



ASSEMBLY FINANCE COMMITTEE AGENDA

November 30, 2022 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

B. ROLL CALL

C. APPROVAL OF MINUTES

1. November 2, 2022

D. AGENDA TOPICS

2. Juneau School District Audit

Elgee Rehfeld will present a high-level overview of audit findings at the School District. The complete JSD audit can be accessed [here](#).

3. Update on FY22/FY23/FY24

Finance Department provides update on FY22 year-end close, FY23 mid-year, and looking ahead to FY24.

E. SUPPLEMENTAL MATERIALS

4. Juneau School District Audit Supplemental Materials

F. NEXT MEETING DATE

5. January 4, 2022

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, TDD 586-5351, e-mail: city.clerk@juneau.org.

ASSEMBLY FINANCE COMMITTEE MINUTES - DRAFT

November 02, 2022 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 6:00 pm by Chair Triem.

B. ROLL CALL

Committee Members Present: Carole Triem, Chair; Maria Gladziszewski; Christine Woll; Michelle Bonnet-Hale; Wade Bryson; Greg Smith; Wáahlaal Gíidaak

Committee Members Absent: Mayor Beth Weldon; Alicia Hughes-Skandijs

Staff Members Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Robert Palmer, City Attorney; Jeff Rogers, Finance Director; Adrien Speegle, Budget Manager

Others Present: Brian Holst, Executive Director of Juneau Economic Development Council

C. APPROVAL OF MINUTES

1. September 7, 2022

The September 7, 2022 minutes were approved as presented.

D. AGENDA TOPICS

2. Juneau Housing Stock and Short-Term Rentals

Jeff Rogers, Finance Director, introduced Brian Holst, Executive Director of Juneau Economic Development Council (JEDC). Mr. Holst presented a research note about Juneau's housing stock and short-term rentals, as detailed on packet pages 8-28, and a presentation summarizing JEDC's findings on packet pages 31-64. In his presentation, Mr. Holst discussed the overall housing crisis in Juneau by evaluating short-term rentals and housing stock, the economic factors housing has on Juneau's economy, and provided a projection of necessary housing development in years to come.

Mr. Holst discussed the data on pages 36-43. The median price for homes in Juneau has continued to rise and is higher than the other Alaska communities that JEDC evaluated. On packet page 40, Mr. Holst reviewed the median number of days residences were on the market from 2010 through 2021. The data indicated that during this time period, units for sale went from an average of 40 days on the market in 2010 to less than seven days in 2021. Mr. Holst then discussed the rental unit vacancy rates in Juneau, statewide, and nationally, as shown on packet page 41, stating that vacancy numbers are lower than the rest of the state and national average. A solid production of single-family and multi-family units has provided some reprieve for the housing crisis but not enough to meet the community's need.

Mr. Holst continued to packet pages 43-45, analyzing the overall housing inventory in Juneau. JEDC estimates Juneau has at least 300 short-term rentals but not more than 600.

Assemblymember Gladziszewski asked Mr. Holst about the data compilation methodologies, and Mr. Holst stated that firms utilize manual tracking methodologies that catalog the number of new short-term rentals added to reservation websites.

On packet pages 46-49, Mr. Holst presented Juneau population trends, which exhibit that the number of residents over the age of 65 has almost doubled in the past ten years, but the youth population has declined. As a result of these demographic changes, more residents in Juneau are living alone, removing homes from the available units for sale or rent.

Mr. Holst stated that JEDC has concluded that short-term rentals have affected the housing inventory, but are only one contributing factor. Mr. Holst stated that some factors, such as the population's demographics, have impacted the Juneau housing crisis more.

Mr. Holst explained that the lack of housing leaves jobs unfilled, impacting employee recruitment and retention by adding a cost burden to workers, preventing economic mobility for new families and early career workers, and encouraging outward migration. Mr. Holst concluded that to meet current housing demand, Juneau needs to produce around 1,500 new units by 2030.

In response to Assemblymember Smith's question, Mr. Holst stated that seasonality of short-term rentals does impact housing inventory, as it precludes those units from being available for year-round, long-term rentals. Mr. Holst stated that JEDC does not see a reason to limit short-term rentals at this time, but if Juneau doesn't build housing, short-term rentals will be a considerable threat.

Assemblymember Gladziszewski asked if there is a way to quantify the number of companies that have purchased homes to turn into employee housing. Mr. Holst stated that JEDC is working to collect the data on the businesses that own inventory for housing to understand how this impacts the market.

Assemblymember Smith asked Mr. Rogers if Airbnb, VRBO, and similar companies collect and remit sales tax for short-term rentals on behalf of property owners. Mr. Rogers stated that he believes Airbnb can collect sales tax on behalf of sellers and remit the tax to CBJ. The challenge is that if a seller lists their unit on multiple platforms, including some that will not collect and remit sales tax to CBJ on their behalf, the property owners will still have to file their sales tax remittance manually for those platforms that do not collect and remit taxes on behalf of sellers.

In response to Assemblymember Gladziszewski question about the Sales Tax Office's ability to track the number of short-term rentals, Mr. Rogers stated that the Sales Tax Office has some difficulty tracking individual units because sellers may remit taxes for multiple units at once. With a recently hired firm, Harmari, CBJ will know the number of individual units owners pay short-term rental taxes on annually.

Assemblymember Woll asked about the timeline for receiving the data from Harmari. Mr. Rogers said that the contract was actively being signed and once finalized, Harmari will begin to collect data on the web and then compare it to the City and Borough's data.

Motion: by Assemblymember Gladziszewski directing staff to request short-term rental website companies, such as Airbnb and VRBO, collect sales tax from listing owners and remit the taxes to CBJ on their behalf.

Objection: by Assemblymember Hale, Assemblymember Bryson, and Chair Triem, who expressed that they would like more information brought before the Committee prior to taking this action, in an effort to bring the public along with any changes to sales tax collection and remittance.

The Committee discussed the motion.

Amendment: by Assemblymember Gladziszewski that staff reach out to short-term rental agencies to determine whether they will collect sales tax on behalf of listing owners and remit taxes to CBJ on their behalf, and bring this information back to the Committee for consideration.

Assemblymember Smith disclosed that he operates a short-term rental.

Amendment passed by unanimous consent.

Motion, as amended, passed by unanimous consent.

The Committee recessed at 7:09 pm

The Committee reconvened at 7:19 pm

3. Adjustment to Purchasing Threshold

Mr. Rogers introduced a memo regarding changes to purchasing thresholds on packet page 30. Mr. Rogers stated that CBJ has not adjusted Purchasing Code 53.50 – Purchasing of Supplies and Services in some time, and the current process has been a place of concern from client-departments due to the code's extensive time demands. Mr. Rogers referenced the chart on packet page 30, which reflects that other Alaska municipalities do not require public solicitation the way in which Juneau does. The proposed new threshold would not require bids or proposals for purchases under \$5,000; would add a purchasing level between \$5,000 and \$25,000 allowing purchasing agents to collect three written quotes without public solicitation; purchases between \$25,000 and \$50,000 would require informal public solicitation of bids/proposals; and any purchase above \$50,000 would require a sealed bid/proposal.

Assemblymember Hale asked why the purchasing code should not be changed to requiring informal public solicitation after \$50,000 instead of \$25,000, to mirror what other communities are doing. Rorie Watt, City Manager, responded that, historically, incremental changes have been received better by the public when it comes to spending public monies. Assemblymember Wáahlaal Gíidaak expressed appreciation for the slow incremental changes proposed by Mr. Rogers, but expressed concern that requiring only three written quotes as the allowable purchasing method between \$5,000 and \$25,000 may have an adverse impact on the diversity of vendors that do business with the City.

Assemblymember Smith asked what happens if there are more than three vendors providing the same service or good in Juneau. Mr. Rogers said that is difficult to navigate, but CBJ has to trust its purchasing agents to make the right steps to consider valid vendors while also not always proceeding with the same vendor if others are available at comparable prices. He stated that CBJ employees are good stewards of money, and are not inclined to go out of their way to spend more money as it affects their departmental budgets. Mr. Rogers stated that CBJ's purchasing code allows us to ride other contracts, such as a State contracts, which does not always mean CBJ is getting the best price, but may benefit from a more efficient procurement process.

Motion: by Assemblymember Gladziszewski to support the purchasing threshold proposal.

Motion passed by unanimous consent.

E. SUPPLEMENTAL MATERIALS**4. Juneau Housing Stock and Short-Term Rentals Presentation**

This agenda item was to include supplemental presentation materials to accompany the Juneau Economic Development Council's research note relating to Juneau's housing stock and short-term rentals.

5. Dock Electrification Update

Mr. Watt stated that on August 8, 2022 the Committee of the Whole directed Docks and Harbors to begin the process of purchasing a Load Tap Changer Transformer as the next step in the dock electrification project. Mr. Watt stated that since the Assembly approves grants, the memo on packet page 65 notifies the Committee that staff intend to grant funds to AEL&P to own, operate, and maintain the transformer necessary for electrification of the Alaska Steamship Dock. No action is necessary from the Committee unless there is disagreement with this approach.

Assemblymember Smith requested more information regarding the value gained by the \$40 million dock electrification project, considering its large cost. Chair Triem stated this will be discussed at the upcoming Assembly retreat.

6. Filing Period for Very Small Businesses

Mr. Rogers introduced a memorandum that would allow for businesses that remit less than \$1,000 in sales tax each year to file annually rather than quarterly. These businesses make up 40% of the filers in the borough and make up less than 0.5% of CBJ's total sales taxes collected. This change would reduce the burden on very small business owners and add efficiency to staff time use.

Motion: by Assemblymember Gladziszewski directing staff to draft an ordinance to allow businesses with less than \$20,000 in taxable sales to file annually rather than quarterly.

Assemblymember Hale, Assemblymember Smith, and Assemblymember Woll declared they have small businesses that would be impacted by the motion.

