



ASSEMBLY COMMITTEE OF THE WHOLE AGENDA

August 07, 2023 at 6:00 PM

Assembly Chambers/Zoom Webinar

The Assembly Committee of the Whole Worksession will convene immediately following adjournment of the Special Assembly Meeting. (No public testimony will be taken during the COW Meeting.)

<https://juneau.zoom.us/j/95424544691> or 1-253-215-8782 Webinar ID: 954 2454 4691

A. CALL TO ORDER

B. LAND ACKNOWLEDGEMENT

C. ROLL CALL

D. APPROVAL OF AGENDA

E. APPROVAL OF MINUTES

[1.](#) November 28, 2022 Assembly COW Draft Minutes

[2.](#) February 13, 2023 Assembly COW DRAFT Minutes

F. AGENDA TOPICS

[3.](#) Energy Loan Concepts (JEDC, OBF, etc...)

Presenters

Chris Rose, Renewable Energy Alaska Project

Stuart Cohen, Co-Chair, Alaska Interfaith Power and Light

Jonathan Moscatello, Daikin Comfort Technologies

John-Michael Cross, The Environmental and Energy Study Institute

[4.](#) Accessory Dwelling Unit (ADU) Grants

[5.](#) Tourism Update - Title 3

G. INFORMATION ITEMS

[6.](#) JSD Funding Update (Outside the Cap)

[7.](#) Childcare Update

H. STAFF REPORTS

I. NEXT MEETING DATE

8. NEXT MEETING DATE: AUGUST 28, 2023; 6:00P.M.

J. SUPPLEMENTAL MATERIALS

K. 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 COMMITTEE OF THE WHOLE WORKSESSION
DRAFT MINUTES**

November 28, 2022 at 6:00 PM



**Assembly Chambers/Zoom Webinar/YouTube
Livestream**

<https://juneau.zoom.us/j/95424544691> or 1-253-215-8782 Webinar ID: 954 2454 4691

Assembly Committee of the Whole Worksession-no public testimony will be taken.

A. CALL TO ORDER

The Assembly Committee of the Whole Meeting, held in the Assembly Chambers and broadcasted virtually via Zoom was called to order by Deputy Mayor Gladziszewski at 6:00p.m.

B. LAND ACKNOWLEDGEMENT

Assemblymember Hale provided the following land acknowledgment: We would like to acknowledge that the City and Borough of Juneau is on Tlingit land and wish to honor the indigenous people of this land. For more than ten thousand years, Alaska Native people have been and continue to be integral to the well-being of our community. We are grateful to be a part of this community, and to honor the culture, traditions, and resilience of the Tlingit people. *Gunalchéesh!*

C. ROLL CALL

Assemblymembers Present: Maria Gladziszewski, Wade Bryson, Alicia Hughes-Skandijs, Michelle Hale, Carole Triem, Christine Woll (via Zoom joined at 6:02), 'Wáahlal Gíidaak (via Zoom joined at 6:08), and Mayor Beth Weldon.

Assemblymembers Absent: Greg Smith

Staff Present: City Manager Rorie Watt, Deputy City Manager Robert Barr, Municipal Attorney Robert Palmer, Municipal Clerk Beth McEwen, Deputy City Clerk Diane Cathcart, Assistant Municipal Attorney Sherri Layne, Assistant Municipal Attorney Adam Gottschalk, Harbormaster Matt Creswell, Eaglecrest Manager Dave Scanlan, Finance Director Jeff Rogers, Tourism Manager Alexandra Pierce

D. APPROVAL OF AGENDA

E. AGENDA TOPICS

1. Gondola Installation Funding - Draft Agreement with Goldbelt, Inc.

Mr. Watt thanked everyone involved in this project, including Goldbelt, and said that they have been able to come up with an elegant solution to a complex issue. He then went on to provide information related to the spreadsheet as found in the meeting packet. He highlighted that they assumed that starting in the first full year of operations there would be 75,000 passengers and that each passenger will spend \$65.

He outlined the intent of the negotiations as described in the memo. Goldbelt would pay three installments to CBJ for a total contribution of \$10 million to construct the gondola project. CBJ would then procure the infrastructure. There would be a revenue sharing agreement for a term of 25-years with a required minimum return of \$20 million to Goldbelt. The general idea was that Goldbelt would get a sliding scale percentage of the receipts, starting at 10% of the revenue and increasing to 25% as number of visitors increased. Goldbelt's share of the receipts started lower so that CBJ can care for fixed costs, such as staffing and maintenance.

Mr. Watt said that Goldbelt is an ideal partner in this business venture. He said they have the Mt. Robert's tram and incentivizing them to steer business to the gondola is important.

Mr. Watt also referenced the termination clauses outlined in the memo, stating that none of them want to see a termination but this is normal contractual language that the attorneys agree are standard. Law Department staff and Goldbelt in-house counsel have been involved in this.

Mr. Watt said that if the Assembly agrees, the next steps would be for the Assembly to request an ordinance be introduced for public hearing. He said it might go to either the Committee of the Whole or the Finance Committee, but whatever path it takes there needs to be opportunities for the public to comment.

Ms. Woll asked where the authority of the Assembly lies compared to the Eaglecrest board and the manager. Mr. Watt answered that the Assembly needs to authorize the manager to enter into the agreement, and within the authorization would be an appropriation for the money. The engineering department manages capital projects for Eaglecrest, so construction procurement would be under the manager. Any awards would then come back to the Assembly for approval.

Ms. Triem asked for details regarding the payments, including how they might be applied to current gondola costs. Mr. Rogers said that the Assembly will see an ordinance to receive the money and an appropriating ordinance that gives Eaglecrest the authority to spend that money. So long as there is a lawful appropriation and expenditures happen in the same fiscal year as the payment is received, there will not be a cash flow problem. Mr. Watt said when the Assembly approves this ordinance, the Finance Director will make \$10 million available in the capital project.

Ms. Hughes-Skandjis asked about the line in the memo which read “if the summer operation receipts were insufficient...the obligation would not be guaranteed by the full faith and credit of CBJ.” She wondered what Eaglecrest is putting on the line. Mr. Watt said that as Eaglecrest is CBJ, Eaglecrest is not putting anything on the line. He said this agreement is that Goldbelt will get a minimum of \$20 million in 25 years, but if that threshold is not reached, the revenue sharing agreement will be extended until the minimum payment to Goldbelt is met. Mr. Watt said this is not like a GO Bond where if the obligation is not met in 25 years that the Assembly must pay with property tax. Ms. Hughes-Skandjis clarified that the source of the funding to Goldbelt will remain revenues from the gondola. Mr. Palmer said that is correct, with the added nuance that if the revenue sharing agreement does not provide the \$20 million dollars to Goldbelt in 25 years, Goldbelt can offset their leases for the tram on a dollar-to-dollar basis in addition to extending the revenue sharing agreement.

Ms. Hale asked if there are any additional agreements with Goldbelt regarding operations or if operations will solely be run by CBJ. Mr. Watt said that at this time the revenue sharing agreement was the only agreement. Ms. Hale thanked Mr. Watt for his explanation. She said that she was excited to see CBJ and Goldbelt working together on this. She wasn't expecting a revenue sharing agreement of this nature. She asked if there were any additional agreements in any parts of the operations. Mr. Watt said that this is all that is being discussed at this time. However, there is opportunity for additional agreements for other options in the future. He explained that what Goldbelt brings to the table are funding, marketing, and scheduling opportunities. Currently, Eaglecrest has some other constraints related to CBJ Code for procurement, employment etc... so for right now, this is the only agreement currently up for consideration.

Ms. Woll asked if the Eaglecrest Board has looked at these terms yet or not. Mr. Watt looked to Eaglecrest Manager Scanlan for the answer to her question. Mr. Scanlan said that the Eaglecrest Board would be seeing it this Thursday. Ms. Woll said that she would like to see what the net revenue might look like before they go forward with an ordinance. Mr. Watt said that at this time, they do not have a fully fleshed out business plan but he does feel confident that there will be sufficient revenue to operate the gondola.

There were additional questions from Assemblymembers related to the inflation costs, revenue growth model, marketing, and what a visitor might expect to get for their \$65 tram ticket.

Mr. Watt and Goldbelt Inc. CEO McHugh Pierre answered their questions. Mr. Pierre explained that the \$65 was the revenue sharing agreement portion of the ticket but they anticipate tickets will run approximately \$105 per person. He spoke to Goldbelt's 27 years of experience in operating the Mt. Roberts tram and the differences they

will be encountering with the Eaglecrest Tram which will include ground transportation to Eaglecrest. He said that they can offer different experiences on the mountain than what the Goldbelt Mt. Roberts tram offers. They think that 75,000 visitors in the first year is feasible and reasonable. He has already been working with the tourism industry and is confident that they can get that number of visitors.

Mr. Watt addressed questions from Assemblymembers related to the process as well as what the \$10 million in funding might be used towards. He explained that there is no one set way or path that the process has to take but he did note that when the ordinance is brought forward, they will also provide a copy of the final agreement with Goldbelt. He also stated that there needs to be an opportunity for public comment and that often times happens at the end of the process. He asked the Assembly how they would like to see the process take shape and at what point they want to provide public comment opportunities.

Ms. Woll asked for any additional information they could provide on what this \$10 million would be able to purchase (engineering/design, construction, etc...) if they had any of those details at this time. Mr. Watt said that in this current construction economy, it's hard to know exactly what the \$10 million will go towards but that Mr. Scanlan is working with consultants to determine what that really would be. Mr. Watt said that in terms of what they anticipate having to do, it will likely go towards building another road to the top of the mountain that would service the gondola, the gondola installation, and the top/bottom stations. He said that if the funding is not sufficient to cover the costs, they would be extremely disappointed if they had to draw from fund balance or do a general obligation bond to make up for the differences. He also said that is one of the reasons they are very excited about partnering with Goldbelt on this project.

Mr. Watt then provided an overview of the information on the memo in the packet along with the spreadsheet that is fairly complicated and data rich. He said that they (CBI and Goldbelt) all feel like this would be a good arrangement. He said that the general idea is that Goldbelt would be getting a sliding scale of the percentage of the receipts. The first visitors that go up would start the scale at 10% with a sliding amount up to 25% as time progresses. He explained that we will start low due to fixed costs that we need to care for in staffing and maintenance costs. In the event that the initial usage is low, the intent is that Goldbelt will stretch out their side of things and go longer. What they are all agreeing on is projections of what they think will happen.

Mr. Watt said that the biggest question would be how much money would be available to build facilities at the top. He noted that estimates are just that until they have a contractor who will put a price tag on the project. In answer to Assembly questions about the timing of the \$10 million and the ordinance, Mr. Watt noted that Mr. Scanlan is very much on top of this. He said they are very motivated to get things in place due to the timing of the construction contracts and the upcoming construction season as they would like to get some construction going forward next summer.

Mr. Watt spoke to the next steps in the process would be for the Assembly to direct staff to draft an ordinance for introduction that would authorize the manager to enter into a revenue sharing agreement with Goldbelt. He noted that additional committee process could be added to that process as they wish. He said they could introduce it, refer it to the COW, or they could introduce it and set it for public comment and then bring it back to the Assembly COW or Finance Committee for additional Assembly work before adoption but whichever path, they should allow for public hearing. He said he is asking the Assembly if they are ready for staff to bring an ordinance to the Assembly for introduction or whether it would go to public hearing or committee consideration at this time.

Ms. Triem asked Mr. Rogers about the mention in the memo about the payment mechanism is for the three payments that would come in over the next few months. She noted concern that Eaglecrest might run into some cash flow issues due to other capital needs during this period. Mr. Rogers and Mr. Watt explained the process that is done for cash flow and then also for procurement and it is likely that an alternative procurement method that would be in order for this project.

Mr. Watt then answered questions regarding the summer operations long term plans and that while there is not a current plan, there may be additional conversations/agreements in the future about other plans. He said that this

is one of those “eat the elephant one bite at a time” to get to the point of agreeing to the structure and the terms of the revenue sharing agreement.

Mayor Weldon said that she appreciates that Goldbelt is willing to partner with CBJ on this and she is hoping that they will bring in lots of money with this agreement.

MOTION by Mayor Weldon to direct staff to draft an ordinance that would enter into an agreement with Goldbelt Inc. and asked for unanimous consent.

Ms. Hughes-Skandijs asked where that ordinance might go once drafted. Mayor Weldon clarified her motion to say that it is to introduce the ordinance and refer it back to committee, either COW or Finance, to be decided.

Hearing no objection, the motion passed by unanimous consent.

2. Cruise Ship Season Update & Discussion

Heather Haugland with McKinley Research Group provided an overview of the 2022 Juneau Tourism Survey. A copy of their slide show was included in the packet.

They surveyed 500 randomly selected residents using a mix of cell and land line numbers. They repeated many of the same questions used in surveys done in 1995, 1998, 2002, 2006, and 2021.

Ms. Haugland explained that the cruise passenger volume ranged in 2002 at 741,500 visitors to 1,150,000 visitors in 2022.

