatment program. He stated that if the DOC decided to cut funding for the program, that would be a loss of \$1.2 million for security staff that GHS would have to find funding for.

Mr. Swinton added that some minor remodeling will be needed for a few offices to improve the working situation, as their staff is currently sharing office space in a less than ideal situation. He stated that this cost was a part of the funding ask to Assembly, in addition to the eight extra beds.

Assemblymember Bryson stated that he had heard of other programs not receiving enough Medicaid reimbursement because the reimbursement rate did not cover live-in substance abuse treatment. He asked what other organizations around the country were doing to face this challenge.

Mr. Kauzlarich responded that the best way to face this challenge was to get the State to increase the reimbursement rate for Medicaid.

Mr. Sweetski added that there was a rise in closures of other programs due to this challenge and that the State of Alaska had seen ten similar programs close in the last three years. He shared that some of these closures were due to lack of funding and some were due to a lack of staff.

Assemblymember Hughes-Skandijs asked if the DOC CRC program renegotiation was expected or not.

Mr. Swinton replied that this contract renegotiation was very unexpected. He stated that the program was on a five-year cycle which renewed last December but DOC recently informed GHS that they wanted to renegotiate to lower the funding amount. He stated that GHS did expect that program to see a significant drop in funding from a result of the renegotiation.

Motion: by Assemblymember Smith to move Ordinance 2024-01(b)(P) to the Full Assembly and ask for unanimous consent.

Motion passed by unanimous consent.

3. Sales Tax Code Revisions

Angie Flick, Finance Director, pointed the Committee to the memo on page thirteen of the packet. She stated that the Alaska Remote Sellers Sales Tax Commission (ARSSTC) collects about \$4.5 million for CBJ every year. She explained that Ordinance 2024-36 aligns CBJ code with those changes made by the ARSSTC. She shared that staff from the Treasury division and Law department participated in the refinement of the code and the ordinance should be considered a housekeeping item.

Ms. Flick described Ordinance 2024-37 as seeking to accomplish two goals. The first goal being the addition of several definitions to help provide clarification to merchants and CBJ staff on some of the areas where the code might be too broad. The other goal of the ordinance was to introduce the concept of an itinerant business. This would mean businesses who come to Juneau once a year for a special event could setup a temporary sales tax ID, instead of having to setup and maintain a full account with the Sales Tax Office.

Assemblymember Bryson asked if Staff knew the number of businesses that would qualify as an itinerant business.

Ms. Flick stated that out of the businesses that only come to Juneau to do business for special events, around 500 of these registered merchants weren't actively filing. She shared that while some of these businesses would likely be considered itinerant under this new definition, it would be difficult to identify the exact number.

Assemblymember Steininger asked Staff if CBJ conducts outreach to the organizers of these annual events to ensure that vendors are informed of the sales tax rules.

Ms. Flick replied that CBJ does currently work with the organizers and conducts outreach to the participating vendors.

Motion: by Assemblymember Smith to move that the Assembly introduce and set for public hearing Ordinance 2024-36 and ask for unanimous consent.

Objection: by Assemblymember Kelly for the purpose of a question.

Assemblymember Kelly mentioned that there might be a need for a correction to the effective date of the ordinance. He explained that because the effective date was January 1, 2025 and a 30 day-notice for ordinances was required, the scheduled decision in December might create a conflict with that requirement. He asked that if the motion were to pass, would it be introduced with a revised effective date.

Nicole Lynch, City Attorney, explained that the ordinance would go into effect 30 days after the ordinance was introduced and that there was no need to change the language or the effective date in the ordinance.

Assemblymember Kelly removed his objection.

Motion passed by unanimous consent.

Motion: by Assemblymember Smith to move that the Assembly introduce and set for public hearing Ordinance 2024-37 and ask for unanimous consent.

Motion passed by unanimous consent.

4. Bond Refundings

Ms. Flick explained that the concept of bond refunding, in the memo on page 48 of the packet, could be thought of as bond refinancing. She explained that generally when a larger bond is issued, it's made up of smaller bonds. She stated that in working with municipal advisors Staff had identified a handful of these smaller bonds that were eligible to be refinanced. She stated that this would result in a savings of about \$700,000 over the life of the bonds. She explained that in order to make this happen, an ordinance would

need to be approved by the Assembly with language expressing their intent while also addressing interest rates and other specific details.

Assemblymember Bryson asked how long the lifetimes of the bonds were that could see a \$700,000 savings if they were refinanced.

Ms. Flick replied that she believed that time-period was between ten to twelve years.

Motion: by Assemblymember Smith to move to introduce and set for public hearing the attached draft ordinance authorizing refundings of 2013 and 2014 bond issuances and ask for unanimous consent.

Motion passed by unanimous consent.

5. Information Only

Assembly Grant Process

Ms. Flick pointed the Committee to the memo on page 58 of the packet. She stated that earlier this year the Committee had reviewed the Assembly Community Grant process and identified a certain number of partner agencies that the Assembly regularly grants funds to. She explained that through this process the Committee had omitted the Small Business Development group as a partner agency. She stated that it was Staff's intent to be deliberate in including them as a partner agency in the upcoming budget cycle.