Motion passed by unanimous consent.

F. NEXT MEETING DATE**7. November 30, 2022****G. ADJOURNMENT**

The meeting was adjourned at 7:44 pm.

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, TDD 586-5351, e-mail: city.clerk@juneau.org.

MEMORANDUM

DATE: August 10, 2022
TO: President Siddon and the Juneau Board of Education
FROM: Robert Palmer, Municipal Attorney
SUBJECT: JSD Appropriation and Expenditure Process

Consistent with AS 14.17.910(b) and AS 14.14.060, the Charter of the City and Borough of Juneau provides clear direction for the appropriation and expenditure process in relation to the Juneau School District finances.

The annual budget process is provided by Charter § 13.6 and § 13.7, which states the Superintendent proposes a budget; the Board of Education (“Board”) reviews, approves a budget, and submits the budget to the Assembly; and the Assembly determines how much local money is available and ultimately appropriates money to the Board for the total budget. AS 14.14.060(c). Importantly, while the Assembly appropriates the Juneau School District budget, the Board is empowered to decide how the money is expended. *See* Charter § 13.4 (empowering the Board to set the policies of the district); AS 14.14.060; AS 14.14.090; *Municipality of Anchorage v. Repasky*, 34 P.3d 302 (Alaska 2001); *Macauley v. Hildebrand*, 491 P.2d 120 (Alaska 1971).

Notably, Charter § 13.7 limits the authority of Juneau School District staff to preserve the Board’s policy authority and to preserve the Assembly’s appropriation authority. *See also* AS 14.14.130(b) (stating that a Superintendent is tasked with administering the Board policies). Charter § 13.7 explicitly states the Superintendent is prohibited from obligating or making a payment without an appropriation, and the Juneau School District cannot exceed the total budget without Assembly approval. CBJ Charter Minutes at 810; AS 14.14.060(c); *Repasky*, 34 P.3d at 313 (“...between the school board and the [Assembly], the legislature chose to delegate the final budget approval power to the [Assembly]... Doing so, in our view, does not detract from the school board's role in proposing a budget, deciding how to spend amounts appropriated and setting educational policy, or administering expenditures after appropriation.”). Charter § 9.10 authorizes the Assembly to make supplemental appropriations from revenue sources that were not anticipated in the annual budget. Thus, Charter § 13.7 prohibits the Superintendent from independently making expenditure decisions without an appropriation from the Assembly, which requires Board approval prior to Assembly action.

Charter § 9.13(b) provides that every obligation incurred and every payment made in violation of the Charter is illegal and void. Any employee that knowingly authorizes or makes such payment is personally liable to the municipality. However, the elected officials have discretion to cure an employee’s fiscal Charter deviations if the Board and the Assembly, if necessary, believe that is in the best interests of the Juneau School District and the community.

AS § 14.14.060. Relationship between borough school district and borough; finances and buildings

...

(c) Except as otherwise provided by municipal ordinance, the borough school board shall submit the school budget for the following school year to the borough assembly by May 1 for approval of the total amount. Within 30 days after receipt of the budget the assembly shall determine the total amount of money to be made available from local sources for school purposes and shall furnish the school board with a statement of the sum to be made available. If the assembly does not, within 30 days, furnish the school board with a statement of the sum to be made available, the amount requested in the budget is automatically approved. Except as otherwise provided by municipal ordinance, by June 30, the assembly shall appropriate the amount to be made available from local sources from money available for the purpose.

...

AS § 14.17.910. Restrictions governing receipt and expenditure of district money

(a) Each district shall maintain complete financial records of the receipt and disbursement of state aid, money acquired from local effort, and other money received or held by the district. The records must be in the form required by the department and are subject to audit by the department at a time and place designated by the department.

(b) State aid provided under this chapter is for general operational purposes of the district. All district money, including state aid, shall be received, held, allocated, and expended by the district under applicable local law and state and federal constitutional provisions, statutes, and regulations, including those related to ethical standards and accounting principles.

CBJ Charter § 9.10. Supplemental and emergency appropriations.

(a) If during any fiscal year there are available revenues received from sources not anticipated in the budget for that year or revenues received in excess of budget estimates, the assembly by ordinance may make supplemental appropriations for the year up to the amount of the additional revenues.

...

CBJ Charter § 9.13. Administration of budget.

(a) No payment may be made and no obligation incurred against the municipality except in accordance with appropriations duly made. No payment may be made and no obligation incurred against any appropriation unless the manager ascertains that there is a sufficient unencumbered balance in the appropriation and that sufficient funds are or will be available to cover the obligation.

(b) Every obligation incurred and every authorization of payment in violation of this Charter shall be void. Every payment made in violation of the provisions of this Charter shall be illegal. All officers or employees of the municipality who knowingly authorize or make such payment shall be jointly and severally liable to the municipality for the full amount so paid. The manager shall proceed forthwith to collect the indebtedness unless otherwise directed by the assembly.

...

CBJ Charter § 13.4. Powers.

The board shall have all powers and duties provided by Title XIV, Alaska Statutes, consistent with this Charter, including but not limited to the following:

- (a) Set the broad, general policy for the operation of public schools in the municipality;
- (b) Establish the educational policy including but not limited to approval of curriculum study guides, curriculum materials and textbooks;
- (c) Serve as a board of appeals for certificated education personnel appealing decisions of the superintendent;
- (d) Be responsible for the appointment, promotion, demotion, suspension, removal, compensation, and control of all school employees and administrators and hear and determine grievances related thereto. For these purposes, the board shall be controlled by and derive its powers, duties and guidelines from the following sources, which are listed in direct order of priorities should any inconsistencies arise in the provisions thereof:
 - (1) The provisions of this Charter.
 - (2) Title XIV, Alaska Statutes.
 - (3) The provisions of the municipality's comprehensive personnel system plan, enacted pursuant to Section 3.14 of this Charter.
- (e) Meet at least once a month with meetings open to the public.

CBJ Charter § 13.6. Budget.

(a) Upon submission to the board by the superintendent, the school budget shall be a public record available for public inspection and for distribution at such reasonable price as the board may direct. The board shall hold a public hearing on the school board budget before approval and submission to the assembly for final action.

(b) The board shall submit the annual budget for the following school year to the assembly by April 5 of the current year for approval of the total amount. Within 30 days after receipt of the budget, the assembly shall determine the amount to be made available from local sources for school purposes, and shall furnish the board with a statement of the sum to be made available. If the assembly does not, within 30 days, furnish the board with a statement of the sum to be made available, the amount requested in the budget is automatically approved. By May 31, the assembly shall appropriate the amount to be made available from local sources from money available for the purpose.

CBJ Charter § 13.7. Administration of budget.

No payment may be made and no obligation incurred except in accordance with appropriations duly made. No payment may be made and no obligation incurred against any appropriation unless the superintendent ascertains that there is a sufficient unencumbered balance in the appropriation and that sufficient funds are or will be available to cover the obligation. After adoption of the school budget by the assembly, the board shall not exceed the total budget without assembly approval.

CBJ Charter Minutes at 810-811 (September 2, 1969)

"(49) Mr. Engstrom moved to amend sec. 13.7 by changing the last sentence to read "After the adoption of the school budget by the assembly the board shall not exceed the total budget without assembly approval" and strike "allocation for any major expenditure". Mr. Engstrom said his reason for proposing this amendment was because you get extra money from the federal and state government during the school year. The school board has a budget of 3 million dollars but during the year it gets say, \$100,000 for one program and \$100,000 for another that is completely unrelated to programs existing under the budget. In other words it isn't the type of money that is extra money that could slip into the budget, these are either designated or separate programs and the money has to be used for these program. Prior to this year the school board on its own has used these monies and spent them and in the last few years the school board has overspent the budget by these extra sums of money that have come in. Now, because of an interpretation of state law by the Attorney General's office it's required for any of these extra monies over and above the budget to get assembly approval before they can be spent. Mr. Engstrom felt if the assembly had total budgetary

control that that would be sufficient and even though it is covered by state law he would like to see it in the charter to make it clear.

(50) Mr. Schmitz seconded. The question was called and the following vote was recorded:

<u>Yes</u>	<u>No</u>
Engstrom	Halsted
Schmitz	
Grummett	
Kline	
Loken	
Russo	
Parker	

The Motion passed, 7 to 1.”

RHP/jc

cc: Dr. Bridget Weiss, JSD Superintendent
Cassee Olin, JSD Director of Administrative Services

CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT
(A Component Unit of the City and Borough of Juneau)
Schedule of Federal Findings and Questioned Costs, continued
Year ended June 30, 2022

Section D, Item 2.

FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001 Significant Deficiency in Internal Controls over Financial Reporting and Compliance with CBJ Charter, Article 13, Section 7 (Section 13.7)

New or Repeat: New

Criteria: The Charter of the City and Borough of Juneau, Section 13.7, *Administration of Budget*, limits the authority of Juneau School District staff to preserve the School Board's policy authority and to preserve the Assembly's appropriation authority. The CBJ Charter Section 13.7 reads as follows:

No payment may be made and no obligation incurred except in accordance with appropriations duly made. No payment may be made and no obligation incurred against any appropriation unless the superintendent ascertains that there is a sufficient unencumbered balance in the appropriation and that sufficient funds are or will be available to cover the obligation. After adoption of the school budget by the assembly, the board shall not exceed the total budget without assembly approval.

Condition: Controls were not designed or implemented to ensure compliance with Section 13.7. As a result the School District is in violation of Section 13.7 due to deficits in fund balance in the Operating Fund of \$620,407 and \$63,175 in total governmental funds.