Ms. Haugland and CBJ Tourism Manager Alexandra (Alix) Pierce answered questions from Assemblymembers about the evolution of the questions in the survey. They specifically addressed the questions regarding the 5-ship limit and where that number came from initially. Ms. Pierce said that the first place she came across the mention of a 5-ship limit was from the Long-Range Waterfront Plan. She said that was carried forward during the Visitor Industry Task Force (VITF) work and has been the working number they have been using for the past 20 years when working on these issues. She said that the idea is to hold that line at where they and not allow for growth in the form of another ship. She said we are good at managing four docks and managing growth through infrastructure at a dock serving a ship and that has been our approach to growth management in the past. She said that as they move forward and entertain conversations about a new dock, they are ramping up the discussions around maintaining the current capacity.

Ms. Haugland said that more information would be provided in the final report they will submit to CBJ by the end of the week.

Ms. Pierce thanked Ms. Haugland for their work and the presentation. She noted that the survey results were very similar to past years. She said that know that tourism management was going to be a topic at the Assembly retreat. She noted that just as the VITF was finishing its work, the pandemic began. As such they received final VITF recommendations but they were never fully adopted by the Assembly. She said that they received direction from the Assembly to proceed with the recommendations and work on implementation. She said they continue to hear from the public that the public would like a public process before the Assembly with respect to those recommendations. Ms. Pierce said that rather than try to bring back all the 60+ recommendations for Assembly adoption, that many of those recommendations are already being implemented or in the works. She recommended the Assembly direct staff to bring back a resolution that adopts the core concepts that the VITF recommended, i.e., the big-ticket items. She said that was a similar process done when the 2002 Tourism Management Plan was adopted.

Ms. Gladziszewski noted that Assemblymembers Christine Woll and 'Wáahlaal Gíidaak had to leave the meeting at 7:20p.m. due to other scheduling conflicts.

Mayor Weldon noted that this will be a topic of significant discussion at the Assembly retreat and encouraged all the members to read the VITF report in advance of the retreat.

Assemblymembers said they were in favor of bringing a resolution forward as suggested by Ms. Pierce for public process and adoption. Ms. Triem noted that in addition to the big five topics Ms. Pierce referenced in her memo, there were many little recommendations contained in the VITF report that may be coming back in the form of appropriations or other policy items that it would be beneficial to discuss those topics/recommendations when they do come up.

Ms. Pierce then went into more detail about the VITF Goals as outlined in her memo that was included in the packet. Ms. Pierce shared her experience in working with the tourism industry and while government tends to work slow, she was surprised to see how slow the cruise industry response is on the various projects they have been in trying to get a negotiated agreement with the industry on the five-cruise ship limit per day.

Ms. Pierce spoke to the scheduling pieces, especially around the best ship at the best dock concepts. She also explained that the cruise lines don't necessarily view it in the same way as CBJ. She talked about the concept of transparency and working across the region with other communities that have cruise ships coming to their communities.

She said this is the beginning of a dynamic time on the waterfront. With respect to waterfront management, some of the key pieces that will be addressed in the future include the new Marine Park master plan, a potential agreement on the seawalk between the A.J. Dock and the Franklin Dock, and depending on what happens at the support and the future plans of the US Coast Guard, there may be additional seawalk plans. She said those things may change the way they manage the passenger fee budget but those will be long term decisions and discussions that the Assembly will need to have.

Mr. Watt said that on the waterfront management question, CBJ is motivated that if there is a dock built, we should figure out exactly where that dock should go. He said that Huna Totem gave a nice presentation a few weeks ago but they did not detail exactly where a dock would go. He said that they let us know that the U.S. Coast Guard (USCG) declined to participate in the process with them. He said we don't know why that may be. He said that as a municipality, we are motivated to say where for a number of reasons. He said that the VITF liked the idea that dock was located in a position that would prevent ships from anchoring. He said that we are motivated as the municipality, we can have a different relationship with the USCG and try to engage the USCG on port planning. He said that in terms of navigation with the whole harbor, we have a different motivation and need than Huna Totem's approach. He said that Huna Totem's approach is to develop property and build a dock. He said that CBJ is the ones to link all the issues together. He said that Mr. Uchytel is currently traveling tonight but this may be a good project management task for him to work on in concert with Mr. Watt and Ms. Pierce. He said that he also anticipates comments from the public about view plains.

Mr. Watt said that they will be working on the dock location question over the next month. He also explained that the reference to 16B in the downtown dock has to do with all the 16+ various iterations that were tried before they landed on the 16B version of the plan.

The Mayor said that one of the points of discussion will also be to answer the question of whether or not CBJ should partner with Huna Totem and NCL for building of the dock to provide an opportunity for more control on what the final outcome will be.

The committee took a 10 minute break @ 7:37p.m. and resumed @ 7:47p.m.

Ms. Pierce then continued her presentation with a recap of the portion of her memo related to Emissions reduction/Green corridor.

Ms. Hale commented that when Huna Totem were talking about the dock electrification, they mentioned that there was not enough shore power available for use by all the docks that want to use shore power. Other members expressed similar concerns. Ms. Pierce said that is a very complex issue and very complicated project that would likely require laying a cable from Douglas. She said that with our current power capacity, what we are hearing from AEL&P is that they can power another dock but then they should have more of a discussion with AEL&P about capacity before they move forward with any additional dock electrification. She said that NCL made

a promise to the community that Huna Totem may not be able to deliver on but that this project would be third in the que behind the CBJ docks for electrification. Ms. Hale thanked Ms. Pierce for her comments but Ms. Hale also feels like there is capacity and that she does not want to let this one goes without further pursuit.

Ms. Pierce spoke to Maximizing Local Benefits and the Princess Medallion Pay program and the 18% cut that cruise lines were taking from local sales. Ms. Triem said that she will be bringing this one up at the retreat and also look at a regional sales tax scheme. Ms. Pierce spoke to the regional concerns and local business concerns raised about the Medallion Pay program.

With respect to the topic in the memo on Centralized Tourism Management, Mr. Watt spoke to the overlapping and complexities in the roles across departments. We need to clean some of that up and it is not a criticism of any one individual or department. He said that it is important to clarify the role of the Docks & Harbors Board, their powers and that of other city staff. He said that the Assembly is interested in the public policy questions and/or other overlapping roles. He said that there are a lot of things that Docks & Harbors does to manage the infrastructure but since the Assembly sets policy issues, it is important to clarify those roles.

Mayor Weldon noted that policy-wise it is important for the Assembly to be involved but for the day to day operations, it is important for Docks & Harbors staff to be overseeing that.

With respect to scheduling issues, Ms. Pierce and Mr. Watt stressed that CBJ has no contractual relationship with CLAA and it is a good conversation to have at the Assembly retreat. Mr. Watt said it is imperative that they need to have a formal contractual relationship with CLAA for management of our docks. Ms. Pierce talked about the pros and cons of regulation and that a restricted lease with Huna Totem is its own smaller subcategory and we should carefully consider the relationship with Huna Totem. CBJ needs to consider all the long-term goals for the waterfront and consider all the complexities involved. Mr. Watt said they need to think of everything up front and put it all in there to begin with because it is hard to get back to something if it isn't there in the first place.

Ms. Pierce touched on the final topic in her memo which is the option for ownership authority. It could be a long term stated goal of CBJ to acquire the private docks to be better able to manage the waterfront, however, we don't have any private dock owners currently interested in selling and there are a number of pros and cons associated with that idea.

Members asked for hardcopies of the VITF report along with a map with all the dock names identified.

Mayor Weldon reminded everyone that the Assembly retreat is scheduled December 11 from 10am-4pm at the BRH Boardroom with a physical lunch break built in. Not only do the members need to be reading the VITF report they also need to review the Housing Task Force Action Plan. She said that the main topics during the retreat will be on Housing, Tourism, and the Budget.

3. Ordinance 2022-21 An Ordinance Related to Property Tax Appeals and Codifying the Board of Equalization Rules of Procedure.

This ordinance would amend the Juneau Board of Equalization's (BOE) rules of procedure, which govern property tax appeals. The substance of this ordinance comes from three sources: the Anchorage Board of Equalization rules, the existing Juneau Board of Equalization rules, and changes to state law since the existing Juneau property tax appeal code was adopted in the 1970s.

The Juneau Board of Equalization reviewed this ordinance on September 20, 2022. The Assembly Committee of the Whole reviewed this ordinance on September 26, 2022 and November 7, 2022. This ordinance was introduced on November 21, 2022.

Assistant Attorney Adam Gottschalk here and BOE Chair David Epstein were present. Mr. Gottschalk noted that Mr. Epstein had to leave the meeting shortly.

Ms. Triem asked Mr. Epstein to provide his thoughts about the proposed changes in the ordinance.

Mr. Epstein said that the BOE went through the draft ordinance extensively and what is before the Assembly incorporates the wishes of the board. This will codify some of the things they are already doing and one of the items in there is the stipend. He said they are they are operating as a bare minimum board and he views that as a recruitment and retention tool and hopefully it will be successful. He said that he saw the Chamber letter about increasing the membership of the board and he would suggest the Assembly hold off on that and see how this incentive works first.

Ms. Gladziszewski said that she is aware that the board has not had a chance to review the Chamber comments but asked Mr. Epstein if he had any other comments on them.

Mr. Epstein said that the issue of training consistency, in his opinion is not an issue. He said with respect to the perception by some of the appellants that the board is not treating everyone equally, Mr. Gottschalk advises the board at every hearing, they all sit through the same training with the State Assessor and runs them through the latest statutes and updates and he feels the board is well trained.

He said that one of the good things this ordinance does is that in the case of a late filed appeal, this offers the opportunity for five minutes for the appellant to address the board.

Mayor Weldon said that she wanted to publicly thank Mr. Epstein for his service on the board and that not many people were aware that in order to provide consistency, Mr. Epstein attend just about every single BOE hearing that was held, many of which he chaired.

Mr. Gottschalk then provided an overview of the changes in the ordinance and the reasons behind the proposed changes. He noted that this was the third time a version of the ordinance was before the Assembly COW. He noted that by codifying these processes, all citizens will have easy access to the rules and procedures under which the BOE operates. He said these are all procedural changes that are getting codified. What they are not changing is the burden of proof which lies with the appellant. They are not changing the assessment process. The burden comes from state statute and the assessment process comes through the Assessor's office and is beyond the scope of the BOE. The BOE is made up of community volunteers and they have no objection to assessor transparency.

Mr. Bryson asked if this streamlines or makes a positive change for appellants to be able to navigate the appeal process if they need to file an appeal. Mr. Gottschalk said that he thinks this will be useful to the appellants and he referred to the chart on packet page 43 and is something they can make available on the website. He said that they do envision that any member of the public that is a property owner or their representative should be able to file an appeal without having any sort of legal representation.

Mr. Bryson and Ms. McEwen spoke to the application process for BOE members.

Mayor Weldon thanked Mr. Gottschalk and Deputy Clerk Diane Cathcart for all their work with the BOE through all the hearings this past year. She also thanked Mr. Gottschalk for providing the chart upon her request.

MOTION by Mayor Weldon to move Ordinance 2022-21 to the Assembly with the following amendments:

Mayor Weldon said that she met with Mr. Palmer and Mr. Gottschalk along with members of the Chamber of Commerce to address some of the items in their memo to the Assembly.

Amendment #1a: on page 11 of the ordinance to add the words "Upon finding good cause, the presiding officer may extend both the appellant's initial presentation and the assessor's presentation by equal amounts."

Amendment #1b: on page 12 of the ordinance, line 19, item (d) to read:

"(d) Relaxation of requirements. This section is designed to facilitate the business of the board and shall be construed to secure the reasonable, speedy and inexpensive determination of every appeal. The procedural requirements of this section may, in the discretion of the presiding officer, be relaxed in any case in which a strict adherence to requirements will work injustice."

Hearing no objection, the motion with amendments passed by unanimous consent.

Mayor Weldon stated that the other part of her discussion with members of the Chamber were related to the assessment process and since that was separate from the BOE, she said that she would be working with Law to try to address those outside of this ordinance process.

Ms. Hale said that she appreciates that the Mayor is going to work with Law on making the assessment standards more transparent.

Ms. Hughes-Skandijs said that members of the community, not just the Chamber of Commerce, can also suggest ordinance changes, meet with the Mayor and or members of staff and the Assembly to request changes to the code.

F. STAFF REPORTS

Ms. McEwen noted that there is a deadline of November 30 to receive applications for the planning Commission and the Hospital Board and the Assembly will be conducting interviews with those applicants on December 14.

G. NEXT MEETING DATE

The next meeting of the Committee of the Whole was scheduled for Monday, December 19, 2022 @ 6:00p.m.

H. ADJOURNMENT

There being no further business to come before the committee, the meeting was adjourned at 8:29p.m.

ASSEMBLY COMMITTEE OF THE WHOLE WORKSESSION **DRAFT**
MINUTES

February 13, 2023 at 6:00 PM

Assembly Chambers/Zoom Webinar/YouTube Livestream



<https://juneau.zoom.us/j/95424544691> or 1-253-215-8782 Webinar ID: 954 2454 4691

Assembly Committee of the Whole Worksession-no public testimony will be taken.

A. CALL TO ORDER

Deputy Mayor Maria Gladziszewski called the meeting order at 6:00p.m.

