

ASSEMBLY FINANCE COMMITTEE MINUTES

September 4, 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 Acting Chair Mayor Beth Weldon.

B. ROLL CALL

Committee Members Present: Mayor Beth Weldon; Michelle Hale; Greg Smith; Paul Kelly; Ella Adkison; Alicia Hughes-Skandijs

Committee Members Present Virtually: Christine Woll

Committee Members Absent: Wáahlaal Gíidaak; Wade Bryson

Staff Members Present: Katie Koester, City Manager; Robert Barr, Deputy City Manager; Angie Flick, Finance Director; Adrien Wendel, Budget Manager; Ian Worden, Bartlett Regional Hospital (BRH) Chief Executive Officer; Joe Wanner, BRH Chief Financial Officer

Others Present: David Witthohn, Insight Investment Senior Portfolio Manager; Max Mertz, BRH Board Member

C. APPROVAL OF MINUTES

1. June 5, 2024

The June 5, 2024 minutes were approved as presented.

D. AGENDA TOPICS

2. Investment Update

David Witthohn, Insight Investment Senior Portfolio Manager, introduced the slide on page ten of the packet and began discussing the City and Borough of Juneau's (CBJ) investment portfolio. He described the details of the yield curves on the slide. He stated that the whole yield curve has been continuing to shift lower, which is in anticipation of the Federal Reserve lowering interest rates.

Mr. Witthohn pointed to the slide on page eleven of the packet and explained that this graph showed actual economic output compared to what the expected output was predicted to be. He shared that at the beginning of 2024, 1.4 percent Gross Domestic Product (GDP) caused concern as two percent GDP had been the average for the last decade. The 2nd quarter 2024 numbers showed three percent GDP growth which indicated healthy growth of the economy. He stated that the Federal Reserve had effectively achieved the "soft landing" it had worked towards in fighting post-Covid era inflation.

Mr. Witthohn pointed to the next slide on page twelve of the packet which shows the unemployment rate and job openings rate of the last few years. He stated that during the pandemic the unemployment rate dropped to 3.4 percent and has been rising slightly over the last couple of years. He stated that currently

there are slightly more job openings than unemployed people and that inflation has been coming down for the last two years. These indicators now give the Federal Reserve confidence to begin to lower interest rates.

Mr. Witthohn introduced the slide on page fourteen of the packet which shows the real credit card debt and credit card delinquency rate. He stated that as credit card usage has gone up, credit card delinquency rates have also risen. This is likely the effect of consumers running out of Covid stimulus funds. He stated that the effect these activities will have on the economy are yet to be seen. On the slide on page fifteen of the packet, Mr. Witthohn pointed out that interest payments on the US Government's Federal debt is now its third largest expenditure.

Mr. Witthohn described the portfolio summary on page eighteen of the packet and stated that portfolio performance has been good, up twelve basis points over the benchmark for the last three-month average. He stated that the market value of the portfolio has been increasing significantly since April 2024 and that the portfolio is earning twice as much income now as it was two years ago.

Mr. Witthohn discussed asset allocation and stated that the largest holding is Treasury at 23 percent. He stated that when looking at the assets you can see that it's a relatively high-quality portfolio.

Assemblymember Smith asked for definitions of the acronyms under the Sector column on page 21 of the packet.

Mr. Witthohn answered that ABS stands for Asset Backed Securities, CMO stands for Collateralized Mortgage Obligations, and CMBS stands for Commercial Mortgage Backed Securities. He stated that all of these bonds are rated Triple A.

Assemblymember Smith asked if Insight Investment can give ESG scores for portfolios.

Mr. Witthohn answered that they can give ESG scores and they have full ESG capabilities.

3. Bartlett Regional Hospital Support

a. Home Health & Hospice

Joe Wanner, Bartlett Regional Hospital (BRH) Chief Financial Officer, pointed the Body to page 49 of the packet and discussed the topic of the Rainforest Recovery Center, beginning with the demographics of patients they've served.

Assemblymember Hale asked if the Rainforest Recovery facility in Juneau had beds available, are they required to take in patients from other areas in Alaska.

Mr. Wanner replied that it is not a requirement to take in patients from other communities in Alaska if they have available beds.

Mr. Wanner introduced Fred Sweetski, Gastineau Human Services Behavioral Health Director, who began discussing the difference between the 3.1 and the 3.5 level of service.