Cause: The budget preparation for fiscal year 2022 did not include a reconciliation of the approved budget (School Board approved) to the budget in the accounting system. Unassigned fund balance in the Operating Fund, used to balance the fiscal year 2022 budget, was not updated after the fiscal year 2021 audited financial statements were completed. In addition, there were significant costs increases for expenses, outside School District control, including insurance and heating fuel and projected revenues were not received as budgeted. Quarterly budget reports, used for monitoring, were not utilized in accordance with JSD Board Policy (BP) 3460 *Periodic Financial Reports*, and monitoring was not sufficient to detect and correct the violation with the CBJ Charter in a timely manner or to enforce budgetary controls.

Context and effect: For the year ended June 30, 2022, total spending in the Operating Fund exceeded budgeted expenditures by \$506,679, actual revenues were \$1,150,430 less than budgeted revenues, and there was no unassigned fund balance available from fiscal year 2021 per prior year audited financial statements (budgeted \$1,300,000 to be used in FY22 budget). The combination of these issues resulted in a \$2,684,774 decrease in Operating Fund balance as of June 30, 2022. All other governmental funds had a net

CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT
(A Component Unit of the City and Borough of Juneau)
Schedule of Federal Findings and Questioned Costs, continued
Year ended June 30, 2022

Section D, Item 2.

\$27,317 decrease in fund balance, for a total decrease in School District fund balance of \$2,712,091, for fiscal year 2022, which exceeded total beginning (July 1, 2021) governmental fund balance and resulted in an ending deficit balance of \$63,175 as of June 30, 2022.

Recommendation: We recommend the School District work closely with CBJ to determine the impact of noncompliance resulting from deficits as of June 30, 2022. In addition, we recommend improvements to controls over budget and appropriations be implemented to ensure (1) compliance with Section 13.7, (2) accurate and timely reports prepared for management and School Board use in accordance with BP 3460, (3) budget amendments be completed in a more timely manner, (4) improvements to the budget documentation provided to the board for approval, and (5) a reconciliation between the approved budget and budget in the accounting system be completed and included for review by the School Board.

View of responsible officials: Management concurs with this finding, see corrective action plan.

2022-002 Significant Deficiency in Internal Controls over Medicaid Billing

New or Repeat: New

Criteria: The Juneau School District has a Medicaid Provider Agreement for school based services which allows eligible services to be billed to Medicaid. Eligible services can be billed up to one year after the service is provided, but must meet certain documentation requirements.

Condition: Juneau School District failed to design and implement controls related to Medicaid billing to ensure documentation required for billing was captured and billing was completed in a timely manner.

Cause: The Medicaid billing system which was designed to capture treatment documentation necessary for billing, failed during the fiscal year, and resulted no billing in fiscal year 2022. Issues contributing to the failure to bill included newly implemented software not capturing information necessary for billing, transition back to previous software, missing and incomplete treatment notes and lack of oversight over the capturing of documentation needed for the billing process.

Context and effect: The fiscal year 2022 budget included \$200,000 for estimated Medicaid revenues. The lack of billing contributed to the deficit in the Operating Fund.

CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT
(A Component Unit of the City and Borough of Juneau)
Schedule of Federal Findings and Questioned Costs, continued
Year ended June 30, 2022

Section D, Item 2.

Recommendation: We recommend the School District work closely with its 3rd party billing contractor to re-design its billing process, ensure the software system captures the documentation needed, and implement adequate oversight of its processes to ensure billing and collection is occurring in a consistent and timely manner.

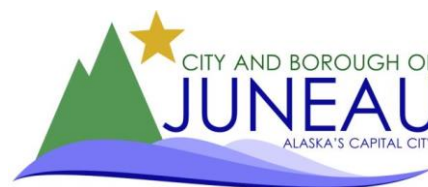
View of responsible

officials: Management concurs with this finding, see corrective action plan.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings reported for fiscal year 2022

MEMORANDUM



DATE: November 30, 2022

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Update on FY2022 Year-end Close

155 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

This memo should be reviewed side-by-side with the Budget Summary document, particularly the section of changes from the FY22 Assembly Adopted Budget and the FY22 Final Year-End Projected. Note that due to staffing shortages and turnover, the Controller has not yet completed the FY22 financial statements. The FY22 Final Year-End balances should be considered projected, not audited, but are believed to be materially accurate.

The main takeaway is a \$18.7 million deficit after the Assembly invested a total of \$37 million in various infrastructure projects and funds, including New City Hall, Statter/Seawalk, deferred maintenance, Affordable Housing Fund, Augustus Brown Pool, Boat Yard, Eaglecrest Gondola, Capital Civic Center, IT Upgrades, Teal Street Center, Lemon Creek Multi-Modal Path, JPD/CCFR radio system upgrades, North Douglas crossing, and the Ballot Processing Center. That is a very impressive and very significant investment in CBJ's infrastructure and community priorities. I will note the Assembly made these extraordinary investments with the knowledge that CBJ would receive approximately \$16.0 million of previously unreimbursed school bond debt from the State of Alaska. Those funds were granted in FY22 but were formally received by CBJ in FY23. So, considering those funds, the FY22 budget would be much closer to balanced.

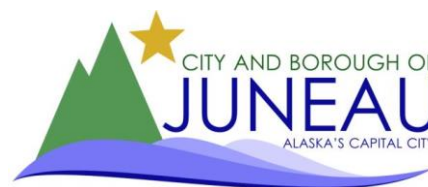
In addition to Assembly spending, there were other changes to expenditures. Most significantly, the CBJ general fund operating budget lapse is a record \$4.5 million--\$3.7 million in personnel and \$800,000 in non-personnel. This very significant lapse resulted from lingering pandemic closures and staffing shortages. And while a large lapse is also expected in FY23, the Assembly should not assume that such a large lapse will continue indefinitely into the future. In addition to the personnel and non-personnel expenditure lapse, the Assembly also accepted the recommendation from the Finance Department not to transfer general funds to the debt service fund, as had been budget, which resulted in a \$2.0 million expenditure savings.

The FY22 budget benefits significantly from unexpected one-time federal and state revenues granted to stabilize municipal government. All considered, \$17.9 million of unbudgeted revenues were received from a variety of sources. As documented in the revenue history/forecast, CBJ also collected \$6.8 million in sales tax in excess of the budget. Many factors contributed to this substantial windfall of sales tax revenue, including inflation, rapid post-pandemic economic restoration, and growing remote sales tax revenues. The Finance Department will continue to attempt to forecast sales tax revenues sufficiently high to account for these factors in the future. Property tax revenues were approximately \$0.5 million lower than budgeted due to the Assembly's decision to reduce the mill rate by 0.1 mill at the same meeting that it adopted the final CBJ operating budget.

After several years of super-sized investment returns, CBJ's overall investment portfolio produced a staggering \$3.6 million general fund loss in FY22, which results in a net revenue difference of \$5.3 million from positive budgeted income. As discussed several times previously, this loss resulted entirely from rising interest rates. As interest rates fall, investment returns are higher than normal; and as rates rise, investment returns become sluggish. If interest rates stabilize in the current range, CBJ investment income will stabilize also. And as interest rates fall to typical levels, investment income will outpace normal returns, which will likely recoup some of these losses. Note that this is not the result of poor investment management: CBJ's fixed income portfolio manager continues to out-perform the relevant market benchmark.

The anticipated \$18.7 million deficit decreases the unrestricted general fund balance from approximately \$27.5 million at the end of FY21 to approximately \$8.7 million at the end of FY22. The restricted budget reserve has increased from \$14.6 million at the end of FY21 to approximately \$15.6 million at the end of FY22 resulting from JEDC's return of funds from the COVID-19 small business loan program. This yields a total combined general fund balance of \$24.3 million at the end of FY22.

MEMORANDUM



DATE: November 30, 2022

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Mid-Year Update on FY2023

155 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

This memo should be reviewed side-by-side with the Budget Summary document, particularly the section of changes from the FY23 Assembly Adopted Budget and the FY23 Final Year-End Projected. Additionally, you should also review the updated Consolidated Revenue Forecast document.

The fiscal year started with an unexpectedly strong Sales Tax quarter. The first quarter of FY23 (July-Sept) yielded \$20.2 million in Sales Tax vs. \$17.9 million forecast. Inflation is definitely the most significant factor here. Prior forecasts did assume elevated inflation, but far less than Juneau actually experienced in the July-Sept quarter. Of particular note, Juneau fuel prices alone drove significant additional sales tax revenue. A review of fuel distributors showed *almost double* the total taxable value of fuel sold, which we believe is predominantly related to fuel prices and not to an increase in consumption (if anything, high fuel prices should have diminished consumption). Otherwise, assumptions that went into the prior sales tax forecast largely held true: Juneau received approximately the number of ships and passengers forecast, and Juneau residents appeared to be back to “pre-pandemic” local consumption levels, particularly at food and beverage establishments.

The strong performance in the first quarter likely indicates that Juneau’s economy is performing at pre-pandemic levels. I have no particularly reason to believe that the sales tax performance in the July-Sept quarter was an anomaly, as there is no indication that prices are falling or will fall in the coming quarters (deflation). Hence, significant adjustments have been made to the remaining quarters of the FY23 sales tax forecast. These adjustments indicate that total FY23 sales tax will be \$62.7 million, which will be \$7.0 million higher than budgeted last spring. That is a considerable upward shift in sales tax revenue, and you might rightly take it with a grain of salt. When the Manager’s introduces the budget in April, we will have the benefit of knowing the Oct-Dec quarter sales tax performance. That quarter could confirm the continued trend, or it could suggest that the first quarter of the year was indeed anomalous.

Remote sales tax also continues to grow faster than forecast, and based on monthly returns, FY23 forecast remote sales tax is increased to \$3.5 million, which is \$600,000 higher than budgeted. As with local sales tax, much of this unexpected growth can be attributed to inflation; but also, the Alaska Remote Sellers Sales Tax Commission (ARSSTC) continues to register large new filers every month. Of note, Google (Alphabet) has still failed to register with the ARSSTC, and commission staff are now force-filing the company and will initiate legal action to collect sales taxes due. The ARSSTC believes that Google alone will materially increase total remote sales tax collections.