B. LAND ACKNOWLEDGEMENT

Mr. Bryson led the Land Acknowledgment: We would like to acknowledge that the City and Borough of Juneau is on Tlingit land, and wish to honor the indigenous people of this land. For more than ten thousand years, Alaska Native people have been and continue to be integral to the well-being of our community. We are grateful to be in this place, a part of this community, and to honor the culture, traditions, and resilience of the Tlingit people. *Gunalchéesh!*

C. ROLL CALL

Assemblymembers Present: Maria Gladziszewski, Wade Bryson, Greg Smith, Christine Woll, Michelle Hale, Carole Triem, and Mayor Beth Weldon (via Zoom).

Assemblymembers Absent: Alicia Hughes-Skandijs, 'Wáahlaal Gíidaak

Staff Present: City Manager Rorie Watt, Acting City Attorney Sherri Layne, Municipal Clerk Beth McEwen, Deputy Clerk Diane Cathcart, CDD Planning Manager Scott Ciambor, Finance Director Jeff Rogers, Engineering/Public Works Director Katie Koester, City Architect Jeanne Rynne, Port Director Carl Uchtyl, Library Director John Thill, City Museum Director Beth Weigel, Lands and Resources Director Dan Bleidorn, Parks and Recreation Director George Schaaf, Parks and Recreation Deputy Director Michele Elfers, Tourism Manager Alexandra Pierce, Bartlett Regional Hospital CEO David Keith and CFO Sam Muse, CDD Planners Teri Camery and Irene Gallion.

D. APPROVAL OF AGENDA

The agenda was approved as presented.

E. APPROVAL OF MINUTES

1. June 6, 2022 Assembly Committee of the Whole Draft Minutes

Hearing no objections, the minutes of the June 6, 2022 COW meeting were approved.

F. AGENDA TOPICS

2. BRH - Management Agreement for Wildflower Court

Mr. Watt said that Bartlett senior staff and Bartlett Regional Hospital Board members were available to answer questions regarding the proposed takeover of Wildflower Court (WFC) by Bartlett Regional Hospital (BRH). Mr. Watt also referenced a February 9, 2023 Memorandum from BRH senior leadership to the Assembly asking for \$1,475,300.

“To reduce the liability assumed by the hospital, it has been recommended that the outstanding PTO and bond liabilities be extinguished prior to any merger. The Assembly could choose to help facilitate the merger by contributing funding in the amount of these liabilities (\$1,475,300) for their extinguishment.”

Mr. Watt also told the Assembly that assuming the arrangement between WFC and BRH moves forward, there would ultimately be a resolution that would come before the Assembly to authorize it.

David Keith, Chief Executive Officer of BRH, provided a history of the agreement between WFC and BRH and the merits of BRH acquiring WFC. Mr. Keith said that first they need to create a letter of intent, then a management agreement for the transition, then ultimately the change of ownership paperwork.

Mr. Smith asked to be provided with the financial projections of taking over WFC. Mr. Keith answered that nursing homes and hospitals align with expenses and there are opportunities for overall reduction of costs. BRH is part of a group purchasing organization that allows them to purchase goods and services at a reduced rate, where WFC is paying retail prices. Contracts can also be combined, which may create savings as well. Mr. Keith said that WFC will become profitable.

Mr. Bryson asked if taking over WFC was in response to Southeast Alaska Regional Health Consortium (SEARHC) growing their medical industry. Mr. Keith said this was done to increase the quality of care through BRH and that a lot of hospitals are pivoting to provide an entire continuum of care. BRH wanted to broaden their scope of services which is partly why they added Home Health and Hospice care.

Ms. Hale asked if this change would result in higher rates for users. Mr. Keith said that most elderly people spend down their savings and enter a nursing home as a Medicaid patient. Mr. Keith said they will probably receive a higher reimbursement rate from Medicaid on behalf of patients but it should not affect users directly.

Mayor Weldon asked how this will integrate with the Home Health and Hospice program. Mr. Keith said that these programs work together. He said that when individuals reside in a nursing home, that is their home; therefore, the Home Health program may also provide services to those individuals.

Ms. Triem asked for details regarding absorbing the administrative functions of WFC, such as HR, maintenance, and IT. Mr. Keith said that this will be covered in the transitional agreement, but they often struggle to fill such positions and consolidating these groups of employees will be beneficial. Mr. Keith also noted that they finished the interview to fill BRH’s IT Director position and plan to move forward with that in the next week.

Ms. Gladziszewski asked if the actual financial numbers have been reviewed by the BRH Board. Mr. Keith said they have been reviewed by the BRH Finance Committee and will be codified at the upcoming BRH Board meeting. Mr. Muse, Chief Financial Officer of BRH, said they are in the due diligence process and have access to all WFC’s financial documentation.

Mayor Weldon asked why BRH or CBJ would cover Paid Time Off (PTO) and bond liabilities. Mr. Keith said that WFC has about a million dollars in reserve, and they hope the liabilities would be mitigated by that reserve. Mr. Muse said that it was the City Attorney’s recommendation that BRH mitigate the liability defusing the debt prior to merging. Mayor Weldon asked for more clarification on why CBJ

would be responsible for liabilities. Ms. Layne, Acting City Attorney, said that Mr. Palmer had concerns about taking on debt, especially the bond debt, and it should be taken care of before a merger or purchase of WFC. Ms. Barbra Nault, outside counsel for BRH, said they are in ongoing discussions with WFC about the amount of their PTO liabilities for current employees and 401K contributions liabilities, and those discussions have centered on the concept of WFC using their current funds or fund generated during the transition period to pay those liabilities down. The bond discussion has been different and handled through the CBJ Law department.

Mr. Smith asked if the \$1,475,300 BRH request to cover PTO and bond liabilities is the entire amount needed. Mr. Keith said the \$1,475,300 should cover everything, and the funding mechanism could either be directly from the Assembly or for the Assembly to give permission for BRH to take it out of their fund balance reserves.

Ms. Hale said that BRH will receive almost \$4,000,000 in equity in the building.

MOTION by Mayor Weldon to move a resolution of support for BRH to engage with WFC a letter of intent and eventual transition plan and asked for unanimous consent.

Hearing no objection, motion passed by unanimous consent.

3. **Ordinance 2022-64** An Ordinance Reorganizing and Consolidating the Aquatics Board, the Treadwell Arena Advisory Board, the Jensen-Olson Arboretum Advisory Board, and the Parks and Recreation Advisory Committee. (Referred from the January 9, 2023 HRC/Assembly Meetings)

Mr. Watt said that Ordinance 2022-64 had been at the January 9, 2023 Human Resources Committee meeting and Assembly Meeting, where it had been referred to the COW. Mr. Watt said many boards struggle with getting applicants or quorums and all boards require significant staff time to manage. He recommended a single larger board to take on the duties of several smaller boards. Mr. Watt said there had been public comments recommending designated seats to cover various interests and that while it is ultimately the Assembly choice, he recommends against having designated seats. Mr. Watt also said the memo in the packet by Assistant Municipal Attorney Gottschalk regarding the Systemic Racism Review Committee's (SRRC) recommendations was an area the Assembly might want to review and discuss.

Ms. Triem asked how the budgets were developed for Treadwell Ice Arena, the pools, and the Jensen-Olson Arboretum Advisory Board (JOAAB). Mr. Watt answered that Parks and Recreation department has the city's most complicated budget. He said that while he believes they legally have the authority in the Charter and Code to move money between Parks and Recreation programs, historically they have not. He said that consolidating the advisory board would have no impact on the budgeting process. Ms. Triem asked if the new board would look at budgets. Ms. Elfers, Deputy Director for Parks and Recreation, said that if the ordinance passed the board would look at parts of the budget, like the fee schedule and the CIP budget, but not the entire Parks and Recreation budget. Ms. Triem asked if the ordinance allows the board to provide recommendations about the Department's fee schedule at individual facilities or broadly overall. Ms. Elfers answered that specific fee recommendations would be brought to the board.

Mr. Bryson asked how often the subcommittees have action items on their agendas. Ms. Elfers said it does not happen very frequently. Mr. Bryson asked what a meeting looked like when there are no action

items. Ms. Elfers said sometimes there are informational updates on operations or discussion that does not lead to action items for staff. Ms. Gladziszewski provided statistics of times the boards did not meet, either due to lack of quorum or lack of items on the agenda: 22% of the aquatics board meetings were cancelled and 69% of Treadwell meetings were cancelled.

A discussion was had on the merits of designated seats for certain facilities versus open seats.

Ms. Gladziszewski asked if this ordinance goes forward, would the PRAC become all new members. Ms. Elfers answered that was correct and they would appoint nine members.

Mr. Smith stated that as the PRAC liaison and the HRC chair, he has seen this ordinance in all its various iterations. He said that he was not as supportive of consolidating seats and that the PRAC supported the ordinance as written. He said that there was a change that they were looking at making when this was previously before the Assembly and then it got moved back to the COW. The amendment had to do with the make up of any subcommittees and whether non-PRAC members would be allowed on subcommittees. He said the amendment he would propose was drafted but he did not have a copy of it. It was to be on page 5 of 6 of the ordinance, line 9.

MOTION by Mr. Smith to move Ordinance 2022-64 to the full assembly for public hearing for purposes of amendment.

Amendment #1 by Mr. Smith on page 5, line 9, striking “Members of such subcommittees are limited to PRAC members” and replacing it with: “Membership on subcommittees may include public seats in addition to PRAC Members.”

Additional discussion took place regarding the status of “special or temporary” committees vs. standing subcommittees.

Ms. Gladziszewski asked if subcommittees are included anywhere in the ordinance. Mr. Watt said he did not know, but had other information that might be germane to the discussion. He said that Docks and Harbors are working on their rules of procedure and they have the ability to establish special committees to facilitate board business and to allow members who are not on the board to participate and vote.

Mayor Weldon objected for purposes of a question. Mayor Weldon asked Mr. Smith how members of the subcommittee would be selected. Mr. Smith said that language is on page 5, line 7 stating that “The chairperson – subject to ratification by the PRAC or a majority of the PRAC...” can create special temporary subcommittees to complete PRAC business. Mayor Weldon clarified that members of the PRAC would select the public seats.

Ms. Triem asked for a brief at-east at 7:09pm. The meeting resumed at 7:14pm.

Mayor Weldon withdrew her objection.

Amendment #1(a) by Ms. Triem to amend Mr. Smith’s Amendment #1 on page 5, line 8 of the packet, to add the words “permanent or” to the following sentence “The chairperson – subject to ratification by the PRAC – or majority of the PRAC may create **permanent or** temporary special subcommittees to facility any discrete PRAC business issues.”

Additional discussion took place regarding the best way to establish a permanent facilities subcommittee vs. the language above.

After discussion, Ms. Triem withdrew her amendment #1(a).

Ms. Gladyszewski called for any objection to Mr. Smith's Amendment #1 on page 5, line 9, striking "Members of such subcommittees are limited to PRAC members" and replacing it with: "Membership on subcommittees may include public seats in addition to PRAC Members." **Hearing no further objection, Amendment #1 passed by unanimous consent.**

Amendment #2 by Ms. Triem to add the following language as written by Manager Watt:

"Facilities Subcommittee. There is established a Facilities subcommittee that will focus on the health and good repair of all facilities under the purview of the PRAC. At a minimum of once per year the facilities subcommittee shall engage users of each facility to hear from those users and to plan for facility needs."

Ms. Hale objected for purposes of a comment. She appreciated how broad the amendment is and that it does not focus on a single facility. Ms. Hale removed her objection.

Ms. Woll said that when they were discussing this in the HRC, they also were doing appointments to the Juneau Commission on Aging and she asked the City Attorney staff why CBJ is allowed to create seats based on age but not based on race. Mr. Gottschalk answered that "race, unlike age, is a suspect classification in Alaska and federally. In Alaska, the suspect classifications are race, color, creed, sex, and national origin. He said that any specific age-based criteria just needed to be rationally related to a legitimate government interest. He stated that the CBJ Charter at 15.2, as far as municipal appointments it doesn't actually forbid consideration of age, where as we do in Title 41 as employment. He spoke to some of the federal legislation that allows for age related exceptions such as the Older Americans Act, which promotes the wellbeing of older individuals. There are also state components in Title 47, with the State Commission on Aging, that provides a means to support older persons in communities and distributing federal funds.

Ms. Hale said that she appreciated the depth of Mr. Gottschalk's analysis. She noted that the Assembly has not found a good way of broadening racial representation of city boards and commissions to better reflect the community. She thanked the SRRC for their work.

Mr. Bryson said that recruiting diverse community members to serve on boards and committees has been a perennial problem. He said he supports reducing the number of seats as filling them is a problem.

Ms. Woll said that she knows the greater issue will not be solved by this Amendment alone and would like to echo Ms. Hale's comment that there should be a continuous focus on looking at ways at diversifying the boards and committees. She looks forward to implementing processes that make the application process easier and more inviting that she's been working with Mr. Hargraves on.

Mayor Weldon says the SRRC has been talking about ways they can change their mission and this may be a good way to engage the SRRC in finding solutions. HRC Chair Smith asked Ms. Cathcart to put this on a future HRC meeting.

Hearing no objection, Amendment #2 passed by unanimous consent.

Hearing no objection, Ordinance 2022-64 as amended, was moved to the full Assembly.

- 4. Resolution 3023** A Resolution of the City and Borough of Juneau Opposing the Wild Fish Conservancy Lawsuit and Protecting the Southeast Alaska Troll Fishery from Closure.