Ms. Flick stated that the feedback of the previous budget cycle showed that improvements could be made by providing better information to organizations on how the Assembly Grant request process works. She stated that there was also a request to involve Staff more in the process to make sure items were provided in Committee packets at the right time and grouped together.

Ms. Flick directed the Body to page 59 of the packet which shows a flow chart for partner agencies that outlines the steps of the process. She explained that the flow chart on page 60 was designed for community organizations and a couple extra process steps were added. She stated that it was Staff's intent, with the Assembly's approval, to publish both flow charts on the Assembly Grants webpage so they could be easily accessed.

Chair Woll added that this process had been refined from past budget cycles with the goal of being more transparent with the public and making sure all organizations had an opportunity to be involved. She stated that, as assemblymembers, it would be their job to go through the process of selecting opportunities that they really thought would have a shot of making it through the budget cycle.

Assemblymember Kelly suggested that an improvement could be made in the process to help organizations find a sponsor.

Chair Woll stated that this could be improved by encouraging organizations to email the full Assembly with their request if they hadn't already identified an Assemblymember willing to sponsor them.

Assemblymember Bryson mentioned that another improvement would be for Staff to provide organizations with a packet that outlines what required information would be necessary to formally submit a request to an assemblymember, so that requests would be uniform in structure.

Chair Woll added that another improvement would be that, once an assemblymember agreed to sponsor an organization, Staff would be responsible for clearly communicating with them the next steps of the process.

Assemblymember Hall asked if there was a way to see a list of organizations who requested Assembly Grant funding in the past, but who weren't listed on the Assembly Grant's webpage because they were not awarded a grant.

Ms. Flick replied that she would look into retrieving a list of those organizations.

Utility Rates

Denise Koch, Engineering and Public Works Director, stated that City drinking water and sewer system infrastructure is considered to be critical infrastructure. She stressed the importance of discussing the robust systems behind the infrastructure when discussing difficult topics such as rate increases. She stated that the Utility Advisory Board supports the decision for future utility rate increases.

Ms. Koch stated that after determining that the utility rate increase need would be significant, CBJ Engineering and Public Works reached out to outside expertise for help in determining precise details of the actual need. FCS Group was chosen to help in this effort. They participated in the 2014 Utility Rate Study and have experience in assisting CBJ in past efforts. She stressed the importance of bringing all of the information to the community at a public meeting but that she wanted to make sure to answer all of the Assembly's questions before a general public meeting would take place.

Brian McGuire, Utilities Superintendent, directed the Committee to the presentation starting on page 65 of the packet, which describes the scale of the drinking water and sewer system infrastructure and outlines the work that's been completed on the infrastructure in the last year.

Mr. McGuire stated that three wastewater treatment and collection plants in Juneau were originally built in the 1970's. He detailed that for wastewater there were 140 miles of pipe, 45 sewer lift stations, and 7,100 service connections, bringing the original cost of the infrastructure to about \$109 million. He stated that the drinking water production and distribution system had two water sources and treatment facilities, six reservoirs, 175 miles of pipes, and 8,500 service connections, bringing the original cost of this infrastructure to \$113 million.

Mr. McGuire stated that Utility Rate increase periods were five years long and the next period would be Fiscal Year (FY) 26 to FY30. He explained that through an independent study it was determined back in 2023 that a ten to fifteen percent funding increase was needed each year during the five-year period.

Mr. McGuire discussed the history of how the need for rate increases came to be. He described the graphs on page 71 of the packet that shows two twenty-year periods of the infrastructure history. He explained that during the first twenty-year period (1984-2003) the infrastructure was fairly new, was mostly funded by Federal grants, and had been operating at a loss. The next twenty years saw the formation of the Utilities Advisory Board and an effort to begin rate increases to bring the operations out of negative operating territory. He mentioned inflation as another factor that has added pressure to the need for a rate increase, as shown on the graph on page 74 of the packet.

Mr. McGuire closed his presentation by stating that Engineering and Public Works was requesting to have public meetings as the next step, as well as guidance on funding options.

Assemblymember Bryson asked how the \$10 million water and wastewater infrastructure bond that was recently approved by the citizens of Juneau impacts this situation.

Mr. McGuire answered that it did help the situation but that those funds were not included in the remaining funding options that were to be discussed.

Paul Quinn, FCS Group Project Manager, introduced himself and presented on the findings of the water and wastewater rate study. He stated that these findings were previously presented to the Public Works and Facilities Committee in August. He directed the Body to the slide on page 84 of the packet. He mentioned that he was going to briefly touch on the past rate study and its results.

Mr. Quinn described the bar graph on page 85 of the packet which shows total forecasted rate revenue versus actual collected revenue in the last rate study, from FY14 to FY24. The graph shows that actual revenue collected was less than what was previously projected, a \$31 million deficit when combining water and wastewater revenue. He discussed the details of what goes into a rate study, including cash needs and resources for generating revenue. He stated that one option to generate cash was to turn to the debt markets to finance capital projects.