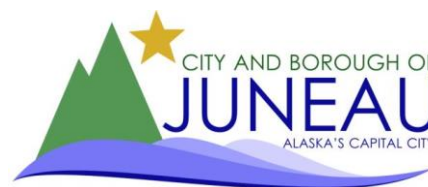
In comparison to recent years, the Assembly has shown extraordinary restraint with supplemental appropriations in FY23. To date, the Assembly has approved just \$155,000 of supplemental general fund expenditures, all of which were one-time rather than ongoing costs. However, the Assembly is on course to approve a \$3.1 million supplemental for wages and benefits resulting from the successful negotiation of labor contracts with CBJ’s bargaining units. This appropriation also funds the according cost increases for unrepresented employees. These costs were anticipated but could not be included in the FY23 budget upon adoption.

While there have been minimal supplemental appropriations for unanticipated expenditures, CBJ has continued to benefit from one-time revenues. A state grant of \$16.0 million for previously unreimbursed school bond debt was

known in FY22, but it was not received until FY23. Approximately \$3.9 million of ARPA revenue was shifted from FY22 to FY23 due to technical timing issues. Approximately \$1.0 million of pandemic-related support for transit will be received in FY23. And the state's Community Assistance Program (i.e. revenue sharing) payment to CBJ was higher than budgeted by about \$770,000.

All of those changes together turn a budgeted \$6.0 million deficit into a projected \$21.3 million surplus for FY23. This surplus would increase unrestricted general fund balance from \$8.7 million at the end of FY22 to \$30.1 million at the end of FY23.

MEMORANDUM



DATE: November 30, 2022

TO: Assembly Finance Committee

FROM: Jeff Rogers, Finance Director

SUBJECT: Looking Ahead to FY2024

105 Municipal Way
Juneau, AK 99801
Phone: (907) 586-5215
Fax: (907) 586-0358

This memo is far shorter than in previous years. After several years of extraordinary uncertainty, FY24 likely marks the return to a more historically typical budget. The pandemic has evolved into an endemic contagious disease that generally does not affect the health of our economy and does not trigger government intervention. So, as we begin to work on FY24, we are not so much reeling with uncertainty, but instead we confront the reality of a post-pandemic budget that must responsibly carry CBJ into its next economic cycle. FY21, FY22, and FY23 were marked by extraordinary one-time revenues that begot extraordinary one-time expenditures. Such extraordinary one-item revenues are unlikely in FY24, so we can finally focus on what a balanced budget will look like.

The major themes for the fiscal circumstances of FY24 return to considerations prior to the pandemic:

- Forecasting Summer Visitation
- One-Time Revenues
- Inflationary Pressure on Expenditures
- Inflation of Sales Tax
- Continued Growth in Property Value
- State Budget and State Employment
- Big Fund Balance and Big Needs

Forecasting Summer Visitation

Cruise industry expectations for visitation in the summer of 2023 vary, but generally, the cruise industry remains highly optimistic. According to the current ship schedule, there will be capacity for approximately 1.57 million passengers. That would significantly exceed pre-pandemic capacity. However, the industry is still recovering from the hang-over of COVID fears, especially as it relates to travel in close quarters. Cruise lines are reluctant to divulge specific information about current bookings; however, all lines consistently report that demand for Alaska cruises remains very high and that many passengers who had cancelled bookings in 2020 and 2021 still plan to use those bookings in 2023. In the past, cruise lines have aggressively discounted prices to fill berths rather than sail with them empty, but with rising input costs and staffing challenges, that may not be the preferred strategy in 2023.

Given that combination of factors, Management recommends discounting total capacity by about 10%. This would result in a passenger forecast of 1.4 million passengers as a planning number for 2023. That would be record visitation for Juneau. For forecasting sales tax and passenger fees, we will assume growth from summer 2022 revenues. Aside from the specific revenues from sales tax and passenger fees, 1.4 million passengers will continue to push Juneau's economy into even higher gear. The summer of 2023 will likely feel much larger than any pre-pandemic season.

One-Time Revenues

CBJ received an unprecedented amount of one-time revenue over the past several fiscal years. A portion of those one-time revenues were invested in business and community grants to stabilize Juneau's pandemic economy. But the substantial remainder was generally unrestricted and benefited the general fund. We have every reason to believe that those unrestricted one-time revenues are behind us. Going forward, state and federal funds will most likely be narrowly available for specific infrastructure investments. Several federal bills have been signed into law to bring many billions of dollars to the state of Alaska. These projects are likely to play out over the next 5 to 10 years, and CBJ should start to see the impact in FY24. Early indications are that many of these projects will

require local matching funds. Unless those funds come from state sources, Juneau will need to commit local revenues as match to many federal grants. For example, if Juneau were to receive \$100 million in projects with a required 20% match, then Juneau would need to provide \$20 million of local funds to see the projects advance.

So, in summary, additional operating/stabilization grants are unlikely. And while federal/state infrastructure spending will certainly spur the economy and benefit Juneau, it is very likely that those grants will also induce the expenditure of considerable local general funds.

Inflationary Pressure on Expenditures

Inflation is clearly upon us. CPI, PPI, and CPE (all different measures of inflation) all point to real cost inflation of 5% to 8% over this time last year. Locally, fuel prices are significantly more inflated. Several geopolitical factors continue to underpin global inflation—most notably Russia’s ongoing war with Ukraine and China’s *zero COVID* policy. In its effort to combat domestic inflation, the Federal Reserve has dramatically raised interest rates, with the intention to cool off the overheated US economy. Economists note that this round of inflation has been particularly “sticky” meaning that it did not abate as certain conditions improved. For example, gas prices fell, but overall inflation remained high. Housing prices are starting to break, but overall inflation remains high. In short, the Federal Reserve will continue to raise interest rates until it sees inflation falling to acceptable levels (around 2%). Most economists now believe that the Federal Reserve will inevitably overshoot the mark, and will drive the United States into an economic recession in order to curb runaway inflation.

CBJ should expect to see costs rise across the board through the end of FY23 and into FY24. Higher costs for supplies, higher costs for fuel and utilities, higher costs for services, and higher costs for construction activities. In short, almost everything will likely be more expensive, and potentially by a wide margin. Vast federal infrastructure spending is likely to pile-on to the cost increases for construction activities. And the current labor shortage may severely increase the cost of professional services (architects, engineers, etc.) and non-professional services (custodial, shipping/freight, transit/logistics, etc.).

It is probably too early to predict exactly how inflationary pressure will impact the FY24 budget, but higher costs will require additional general funds or service reductions. And the impact on the Capital Improvement Plan is likely to be even more pronounced.

Forecasting Sales Tax

For many years, the Finance Department has under-forecast Sales Tax receipts. Some have viewed this as a measure of conservative fiscal planning, and it certainly is. But, the consistent outperformance of Sales Tax is part of what has driven the phenomenon of CBJ finishing the year with surpluses when the Assembly was told to expect deficits. The goal should be to identify a realistic forecast that is neither too high nor too low; as in, we should have as much chance to miss on the down-side as on the up-side.

Per the separate memo on FY23, sales tax forecasts have been increased in response to a very strong July-Sept quarter. As of this writing, total FY24 sales tax collections are forecast at \$65.0 million, which is \$7.6 million higher than was forecast as part of the FY23/24 biennial budget. However, the FY24 forecast represents just 3% growth from the FY23 forecast. 3% growth is definitely conservative, but it recognizes that the most recent FY23 forecast already feels quite aggressive. FY24 sales tax collections could be higher if cruise visitation grows rapidly beyond pre-pandemic levels or if inflation marches higher. On the flip side, FY24 sales tax collections could be muted by economic contraction/recession in the United States, the strong US dollar (which could dampen international visitation), a new surge of COVID infections/deaths, rapid decline in state employment, deflation, and countless other factors.

Continued Growth in Property Value

Finance does not forecast property tax in the same way as sales tax. The amount of property tax CBJ receives is simply the mill rate established by the Assembly multiplied by the taxable assessed value of property determined by the Assessor. Residential home prices are certainly higher than they were a year ago, but there have definitely been strong signals (longer days on market, and price reductions) that the housing market has cooled. Growth of commercial values is harder to determine. This year, the Assessor conducted a voluntary market survey of

commercial property owners to attempt to obtain income/expense information that would help the assessor more equitably assess all commercial properties. The recent surge in economic activity and the robust return of cruise tourism will make investors more confident with commercial real estate purchases, which may reinforce or increase market values. Given all of the various factors affecting commercial property values, it is challenging to forecast how commercial values may change in 2023.

The Finance Department will use 2.5% property tax growth overall as a starting point for FY24 budget planning, but that number will be trued up once the Assessor finalizes assessed property values in March.

State Budget and State Employment

The State of Alaska continues to face a fiscal cliff. As with CBJ, one-time federal revenues related to the pandemic buttressed the FY23 state budget and prevented cuts and reductions. However, over the long-term, the State of Alaska budget remains in deficit—annual recurring expenditures outpace annual recurring revenues. As of this memo, it appears that both chambers of the Legislature may organize in moderate bipartisan coalitions. Likewise, Governor Dunleavy appears poised to win reelection, and he has made moderate bipartisan overtures to the public. This could signal two years of moderate collaboration on spending reductions and revenue increases. Or, the Legislature and Governor could remain locked in a dogfight of political dogma. Either way, Alaska cannot long continue on its current track.

CBJ is less exposed to school bond debt reimbursement and state revenue sharing than it used to be. So, in some ways, we are more in control of our own destiny, but we have less-and-less state support for municipal operations and infrastructure. With news across the state of school closures and increasing class sizes, the Legislature and Governor are very likely to spend a considerable amount of time talking about school funding. If state funding for education goes up, then CBJ funding for education could also go up (the local funding cap rises as state funding rises). If the state continues to refuse to fund school construction and major maintenance, then CBJ will have to continue spending significantly to maintain schools without state assistance. Or, perhaps reinstitution of school bond debt reimbursement could give the Assembly confidence to invest more in school facilities in recognition of the state's cost sharing.