Ms. Triem said that many Southeast Alaska communities, including Petersburg, Sitka, Wrangell, and Ketchikan, have passed ordinances in support of the Southeast Alaska Troll Fishery. Ms. Triem said the

first round of the lawsuit has wrapped up but that there might be an appeal; she urged the Assembly to show support to this industry.

Mr. Bryson said he wanted the record to reflect that this supports **Trollers** and does not support **trawlers**.

Mayor Weldon and Mr. Smith both raised concerns about the use of the “prosecution” in the draft resolution. Ms. Layne suggested changing the language to “support the activity of Southeast winter and summer troll fisheries”. Ms. Gladziszewski then suggested “continuation” instead of “prosecution”.

Ms. Hale asked if she had a conflict of interest, as she has a hand-troll permit. Ms. Layne said she did not see this as a conflict of interest for Ms. Hale.

MOTION by Ms. Hale to move Resolution 3023, and substituting of the word on page 2 line 38 from “prosecution” to “continuation” so the line would read “The City and Borough of Juneau urges the National Marine Fisheries Service (NMFS) to prioritize preparation of the necessary documents and processes to support continuation of the Southeast winter and summer troll fisheries;” to the Assembly and asked for unanimous consent.

Hearing no objection, Resolution 3023 as amended, was moved to the Assembly.

G. STAFF REPORTS

5. Telephone Hill Update-verbal report

Ms. Gladziszewski said there are regular updates about Telephone Hill on the Lands, Housing, and Economic Development Committee agendas. She asked for clarification about an RFP for a property manager that listed July 2023 vacating date for residents. Mr. Watt answered that the property manager will be under contract in a matter of days so the neighborhood will have a sole point of contact. He said there is a date in the RFP for July because that was a timeframe provided by the neighborhood association. He said that no decision has been made and CBJ does not yet own the property. Mr. Watt said there is also a planning RFP which will include everything from a leave as-is option to multiple development options that closed today. He anticipated the consultant team would be on board in the next couple of weeks and would start the public planning process. Mr. Watt said they expect the State of Alaska to convey the property to CBJ “sometime soon” and when that conveyance happens the neighborhood association, which is the lessee, will dissolve itself and each person will go to the property manager as a point of contact.

Ms. Gladziszewski reiterated that the City has not asked or required the properties to be vacated by July 2023.

Ms. Hale asked if the property manager will contact people to make a five-month lease. Mr. Watt said the direction of the Assembly was to continue to current situation, which was month-to-month leases and a soft landing. Mr. Watt said they want care for the likelihood that some people will move out on their own, and CBJ does not want to have vacant properties.

H. COMMITTEE MEMBER / LIAISON COMMENTS AND QUESTIONS

I. NEXT MEETING DATE: March 6, 2023, 6:00p.m.

J. SUPPLEMENTAL MATERIALS

K. ADJOURNMENT

There being no further business, the meeting adjourned at 7:52p.m.

WHAT IS ON-BILL FINANCING?

What Is On Bill Financing?

On-Bill Financing (OBF) allows homeowners to put monthly payments for heat pumps on their utility bills.

Where did On-Bill Financing originate?

OBF has been in use for nearly two decades around the United States. OBF was legislated for the State of Alaska by Statute AS 42.05.750 - AS 42.05.756 during the 2018 Legislative session. It was purposely designed to be enabled by *any* utility, including the CBJ Water and Sewer utility. Ft. Collins, Colorado offers OBF on their water utility bills.

Why is On-Bill Financing better than other financing methods?

OBF is critical to rapid heat pump adoption because it greatly reduces the friction of purchasing a heat pump and opens the market to many who could not or would not otherwise afford the investment. OBF allows homeowners to make payments with the savings on their heating bill, paying it off in 5-7 years.

OBF is fundamentally different from other financing methods in three critical ways:

- **Easy Qualification:** Programs typically qualify applicants based on their utility payment history. This is a huge benefit for middle and lower-income applicants, who may have little credit history and/or little appetite for going through a bank qualification process. Rapid and easy loan accessibility vastly lowers the barriers to heat pump adoption.
- **Low Default Rate:** Default rates nationally are less than one percent, and usually less than .5%. Some programs reported zero default rate.
- **Transferability:** Loan payments are on the utility bill, so there is no bank lien necessary. If a homeowner sells their house, the payments (and benefits) go to the buyer, who continues making payments until the heat pump is paid for. This lessens the fear of “sunken costs” for homeowners considering installing a heat pump.

What will OBF cost the CBJ?

Almost nothing. OBF will have minimal setup costs for to the city, and incidental costs once the program is under way. It is designed to avoid using CBJ staff time.

This is because the City only facilitates the financing; it does not actually finance anything. The Program will handle qualification, loan servicing, and capitalization of the loans. The City merely provides a space on the utility bill for the amount to be paid and, when the utility bill is paid, forwards this payment to the entity managing the loan. It will be necessary to provide a software patch between the financial software and the CBJ Utility billing software, and for the CBJ to make monthly transfers, but customer service and any loan defaults will be the responsibility of the agency, not the City.

The CBJ would also need to provide Water and Sewer payment history for OBF applicants, as that is the primary way of qualifying applicants.

SUCCESS RECORD OF FOUR OBF PROGRAMS

| Entity | Amount Loaned | # of Loans | Defaults |
|----------------------------------|-------------------------|-------------|----------|
| EPIC HOMES (Ft. Collins, CO) | \$ 7,250,000.00 | 459 | 0 |
| OPALCO (Orcas Island, WA) | \$ 7,400,000.00 | 497 | 0 |
| Electric Coops of South Carolina | \$ 10,000,000.00 | 1050 | < 10 |
| Gems (Hawaii) | \$ 18,000,000.00 | 540 | 0 |
| | <u>\$ 42,650,000.00</u> | <u>2546</u> | |



Utilities
 electric • stormwater • wastewater • wa
 222 Laporte Ave.
 PO Box 580
 Fort Collins, CO 80522-0580
970.212.2900
 V/TDD: 711
utilities@fcgov.com
fcgov.com/utilities

Section F, Item 3.

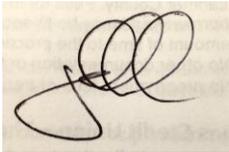
April 14, 2023

To whom it may concern,
 Fort Collins Utilities, a municipal owned utility in Colorado, regularly advises other utilities and organizations seeking to establish an on-bill financing program. Our Epic Loans program has been offered since 2012 for residential energy projects of all types. The program has funded a total of 459 loans with over \$7.25 million dollars. The average loan amount is \$14,229 and average payments are \$124 per month. *Over the course of the last 10 years, the program has had zero defaults.*

In our system, loan payments are simply considered part of the overall utility bill (which in our case has multiple services). Non-payment of the bill, including the loan component, results in the normal processes for collection, up to and including shut-off. We recognize this is an extraordinary security on the loan and the resulting low to no risk of default and we also currently have no loans that are more than 30 days overdue on payment. For rental properties, we have the property owner put the water service in their name and service the loan on that bill. This approach is included in the above overall numbers.

Please feel free to follow up with any questions.

Regards,



John Phelan
 Energy Services Manager and Policy Advisor
 Fort Collins Utilities
 970-218-2107, jphelan@fcgov.com

Eligibility Requirements

| | |
|---|---|
| Utility Bill History | Previous 6 months on time payments |
| Minimum credit score | 640 |
| Bankruptcy, foreclosure repossession | None in the last 5 years |
| Unpaid Collection Accounts, Judgments, Tax Liens | No more than \$2,500 |

More information: fcgov.com/epichomes

Date: April 19, 2023

Stuart Cohen
Rapid Adoption Heat Pump Project
Juneau, AK 99801

Re: OPALCO on-bill financing (OBF) program

To whom it may concern,

OPALCO, a member-owned electrical distribution cooperative, started a tariff model OBF program called Switch It Up! (SIU) in 2019. Initially the program financed only ductless heat pumps (DHP) and heat pump water heaters. In 2022 the program expanded to finance a wider variety of energy efficiency projects including solar, windows, insulation, in-home storage, etc. and increased the maximum financing allowed per meter. As of April 2023, we have financed 497 energy efficiency projects totaling over \$7.4M with an average project financing is \$15k. DHP's account for 332 of the projects with the average project amount of \$12k. *Since the program's inception we have experienced a 0% default rate.* Despite our default experience to date, OPALCO maintains a 2% loss reserve for all financing outstanding.

Our program is structured as an opt-in utility tariff model whereas the repayment obligation is treated as a part of the overall utility bill, no different than tariff charges for Service Access or kWh charges. Non-payment of the bill, which includes the OBF, results in the normal processes for collection, up to and including shut-off. For rental properties, the property owner and tenant both sign an owner-authorization form, while the tariff is placed on the bill member paying for the metered service at the location.

Eligibility for financing is based only on the members rolling 12-month utility payment history. If the members payment history appears to show trouble paying bills timely, we may approve the project under the condition of the member to signing up for bill auto-pay.

Please feel free to follow up with any questions.

Best,

Travis Neal

Travis Neal, CPA
Head Accountant
Orcas Power & Light Cooperative



April 18, 2023

Stuart Cohen
Rapid Adoption Heat Pump Project
Juneau, AK 99801

Dear Mr. Cohen:

I am writing in response to your request to provide some context for the default rate in our Help My House[®] on-bill financing program. There have been more than 1,050 weatherization loans made to electric cooperative-served homeowners since our program launched in 2012. Forty percent of the loans are made to members who live in manufactured homes which offer some of the greatest returns. These loans have totaled more than \$10M with an average loan amount per home of \$10k. Our program's loan default rate remains below one percent.

Participating Help My House co-ops offer low-interest loans to their qualifying members to seal air leaks in their homes' envelope, install new heat pumps (HVAC), and improve or replace ductwork. Most of our participating co-ops qualify their members using billing payment history and do not require or consider FICO or other commercial credit scores. Program administrators ensure each member owns the property before a home is weatherized, and applications are declined if owners are in active bankruptcy or their home is in foreclosure. With rental homes and other third-party properties, we require the property owner's signature on the application and other loan documents.

Those are just a few details about Help My House that I hope are helpful as you consider a similar program for the community you serve. Feel free to give me a call if you have additional questions.

Sincerely,

Michael C Smith
VP Business and Technology Strategy
Electric Cooperatives of South Carolina
(803) 530-9996



HAWAII GREEN INFRASTRUCTURE AUTHORITY

No. 1 Capitol District Building, 250 South Hotel Street, Suite 501, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: gems.hawaii.gov

Telephone: (808) 587-3868
Fax: (808) 587-3896

April 19, 2023

Mr. Stuart Cohen
Juneau, AK 99801

Dear Mr. Cohen:

Re: Rapid Adoption Heat Pump Project

The Hawaii Green Infrastructure Authority (HGIA) launched its Green Energy Money Saver On-Bill Program (GEM\$) in April 2019. GEM\$ is a non-traditional financing program to expand access and affordability for underserved ratepayers to install solar systems to lower their energy costs. Instead of credit reports, GEM\$ relies on utility bill payment history and instead of debt-to-income ratios, loan repayment is made through energy savings that would otherwise have been paid to the electric utility.

Similar to your proposed Rapid Adoption Heat Pump Project, GEM\$ loan capital is repaid and the program does not subsist on grants. To date, with over 540 on-bill loans aggregating over \$18.0 million, **the program has not yet suffered any losses** (even through the pandemic), nor has there been any disconnections.

When Hawaii's Governor issued a "Stay at Home" Order in March 2020, requiring all non-essential workers to remain at home, the Hawaii Public Utilities Commission implemented a disconnection moratorium. This moratorium remained in place for the next fourteen months until May 31, 2021. During this period, Hawaii's unemployment rate skyrocketed from 2.8% (one of the lowest in the nation) in February 2020 to 22.6% (the highest in the nation) in April 2020. With Hawaii's top industry being tourism, many of Hawaii's workers remained unemployed for over a year.

As of March 31, 2023, while 41 or 11.0% of the loans were past due, all but 7 loans or 1.9% of the portfolio made payments in March or April 2023, which means that while these accounts fell behind during the pandemic and have not caught up to become current, they continuing to perform.

Our average residential loan is \$30,000 and average commercial loan is \$450,000. Qualifying for GEM\$ is a simple two-step process. (1) The ratepayer must not have received any disconnection notice over the past 12-month period; and (2) the estimated post-installation energy bill must have a minimum estimated 10% savings (including the loan repayment).

As always, should you have questions or if I can be of additional assistance, please don't hesitate to contact me.

Sincerely,



Gwen S Yamamoto Lau
Executive Director



City and Borough of Juneau
City & Borough Manager's Office
155 South Seward Street
Juneau, Alaska 99801
Telephone: 586-5240 | Facsimile: 586-5385

To: Deputy Mayor Gladyszewski and Assembly Committee of the Whole Date: 7/14/2023
From: Rorie Watt, City Manager
Subject: ADUs: An Integral Part of the Juneau Housing Strategy

Background Information

At the April 24, 2023, meeting of the Lands, Housing & Economic Development Committee ([LHEDC](#)), and at the May 22, 2023 meeting of the Committee of the Whole ([COW](#)), staff presented a status report and proposed options for updating the Accessory Apartment Grant Program (AAG). The current AAG program expired on June 30, 2023. The LHEDC also supported staff's recommendation to rename the AAG to a more holistic title—the Accessory Dwelling Unit Grant Program.