Mr. Sweetski described the difference as being either in level of intensity or hours of services that clients are receiving. He explained that the 3.5 level of service also requires an additional medical component where clients can have their medical needs met within 72 hours of arriving. He stated that service level 3.5 is a

minimum of 20 hours per week of services to the client, whereas service level 3.1 is a minimum of nine hours and a maximum of 19 hours.

Mr. Wanner stated that the rest of the slides show the details between the two service levels.

Katie Koester, City Manager, pointed the Body to the memo on page 43 of the packet. She summarized the previous Assembly Finance Committee (AFC) meeting action that directed the Committee to create an ordinance to fund the deficit for BRH's Hospice and Home Health programs, which is \$386,000, for Fiscal Year (FY) 2025 with no funding source. She explained that this memo presents various funding sources.

Ms. Koester stated that the total combined funding for Hospice and Home Health and Rainforest Recovery Center was \$2.15 million for the current FY. She explained that BRH's fund balance should be thought of differently than how CBJ views their own fund balance. She asked if any assemblymembers had questions on BRH's fund balance as presented in the memo on page 44 of the packet.

Assemblymember Woll asked if a certain amount of funding was required for BRH to set aside for future capital projects.

Mr. Wanner answered that BRH Board policy designates funds for capital replacement, based on a Medicare rule. This is for reimbursement reasons as well as securing funds for future capital purchases, but it is not a requirement.

Ms. Koester continued discussing other potential funding sources described in the memo. She mentioned that the Assembly had approved \$900,000 as a loan to Coogan LLC, through the Affordable Housing Fund, but that these funds would revert back to the Affordable Housing Fund as negotiations with the developer did not work out. She stated that the Manager's recommendation at the July meeting was to fund Hospice and Home Health and create an ordinance, which still needs a funding source identified.

Motion: by Assemblymember Woll to move to direct Staff to draft an ordinance that would change the funding source of the Emergency Flood Appropriating Resolution for up to \$505,000, to be funded from the Restricted Budget Reserve instead of the Unrestricted General Fund.

Angie Flick, Finance Director, stated that the emergency resolution included a portion of funding coming from the General Fund for stormwater repairs and for debris pick up, which are both reimbursable from State or federal sources. She shared that a portion for planning would not be reimbursed and therefore was not included as part of the amount to be funded from the Restricted Budget Reserve (RBR). The RBR will be repaid upon receipt of State or federal reimbursement.

Motion passed by unanimous consent.

Motion: by Assemblymember Hale to move Ordinance 2024-01(b)(G) appropriating \$386,000 for Hospice and Home Health, with the funding sources as \$200,000 from General Funds and \$186,000 from BRH fund balance, to the full Assembly for introduction.

Motion passed by unanimous consent.

Motion: by Assemblymember Woll to move to direct the City Manager to include \$200,000 for Hospice and Home Health in the FY26 Manager's Proposed Budget.

Objection: by Assemblymember Hale.

Roll Call Vote on Motion

Ayes: Woll, Smith, Kelly, Adkison, Hughes-Skandijs, Weldon

Nays: Hale

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

b. Rainforest Recovery Center

Robert Barr, Deputy City Manager, stated that in recent meetings with Gastineau Human Services (GHS) it was demonstrated that they have a financially sustainable business model while providing 3.1 level of services. He stated that GHS is working on an expansion program that would add 4 to 8 additional beds to their facility. He pointed the Body to the presentation on page 57 of the packet.

Assemblymember Hale asked if there would be a different billing rate for patients needing a physician level service at the 3.5 level who are treated at BRH versus patients in the care of GHS at the 3.1 level.

Mr. Barr replied that his understanding was that GHS would be reimbursed at the 3.1 level for that type of care and when an outside agency provided additional services, that would be billed for separately and on top of the amount GHS was reimbursed for.

Motion: by Assemblymember Hale to move to direct Staff to draft an ordinance for \$500,000 of General Funds for Rainforest Recovery Center and direct Staff to continue working with GHS to ensure a smooth transition of care and ask for unanimous consent.

Objection: by Assemblymember Woll.

Assemblymember Woll asked that if the transition didn't occur this year, would BRH allocate funds from their own fund balance or would the program shut down.

Ian Worden, BRH Chief Executive Officer, responded that BRH was already allocating funds for this program from BRH's fund balance. He confirmed that instead of letting the program shut down, BRH would come to the Assembly with another funding request to keep the program operational.