State employment in Juneau continues to decline. The move to remote work opened the floodgates for positions to leave Juneau. Governor Dunleavy has done less than his predecessors to have his cabinet members home-based in Juneau. In my opinion, the outward flow of positions starts in the top ranks and flows down from there. Commissioners in Anchorage yields Directors in Anchorage, which yields Program Managers in Anchorage, which yields front-line staff in Anchorage. These two factors have resulted in a significant shift of positions out of Juneau during the pandemic, which means fewer working state employees living here. As I have noted before, some of these losses have been offset economically by Juneau's gain of state and federal retirees. This is definitely worthy of further analysis in the spring. That analysis should consider whether the shift of state employees also results in a shift in federal and NGO employees.

Big Fund Balance and Big Needs

The FY23 year-end fund balance is projected to be \$30.1 million. That level of fund balance is far higher (~\$25 million higher) than is necessary as a "cushion" for unforeseen needs. Remember, the Restricted Budget Reserve is the primary source of funds for economic emergencies and other catastrophic events. Unrestricted fund balance may be wisely invested in community priorities without endangering CBJ's fiscal position.

This level of fund balance will likely cause the community and the Assembly to consider another round of major investments in infrastructure, as it did in FY22. The Manager has consistently recommended that fund balance be invested in infrastructure that can reduce future municipal costs—as insulation against future revenue downturns. For example, if the Assembly still believes in the long-term cost savings that results from a New City Hall, perhaps it is time to consider funding the project with cash rather than debt. Aside from New City Hall, the Assembly has a long list of priority projects, and they are all meritorious in their own right. Deciding how to carve up this pie will not likely be easy.

Summary

After consideration of all of the factors above, the FY24 budget likely starts with a surplus of \$3.6 million, not accounting for the lapse, which has historically been between \$1.5 and \$2.0 million. That surplus already accounts for the negotiated wage/benefit costs, but it does not account for what are likely to be very substantial increases for non-personnel services and commodity costs. Over the course of a few years, CBJ has moved from what appeared to be “structural deficits” (current revenue less current expenditure) to what could be a balanced FY24 budget. This happened for the simple reason that tax revenues have grown faster in FY23 and FY24 than CBJ expenditures for operations. The 5.5% wage increase in FY23 now appears to be far less than the growth of sales/property taxes. And the 2.0% wage increase in FY24 will almost certainly be far less than tax growth in that year.

Of the many things that the Manager may propose as part of his budget, the Assembly is very likely to see one or more proposals related to employee recruitment and retention. CBJ faces considerable staffing shortages and a high level of employee turnover. Hence, CBJ must take steps to be as competitive as possible. With wages/benefits now successfully negotiated for the next three years, the Manager may make proposals that increase or expand non-wage benefits in an effort to attract and retain high quality employees. Additionally, CBJ has not had a durable mechanism for increasing the balance of the Restricted Budget Reserve to keep it consistent with the Resolution that established it. The Assembly should expect to see a proposal in the Manager’s budget to bring the Restricted Budget Reserve in line with two-months of annual operating expenditures. This proposal will likely require several million dollars, either from fund balance or from the FY24 operating surplus.

All in all, FY24 should start to look like a “normal” year. Tax revenues appear to be robust, but costs are rising. The state is less-and-less of a fiscal dance partner. Fund balance is high, and so is the demand for new or improved infrastructure. The Assembly is charged with striking the balance among these competing themes. But, no matter how you slice it, Juneau appears to be in a very enviable fiscal position heading into the FY24 budget process.

		Revenues	Expenditures	Surplus (Deficit)	Unrestricted Fund Balance
FY2021					
1	Manager Proposed Budget	\$ 152,721,100	\$ (160,022,100)	\$ (7,301,000)	\$ 18,252,900
2					
28	Assembly Adopted Budget	\$ 157,129,500	\$ (152,163,600)	\$ 4,965,900	\$ 30,519,800
29					
60	Final Year-End (audited)	\$ 158,916,400	\$ (157,005,900)	\$ 1,910,500	\$ 27,464,400
61					
62	FY2022				
102	Manager Proposed Budget	\$ 158,632,100	\$ (166,440,700)	\$ (7,808,600)	\$ 19,655,800
103					
104	Use of Liquor Tax for CCFR Sleep Off/MIH (instead of BRH)	\$ 175,000			
105	CCFR Sleep Off/MIH Increment		\$ (496,600)		
106	Increase to Childcare Grant		\$ (225,000)		
107	Increase to JEDC Grant		\$ (75,000)		
108	Operating Grant to Downtown Business Association		\$ (75,000)		
109	Operating Grant to Alaska HeatSmart		\$ (110,000)		
110	Credit Enhancements to Alaska HeatSmart		\$ (25,000)		
111	Challenge Grant Appropriation to Juneau Park Foundation		\$ (15,000)		
112	Update to Juneau Economic Plan		\$ (19,000)		
113	CY2021 Vote-by-Mail w/ Anchorage Vote Center		\$ (58,100)		
114	GF Subsidy for Travel Juneau Operating Grant		\$ (69,400)		
115	Change to Proposed Mill Rate	\$ (1,033,200)			
116	Total Assembly Adopted Changes	\$ (858,200)	\$ (1,168,100)	\$ (2,026,300)	
117					
118	Additional Use of Federal American Rescue Plan Act in FY22	\$ 1,738,375			
119	Change in Assumption for School Bond Debt Reimbursement	\$ -			
120	Change from Revised Property Valuation	\$ 2,727,025			
121	Revenue Forecast Changes	\$ 4,465,400	\$ -	\$ 4,465,400	
122					
123	Assembly Adopted Budget	\$ 162,239,300	\$ (167,608,800)	\$ (5,369,500)	\$ 22,094,900
124					
125	New City Hall		\$ (6,300,000)		
126	Statter Harbor Phase IIIC/Seawalk CIPs		\$ (5,500,000)		
127	Deferred Maintenance (CBJ Facilities, schools, parks, etc)		\$ (5,500,000)		
128	Transfer to Affordable Housing Fund		\$ (5,000,000)		
129	Inflationary Costs of Augustus Brown Pool Renovation		\$ (3,000,000)		
130	Purchase of Harris Harbor Boat Yard		\$ (2,000,000)		
131	Eaglecrest Gondola Purchase		\$ (2,000,000)		
132	Capital Civic Center		\$ (2,000,000)		
133	IT Infrastructure Upgrades		\$ (1,500,000)		
134	United Human Services Teal Street Center		\$ (1,300,000)		
135	EOC Expenditures		\$ (1,000,000)		
136	Lemon Creek Multi-Modal Path		\$ (1,000,000)		
137	Ballot Processing Center Capital Project		\$ (700,000)		
138	Expanded MIH Funded by State and Private Revenue	\$ 570,000	\$ (570,000)		
139	Eaglecrest Gondola Transportation		\$ (500,000)		
140	JPD/CCFR Radio System Replacement (early phase)		\$ (500,000)		
141	Grant/MPF Funded Supplemental Appropriations in the General Fund	\$ 286,600	\$ (286,600)		
142	Transfer ARPA Funds to Downtown Parking Fund to Replace Lost Revenue		\$ (300,000)		
143	North Douglas Crossing		\$ (250,000)		
144	The Glory Hall Sheltering Support		\$ (150,000)		
145	Grant Writer Position		\$ (120,000)		
146	CDD Plat Reviewer Position		\$ (70,000)		
147	Increased Assembly/Planning Commissioner Compensation		\$ (27,800)		
148	Support for Celebration		\$ (25,000)		
149	Additional Support to JSD for Ice Time		\$ (10,000)		
150	Supplemental Appropriations	\$ 856,600	\$ (39,609,400)		
151					
152	Personnel Services Lapse		\$ 3,719,323		
153	Lapse GF Transfer to Debt Service Fund in FY22		\$ 1,984,200		
154	Non-Personnel Services Lapse		\$ 762,718		
155	ARPA Funds Replacing SMPFs	\$ 11,942,000			
156	ARPA SOA Local Government Lost Revenue Grant	\$ 9,261,500			
157	Sales Tax Revenue Above/(Below) Forecast	\$ 6,800,000			
158	Original ARPA Award Above Estimates	\$ 1,096,700			
159	Department Revenue Above/Below Estimates	\$ 125,731			
160	Reduction to Investment Income	\$ (5,323,653)			
161	ARPA Funds Received in FY23	\$ (3,869,519)			
162	Reversal of Actual SMPFs from ARPA Funds	\$ (572,400)			
163	Mill Rate Reduction Not Included in Budget	\$ (540,000)			
164	Anticipated Variances	\$ 18,920,359	\$ 6,466,241		
165					
166	Final Year-End (projected)	\$ 182,016,259	\$ (200,751,959)	\$ (18,735,700)	\$ 8,728,700