The draft recommendation was to pursue a two-tiered structure as follows:

- Tier 1 grants of \$13,500, short-term rentals (STRs) not allowed for three (3) years by deed-restriction with annual reporting.
- Tier 2 grants of \$50,000, short-term rentals (STRs) not allowed for 10 years, and affordability capped at 60% AMI for 10 years by deed restriction with annual reporting.

Based on the discussion at the May 22, 2023, COW meeting, several questions were raised, which are discussed below.

Average Median Income (AMI) Calculation

For the proposed Tier 2 level, applicants would be required to maintain the ADU unit at 60% AMI for 10 years through a recorded deed restriction. The policy issue here is whether the public financial support of an additional rent-controlled housing unit can be done in a manner that results in housing availability to those that need it. In order to not have a big loophole (builder of an apartment rents at a low rate to a friend or family member), close monitoring including the following would have to occur:

1. Evidence that the unit was broadly available to the public
2. Evidence that renters met the income limits
3. Evidence that rent levels are maintained

Absent these measures, there is substantial likelihood that the program would be misused. However, for a small and new CBJ program, the monitoring and enforcement of these conditions over a ten year period could be administratively onerous, and difficult to properly monitor.

Vacancy

A goal of the ADU Grant program is to provide grants for the creation of quality housing units at a rental level affordable to Juneau's workforce. Building an ADU is an expensive investment, and staff finds that enacting a vacancy requirement is not pertinent to the success of the program. If a property owner invests in constructing an ADU, it is highly unlikely that they will not follow through on renting the unit given that they will likely work towards recouping their expenses. Additionally, given the housing crisis in Juneau, it is also highly unlikely that a quality, affordable unit would lie vacant for any length of time. A property owner may need some time to prepare the unit as it turns over, as is the normal course of renting.

If vacancy limits are required, staff recommends that those limits are included in the grant program guidelines and requirements, and not in the Resolution governing the update to the program. Staff has reviewed vacancy requirements for similar programs and found that maximum vacancy ranges from one (1) month (Claremont,

California), to 90 days (Eagle County, Colorado). However, the majority of comparable programs have no maximum vacancy standards to secure funding. Comparable programs without a vacancy requirement include: West Denver, Colorado; Montpelier, Vermont; Kittery, Maine; and Hyannis, Massachusetts. During the research process, several Alaskan communities were reviewed including Anchorage, Fairbanks, Wasilla, Ketchikan, and Sitka. None have an ADU program of this type.

Tax Abatement

CBJ has four tax abatement programs. They are as follows:

- Downtown Tax Abatement: Provides 12-year tax abatement for projects that develop at least four (4) new residential units in the area of the Downtown Juneau Residential Tax Abatement Map.
- Senior Assisted Living Tax Abatement: Provides 12-year tax abatement for projects that provide at least 15 new residential units of assisted living for senior citizens in the urban service area.
- Subdivision Property Tax Abatement: Property taxes derived from the increase in assessed value and directly attributable to the subdivision of a single parcel of property into three (3) or more parcels and any improvements made to the property necessitated by its subdivision may be exempted for a maximum of five (5) years.
- High-density Tax Abatement: Provides 12-year tax abatement for projects that develop at least four (4) new residential units within the Urban Service Area.

ADUs are not generally constructed in multi-family zoning districts, because units in multi-family zoning districts are simply considered dwelling units, and not *accessory* dwelling units, and the units count toward density. ADUs are typically found in single-family zoning districts (staff can explain this in more detail if desired).

The result is that ADUs are not eligible for three of the four tax abatement programs. The final tax abatement option, subdivision property tax abatement, would only apply to subdivisions creating three or more lots. It would be possible to construct an ADU, subsequently subdivide the land, and stack the tax abatement. However, the abatement would only be applicable for the value attributable to the subdivision and subsequent improvements. At five years, this abatement program has the shortest timeframe of any of the existing programs. Staff does not believe there will be much overlap, if any, between the ADU and Tax Abatement programs.

Recommendation

Staff recommends that the COW forward the draft Resolution to the full Assembly for the continuation of the Accessory Dwelling Unit (ADU) Grant Program for Tier 1 grants of \$13,500.

The Assembly should further discuss its comfort level with the Tier 2 grant concept, considering the balance between creating needed housing, provision of significant capital, creation of a new program that is not administratively burdensome and the need to have grant conditions that are easily enforceable. Consider whether other non-profits (THRHA for example) are perhaps better situated to implement this type of program.

| 2023 | Number of Persons | Extremely Low Income (30% of Median) | Very Low Income (50% of Median) | Low Income (80% of Median) |
|-------------|--------------------------|---|--|-----------------------------------|
| | 1 | \$25,050 | \$41,700 | \$66,750 |
| | 2 | \$28,600 | \$47,650 | \$76,250 |
| | 3 | \$32,200 | \$53,600 | \$85,800 |
| | 4 | \$35,750 | \$59,550 | \$95,300 |
| | 5 | \$38,650 | \$64,350 | \$102,950 |
| | 6 | \$41,500 | \$69,100 | \$110,550 |
| | 7 | \$44,350 | \$73,850 | \$118,200 |
| | 8 | \$47,200 | \$78,650 | \$125,800 |

| 2023 | Bedrooms | Fair Market Rent | 30% AMI | 60% AMI | 80% AMI | 100% AMI | 120% AMI |
|-------------|-----------------|-------------------------|----------------|----------------|----------------|-----------------|-----------------|
| | Efficiency | \$1,002 | \$642 | \$1,284 | \$1,712 | \$2,140 | \$2,568 |
| | 1 bedroom | \$1,176 | \$688 | \$1,375 | \$1,834 | \$2,292 | \$2,750 |
| | 2 bedroom | \$1,499 | \$825 | \$1,650 | \$2,200 | \$2,750 | \$3,300 |
| | 3 bedroom | \$2,130 | \$953 | \$1,906 | \$2,541 | \$3,176 | \$3,811 |
| | 4 bedroom | \$2,236 | \$1,063 | \$2,126 | \$2,835 | \$3,544 | \$4,253 |
| | 5 bedroom | \$2,571 | \$1,174 | \$2,347 | \$3,130 | \$3,912 | \$4,694 |

Presented by: Joseph Meyers
Presented:
Drafted by: S. Layne

RESOLUTION OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 3030

A Resolution Amending the Accessory Apartment Grant Incentive Program Criteria.

WHEREAS, consistent with the CBJ Housing Action Plan, to ensure a healthy housing market, the City and Borough of Juneau (CBJ) needs to spend its own resources to create more housing for young families, workers, and seniors; and

WHEREAS, in 2015, the Assembly established an accessory apartment grant pilot program with \$72,000 in \$6,000 individual grants, which resulted in 12 new accessory apartments; and

WHEREAS, by early 2017, the \$72,000 pilot program created more than \$1,000,000 in development, which is recognized through property taxes; and

WHEREAS, because of the success of the pilot program, the Assembly appropriated \$480,000 as funding for the Accessory Apartment Grant Incentive Program for five years via Ordinance 2017-06(AD); and

WHEREAS, the Accessory Apartment Grant Incentive Program criteria has been amended to clarify that the Assembly’s intent is to create accessory apartments for long-term rental use, and not for short term rental use; and

WHEREAS, the CBJ Lands Housing and Economic Development Committee (LHEDC) made a motion of support of modifications to the Accessory Apartment Grant Incentive Program including structural and funding amount changes, and a name change to the “Accessory Dwelling Unit” Grant Program.

NOW, THEREFORE, BE IT RESOLVED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Accessory Dwelling Unit Grant Program. The following program criteria governs new Accessory Dwelling Unit Grants:

- A. Intent.** The Accessory Dwelling Unit Grant Program is intended to provide encouragement for homeowners to add an accessory dwelling unit (ADU) to their home, furthering the creation of affordable housing. This two-tiered program provides homeowners flexibility by offering two grant tiers with different levels of commitment. Applicants may choose either Tier 1 (\$13,500) or Tier 2 (\$50,000).
- B. Availability.** Grants are limited based on available funding. The CBJ is free to reduce or eliminate the funding for this program. Applicants do not vest any rights

in this program. Funding for this program is provided by the Juneau Affordable Housing Fund.

C. Preliminary Eligibility Requirements to Apply.

1. One grant per property;
2. Applicant must be a Juneau resident whose principal residence is within the borough of Juneau;
3. Applicant must be the property owner(s) and at least 18 years of age;
4. No outstanding code enforcement cases can exist on the subject property;
5. Only new accessory dwelling units are eligible for this incentive program;
6. Building permit and grant application must be compliant with applicable federal, state, and municipal codes, laws, and regulations; and Grant Criteria; and
7. Applicant can only apply for the grant program concurrently with a building permit application; applications received after submittal of a building permit will not be accepted.

D. General Eligibility for Award.

1. Must pass final inspection within two years of issuance of associated building permit.
2. Receive a full Certificate of Occupancy within two years from issuance of the building permit. A Temporary Certificate of Occupancy is insufficient.
3. The grant is non-transferable; therefore, if there is a conveyance of property prior to awarding this grant, this application becomes null and void. If a conveyance of property occurs after receipt of the grant award, Section F of this resolution applies.
4. Provide photos of the unit interior and exterior upon receipt of CO and prior to award. Photos must show the kitchen, bathroom(s), and a view of the unit from the street.
5. Property taxes and assessments, including bonds, must be in good standing.
6. Tier 1:
 - a. Record a deed restriction agreeing not to rent the resulting unit as a short-term rental for three (3) years from the date of issuance of the certificate of occupancy;
 - b. A default would cause the property owner to owe the CBJ the grant award;
 - c. A short-term rental means a dwelling unit, or portion of a dwelling unit, offered for overnight occupancy in exchange for a fee and that is available for rent for fewer than 30 consecutive days; and
7. Tier 2:
 - a. Record a deed restriction agreeing not to rent the resulting unit as a short-term rental for ten (10) years from date of issuance of the certificate of occupancy;
 - b. A default would cause the property owner to owe the CBJ the grant award;

- c. A short-term rental means a dwelling unit, or portion of a dwelling unit, offered for overnight occupancy in exchange for a fee and that is available for rent for fewer than 30 consecutive days;
- d. Record a deed restriction agreeing to rent the resulting unit at 60% AMI or less from date of issuance of the certificate of occupancy for ten (10) years.

E. Application and Disbursement Process.

1. Property owners shall complete an Accessory Dwelling Unit Grant application concurrently with a Building Permit application for an accessory dwelling unit. Applications are accepted at the CBJ Permit Center on the 4th floor of the Marine View Building, located at 230 South Franklin Street.
2. Availability of funding currently allows for 16 grant awards for Tier 1 and eight (8) grant awards for Tier 2, per fiscal year, beginning FY24. Applications are received on a first-come, first-served basis. Grant application approval will be determined by the Community Development Department; approval is subject to meeting preliminary eligibility requirements. The first 24 eligible applicants will be awarded after meeting the final eligibility for award requirements. After the first 24 applications have been received, eligible applicants will be placed on a waitlist in the event more funding becomes available, or an applicant on the primary list fails to meet award eligibility requirements.
3. Grant proceeds will be disbursed after a Certificate of Occupancy is issued by the CBJ Building Division, within the two-year timeframe, and all other award eligibility requirements are met. Temporary Certificates of Occupancy are insufficient to receive an incentive grant award.
4. Grant awards will be paid with vendor account created for each recipient and be paid on the next payment cycle after award.

- F. Conveyance.** If the applicant conveys the property prior to the end of the deed-restricted period, the applicant shall provide written notice to CDD and;
- i. Tier 1: The applicant shall pay back \$4,500 for each year remaining of the three-year deed restriction period, up to \$13,500
 - ii. Tier 2: The applicant shall pay back the entire grant less 10% for each year that the property was in compliance with the ten-year deed restriction period, up to \$50,000

- A. Final Inspections.** Applicants are cautioned that the building inspection process may take more time to complete than one may anticipate. Depending on the season, inspectors may be unable to respond rapidly to a request for an inspection. Please allow adequate time after inspections to make necessary corrections. Final inspections should be scheduled at least one month in advance of the two-year deadline.

B. Income and Taxes. Applicant is solely responsible for any tax implications upon receiving this incentive grant and should consult their tax professional.

Section 2. Effective Date. This resolution shall be effective immediately after its adoption.

Adopted this _____ day of _____, 2023.

Beth A. Weldon, Mayor

Attest:

Elizabeth J. McEwen, Municipal Clerk



City and Borough of Juneau
City & Borough Manager's Office
155 South Seward Street
Juneau, Alaska 99801
Telephone: 586-5240 | Facsimile: 586-5385

To: Deputy Mayor Gladyszewski and Assembly Committee of the Whole Date: 7/14/2023
From: Rorie Watt, City Manager
Re: Code Revisions – Tourism and Docks & Harbors Duties

At the November 28, 2022 COW meeting, the committee discussed code updates to better align priorities set by the Visitor Industry Task Force (VITF). The VITF recommends centralized management of the visitor industry and associated CBJ policies, projects, and services. To do this, roles and responsibilities within Docks & Harbors and the Manager's Office need to be clarified to ensure consistency in planning, development, industry relations, public use and outreach, and operations on the waterfront. To achieve this, staff recommends establishing the duties of the Tourism office under Title 3, and making corresponding amendments to Title 85, Docks & Harbors.

