

ASSEMBLY FINANCE COMMITTEE MINUTES - DRAFT

APRIL 19, 2023, AT 5:30 PM

ASSEMBLY CHAMBERS/ZOOM WEBINAR



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

A. CALL TO ORDER

This meeting was called to order at 5:35 pm by Chair Triem.

B. ROLL CALL

Committee Members Present: Carole Triem, Chair; Mayor Beth Weldon; Maria Gladyszewski (joined at 5:42 pm); Michelle Bonnet-Hale; Greg Smith; Alicia Hughes-Skandijs; Wade Bryson

Committee Members Present Virtually: Christine Woll

Committee Members Absent: Wáahlaal Gíidaak

Staff Members Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Jeff Rogers, Finance Director; Adrien Speegle, Budget Manager; Patty Wahto, Airport Manager; David Keith, Bartlett Regional Hospital CEO; Sam Muse, Bartlett Regional Hospital CFO

Others Present: Deborah Johnston, Bartlett Regional Hospital Board Vice President

C. APPROVAL OF MINUTES

1. April 12, 2023

The April 12, 2023, minutes were approved as presented.

D. AGENDA TOPICS

2. Juneau International Airport FY24 Budget Presentation

Patty Wahto, Airport Manager, presented the Airport's FY24 budget found on packet pages 9-18. She reviewed changes that are expected for the FY23 adopted and projected budgets. She reviewed the rise in projected revenues for the Airport in FY24 due to increases in rent and fees that the Airport will be charging tenants in FY24 in addition to increases in passenger counts.

Ms. Wahto detailed the items that are contributing to a rise in expenditures in FY24, which total \$791,600, due to a rise in commodities and contractual expenditures. FY24 revenue is anticipated to increase by over \$2 million in FY24 due to increased landing, fuel flowage, and security screening fees, rents, and anticipated rise in passenger counts. Ms. Wahto noted that tenants will continue to receive \$1.25M in rent relief from Airport federal CARES Act funding in FY23 and FY24. She also stated that the Airport's central service full cost allocation is decreasing in FY24.

Ms. Wahto answered Committee questions.

Ms. Wahto reviewed the use of CARES funding to cover FY23 and FY24 operating deficits, found on page 16 of the packet.

Ms. Wahto went over the major projects that the Airport has planned in FY24 to be funded by CARES funding. These projects include a new outbound bag conveyor, parking lot refurbishment, gate replacement, and new terminal furniture. Ms. Wahto stressed the importance of these projects being done now because the funding from the CARES Act sunsets in April 2024, leaving only one construction season to finalize these projects, otherwise any remaining grant funds will be lost by the Airport.

Ms. Wahto answered further questions for the committee regarding Airport fund balance, as detailed on page 162 of the budget book.

Motion: by Mayor Weldon to accept the Airport budget as presented and asked for unanimous consent.

Motion passed by unanimous consent.

Jeff Rogers, Finance Director, discussed the changes that were made in Treasury's cost allocation in FY24, stating that the major change related to updating the methodology to be based on transaction count instead of transaction dollar value. Mr. Rogers stated that the burden of processing transactions is mostly the same for a \$10 million transaction and a \$10 transaction. This change led to a significant shift in costs to the Water and Wastewater utilities to more accurately reflect the burden placed on the Treasury Division for services rendered relating to monthly utility billing.

3. Bartlett Regional Hospital FY24 Budget Presentation

Deborah Johnston, Bartlett Regional Hospital (BRH) Board Vice President, acknowledged the Hospital's current challenges, but expressed her confidence in the budget that is being presented to the Committee.

Sam Muse, BRH CFO, introduced the Hospital's FY24 budget and the challenges that factored into the development of the FY24 budget. He stressed for the Committee the impact that COVID has had upon operations for the past several years, stating that beginning in 2020, elective services had to shut down for a significant part of the year.

Mr. Muse stated the impact of the significant loss of revenue this had and stressed that the numbers have not rebounded to pre-pandemic figures. There is a rising trend in healthcare shifting away from inpatient hospital services and more to outpatient services. This trend had been rising over the last decade; however, pandemic culture shifts have catalyzed this change.

Mr. Muse stressed that these challenges are not just faced by BRH but by many hospitals throughout the nation. Employee burnout during COVID years has resulted in massive departures of nursing and other hospital staff. This has resulted in the forced hiring of traveling clinical staff which have significantly higher costs. Currently, the Hospital is losing \$1 million every month.

Mr. Muse stated that BRH leadership has been working in a phased plan to reduce spending. Currently, leadership is in the process of implementing Phase 3 of their plan, part of which is streamlining senior leadership in addition to the postponement of capital improvement projects. The goal of BRH senior leadership is to end FY24 without an operational deficit.

Mr. Muse reviewed the key areas of focus for BRH in calendar year 2023 found on page 26 of the packet. He spent time reviewing the service line expansions of home health and hospice, the Wildflower Court acquisition, Aurora Behavior Health Center, and the rental of a Da Vinci surgery robot. The goal of the Davinci Robot is expanding the surgical capabilities at the Hospital and be a recruitment tool for attracting new physicians in Juneau. These services are planned to be running by the end of FY23.

Mr. Muse stated that the one largest challenge that BRH and other healthcare facilities in Juneau face is staffing shortages. He stated that the Hospital must invest in workforce development in Juneau, or they will not be able to continue operations in the long term for the community.

Mr. Muse presented the FY24 proposed budget for the Committee, beginning in FY22 and moving forward. In FY22 the decrease in fund balance for BRH was just over \$6 million. For FY23 that number is expected to be roughly the same and would have been more if the Hospital funds that were set aside for the Crisis Stabilization project were not pulled back into fund balance and replaced with bond proceeds that were previously appropriated to the Emergency Department Addition project, which is now being put on hold.