Objection: by Assemblymember Hughes-Skandijs.

Assemblymember Smith expressed support for the motion.

Assemblymember Kelly expressed concern that \$500,000 is not enough funding to keep the program going.

Amendment: by Assemblymember Woll to move to change the amount of support for Rainforest Recovery Center from \$500,000 to \$1 million, keeping the funding source as General Funds.

Objection: by Assemblymember Smith for the purpose of preserving fund balance.

Objection: by Mayor Weldon for the same reason as Assemblymember Smith.

Assemblymember Woll withdrew the amendment.

Roll Call Vote on Motion

Ayes: Hale, Woll, Smith, Adkison, Kelly, Weldon

Nays: Hughes-Skandijs

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

Motion: by Assemblymember Woll to move to direct the City Manager to include \$500,000 for Rainforest Recovery Center in the FY26 Manager's Proposed Budget.

Objection: by Assemblymember Hale and Mayor Weldon.

Assemblymember Smith expressed opposition toward the motion.

Assemblymember Adkison expressed support for the motion.

Assemblymember Woll withdrew the motion.

The Committee recessed at 7:05 pm.

The Committee reconvened at 7:19 pm.

4. Bartlett Regional Hospital Emergency Department Addition Appropriation

Ms. Koester introduced the next agenda item stating that the request from Bartlett was to appropriate \$8.9 million of their fund balance to the Emergency Department Addition Renovation project. She stated that this has been a high priority of BRH for a significant amount of time and it had been put on hold a couple of years back. She shared that BRH has \$6 million of the roughly \$9 million in additional funding they need for the project, secured in grant funding.

Max Mertz, BRH Board member, described how this project had come up in the AFC several times over the last eighteen months and was suspended on March 22, 2024. He explained that the current focus for the project is to bring it down in cost while still addressing critical areas for BRH. He stated that the proper funding had been obtained and the project was ready to move forward.

Assemblymember Smith asked if this addition would change the revenue of BRH or if there was another motivation for it, such as keeping up with hospital standards.

Mr. Worden stated that the expansion of the Emergency Department at BRH was critical in helping to address modern diseases such as Covid by adding and updating rooms from positive or neutral pressure to negative pressure, allowing hospital staff to care for these types of patients.

Assemblymember Woll asked how confident the BRH Board was that this project would still be a priority after the current transition in leadership at BRH is complete.

Mr. Mertz confirmed that this project will continue to remain a high priority for the hospital after the leadership transition.

Mr. Worden stated that BRH was in a good position to start work on the project next spring or early summer. He stated the importance of the project because of the high number of airborne diseases brought into the

community from cruise ship passengers. This expansion would allow for BRH to treat these types of illness more effectively.

Assemblymember Hughes-Skandijs expressed concern for funding the project with regards to previous discussions earlier this year about BRH's fund balance and its diminishing ability to fund hospital operations.

Mr. Mertz agreed that he had shared the same concern but that it had led leadership to narrow the project scope and cost significantly.

Motion: by Assemblymember Hale to move Ordinance 2024-01(b)(l) appropriating \$8.9M of BRH fund balance to the full Assembly and ask for unanimous consent.

Motion passed by unanimous consent.

5. Audit Request for Proposal

Ms. Flick pointed the Body to page 67 of the packet and began discussing the need to do a Request for Proposal (RFP) for auditing services of CBJ. She stated that Staff would like to structure the RFP so that auditors can bid on the entire auditing work required by CBJ or they can choose to just bid on the BRH portion, the Juneau School District (JSD) portion, or the remainder of the CBJ audit separately. She mentioned the issue of creating a consistent scoring-criteria for evaluating submissions, explaining that there is not an equitable way to compare auditors that want to bid on the portions of the CBJ audit versus the entire City-wide audit. She asked for the Assembly's direction on how they would like to the RFP to be structured.

Assemblymember Kelly asked how many firms typically bid on the contract to do the full City-wide audit.

Ms. Flick answered that she would need to check with the Purchasing division to provide that information.

Assemblymember Smith asked how much CBJ usually spends on its audits every year.

Ms. Flick answered that in FY25 CBJ has estimated roughly \$225,000 for the entire body of audit work. She explained that BRH and JSD pay for portions of the work and that the bulk of the cost is paid for by CBJ proper.

Assemblymember Hale asked the present members of the BRH Board what their preference was in terms of a packaged City-wide audit or a separate audit for BRH.

