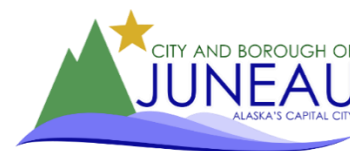


ASSEMBLY FINANCE COMMITTEE MINUTES

November 29, 2023, at 6:00 PM



Assembly Chambers/Zoom Webinar

<https://juneau.zoom.us/j/93917915176> or 1-253-215-8782 Webinar ID: 939 1791 5176

A. CALL TO ORDER

The meeting was called to order at 6:00 pm by Chair Woll.

B. ROLL CALL

Committee Members Present: Chair Christine Woll; Mayor Beth Weldon; Michelle Hale; Paul Kelly; Ella Adkison; Alicia Hughes-Skandijs; Wade Bryson; Wáahlaal Gíidaak; Greg Smith

Committee Members Present Virtually: None

Committee Members Absent: None

Staff Members Present: Katie Koester, City Manager; Robert Barr, Deputy City Manager; Angie Flick, Finance Director; Adrien Wendel, Budget Manager; City Attorney, Robert Palmer

C. APPROVAL OF MINUTES

1. November 1, 2023

The November 1, 2023 minutes were approved as presented.

D. AGENDA TOPICS

2. Update on FY23/24/25

Angie Flick, Finance Director, introduced pages 12-33 of the packet which provided preliminary results of CBJ's general governmental FY23 actuals, a mid-year update of FY24, and forecasting for the FY25 budget.

Ms. Flick stated that the FY23 budget was built with caution coming out of the pandemic and had performed well. As shown on page 13 of the packet, revenue anticipations were being realized in April of 2023 due to the State's reimbursement of school bond debt, federal ARPA funds, and strong sales tax revenue. She stated that the Finance Department had forecasted \$7 million above what was budgeted for sales tax and an \$18 million surplus overall, projecting to end the year with a \$28 million unrestricted fund balance.

Ms. Flick shared the results of FY23 on page 14 of the packet including additional expenditures, revenues and lapses. She stated that sales tax revenue totaled \$4 million above the projected amount, at \$11 million. She pointed to data from the spreadsheet stating that investment income had a much better year than anticipated and that department revenues had grown larger than anticipated. Ms. Flick explained the property tax deferral as an accounting tool that reduces revenue in the current year while adding it back in the following year. She stated that the surplus increased from initial forecasts from \$18

million to \$31 million and the unrestricted fund balance total had a significant jump from \$28 million to \$41 million.

Ms. Flick answered Committee questions about the department program receipts above estimates. She stated how coming out of COVID affected the FY23 forecast by making it very conservative.

Adrien Wendel, Budget Manager, reaffirmed this point by stating that staff were ultra conservative in creating the FY23 budget. They did not anticipate operations returning to normal as quickly as they did post COVID.

Ms. Flick answered Committee questions regarding personnel lapses.

Ms. Flick introduced page 15 of the packet which showed FY23 personnel lapses in dollars. She stated that four departments made up about 75 percent of personnel lapse and that non-personnel lapse had about \$2 million in savings, as reflected on packet page 16. She stated that about \$1.5 million of the savings were due to projects that didn't happen and that there were great savings in street maintenance as well as modest savings in contracts and utilities.

Katie Koester, City Manager, stated that \$200,000 of the street maintenance savings was due to the new Street's superintendent purchasing salt in a different way which created savings through innovation.

Ms. Flick answered further Committee Questions.

Assemblymember Bryson asked if the River Road cleanup project would also be reflected in the FY24 budget.

Ms. Koester answered that there were legal challenges for the River Road cleanup project and that staff could provide an update at a later time.

Assemblymember Hale asked if staff could speak about the recycling hazardous waste junk vehicles lapse.

Ms. Koester answered that the large expenditure lapse in the vehicle junk program was due to their contractor's limited capacity. She stated that the city entered into a new contract for hazardous waste this year.

Ms. Flick added that some of the savings from RecycleWorks were realized through contract negotiations after budgeting for a worst-case scenario.