Currently, there is overlap in services related to industry communication, fee planning, commercial use and development of the waterfront. Authority is given to both the Manager and Port Director for similar tasks on the waterfront and this results in inefficiencies and (confusion to the public) in accomplishing work.

For everyone's sake – the Assembly, Tourism Manager, Port Director, Docks & Harbors Board, industry, and public, we need to bring our code into conformance in a manner that is efficient and aligns with the Assembly's expectations. To resolve these conflicts, structural reorganization of authority related to waterfront and tourism management is needed. The following changes are recommended:

1. **Revising CBJ Title 3 Administration** would codify duties and responsibilities under the City Manager to oversee capital projects, policy decisions, and community relations related to waterfront public spaces which would be executed by the Tourism Manager. These tasks include Seawalk development, ship scheduling, implementing community planning efforts such as the VITF, Tourism Management Plan and the Long Range Waterfront Plan for waterfront development, public outreach and engagement, integration of marketing issues, and coordinating commercial use permitting and strategy. The Tourism Manager would also oversee harmonizing dockage fees across the port in consultation with the Port Director and private docks to meet community tourism management goals. The Tourism Manager's office would continue to be funded by Marine Passenger fees and would be responsible for setting the Passenger Fee budget and lead industry and CBJ relations. A draft of Title 3 amendments is attached and should be forwarded to the Assembly for action.
2. **Revisions to Title 85 Waters and Harbors** are also necessary to complement changes to Title 3. Prior to making these changes, the Assembly should also contemplate the larger organizational question – what role should an empowered board play on cruise ship issues (several notes below on empowered boards). The goal should be to clarify the role of the Port Director and the Board and avoid a situation where CBJ has to essentially negotiate with itself. Currently, the Port Director and the Manager work very well together and make the situation functional – but with a changing of responsibilities (creation of Tourism Manager, Title 3 amendments) and upcoming personnel changes (City Manager), now is the time to update our governance.

A key question for the Assembly is "Do you want advice from Docks & Harbors Board on cruise ship issues?" My assumption is that the Assembly does not want advice from the Board; the Board has

yielded to the Assembly for years on this topic and the reason is that the ramifications of the cruise ship industry extend far beyond the municipal cruise ship infrastructure. The public also understands that the Assembly is the body to receive testimony on topics related to the visitor industry.

Of great importance to the City, Docks & Harbors effectively and efficiently completes many duties for the CBJ and generally does the Assembly the very big favor of hearing and resolving harbor issues. The empowered Docks & Harbors board is comprised of volunteers who typically join the board because they are harbor patrons and have a keen interest in a healthy harbor and small boat infrastructure system. Key tasks performed by the Department include:

- a. Managing small boat harbors, parking lots, boat ramps
- b. Managing and leasing most of CBJ’s marine properties
- c. Port Revenue management (coordinating, billing, collecting passenger fees)
- d. Seasonal Dock Operations (security, maintenance, cleaning, operations coordination)
- e. Bus and van staging management, tour vendor issues
- f. Coordination of employees in Harbors and Docks to maximize year round employment
- g. Capital project planning/development/project management

Currently, the Docks and Harbors Department performs two very different functions, while docks and harbors are obviously both marine related, the policy issues in the harbors largely affect the harbors and dock issues have a much different nexus with broad community issues.

As tourism has grown in Juneau, the Assembly has desired to participate directly in the dock function on decisions related to community tourism goals such as dockage fees, tideland leases, and dock electrification; all parties understand that community tourism goals are an Assembly duty. An unintended internal conflict has been created within Docks & Harbors core mission – managing the port using revenue generated by port activities – and community tourism management goals that contemplate limits, volume management, and strategic management of the waterfront to meet local needs and support the visitor industry. One example is that an increase in whale watching activity is good for harbor revenue, but maybe not so good for the community.

Clarifying roles and responsibilities will promote centralized and consistent management of the waterfront in the best interest of the community and support the clear and direct application of Assembly goals. At root level, the big questions that the creation of the Tourism Manager, Title 3 amendments and consolidation of cruise industry activities under the City Manager cut right to the question about whether Docks & Harbors should remain as an empowered board or if some other governance structure (Harbors becomes an enterprise similar to the utilities, D&H becomes a City Department reporting to the Manager and no change are several possibilities) is more appropriate. The next step should be to gain formal board input on this matter.

Recommendations:

- 1. Forward Title 3 to the Assembly for public hearing and adoption.
- 2. Forward Title 85 discussion to the D&H Board for initial comment.



CBJ has several empowered boards – Bartlett, Docks and Harbors, Eaglecrest and the Airport. In 1984, voters passed a Charter amendment that allowed the Assembly to create an empowered Docks & Harbors board by Ordinance. Upon the creation of empowered boards, the general expectation was that an empowered Board

would set fees and self-fund their programmatic operations and reduce workload on the Assembly and the Manager. Self funding has largely worked for the hospital and the airport (each with occasional financial assistance from the Assembly), and Eaglecrest has more or less settled into a pattern of receiving an annual general fund subsidy (much like the Parks & Recreation programs). CBJ also has self-fund enterprise functions (water & wastewater) that fall under the Manager with the oversight of an advisory board (the UAB).

Docks & Harbors is also entirely operationally funded by user fees from boat harbors, parking lots and ramps and from fees at the cruise ship docks. D&H does not receive general fund support. Funding and fees related to cruise ship dock operation, capital investment and maintenance flows strongly through the decision making of the Manager of the Assembly (unlike the other empowered boards).

For a time, the Aquatics board was quasi-empowered and the Aquatics Director jointly reported to the Aquatics Board and the Parks & Recreation Director. This structure came out an Assembly negotiation between two competing ideas – some Assembly members wanting and some Assembly members **not** wanting to have the AB be empowered. It is this kind of problem that needs to be fixed. Currently the Port Director reports to the Board, but also has to be sophisticated enough to navigate around and with the Assembly, Manager, Tourism Director and other Departments.

Under normal inter-departmental conflicts, Directors report to the Manager and there is one decider. Right now, the Port Director does an admirable job trying to keep many masters happy while efficiently running the Department. But, with regard to cruise ship issues, our governance structure no longer aligns with Assembly direction.

03.10.010 Departments established.

(a) The following departments of the City and Borough are established:

- (1) Finance;
- (2) Community development;
- (3) Reserved;
- (4) Engineering and public works;
- (5) Fire;
- (6) Administration;
- (7) Police;
- (8) Parks and recreation;
- (9) Airport;
- (10) Library;
- (11) Human resources and risk management;
- (12) Tourism.

(b) The manager may require a department or division to report to the manager through a deputy manager or the head of another department, either full time or for the purpose of coordinating a specific project.

(CBJ Code 1970, § 03.10.010; Serial No. 70-2, § 3, 1970; Serial No. 72-26, § 3(A), 1971; Serial No. 71-40, § 3(A), 1971; Serial No. 79-22, § 2, 1979; Serial No. 82-12, § 4, 1982; Serial No. 85-83, § 2, 1985; Serial No. 91-15, § 2, 1991; Serial No. 92-01, § 2, 1992; Serial No. 93-03, § 2, 1993; Serial No. 96-22, § 3, 1996; Serial No. 2000-51, § 3, 12-18-2000; Serial No. 2006-06, § 2, 4-3-2006; Serial No. 2011-09, § 2, 5-2-2011; Serial No. 2013-29, § 2, 1-6-2014, eff. 2-5-2014 ; Serial No. 2015-04 , § 2, 4-6-2015, eff. 5-7-2015)

Charter reference(s)—Departments created by ordinance, § 5.2(a); oath of office of appointed officer, § 15.4.

~~03.10.052 Reserved.~~

The Tourism Department shall be responsible for:

- (1) Centralized tourism policy and management;
- (2) Coordination of community planning and waterfront projects;
- (3) Public relations related to the waterfront and the cruise ship industry; and
- (4) Cruise ship industry relations, including CLAA contract management and schedule coordination.

Editor's note(s)—Section 4 of Serial No. 2015-04 , adopted Apr. 6, 2015, repealed § 03.10.052 which pertained to engineering department and derived from Serial No. 82-12, 1982; Serial No. 83-1, 1983; Serial No. 83-82, 1983; Serial No. 84-55, 1984; Serial No. 85-83, 1985; Serial No. 93-03, 1993; Serial No. 95-16, 1995; and Serial No. 2006-06, adopted Apr. 3, 2006. This change became effective May 7, 2015.

**MEMORANDUM**

DATE: July 14, 2023

TO: Assembly Committee of the Whole

FROM: Alexandra Pierce, Tourism Manager

SUBJECT: Tourism Update

The Assembly has requested an update on the 2023 visitor season to date and the progress of ongoing tourism management efforts. Since this update was provided at the July 10 Assembly meeting, I have updated this memo in **bold** font in response to Assembly requests.

Phone and Internet Service

Chris Murray and I met with AT&T and they are evaluating how to bolster their network and informed us that other communities (i.e. Seward) are experiencing some of the same capacity issues. We will continue to put pressure on the cell phone companies to address the issue. They also noted that there may be a need to add network capacity to Juneau. I am meeting with another provider on Tuesday.

TBMP Statistics

The below chart provides a year over year comparison of TBMP calls from April – June 2019-2023. Call volume is similar to last year. I have personally received numerous complaints about ship emissions, specifically from the older Norwegian Cruise Line ships. I am working directly with NCL on these complaints, which are not tracked with TBMP calls.

| TBMP Hotline Year Over Year Comparison (April - June) by Call Type | | | | | |
|--|-----------|------------------------|-----------|------------------------|-----------|
| 2019 | | 2022 | | 2023 | |
| Cruise Ship Noise | 8 | Cruise Ship Noise | 15 | Cruise Ship Noise | 4 |
| Cruise Ship Emissions | 2 | Cruise Ship Emissions | 4 | Cruise Ship Emissions | 5 |
| Aircraft | 5 | Aircraft | 9 | Cruise - Visual | 3 |
| Vehicles | 15 | Vehicles | 21 | Aircraft | 8 |
| Other | 5 | Other | 7 | Vehicles | 24 |
| Other: Whale Watching | 7 | Vessel: Whale watching | 10 | Other | 12 |
| Kudos | 0 | Kudos | 2 | Vessel: Whale watching | 10 |
| Total Calls | 42 | Total Calls | 68 | Kudos | 1 |
| | | | | Total Calls | 67 |

Whale watching

While TBMP call volume on whale watching has remained steady between this year and last, we also know that the whale watch industry has a volume problem (many boats on the water at a time) and the Assembly has received letters from several frustrated citizens. Anecdotal feedback indicates increasing and potentially intensified friction between whale watching and local recreation. Travel Juneau, NOAA, and CBJ convened a meeting of whale watch owners on June 26 to discuss industry issues and concerns. The group agreed to establish a committee to work on a public outreach campaign and on developing and implementing more stringent management practices with the goal of reducing industry impacts on whales, recreational boaters, and waterfront landowners.

Data from the [Docks and Harbors Rate Study](#) shows 43 total passenger for hire vessels using CBJ facilities. This does not account for vessels using private docks. The whale watching operators committee met on Thursday and discussed opportunities for public outreach as well as more stringent guidelines to be implemented this year and formalized for 2024. Examples are agreeing to a request by Shelter Island property owners to avoid certain areas around the island and limiting the number of boats around a whale to 12. They have also agreed to share contact information and establish better communication between companies.

Flightseeing

The below table shows the number of glacier landings (equivalent to the number of helicopter flights) from 2010 to 2022. Flightseeing growth is limited by the number of landing permits available from the US Forest Service. The industry operates under USFS permit limitations established in 2001. CBJ continues to have limited jurisdictional authority over flightseeing but we will continue to work with the USFS on their long-range planning to help manage offsite noise impacts.

| Year | Helicopter Landings | Visitation | Avg. Landings/day | Landings as % of Visitation | Total Difference from 2010 | Difference Landings/day from 2010 |
|------|---------------------|------------|-------------------|-----------------------------|----------------------------|-----------------------------------|
| 2010 | 12042 | 860,878 | 78.7 | 1.40% | 0 | 0 |
| 2011 | 13244 | 866,762 | 86.6 | 1.53% | 1202 | 7.9 |
| 2012 | 12907 | 921,023 | 84.4 | 1.40% | 865 | 5.7 |
| 2013 | 14019 | 971,525 | 91.6 | 1.44% | 1977 | 12.9 |
| 2014 | 13445 | 953,091 | 87.9 | 1.41% | 1403 | 9.2 |
| 2015 | 14779 | 977,157 | 96.6 | 1.51% | 2737 | 17.9 |
| 2016 | 14346 | 1,000,819 | 93.8 | 1.43% | 2304 | 15.1 |
| 2017 | 14193 | 1,055,245 | 92.8 | 1.34% | 2151 | 14.1 |
| 2018 | 16021 | 1,128,626 | 104.7 | 1.42% | 3979 | 26.0 |
| 2019 | 17394 | 1,283,853 | 113.7 | 1.35% | 5352 | 35.0 |
| 2020 | 197 | 0 | 1.3 | 0.00% | -11845 | -77.4 |
| 2021 | 1658 | 114,031 | 10.8 | 1.45% | -10384 | -67.9 |
| 2022 | 12049 | 1,167,194 | 78.8 | 1.03% | 7 | 0.0 |

Forest Service Permitting

The USFS also issues a set number of permits per year for bus companies visiting the glacier. In recent years, companies have run out of permits before the end of the season. This has meant that the bus companies continue to run pre-booked glacier tours (those already sold online) but are no longer selling tours on the dock or onboard the ships. Several operators are expecting to run out of permits in mid-July. In past years, there has been a redistribution of permits between operators late in the season, and the glacier has the ability to issue a limited number of additional permits. Even if these things happen, permit supply will not meet demand for the remainder of the season. This will likely impact Capital Transit. Tourism, Law, and Engineering & Public Works staff are currently evaluating our CBJ’s options for ensuring that transit service remains available to residents who rely on it. This change is a generalized consequence of visitation growth occurring before the development of new tour opportunities.