FY21-FY24 Budget Summary and Impact on Fund Balances

11/23/2022

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		Revenues	Expenditures	Surplus (Deficit)	Unrestricted Fund Balance
168	FY2023				
169	Prior Year Adopted Budget	\$ 162,239,300	\$ (167,608,800)		
170	FY22 One-Time Expenditures/Revenue	\$ (10,552,400)	\$ 3,933,500		
171	Sales Tax Growth over FY22 Adopted Budget	\$ 10,700,000			
172	Property Tax Growth over FY22 Adopted Budget	\$ 3,203,500			
173	Adjusted Base	\$ 165,590,400	\$ (163,675,300)		
174					
175	Reduced Federal Support (various)	\$ (43,700)			
176	Reimbursement for Ambulance Transports (SEMT)	\$ 400,000			
177	Transition from Charging 85% of Allocated Costs to 100%	\$ 350,000			
178	Increased Charges for Services	\$ 302,900			
179	Increase Sales Tax Support to CIPs		\$ (1,500,000)		
180	Additional GF Support to JSD - Up to the Cap		\$ (1,262,400)		
181	Increase to Service Contracts		\$ (778,700)		
182	Merit Increases and Other Personnel Actions (and associated benefits)		\$ (576,100)		
183	New Streets Positions (2.92 FTE)		\$ (237,300)		
184	Increased Fleet Replacement Contributions		\$ (298,400)		
185	Household Hazardous Waste/Junked Vehicles Service Contract Increase		\$ (275,000)		
186	Microsoft Office and Other Technology Cost Increases		\$ (254,600)		
187	Comprehensive Plan		\$ (250,000)		
188	Increase to Supplies		\$ (237,100)		
189	Increased Social Service Assembly Grant (10% inflation + TGH)		\$ (235,400)		
190	Increased Insurance Premiums		\$ (222,600)		
191	Increase to Fleet Maintenance Rates		\$ (145,400)		
192	Travel and Training Increases (return to pre-pandemic)		\$ (93,900)		
193	Manager Proposed Budget	\$ 166,599,600	\$ (170,042,200)	\$ (3,442,600)	\$ 5,286,100
194					
195	Fire - Expanded MIH Program (partially grant funded)	\$ 43,500	\$ (540,700)		
196	Increase Sales Tax Support to CIPs (Amendments)		\$ (375,000)		
197	Increase to JCF Social Service Block Grant		\$ (264,600)		
198	School District Outside the Cap		\$ (157,700)		
199	Alaska Heat Smart Operations Grant		\$ (142,000)		
200	AEYC - Parents as Teachers (conditioned)		\$ (141,000)		
201	Clerk's Office Increments (1.5 FTE) - Technical Adj.		\$ (116,700)		
202	Shéiyi Xaat Hit Youth Development Leader FTEs		\$ (102,200)		
203	AEYC - Operations		\$ (102,000)		
204	Increased GF Support to Eaglecrest		\$ (55,000)		
205	Warming Shelter Contract Increase		\$ (30,000)		
206	Juneau Festival Committee Increase		\$ (6,200)		
207	Juneau Human Right Commission - Community Engagement		\$ (5,000)		
208	Total Assembly Adopted Changes	\$ 43,500	\$ (2,038,100)	\$ (1,994,600)	
209					
210	Reduction of Mill Rate to 10.56 Mills	\$ (575,800)			
211	Revenue Forecast Changes	\$ (575,800)	\$ -	\$ (575,800)	
212					
213	Assembly Adopted Budget	\$ 166,067,300	\$ (172,080,300)	\$ (6,013,000)	\$ 2,715,700
214					
215	Wage and Health Benefit Costs (<i>pending</i>)		\$ (3,093,600)		
216	Telephone Hill Redevelopment		\$ (100,000)		
217	Removing Sales Tax on Food Juneau Voter Survey		\$ (40,000)		
218	Medical Respite (offset by portion covered by HEC Grant)		\$ (15,319)		
219	Supplemental Appropriations	\$ -	\$ (3,248,919)		
220					
221	State Reimbursement of Previously Unreimbursed School Bond Debt	\$ 16,035,000			
222	ARPA Funds Received in FY23	\$ 3,869,519			
223	Sales Tax Revenue Above/(Below) Forecast	\$ 7,000,000			
224	Transit CRRSAA Grant Award	\$ 1,026,200			
225	Community Assistance Program Award Above Estimates	\$ 770,821			
226	Property Tax Certified Roll True-Up	\$ (88,178)			
227	Anticipated Lapse		\$ 2,000,000		
228	Anticipated Variances	\$ 28,613,362	\$ 2,000,000		
229					
230	Final Year-End (projected)	\$ 194,680,662	\$ (173,329,219)	\$ 21,351,444	\$ 30,080,144

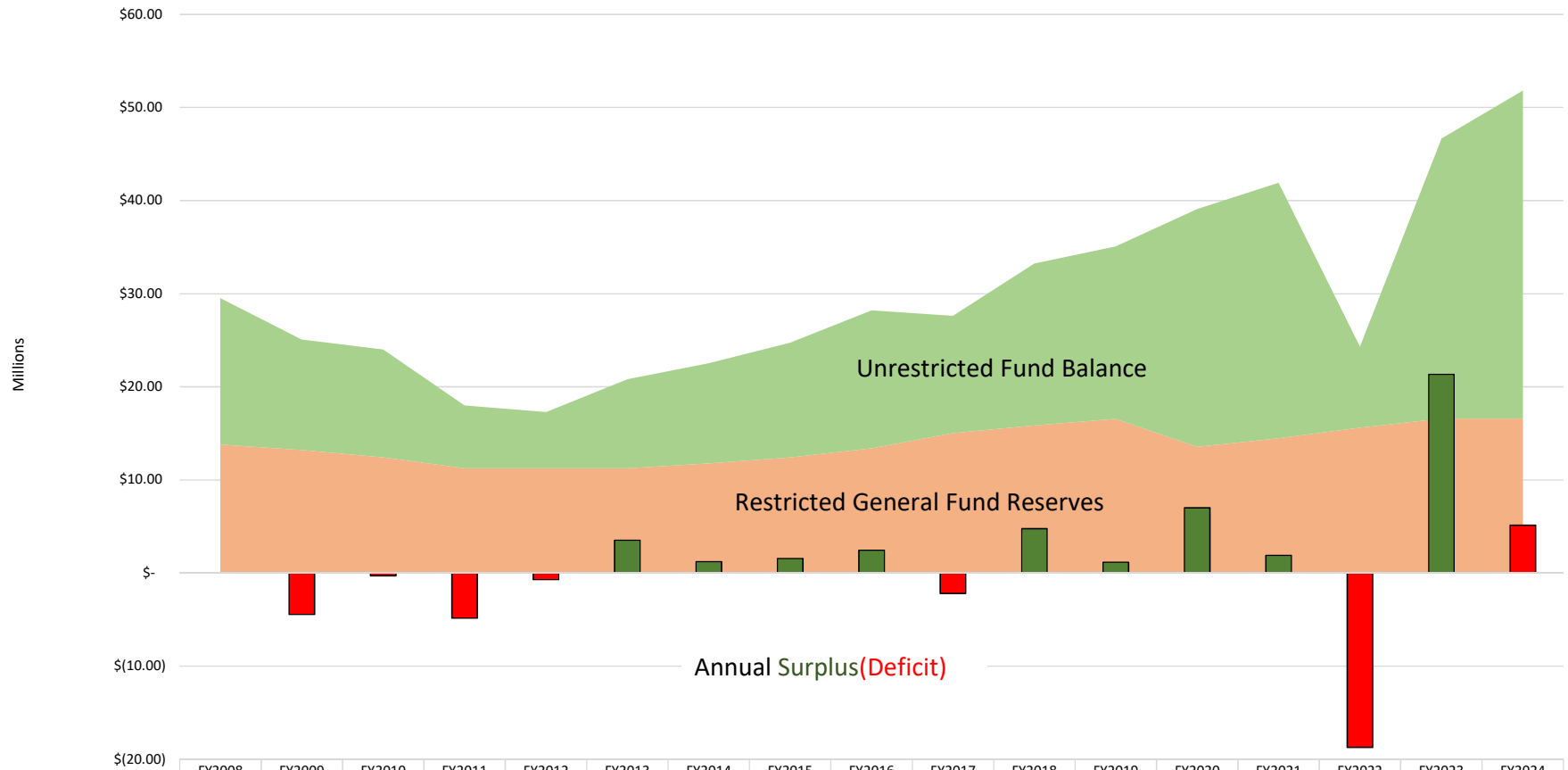
FY21-FY24 Budget Summary and Impact on Fund Balances
11/23/2022

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232 **FY2024**

		<u>Revenues</u>	<u>Expenditures</u>	<u>Surplus (Deficit)</u>	<u>Unrestricted Fund Balance</u>
233	Prior Year Adopted Budget	\$ 166,067,300	\$ (172,080,300)		
234	FY23 One-Time Expenditures/Revenue	\$ -	\$ 1,015,000		
235	Sales Tax Growth over FY23 Adopted Budget	\$ 9,300,000		<i>Per revenue forecast</i>	
236	Property Tax Growth over FY23 Adopted Budget	\$ 1,325,400		<i>2.5% growth</i>	
237	Other Revenue Growth	\$ 393,100		<i>2.5% growth</i>	
238	Adjusted Base	\$ 177,085,800	\$ (171,065,300)		
239					
240	Tobacco Tax - MIH	\$ 540,700			
241	Wage and Health Benefit Costs		\$ (1,395,000)		
242	Merit Increases and Other Personnel Actions (and associated benefits)		\$ (821,900)	<i>Per FY24 Proposed Budget, includes OT</i>	
243	Commodities and Services Cost Growth		\$ (705,100)	<i>2.5% growth</i>	
244	Manager Proposed Budget	\$ 177,626,500	\$ (173,987,300)	\$ 3,639,200	\$ 33,719,344
245					
252	Assembly Adopted Budget	\$ 177,626,500	\$ (174,487,300)	\$ 3,139,200	\$ 33,219,344
253					
260	Final Year-End (projected)	\$ 177,626,500	\$ (172,487,300)	\$ 5,139,200	\$ 35,219,344