Ms. Flick stated that FY24 was off to a great start due to a strong tourism season. She introduced page 18 of the packet which showed the budget summary of FY24. She stated that sales tax was above the budgeted amount with inflation having an effect. She stated that the property tax deferral came back in FY24 after being taken out in FY23.

Ms. Flick shared that an anticipated year-end savings of \$1 million was left in the forecast. She went over one-time expenditures that were included in the FY24 budget. She stated that the fund balance projected for FY24 is available for one-time projects and expenditures that will need to be addressed.

Ms. Flick stated that the restricted budget reserve was underfunded by about \$1 million and that there were anticipated grants that would need matching sources. She stated that there would be one-time

needs associated with any leased office space changes and other projects might require more funding such as the Juneau Police Department radio system project, affordable housing projects, as well as maintenance and capital needs.

Mayor Weldon asked if it's known how much funding in grants the city would be getting and how much match would be needed.

Ms. Koester answered that it's not known but that she could get a good idea of pending requests from the grant tracker that the Engineering and Public Works Department uses. She stated that any significantly high-cost projects would need to be brought to the Assembly before they could apply for a grant.

Assemblymember Hale asked if \$1 million to match the North Douglas Crossing would be an example of a one-time cost out of the fund balance rather than as part of the normal budget.

Ms. Flick confirmed that this was true and explained that if a match was needed for a project grant then that would be considered a one-time expenditure.

Ms. Flick answered further Committee questions.

Ms. Flick introduced page 19 of the packet which showed FY24 first quarter actual revenue as it relates to sales type taxes. She stated that these numbers were relatively strong with sales tax for the first quarter being about a half a million dollars above the budget. She stated that she believed anomalous one-time revenue sources coming from outside agencies, due to COVID, had come to an end.

Ms. Koester directed the Committee to the supplemental materials which included the types of questions staff wanted to hear discussion on during the Assembly retreat.

Ms. Flick introduced page 22 of the packet which showed the FY25 budget assumptions for the retreat discussion with the topics of inflation, tourism, salaries, benefits, property assessments, general receipts, General Fund lapse, and a structurally balanced budget.

Ms. Flick stated that to get a structurally balanced budget that incorporates the previously mentioned assumptions, the Assembly would need to pass a mill rate of 10.28 and that this number was based on an estimate that property values would increase from 2023 to 2024 by 2.5%. She stated that the Assessor's Office was still working to determine the actual 2024 property values, which would be released in March of 2024.

Assemblymember Hale clarified that the Assembly had not approved the requested mill rate of 10.28. She stated that the Assembly had to fight hard last year to get the mill rate lowered, and that the mill rate discussion for the FY25 budget will occur during the Assembly Finance Committee review of the budget in the spring.

Ms. Flick answered further Committee questions.

Assemblymember Hughes-Skandijs raised concerns over the projected revenue growth of 2.5% and asked for more details about how that growth fit into the budget.

Ms. Flick explained that the increase came from a combination of adjustments. She stated that as the cost of running programs increased it was assumed departments would adjust their prices for their services.

Ms. Koester discussed the upcoming retreat and introduced the materials to aid in the discussion. She expressed that the goal of the retreat was to have an interactive conversation using the packet as supporting background information. She stated that invited department heads would participate in the morning session.

Chair Woll stated that Assemblymember Bryson requested an additional topic be added to the agenda regarding a sales tax holiday. This agenda topic was not previously reflected on the agenda.

3. Sales Tax Holiday

Assemblymember Bryson stated that the draft sales tax holiday ordinance could give the current and future assemblies the ability to create a sales tax holiday just through resolution and that it would be completely voluntary. He passed around a draft copy of the ordinance, an example of a sales tax blank form, and a hypothetical sales tax return for a business to complete a sales tax exemption.

Chair Woll declared a two minute at ease for Assemblymembers to read the ordinance.

Assemblymember Kelly asked why in the handout the sale of gasoline was exempted from the sales tax holiday.

Assemblymember Bryson stated he may need to refer to an attorney as there could be legal reasons to exempt the sale of gasoline from the sales tax holiday.

Robert Palmer, City Attorney, explained that some of these items have associated taxes from other entities that would be challenging to stop collecting on. He provided the example of a gasoline pump, stating that it would be difficult to separate out the tax built into the price if you're paying by card at the pump.