I will have information on Capital Transit’s estimate of the impact on resident transit users for the meeting. In a meeting on Tuesday, July 11, the Forest Service said there is no flexibility in the number of glacier permits. However, it was also stated that the Forest Service has no concerns with individuals accessing the glacier through other modes of transport. The operators have pivoted, and Parks & Rec has issued additional permits for the Brotherhood Bridge parking lot, Homestead Park, and Overstreet Park. Travel Juneau continues to monitor the situation and has been working on messaging through its visitor centers and website to encourage people to visit other attractions or access the glacier by other modes of transport.

Commercial Recreational Use

Most of this update has focused on Juneau’s current shore excursion supply and demand problem. The Assembly approved funding for a commercial recreational use study to help inform the locations for future shore excursion development including an update of City-owned trails for commercial use. Staff is

planning to issue an RFP for that work in the fall, with public process conducted over the winter. Outcomes may include constructing new trails for commercial use funded by Marine Passenger Fees. Another large-scale shore excursion opportunity is the gondola development with Goldbelt. Due to renegotiation of the gondola agreement, progress has been limited and slow and is expected to ramp up soon.

Regional Engagement

Juneau is part of a regional network and the decisions we make affect our neighbors and vice versa. We are the largest destination in the region for a number of reasons including our geography, size, and amenities. We are in the early stages of working with our neighbors on a regional strategy to identify issues and opportunities in each port, how those issues and opportunities affect the rest of the region and articulate our needs to the industry as a common voice. Below is a short synopsis of each of our regional partners’ relationship with cruise tourism. There are other, smaller ports that see calls from luxury ships, but this summary sticks to the ports that regularly receive ships with 1000+ passengers:

Pre-covid, Seattle was looking to construct a fourth cruise berth. That project was scrapped and Seattle continues to be extremely busy on weekends and is offering homeport space to large cruise ships mid-week.

Vancouver also has a development project to construct a fourth homeport berth, but the project faces a number of challenges and is unlikely to be constructed in the next 5-10 years, if ever. Vancouver has bridge clearance issues for the largest ships but is still the region’s busiest home port.

Victoria is a required stop for Seattle-based ships. It has three berths and many passenger amenities. It has a robust independent visitor and conference economy. However, because of the distance between Ketchikan and Victoria, both struggle with short and oddly timed port calls. Most ships arrive in Victoria between 5 and 8 pm. Call times have become shorter and later due to reduced ship speeds under International Maritime Organization Carbon Intensity Index regulations and orca protection zones. These factors also affect call times in Juneau.

Prince Rupert has made major investments in its one berth to become a Canadian alternative to Victoria. This has resulted in lost calls, but not volume, for Victoria.

Ketchikan typically sees Victoria-bound ships for short morning port calls. Ketchikan has four berths downtown and two berths at Ward Cove, about 10 miles from downtown. Ward Cove is outside of city limits and the City does not collect passenger fees from Ward Cove but experiences the impacts from passengers that arrive there and are shuttled into the city. City of Ketchikan is in the process of hiring a tourism position.

Over the years, Sitka has seen sporadic and irregular visitation. With two private cruise berths several miles out of town, it is now on a steady growth track and is launching its own Visitor Industry Task Force to make recommendations on industry management. It was recently reported in the media that Sitka recently had a record day that many community members felt exceeded community capacity.

Most visitors to Hoonah stay at Icy Strait Point, which is also the major local employer. With last summer’s rockslides in Skagway, many extra ships were deployed to Sitka and Hoonah, which has two berths. For ships doing a round-trip voyage out of Seattle without Glacier Bay permits, Hoonah is the

northernmost port call. Those ships (notably the large Norwegian ships that have historically hot berthed in Juneau) go to Tracy Arm and spend shorter days in Juneau.

Skagway controls two of its four berths as of March 2023 when a long-term lease expired. The city is in the process of improving its port infrastructure and continues to struggle with rockslide issues at its two private berths. The forward berth operates by lightering, and ships currently call (and often hot berth) at the rear berth, where passengers are bussed through the slide zone into town.

Haines has also historically seen sporadic calls and growth and this trend continues. Haines can take one ship and has not developed the shore excursion capacity to manage visitors.

Alaska Railroad and Royal Caribbean are investing in major dock improvements in Seward to turn large ships and transport passengers by rail to Anchorage.

There is currently one berth in Whittier and NCL and Huna Totem are planning to construct a double-sided berth to turn ships.

With so many port issues in the region in flux, predicting impacts on Juneau (and Juneau's impacts on the region) is rather challenging. Juneau has consistently had one of the strongest visitation interest from all of the lines and benefits from geographical location, large suite of tour opportunities, convenient and high quality berthing. Unlike the other ports, virtually all ships visiting the region visit Juneau.

Cruise lines appear to be increasingly experimenting with non-seven day itineraries. This change increases the likelihood that historically non-peak days (Thurs-Sun) could become busier in the coming years.

Survey Point Holdings (Cruise Line Agencies of Alaska) Contract

CBJ and CLAA signed a contract for operating and scheduling the City docks in June. This will increase CBJ staff involvement in scheduling and will help support VITF goals including working toward 'best ship at best dock'. The cost of this contract is \$50,000 annually. Survey Point (CLAA) meets CBJ's sole source requirements. It is important for this contract to have monetary value, so CBJ has recourse if the contractor fails to perform the duties listed. Other communities are very interested in this development and are watching closely. Cruise ship industry leaders are very appreciative of Juneau's efforts to negotiate agreements and develop collaborative models that could be used in other ports.

Action:

No action required at this time, but the Assembly should expect an appropriation of \$50,000 of Marine Passenger Fees for port scheduling and management services.



City and Borough of Juneau
City & Borough Manager's Office
155 South Seward Street
Juneau, Alaska 99801

Telephone: 586-5240 | Facsimile: 586-5385

To: Deputy Mayor Gladziszewski and Assembly

Date: 7/14/2023

From: Rorie Watt, City Manager

Re: JSD Funding Update

The Juneau School District recently received the attached letter from the State of Alaska Department of Education and Early Development.

If this becomes a permanent interpretation by the SOA DEED it would have significant and ongoing budget impact to the JSD. There are obvious avenues of discussion between DEED and JSD around the question of exactly what expenditures are part of the education function and what are not. As this issue has state-wide ramifications it is ultimately an issue that other Boroughs will want to participate in. Participation by the ASSB and AML seems necessary.

There is no action appropriate for the Assembly at this time. As this issue evolves, we will bring back additional information for discussion and updates.



June 29, 2023

Dr. Bridget Weiss, Superintendent
Juneau School District
10014 Crazy Horse Drive
Juneau, AK 99801

Dear Dr. Weiss:

This letter is in response to the City and Borough of Juneau ordinance 2022-06(b)(AR) passed on April 17, 2023, appropriating \$2.3 million for “outside the funding cap to resolve current and prior year deficits...”. The named “funding cap” is the local contribution calculation set out in AS 14.17.410, which is a combination of the required minimum local contribution (AS 14.17.410(b)(2)) and an optional additional local contribution (AS 14.17.410(c)).

The U.S. Department of Education has certified that Alaska meets the requirements of section 7009(b) of the Elementary and Secondary Education Act (ESEA). As a result, Alaska has an equalized funding formula and is eligible to consider a portion of Impact Aid payments as local resources in determining State Aid entitlements to district. Providing additional local funding outside of the established funding cap creates inequity amongst Alaska school districts and has major repercussions on the above-mentioned certification from the U.S. Department of Education. Labeling funds as “outside the funding cap” and identifying the allocation to a special revenue fund does not make it compliant. It is not acceptable for a municipal school district to circumnavigate the local contribution funding calculation set out in AS 14.17.410. The Department of Education & Early Development (DEED) requests that the Juneau School District and the City and Borough of Juneau revisit this ordinance and make the appropriate correction in compliance with AS 14.17.410.

A review of the district’s prior years’ financial statements confirms this is a continuing issue and must be addressed. While DEED is not exercising its authority to require the district reimburse previous fiscal year ordinances’ “outside the funding cap” appropriations at this time, this issue must be corrected with the above-referenced ordinance and going forward, starting with the FY2024 budget process.

If there are any further questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Lori Weed".

Lori Weed
School Finance Manager

Attachment – Ordinance 2022-06(b)(AR)

cc: Cassie Olin, Juneau School District Administrative Services Director
Deedie Sorensen, Juneau School District Board President
Rorie Watt, City and Borough of Juneau City Manager
Lacey Sanders, DEED Deputy Commissioner

Presented by: The Manager
Introduced: March 20, 2023
Drafted by: Finance

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2022-06(b)(AR)(am)

An Ordinance Appropriating up to \$2,340,737 to the Manager for Juneau School District Special Revenue Fund Deficits and Current Year Student Activities; Funding Provided by General Funds.

BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

Section 1. Classification. This ordinance is a noncode ordinance.

Section 2. Appropriation. There is appropriated to the Manager the sum of \$2,320,737 for Juneau School District special revenue fund deficits and current year student activities.

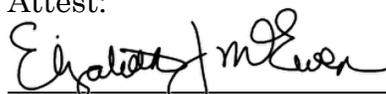
Section 3. Source of Funds

General Funds \$2,320,737

Section 4. Effective Date. This ordinance shall become effective upon adoption.

Adopted this 17th day of April, 2023.


Beth A. Weldon, Mayor

Attest:

Elizabeth J. McEwen, Municipal Clerk



July 28, 2023

Lori Weed, School Finance Manager
Department of Education & Early Development
333 Willoughby Avenue, 9th Floor SOB
Juneau, AK 99811-0500

Dear Ms. Weed:

The Juneau School District, like school districts across the State of Alaska, works extremely hard to provide the best education for students. However, inadequate funding from the State of Alaska¹ has harmed students—notably historically inadequate appropriations by the Legislature and vetoes by Governor Dunleavy. While the Legislature recognized the fiscal harm currently faced by school districts in §61(e) of HB39 (2023) by providing a one-time increase according to A.S. 14.17.410(b)(1), the Governor’s veto of 50% is another example of the State

¹ Article VII, § 1, Alaska Constitution; *Macauley v. Hildebrand*, 491 P.2d 120, 122 (Alaska 1971) (stating the Legislature, and only the Legislature, has a duty to establish and maintain a public school system because “no other unit of government shares responsibility or authority”); *State v. Ketchikan Gateway Borough*, 366 P.3d 86, 102 (Alaska 2016) (C.J. Stowers and J. Winfree concurring and inviting litigation related to Article VII, § 1 related to A.S. 14.17.410(b)(2) and A.S. 14.12.020(c)); *Moore, et al. v. State of Alaska*, Decision and Order at 174, 3AN-04-9756CI, (Third Judicial District, June 21, 2007) (concluding the State’s constitutional obligation to maintain schools has four components, including a requirement to adequately fund schools: “Third, there must be adequate funding so as to accord to schools the ability to provide instruction in the standards.”) *E.g.*,

Washington: *McCleary v. State*, 173 Wash. 2d 477, 269 P.3d 227 (Wash. 2012) (concluding the State of Washington failed to adequately fund basic education); *McCleary v. State*, No. 84362-7, 2015 WL 13935265 (Wash. Aug. 13, 2015) (imposing monetary sanctions of \$100,000 per day for the state being in contempt of the 2012 *McCleary* decision);

Wyoming: *Campbell Cnty. Sch. Dist. v. State*, 907 P.2d 1238, 1279 (Wyo. 1995) (“Because education is one of the state's most important functions, lack of financial resources will not be an acceptable reason for failure to provide the best educational system. All other financial considerations must yield until education is funded.”); *State v. Campbell Cnty. Sch. Dist.*, 2001 WY 90, 32 P.3d 325 (Wyo. 2001) (describing the constitutionality of educational funding operations and capital costs in Wyoming); *Wyoming Education Association v. Wyoming*, 2022-CV-200-788 (Dist. Ct. Wyo., Dec. 6, 2022) (denying state’s motion to dismiss for failure of WEA to state a claim);

New York: *Campaign for Fiscal Equity, Inc. v. State*, 100 N.Y.2d 893, 801 N.E.2d 326 (2003) (CFE II) (concluding that New York State failed to provide adequate funding for New York City schools to provide a sound basic education); *Maisto v. State*, 196 A.D.3d 104, 149 N.Y.S.3d 599 (2021) (discussing *CFE I* & *CFE II*).

violating its constitutional duty to adequately fund education.² To compensate for the harms caused by inadequate State education funding, local municipalities have stepped up to fill the fiscal gaps that the municipalities are legally allowed to fill pursuant to state statute. However, after crippling educational funding in HB39 10 days earlier with his veto pen, Governor Dunleavy's administration shifted its educational funding vengeance towards municipalities.