Mr. Quinn stressed the importance of taking a multi-year approach when forecasting. He discussed the details of the financial forecast key assumptions on page 87 of the packet. He stated that in a five-year period (FY26 to FY30) four to five percent inflation was assumed. He discussed the Capital Plan that was developed in partnership with DOWL and the utilities, which resulted in three alternative capital plans. This presentation would be discussing the smallest, most reduced of the three plans. He noted that under the reduced plan there was a risk to utility service but stated that Staff did feel comfortable moving forward with this plan at this time.

Mr. Quinn discussed the study results for water beginning on page 91 of the packet. The bar graph on this page shows the water operating obligations and existing debt projected out by each fiscal year up to FY30. Also shown is the revenue generated from the utilities and the results reveal a surplus in funds from revenue over operating costs that can be used toward the Water Capital Plan.

Mr. Quinn answered assemblymembers' questions about some of the projection and inflation numbers shown on the presentation slides.

Mr. Quinn stated that over the six-year period the results show an anticipated need of about \$25 million in capital projects. He shared that when looking at all of the capital needs that the utility required, ninety percent of those were being deferring outside of this window. The reduced plan represents the minimum level of capital spending the water utility needs over the six-year period. He discussed the details of two funding scenarios, one hundred percent cash funding through fund balance, rate increases, or through debt funding with State loans. He shared that the study results showed through the cash funding approached that the typical residential customer bill would be increased by \$4 to \$6 per month. Through the debt funding approach, the monthly bill impact was between \$3 to \$4 in additional cost.

Mr. Quinn discussed the study results for wastewater beginning on page 98 of the packet. He shared that unlike water where there was a gap between the revenue line and the graph bars for expenses, with wastewater there was no gap. He stated that it was projected by FY27 the operating expenses would be greater than the revenues collected. This shows a need for rate action to get those operating revenues above the operating expenses. He explained that the other important takeaway was that, unlike the water utility,

the wastewater utility was generating no cash flow on an ongoing basis to address or fund its Capital Program.

Mr. Quinn described four scenarios for sewer capital funding, two if the recent vote on the bond failed and two if the vote on the bond passed. He stated that if the bond passed then it would be possible to spread out the rate increases over a multi-year window instead of all up front. He went into more details of these scenarios and how they might have different ratios of the combined use of cash payments and State loans. He presented the rate survey on page 104 of the packet which compares current rates of different communities within Alaska. He stated that Juneau's water rates are some of the lowest in the area surveyed.

Assemblymember Steininger asked if the calculation in the data presented on page 98 of the packet just pertained to the portion of the proposed rate increases that were absolutely necessary to cover operations and maintenance.

Mr. Quinn confirmed this was correct and added that around a four percent rate increase per year was needed over the six-year window.

Mr. Quinn continued by stating that the next step for the FCS Group was to ask for direction from the Committee on which scenario to move forward with. He also asked the Body to provide their thoughts on whether or not a public meeting would be helpful and what the format of that meeting might look like. He asked the Committee if they had any questions about his presentation.

Assemblymember Kelly asked if the analysis presented included any assumptions on population growth or decline.

Mr. Quinn replied that the assumption was that the population growth of Juneau would be minimal over the six-year window.

Assemblymember Bryson asked if there was a technology that could be a part of a Capital Improvement Project that would allow Juneau to not have to ship PFAS containing dry biowaste out of the area.

Mr. McGuire stated that \$2 million was spent each year to ship dried biowaste out of the area. He explained that there were a few different technologies available that have been explored, including safe incineration.

Assemblymembers asked further questions.

Chair Woll asked Ms. Koch to describe the official decision points moving forward, who was making these decisions, and what the timeline looked like.

Ms. Koch stated that because the utility was public, the Assembly makes the decision on what the utility rate increases will ultimately be. She shared that verification from the expertise and objectivity of Mr. Quinn and FCS Group was highly desired by Engineering and Public Works. She described some detail of the process these groups had been going through in their collaboration.

Assemblymember Hughes-Skandijs expressed support for a public meeting that would discuss these same presented details, but in a condensed version. She stated that it would be helpful to the public to see these same financial options for water and wastewater laid out.

Assemblymember Kelly asked Ms. Koch what time period she envisioned the public meetings would be scheduled over and what those meetings might look like.

Ms. Koch replied that she felt it was important to have Mr. Quinn present at a single public meeting to explain the details of his analysis and, due to busy schedules, this meeting might not take place until early January 2025. She stated that the meeting would most likely start with a short presentation on the numbers and follow with a chance for the public to ask questions. She shared that she envisioned the analysis data printed out on physical mediums and organized throughout the room for members of the public to view.

Assemblymember Steininger expressed concern for the significant rate increase and the debt aspect of some of the funding options.

Assemblymember Bryson asked if there were other projects that could be looked at that would eventually reduce overall expenses for these utilities.

Chair Woll asked Ms. Koch if the feedback from the Committee had given enough direction to move forward with their next steps in planning the public meeting.

Ms. Koch answered that the direction from the Committee was very helpful. She shared that there would be follow up to some of the questions in tonight's meeting that were not answered.

E. NEXT MEETING DATE

5. January 8, 2025

G. ADJOURNMENT

The meeting was adjourned at 7:28 pm.