Assemblymember Hughes-Skandijs asked for confirmation that no assembly would have a mechanism to create a sales tax holiday more than twice a year and that no seller of goods is obligated to participate.

Assemblymember Bryson confirmed that that was true. He provided an example of a bar that doesn't have the point-of-sale technology to change the excise tax on alcohol and stated it may be simpler for them to not participate. He explained that for businesses that have a point-of-sale system they could turn off the sales tax in the system and just write-in the day's taxes on the form.

Assemblymember Wáahlaal Gíidaak asked where this idea came from and what the results of two days of a sales tax holiday were in Ketchikan, where they have adopted a similar ordinance.

Assemblymember Bryson stated that he doesn't have Ketchikan's sales tax holiday numbers. He estimated that Juneau collects between \$30 - \$35k in sales tax in a single quarter three day and stated that there are few things the assembly can do for this cost that would impact Juneau families as the sales tax holiday would.

Mayor Weldon stated that other Southeast Alaska communities don't have big retailers like Juneau. She asked if Assemblymember Bryson had talked to the large retailers of Juneau to see how hard it would be for them to implement.

Assemblymember Bryson replied that he did not inquire with them because the sales tax holiday would be optional, reaffirming that if it's too difficult for a business they could always choose not to participate. He stated that this could motivate people to shop at smaller businesses and strengthen the local business community.

Assemblymember Smith asked if the Assembly could declare a sales tax holiday by resolution without this ordinance.

Mr. Palmer stated that the current code does not authorize a sales tax holiday and that an ordinance would be required to create it.

Assemblymember Adkison asked if the need to process the necessary sales tax forms would increase the burden to city staff.

Ms. Flick replied that there would not be a large cost to city staff.

The Committee discussed details of the draft ordinance.

Assemblymember Kelly asked about how the timing of declaring a sales tax holiday through resolution would work.

Mr. Palmer replied that Ketchikan has a similar ordinance. He stated that a resolution could be adopted, for example, in the February meeting and it would be effective immediately so it would be ready for February 29th.

Ms. Koester recommended keeping the proposal in committee.

Motion: by Assemblymember Bryson to move draft ordinance, an ordinance establishing authority for a sales tax holiday, to the full Assembly for introduction and discussion at a future Finance Committee meeting.

Objection: by Assemblymember Hughes-Skandijs for the purpose of needing more time to research and examine other fiscal policy on this topic.

Assemblymember Hale expressed support for the motion because it shows the Assembly is working to help residents and businesses of the community and there would be an opportunity to have questions answered if it were brought back to committee.

Mayor Weldon expressed that it would be difficult to keep track of the remote sales tax and asked staff if they would get ahold of the major retailers to see how this would affect them.

Assemblymember Smith expressed concern over lost revenue and voiced support for the committee to instead focus its energy on sales tax reform.

Assemblymember Bryson responded that a sales tax holiday could help strengthen businesses through extra sales, thus creating a stronger business community that would lead to higher sales tax revenue in the future.

Roll Call Vote on Motion

Ayes: Bryson, Hale

Nayes: Hughes-Skandijs, Wáahlaal Gíidaak, Chair Woll, Adkison, Kelly, Smith, Mayor Weldon

Motion failed. Two (2) Ayes, 7 (seven) Nays.

Motion: by Mayor Weldon to keep the draft ordinance in Finance Committee.

Motion passed by unanimous consent.

E. EXECUTIVE SESSION

Motion: by Chair Woll to move the Assembly into Executive Session to discuss matters the immediate knowledge of which could have adverse effect on city finances, specifically an update on collective bargaining.

Motion passed by unanimous consent.

Chair Woll declared a potential conflict of interest and after discussing it with the attorney was advised that the topic was general enough in nature that she didn't have to recuse herself from the discussion or the Executive Session.

F. SUPPLEMENTAL MATERIALS

4. Assembly Retreat - Budget Questions

Item previously discussed as the first Agenda Topic.

G. NEXT MEETING DATE

5. January 10, 2024

H. ADJOURNMENT

The Committee entered Executive Session at 7:23 p.m. The Committee came out of Executive Session at 8:48 p.m. and the meeting adjourned at 8:48 p.m.