Mr. Mertz stated that the BRH Board's preference would be for a separate audit service. He stated that the reason was because of the complexity of healthcare auditing. He explained that BRH's audit would be best handled by a healthcare specialized auditing firm. He described other communities in Alaska whose common practice was to use separate auditors for their school districts as well.

Assemblymember Hughes-Skandijs asked if the audits for BRH and JSD were done separately from the CBJ proper audit, would those audit reports for BRH and JSD be transparent and readily available for Assemblymembers to read.

Ms. Flick confirmed that whether the audit was done separately for BRH and JSD or together as a City-wide audit, the auditors would be working for the Assembly and their reports would be available to Assemblymembers.

Motion: by Assemblymember Hale to propose the AFC direct Staff to solicit three scopes of work for the audit RFP, one for BRH, one for the JSD, and one for CBJ.

Amendment: by Assemblymember Kelly to move to package JSD's audit with CBJ's, but solicit for BRH's audit services separately and ask for unanimous consent.

Objections: by Assemblymembers Woll, Hughes-Skandijs, and Mayor Weldon.

Assemblymember Kelly withdrew the amendment.

Objection: by Assemblymember Adkison.

Mayor Weldon expressed support for the motion stating that the value of advice from specialized auditors for BRH and JSD would outweigh their cost.

Roll Call Vote on Motion

Ayes: Hale, Hughes-Skandijs, Smith, Mayor Weldon

Nays: Adkison, Kelly, Woll

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

Motion: by Assemblymember Woll for immediate reconsideration.

Assemblymember Woll spoke to her motion for immediate reconsideration stating that because the majority vote of four members would not pass the motion, she would like to reconsider her vote in support of the motion so it will pass. She stated that the motion for reconsideration would require six assemblymember votes to pass.

Motion for immediate reconsideration passed with unanimous consent, making the previous vote null and void.

Original motion passed by unanimous consent.

The Committee recessed at 8:03 pm.

The Committee reconvened at 8:08 pm.

6. Strategic Communication Planning

Ms. Koester introduced the memo on page 77 of the packet that provides context to an ordinance that was introduced at the last Assembly meeting, to spend \$50,000 on a civic engagement and communication strategy. She pointed to the list of objectives in the memo and stated that they were quite bold. She explained that her intent was to issue an RFP for this and, from the RFP, have a budget request for the FY26 budget. She explained that the ordinance was introduced with a funding source from the General Fund, but that she was simultaneously requesting to deappropriate \$50,000 of sales tax from the Hut to Hut CIP to offset the impact on Unrestricted General Fund balance.

Ms. Koester stated that she didn't need any action from the Committee at this time, but she wanted this information to come to a committee before it was introduced to give the Assembly an opportunity to provide feedback.

Assemblymember Hughes-Skandijs expressed support for the project. She stated that she would like to see clear communication and explanation for official notices sent from CBJ so recipients would know why they are receiving it.

Assemblymember Kelly asked if the \$50,000 was meant to study how communication improvements could be implemented.

Ms. Koester confirmed that this amount would just be for studying how CBJ can improve and provide a communication strategy that the City Manager could bring to the Assembly for implementation.

7. St. Vincent de Paul Grant (Ord. 2024-01(b)(J))

Mr. Barr stated that St. Vincent de Paul had some turnover among their finance staff and they were not able to apply on time for a non-profit property tax exemption that they would typically be eligible for. He explained that it was being presented as an ordinance because Staff doesn't have the authority to grant the exemption.

Motion: by Assemblymember Hale to move Ordinance 2024-01(b)(J) for the \$35,025 grant to St. Vincent de Paul, to the Assembly for introduction and ask for unanimous consent.

Ms. Flick stated that this ordinance had already been introduced in August and that no motion was needed unless it was desired to stop the proposal in its tracks.

Assemblymember Hale withdrew the motion.

Assemblymember Hughes-Skandijs asked if the late-file requirement for St. Vincent de Paul was different than the requirement for individual late-file exemptions, where only a late-file explanation letter was needed.

Mr. Barr confirmed that the requirement for a non-profit late file exemption was different than the requirement for individual late-file requests.

E. NEXT MEETING DATE

8. September 18, 2024

F. SUPPLEMENTAL MATERIALS

9. Strategic Communication Planning Ordinance and Manager's Report

These materials were discussed under Agenda Topic #6.

G. ADJOURNMENT

The meeting was adjourned at 8:20 pm.