Mr. Muse answered committee questions regarding how bond funds have been reallocated.

Mr. Muse reviewed the items in the FY24 expenditures, stating that the acquisition of Wildflower Court is not included in the budget presented, but that BRH will be requesting supplemental authority from the Assembly once the acquisition is complete. In FY24, personnel costs are set to rise due to the creation of additional service lines.

Mr. Muse answered committee questions regarding the changes in staffing presented for FY24. David Keith, BRH CEO, stressed that streamlining of staffing will start at the top, in the executive suite.

Mr. Muse reviewed the funding sources and stated that the Hospital is requesting that the reallocation of the Tobacco Excise Tax from BRH to the Fire Department's Mobile Integrated Health Program be restored in the amount of \$518,000. Additionally, BRH is requesting \$4,482,000 in general fund support, with these two amounts totaling \$5 million.

In response to Assemblymember Hale's questions regarding General Fund balance post adoption of the Juneau School District's FY23 supplemental funding request of \$2.3 million, Mr. Rogers directed the Assembly to the FY24 Budget Summary document in the Supplemental Materials section of the agenda. He stated that the fund balance reflected at the bottom of this document already factors in this appropriation. Mr. Rogers stated to the Committee that if they chose to grant the request to the Hospital for \$5 million, it would result in the fund balance for CBJ's General Fund being reduced to \$7.7 million for FY24.

Assemblymember Gladyszewski asked why the city should contribute to the Hospital's fund balance when it is higher than CBJ's fund balance. Mr. Keith responded by affirming that the funds that are set aside in BRH's fund balance are being reserved for strategic moves to be made in forthcoming fiscal years, as well as the need to maintain a minimum operating reserve.

Mr. Muse clarified that the current \$40 million in the fund balance does seem like a lot, however compared to other hospitals it is approaching a dangerously low figure. Many hospitals aim to have equal to six or seven months of operational expenditures in their fund balance, however, BRH has less than three months. Mr. Keith expounded to the Committee the importance of the \$5 million dollar request in meeting the needs of the community in the future. BRH faces significant competition for healthcare services not only in Juneau, but also in Anchorage and Seattle, and with the rise in desire for outpatient and primary care services, BRH must change its approach. Mr. Keith stated that to continue to meet the needs of the community there are strategic moves that need to be made and this will require the support of CBJ.

The Committee discussed the change that was made for FY24 in removing the Tobacco Tax revenue from the Hospital. Mr. Rogers clarified that the Assembly decided to reallocate the Tobacco Tax funding for FY24 in the FY23 budget process.

Assemblymember Hughes-Skandijs asked regarding the state of PCR testing for the city that is done at the Hospital. Mr. Keith clarified that the equipment purchased to handle COVID testing needs for the community is no longer needed and the cost of maintaining the equipment for potential future use is not advisable. It is an expensive piece of equipment that should be sold, any money generated would be a positive.

The Committee recessed at 7:18 pm.

The Committee reconvened at 7:30 pm.

Motion: by Assemblymember Hale to approve the BRH budget as presented, with an amendment to fund the \$5 million request for support from general funds and not Tobacco and Liquor Excise Tax.

Objection: by Assemblymember Gladyszewski for the purpose of deferring the decision until all other requests have been heard.

Amendment: by Assemblymember Bryson that the Committee approve \$2.5 million tonight and move the remaining \$2.5 million request to the pending list and asked for unanimous consent.

Amendment passed by unanimous consent.

Objection to Amended Motion: by Assemblymember Woll.

Roll Call Vote on Amended Motion

Ayes: Chair Triem, Mayor Weldon, Smith, Gladyszewski, Hale, Hughes-Skandijs, Bryson

Nays: Woll

Motion passed. Seven (7) Ayes, One (1) Nay.

4. Info Only: FY24 Community Requests

Chair Triem proposed addressing the community funding requests listed on packet page 30 at the next committee meeting. She stated that the process will allow Assemblymembers to vote on which requests to move to the Pending List for funding consideration. The requests that are moved to the Pending List will have presentations during the May 3rd committee meeting.

Motion: by Mayor Weldon to clarify that the Eaglecrest FY24 approved increment should be one-time funding instead of an ongoing.

Mr. Rogers clarified for the Committee that finance staff assume that when funding is added for operational support that the funding is ongoing unless stated otherwise.

Objection: by Assemblymember Smith that the funding should be ongoing due to higher operational costs for Eaglecrest.

Objection: by Assemblymember Hughes-Skandijs to clarify the nature of funding increases for departments.

Rorie Watt, City Manager, clarified that because Eaglecrest is an enterprise fund, it is up to them to make requests for additional funding and is not up to the discretion of the City Manager.

Objection removed by Assemblymember Hughes-Skandijs

Roll Call Vote

Ayes: Chair Triem, Mayor Weldon, Woll, Hughes-Skandijs, Bryson

Nays: Hale, Gladyszewski, Smith

Motion passed. Five (5) Ayes, Three (3) Nays.

The Committee clarified that the \$2.5 million approved request for BRH is one-time funding.

E. SUPPLEMENTAL MATERIALS

5. FY24 Budget Summary

This supplemental item was added to provide context for the current standing of decisions made by the Committee on the FY24 proposed budget.

6. FY24 Decision List

This supplemental item was added to show decisions made by the Assembly during the FY24 budget process.

F. NEXT MEETING

7. April 12, 2023

G. ADJOURNMENT

The meeting was adjourned at 8:00 pm.