On June 29, 2023, the Juneau School District received a letter ("June 2023 DEED letter") from State of Alaska School Finance Manager, Lori Weed, asserting that the City & Borough of Juneau's supplemental appropriation Ordinance 2022-06(b)(AR) may violate A.S. 14.17.410.³ The June 2023 DEED letter references that the State recently satisfied the federal disparity test⁴ and somehow that federal disparity test might govern A.S. 14.17.410 or have consequences for the State. The June 2023 DEED letter was silent as to what corrective action would be necessary and exactly what the Juneau School District should or could do from DEED's perspective. There was also nothing to indicate the June 2023 DEED letter was a final decision from DEED or appealable. In short, the June 2023 DEED letter was vague, but the Juneau School District analyzed Ordinance 2022-06(b)(AR) in light of the letter and state law.

As described in the City and Borough of Juneau Assembly's legislative packet,⁵ the \$2.3M appropriated in Ordinance 2022-06(b)(AR) was for the following: non-instructional deficits of (1) \$0.75M for after school childcare, (2) \$0.23M for community school programs, (3) \$1.28M for pupil transportation and (4) a \$60k purchase for wrestling mats.⁶

While distinguishing essential instructional expenditures from non-instructional expenditures may be ambiguous in some circumstances for the purposes of A.S. 14.17.410,

² 2023 Governor Dunleavy's line-item vetoes of HB39 (2023), DEED §61(e) regarding A.S. 14.17.410(b)(1) at page 148 (PDF page 29) <https://www.akleg.gov/PDF/33/Vetoes/HB39.pdf> (last visited July 18, 2023).

³ On July 15, 2023, DEED Acting Commissioner Teshner informed school districts that a similar letter to what the Juneau School District received would be sent to all municipal school districts, which could trigger an educational funding crisis for future years. Governor Dunleavy's administration may have manufactured this educational fiscal crisis because had he not vetoed the \$85M of A.S. 14.17.410(b)(1) funding in HB39, the State would not be close to breaching the 25% federal disparity test because every school district's fiscal floor would have been raised.

⁴ Section 7009(b) of Elementary and Secondary Education Act, codified at 20 U.S.C. 7709(b) (imposing a disparity cap of 25%); see A.S.14.17.410(c)(2) (imposing a 23% cap)

⁵ <https://juneau-ak.municodemeetings.com/> (Navigate to the Regular Assembly Meeting 2023-09 on April 17, 2023, and locate item #15) (last visited July 22, 2023).

⁶ Wrestling mats are used for activities for JSD and non-JSD youth and for non-instructional community programs.

other circumstances are clear. For example, when a school district offers after school childcare⁷ as a community service—licensed and regulated by the Department of Health—such a program is not instructional.⁸ In other words, the provision of fee-based childcare is not part of a free public education but a community service of the Juneau School District. Similarly, when a school district offers community schools programs for the entire community—adults and children—such as “Survival Spanish”, “CPR, First Aid & AED Course & Certification”, or “Canning Berries and Fruit”⁹ those community services are not targeted towards “school aged” children,¹⁰ occur outside of the daily school schedule, and are outside of DEED’s educational authority because they are not part of a free public education.¹¹ Had the Juneau School District not provided these services, the City and Borough of Juneau could have provided those exact community services without any oversight from DEED. In that vein, the special revenue fund designation helps prevent the Juneau School District from commingling instructional and non-instructional funds to ensure compliance with A.S. 14.17.410. Thus, the community services offered by a school district—even if paid for in part by the local municipality—are not subject to the federal disparity test and not subject to A.S. 14.17.410.

⁷ Juneau School District, *RALLY*, <https://www.juneauschools.org/en-US/rally-248c4304> (last visited July 17, 2023) (“In partnership with the Juneau School District, RALLY provides state licensed child care for elementary students ages five through twelve.”); State of Alaska Department of Health, *Find a Child Care Provider*, <https://findccprovider.health.alaska.gov/> (last visited July 17, 2023) (Search for “RALLY”).

⁸ 4 AAC 05.080 (describing how instructional curriculum is provided); 20 U.S.C. 7713 (exempting community services from the definition of “current expenditures” because those are not for “free public education” for the purpose of the federal disparity test); Jill Martin, Department of Education Office of General Counsel, transcript of June 21, 2021 hearing at 20, *In the matter of Alaska Department of Education and Early Development Predetermination Proceeding* (“the spirit of the [disparity] test under the regulations is trying to get at is all of the revenues for incurred expenditures that a school district receives and then can use for general operating expenses.”) available at <https://impactaid.ed.gov/wp-content/uploads/2021/06/AK-FY-2022-Predetermination-Hearing-Transcript.docx> (last visited July 21, 2023); *Moore, et al. v. State of Alaska*, Decision and Order at 9-10, 3AN-04-9756CI, (Third Judicial District, June 21, 2007) (making a factual finding that revenues per student varied widely, e.g. \$8,708 for Anchorage and \$22,578 for Yupiit, and “None of these amounts includes capital expenditures, pupil transportation, food service, community schools or certain grants.”).

⁹ Juneau School District, *Juneau Community Schools*, <https://www.juneauschools.org/en-US/community-schools-95f9a1c4> (last visited July 17, 2023); E.g., KTOO, *Community Schools Winter/Spring 2022 Classes*, <https://www.ktoo.org/2022/02/24/used-gondola-on-eaglecrests-wishlist-marie-drake-planetarium-spotlights-the-gas-giants-juneau-community-schools-winter-and-spring-courses-2022-02-23-new-courses-from-juneau-community-schools/> (last visited July 17, 2023).

¹⁰ A.S. 14.03.070 (Defining school age as 6–20-year-old children); 4 AAC 05.010.

¹¹ *Infra* footnote 8; See A.S. 14.03.060 (defining elementary and secondary schools); A.S. 14.07.020 (describing the duties of the Department of Education and Early Development).

The provision of pupil transportation has been challenging for school districts in Alaska. The Legislature has flat funded pupil transportation since SB182 in 2012.¹² Transportation represents one of the fastest-rising categories of inflation, running over 20% higher in April 2022 than the prior year, and the State would need to provide 31% more transportation funding in FY24 just to cover the basic pupil transportation costs. As a consequence, school districts are forced to find lawful alternative funds to provide adequate transportation of students because of changes in student populations, inflation, the pandemic, and the transportation market since 2013.¹³ For the purposes of state law, pupil transportation is clearly not an essential instructional program because it is governed separately by A.S. 14.09.010 instead of within the scope of A.S. 14.17.410, and even the Legislature believes it is discretionary because of the “subject to appropriation” clause in A.S. 14.17.410(a). Additionally, school districts are required—by regulation—to have efficient pupil transportation systems.¹⁴ While pupil transportation is clearly not an instructional expense for the purpose of current Alaska law, pupil transportation has also been deemed exempt from the federal disparity test because of geographical isolation, which has not changed in the last few years.

The Juneau School District is aware that DEED, and other school districts and related entities, argued extensively with the federal Department of Education (US-Ed) that transportation should be excluded from the (FY22) disparity test.¹⁵ Despite US-Ed’s June 30, 2021, decision to the contrary, the recent US-Ed FY23 and FY24 disparity test certifications clearly provide Alaska with a special cost differential regarding pupil transportation: “Transportation revenue is also excluded as it reflects the additional cost of providing free public education in ‘particular types of LEAs such as those affected by geographical isolation’ per 34

¹² A.S. 14.09.010(a)(2).

¹³ Elwin Blackwell, DEED School Finance Manager, transcript of June 21, 2021 hearing at 33, *In the matter of Alaska Department of Education and Early Development Predetermination Proceeding re FY22* (“what we have been seeing since we haven't adjusted those [statutory pupil transportation] rates, the per pupil costs for several years, a lot of districts now are starting to transfer funding out of their operating fund into the pupil transportation fund to cover shortfalls in their funding. So to answer the question, if they can use it for something else, typically the funding is such that they don't have any excess funding.”) available at <https://impactaid.ed.gov/wp-content/uploads/2021/06/AK-FY-2022-Predetermination-Hearing-Transcript.docx> (last visited July 21, 2023).

¹⁴ 4 AAC 27.006 (requiring districts to use the most cost-efficient pupil transportation methods); 4 AAC 27.011(b) (prohibiting duplicate mileage).

¹⁵ State of Alaska Department of Law Memorandum to State Board of Education and Early Development, Litigation summary re *In the matter of Alaska Department of Education and Early Development Predetermination Proceeding re FY22 (School Year 21-22)* (May 6, 2022) available at https://education.alaska.gov/State_Board/june-2022/17E%20Complete%20AG%20report%20for%20June%20mtg.pdf (last visited July 21, 2023).

C.F.R. § 222.162(c)(2)(ii).”¹⁶ Clearly, pupil transportation is now exempt from the disparity test, and there is no reason for disparate treatment of locally funded pupil transportation versus state funded transportation in federal law because the source of funding does not change the geographical isolation basis for the exemption. Thus, while pupil transportation is currently excluded from the disparity test, the State has remedies if US-Ed demands it be considered a disparity test factor again: (1) the State can appeal the US-Ed decision like it did for FY22 and demonstrate that geographical isolation has not changed since FY22, and (2) the Legislature (and Governor) can always follow the Alaska Constitution’s mandate to appropriate adequate education and pupil transportation funding, so municipalities no longer have to discharge the Legislature’s duty of adequately funding “a system of public schools open to all children of the State.”¹⁷

In conclusion, as described above, the \$2.3M appropriation in Ordinance 2022-06(b)(AR) is not subject to A.S. 14.17.410. The provision of community services like childcare (RALLY) and Juneau Community Schools is completely outside the scope of A.S. 14.17.410 and the federal disparity test in §7009 of the Elementary and Secondary Education Act. Similarly, the recent federal determination that pupil transportation in Alaska is exempt from the federal disparity test is consistent with A.S. 14.09.010, which excludes pupil transportation from the scope of A.S. 14.17.410. Thus, the inferences in the June 2023 DEED letter are erroneous.

Consistent with Juneau School District policy, BP 3100 Budget¹⁸, the district is beginning the budgeting process for FY25. If DEED disagrees with the Juneau School District’s position, the district requests a timely response in which DEED clarifies its June 2023 letter by explicitly articulating its rationale, including legal citations, within 14 days.


Deedie Sorensen, Board of Education President


Will Muldoon, Board of Education Clerk

¹⁶ FY23 Disparity Certification from Director Faatimah Muhammad, Impact Aid Program, U.S. Dept. of Education, to Acting Commissioner Heidi Teshner, Alaska Department of Education and Early Development (March 17, 2023).

FY24 Disparity Certification from Director Faatimah Muhammad, Impact Aid Program, U.S. Dept. of Education, to Acting Commissioner Heidi Teshner, Alaska Department of Education and Early Development (June 23, 2023).

¹⁷ Article VII, § 1, Alaska Constitution.

¹⁸ Juneau School District, Business & Non-Instructional Operations, BP 3100 Budget (“The Superintendent or designee shall recommend a budget development process to the Board by October 1.”), available at <https://www.boardpolicyonline.com/?b=juneau> (last visited July 22, 2023).



City and Borough of Juneau
City & Borough Manager's Office
155 South Seward Street
Juneau, Alaska 99801
Telephone: 586-5240 | Facsimile: 586-5385

TO: Deputy Mayor Gladziszewski and Assembly Committee of the Whole
DATE: July 17, 2023
FROM: Robert Barr, Deputy City Manager
RE: Childcare Update

This is a follow-up to our discussion at the [April 24, 2023](#) Committee of the Whole meeting. Since then, AEYC has published a request for [letters of interest](#) for new and/or expanded childcare startups, we were notified that our \$2M grant application was successful and will be awarded in full. An [appropriating ordinance](#) was introduced at the July 10, 2023 Regular Assembly meeting.

As a reminder, total CBJ funding with the grant requires shifting some funds from FY24 to FY25 due to a requirement the grant be fully expended in FY24, and our desire to smooth out and create a longer-term period of predictable funding for providers. Currently anticipated 5-year funding with the new grant (more detail in the 4/24 memo linked above):

| Revenue Source | FY24 | FY25 | FY26 | FY27 | FY28 |
|----------------|-------------|-------------|-------------|-------------|-------------|
| General Fund | \$330,000 | \$1,355,000 | \$805,000 | \$805,000 | \$805,000 |
| 1% Sales Tax | | \$900,000 | \$500,000 | \$500,000 | \$600,000 |
| State Grant | \$2,000,000 | | | | |
| Total | \$2,330,000 | \$2,255,000 | \$1,305,000 | \$1,305,000 | \$1,405,000 |

This level of funding will allow us to double the size of our per-child stipend program in FY24 and FY25 while also creating a new per-employee stipend program and an apprenticeship program designed to provide training and development opportunities for 4 new childcare administrators.

A final note – while we have received verbal notification of this grant award, we have yet to receive formal grant documents. We expect to receive those just-in-time for AEYC to process July payments – if something changes, we will adjust course and update the Assembly.

Recommendation:

Direct staff to prepare a deappropriation ordinance for \$950K (\$550K from GF, \$400K from 1% Sales Tax) in FY24, and include the same amount as a one-time increment in FY25.