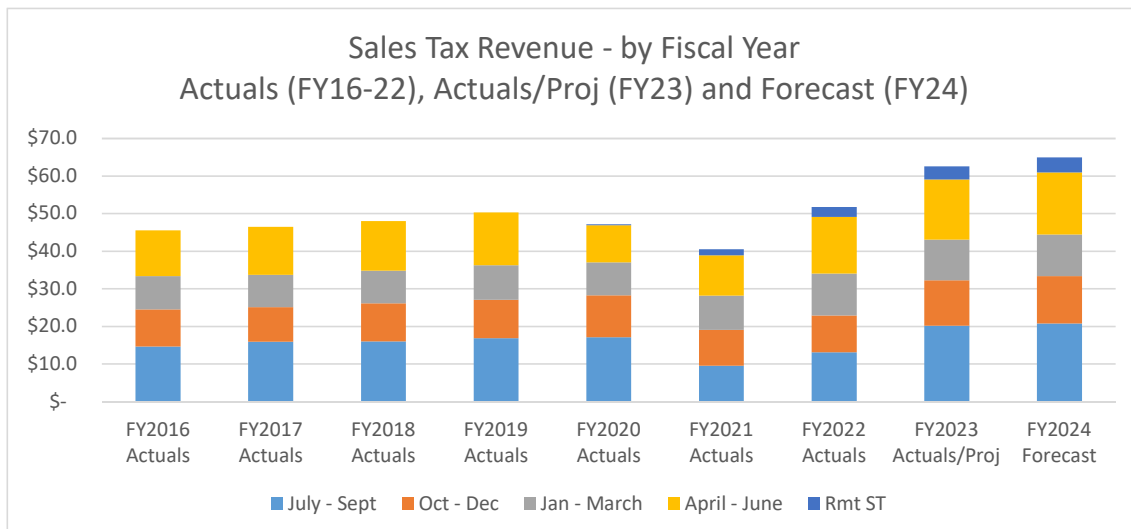
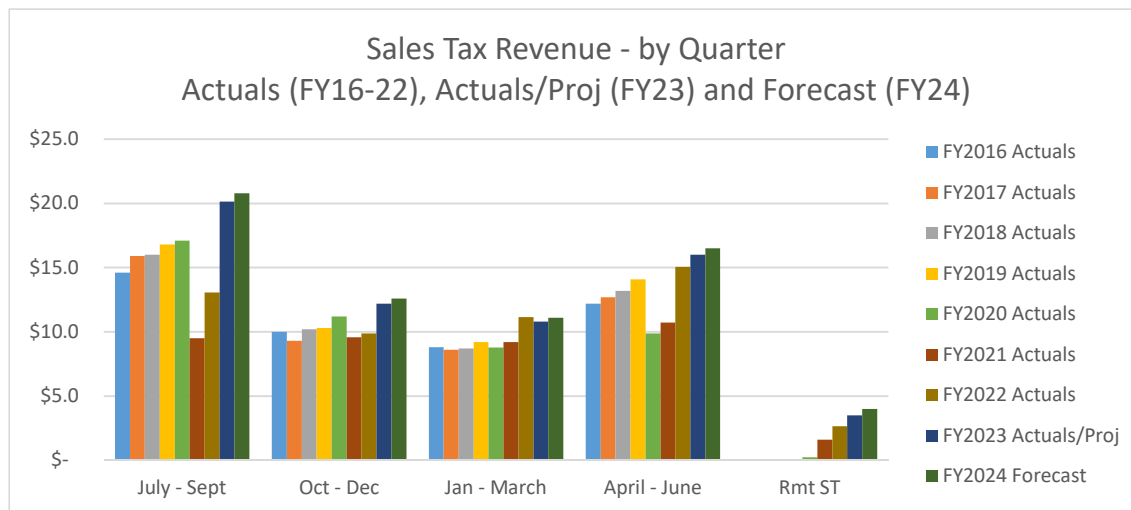
17-Year General Government Fund Balance History and Projections
Includes Sales Tax Fund



Sales Tax Actuals and Forecast
Updated 11/23/2022

Section D, Item 3.

Sales Tax	Q1 July - Sept	Q2 Oct - Dec	Q3 Jan - March	Q4 April - June	Annual Rmt ST	Total
FY2016 Actuals	\$ 14.6	\$ 10.0	\$ 8.8	\$ 12.2	\$ -	\$ 45.6
FY2017 Actuals	\$ 15.9	\$ 9.3	\$ 8.6	\$ 12.7	\$ -	\$ 46.5
FY2018 Actuals	\$ 16.0	\$ 10.2	\$ 8.7	\$ 13.2	\$ -	\$ 48.1
FY2019 Actuals	\$ 16.8	\$ 10.3	\$ 9.2	\$ 14.1	\$ -	\$ 50.4
FY2020 Actuals	\$ 17.1	\$ 11.2	\$ 8.8	\$ 9.9	\$ 0.2	\$ 47.2
FY2021 Actuals	\$ 9.5	\$ 9.6	\$ 9.2	\$ 10.7	\$ 1.6	\$ 40.6
FY2022 Budget	\$ 11.0	\$ 10.2	\$ 9.0	\$ 13.0	\$ 1.8	\$ 45.0
FY2022 Projected	\$ 13.0	\$ 9.8	\$ 9.2	\$ 14.1	\$ 2.6	\$ 48.6
FY2022 Actuals	\$ 13.1	\$ 9.9	\$ 11.2	\$ 15.1	\$ 2.7	\$ 51.8
Over/(Under) Budget	\$ 0.1	\$ 0.1	\$ 2.0	\$ 1.0	\$ 0.1	\$ 3.2
FY2023 Budget	\$ 17.9	\$ 11.2	\$ 9.4	\$ 14.3	\$ 2.9	\$ 55.7
FY2023 Actuals/Proj	\$ 20.2	\$ 12.2	\$ 10.8	\$ 16.0	\$ 3.5	\$ 62.7
Over/(Under) Budget	\$ 2.25	\$ 1.00	\$ 1.40	\$ 1.70	\$ 0.6	\$ 7.0
FY2024 Budget	\$ 18.4	\$ 11.5	\$ 9.7	\$ 14.7	\$ 3.1	\$ 57.4
FY2024 Forecast	\$ 20.8	\$ 12.6	\$ 11.1	\$ 16.5	\$ 4.0	\$ 65.0
Over/(Under) Budget	\$ 2.40	\$ 1.10	\$ 1.40	\$ 1.80	\$ 0.9	\$ 7.6



Remote Sales Tax Actuals, Projected, and Forecast - Net of Fees
Updated 11/23/2022

Section D, Item 3.

Remote Sales Tax	Q1 July - Sept	Q2 Oct - Dec	Q3 Jan - March	Q4 April - June	Total
FY2016 Actuals	\$ -	\$ -	\$ -	\$ -	\$ -
FY2017 Actuals	\$ -	\$ -	\$ -	\$ -	\$ -
FY2018 Actuals	\$ -	\$ -	\$ -	\$ -	\$ -
FY2019 Actuals	\$ -	\$ -	\$ -	\$ -	\$ -
FY2020 Actuals	\$ -	\$ -	\$ 0.01	\$ 0.22	\$ 0.23
FY2021 Actuals	\$ 0.29	\$ 0.43	\$ 0.40	\$ 0.48	\$ 1.60
FY2022 Budget	\$ 0.44	\$ 0.48	\$ 0.44	\$ 0.44	\$ 1.80
FY2022 Projected	\$ 0.53	\$ 0.73	\$ 0.65	\$ 0.69	\$ 2.60
FY2022 Actuals	\$ 0.53	\$ 0.73	\$ 0.65	\$ 0.74	\$ 2.65
Over/(Under) Budget	\$ -	\$ -	\$ -	\$ 0.05	\$ 0.05
FY2023 Budget	\$ 0.70	\$ 0.80	\$ 0.70	\$ 0.70	\$ 2.90
FY2023 Actuals/Proj	\$ 0.85	\$ 0.86	\$ 0.88	\$ 0.91	\$ 3.50
Over/(Under) Budget	\$ 0.15	\$ 0.06	\$ 0.18	\$ 0.21	\$ 0.60
FY2024 Budget	\$ 0.75	\$ 0.85	\$ 0.75	\$ 0.75	\$ 3.10
FY2024 Forecast	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 4.00
Over/(Under) Budget	\$ 0.25	\$ 0.15	\$ 0.25	\$ 0.25	\$ 0.90

By Month and Quarter

FY20 Q3	March	\$	8,608
FY20 Q4	April	\$	59,622
	May	\$	71,410
	June	\$	86,952
Total FY2020	\$		226,592

FY21 Q1	Jul	\$	93,529
	Aug	\$	99,659
	Sept	\$	95,405

FY21 Q2	Oct	\$	145,325
	Nov	\$	121,040
	Dec	\$	159,225

FY21 Q3	Jan	\$	126,253
	Feb	\$	120,339
	Mar	\$	151,929

FY21 Q4	Apr	\$	158,656
	May	\$	148,231
	June	\$	175,578
Total FY2021	\$		1,595,170

FY22 Q1	Jul	\$	163,701
	Aug	\$	184,066
	Sept	\$	186,254

FY22 Q2	Oct	\$	214,855
	Nov	\$	254,519
	Dec	\$	258,503

FY22 Q3	Jan	\$	216,953
	Feb	\$	200,551
	Mar	\$	232,296

FY22 Q4	Apr	\$	242,968
	May	\$	216,140
	June	\$	279,732
Total FY2022	\$		2,650,538

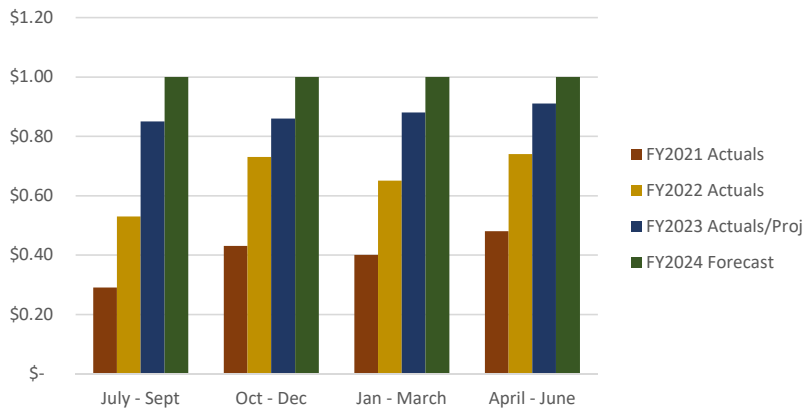
FY23 Q1	Jul	\$	250,285
	Aug	\$	270,278
	Sept	\$	326,843

FY23 Q2	Oct	\$	282,000
	Nov	\$	285,000
	Dec	\$	288,000

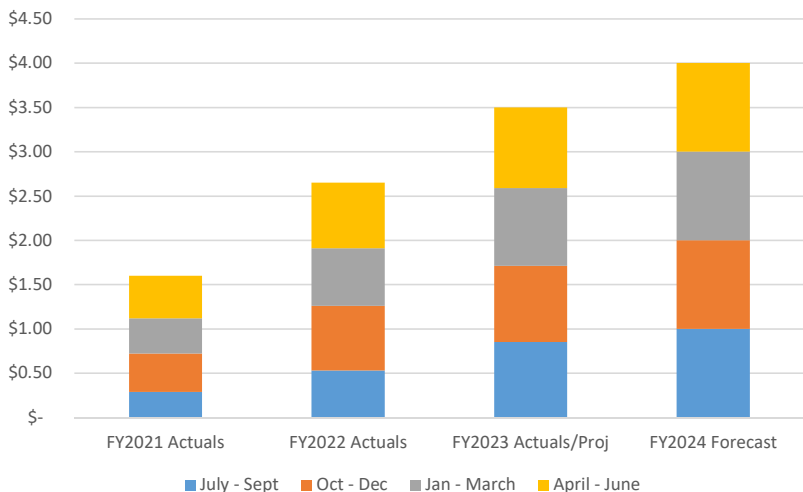
FY23 Q3	Jan	\$	291,000
	Feb	\$	294,000
	Mar	\$	297,000

FY23 Q4	Apr	\$	300,000
	May	\$	303,000
	June	\$	306,000
Total FY2023 Proj	\$		3,493,406

Remote Sales Tax Revenue - by Quarter
Actuals (FY20-22), Actuals/Proj (FY23) and Forecast (FY24)



Remote Sales Tax Revenue - by Quarter
Actuals (FY20-22), Actuals/Proj (FY23) and Forecast (FY24)



CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT
(A Component Unit of the City and Borough of Juneau)

Governmental Funds

Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)

Year Ended June 30, 2022

with comparative totals for the year ended June 30, 2021

	Operating Fund	Student Transportation	Food Service	CRRSA - ESSER II	School Activities	Non-Major Governmental Funds	Totals	
							2022	2021
Revenues:								
Local sources:								
Borough appropriations	\$ 27,228,850	\$ 250,000	\$ 75,000	\$ -	\$ -	\$ 1,792,250	\$ 29,346,100	\$ 28,953,846
Tuition from students	262,240	-	-	-	-	-	262,240	68,240
E-Rate	282,955	-	-	-	-	-	282,955	309,679
Other	299,586	-	48,120	-	1,608,045	2,123,204	4,078,955	2,943,987
Total local sources	28,073,631	250,000	123,120	-	1,608,045	3,915,454	33,970,250	32,275,752
State sources:								
Foundation program	34,604,847	-	-	-	-	-	34,604,847	37,041,750
TRS on-behalf revenue	4,924,711	-	-	-	-	-	4,924,711	4,902,445
PERS on-behalf revenue	1,254,199	-	-	-	-	-	1,254,199	1,310,946
Other	150,281	2,684,813	-	-	-	343,333	3,178,427	2,909,361
Total state sources	40,934,038	2,684,813	-	-	-	343,333	43,962,184	46,164,502
Federal sources:								
Direct	-	-	-	-	-	403,876	403,876	471,846
Passed through State of Alaska	-	-	3,042,168	2,404,732	-	5,468,368	10,915,268	6,056,679
Passed through other agencies	-	-	-	-	-	446,046	446,046	3,020,308
Total federal sources	-	-	3,042,168	2,404,732	-	6,318,290	11,765,190	9,548,833
Total revenues	69,007,669	2,934,813	3,165,288	2,404,732	1,608,045	10,577,077	89,697,624	87,989,087
Expenditures:								
Instruction	29,002,699	-	-	1,012,465	-	2,515,504	32,530,668	34,766,567
Special education instruction	13,835,856	-	-	-	-	1,136,712	14,972,568	14,961,568
Special education support services - students	3,392,544	-	-	-	-	328,051	3,720,595	3,730,705
Support services - students	2,628,225	-	-	393,147	-	1,070,197	4,091,569	3,668,927
Support services - instruction	3,979,282	-	-	641,053	-	2,204,117	6,824,452	6,363,031
School administration	2,663,708	-	-	-	-	13,939	2,677,647	2,775,895
School administration support services	3,251,103	-	-	3,685	-	4,498	3,259,286	3,296,567
District administration	671,512	-	-	74,297	-	-	745,809	691,395
District administration support services	3,501,906	-	-	228,107	-	347,772	4,077,785	3,969,699
Operation and maintenance of plant	8,566,267	-	-	51,432	-	148,153	8,765,852	8,344,936
Student activities	105,484	-	-	-	1,877,931	1,155,770	3,139,185	1,746,067
Student transportation - to and from school	-	3,331,476	-	-	-	-	3,331,476	2,865,707
Student transportation - school activities	-	29,251	-	-	-	-	29,251	-
Community services	63,857	-	-	546	-	1,505,187	1,569,590	1,755,911
Food services	-	-	2,673,982	-	-	-	2,673,982	2,353,184
Construction and facilities acquisition	-	-	-	-	-	-	-	29,131
Total expenditures	71,662,443	3,360,727	2,673,982	2,404,732	1,877,931	10,429,900	92,409,715	91,319,290
Excess (deficiency) of revenues over (under) expenditures	(2,654,774)	(425,914)	491,306	-	(269,886)	147,177	(2,712,091)	(3,330,203)
Other financing sources (uses) - Transfers from (to) other funds	(30,000)	-	-	-	90,041	(60,041)	-	-
Net change in fund balances (deficits)	(2,684,774)	(425,914)	491,306	-	(179,845)	87,136	(2,712,091)	(3,330,203)
Fund balances (deficits) at beginning of year	2,064,367	(374,939)	(218,640)	-	1,332,392	(154,264)	2,648,916	5,979,119
Fund balances (deficits) at end of year	\$ (620,407)	\$ (800,853)	\$ 272,666	\$ -	\$ 1,152,547	\$ (67,128)	\$ (63,175)	\$ 2,648,916

See accompanying notes to the basic financial statements

CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT
(A Component Unit of the City and Borough of Juneau)

Governmental Funds

Balance Sheet

June 30, 2022

with comparative totals for June 30, 2021

	Operating Fund	Student Transportation	Food Service	CRRSA - ESSER II	School Activities	Non-Major Governmental Funds	Totals	
							2022	2021
ASSETS								
Equity in central treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464,732
Receivables:								
State of Alaska	-	-	345,484	707,233	-	1,673,983	2,726,700	1,918,082
Federal government	-	-	-	-	-	119,597	119,597	145,416
Other	666,923	-	-	-	160	281,292	948,375	934,679
Prepaid expenses	671,392	-	-	-	-	-	671,392	870,104
Due from other funds	3,944,546	-	70,321	-	1,155,354	959,654	6,129,875	5,560,472
Inventories, at cost	136,978	-	6,284	-	-	-	143,262	82,182
Total assets	<u>\$ 5,419,839</u>	<u>\$ -</u>	<u>\$ 422,089</u>	<u>\$ 707,233</u>	<u>\$ 1,155,514</u>	<u>\$ 3,034,526</u>	<u>\$ 10,739,201</u>	<u>\$ 9,975,667</u>
LIABILITIES AND FUND BALANCES (DEFICITS)								
Liabilities:								
Accounts payable	\$ 179,092	\$ 168,490	\$ 47,900	\$ 1,000	\$ 2,967	\$ 61,663	\$ 461,112	\$ 332,126
Accrued salaries payable	1,156,522	-	-	-	-	-	1,156,522	962,441
Revenues collected in advance	17,249	-	101,523	-	-	434,041	552,813	411,509
Payable to Primary Government	2,430,154	-	-	-	-	-	2,430,154	-
Payable to agencies and student organizations	71,900	-	-	-	-	-	71,900	60,203
Due to other funds	2,185,329	632,363	-	706,233	-	2,605,950	6,129,875	5,560,472
Total liabilities	<u>6,040,246</u>	<u>800,853</u>	<u>149,423</u>	<u>707,233</u>	<u>2,967</u>	<u>3,101,654</u>	<u>10,802,376</u>	<u>7,326,751</u>
Fund balances (deficits):								
Nonspendable	808,370	-	6,284	-	-	36,882	851,536	989,168
Restricted	358,862	-	-	-	-	1,130	359,992	474,576
Committed	18,565	-	-	-	-	486,514	505,079	401,555
Assigned	-	-	266,382	-	1,152,547	-	1,418,929	2,008,992
Unassigned	(1,806,204)	(800,853)	-	-	-	(591,654)	(3,198,711)	(1,225,375)
Total fund balances (deficits)	<u>(620,407)</u>	<u>(800,853)</u>	<u>272,666</u>	<u>-</u>	<u>1,152,547</u>	<u>(67,128)</u>	<u>(63,175)</u>	<u>2,648,916</u>
Total liabilities and fund balances (deficits)	<u>\$ 5,419,839</u>	<u>\$ -</u>	<u>\$ 422,089</u>	<u>\$ 707,233</u>	<u>\$ 1,155,514</u>	<u>\$ 3,034,526</u>	<u>\$ 10,739,201</u>	<u>\$ 9,975,667</u>

See accompanying notes to the basic financial statements