



**DATE:** November 21, 2023  
**TO:** Assembly Finance Committee  
**FROM:** Angie Flick, Finance Director  
**SUBJECT:** **FY 2024 Mid-Year Update**

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This memo should be reviewed side-by-side with the Budget Summary document and additional table information provided in this packet.

The summer of 2023 saw the complete return of tourism to Juneau. As reviewed in the last Assembly Finance Committee meeting, Sales Tax and other sales-related taxes were strong finishing FY 2023. It is no surprise that the strength continued into the first quarter of FY 2024 with one exception. The Hotel-Bed Tax was soft compared to budget for the first quarter by \$120,000. Finance will continue to monitor this sector to determine if we are seeing a lowering of prices, volume, or both.

Cruise-related tourism expectations for the summer of 2024 are flat compared to 2023 resulting in the only variation of sales-related taxes coming from inflationary increases. Remote sales tax continues to be strong. The Alaska Remote Sellers Sales Tax Commission (ARSSTC) continues to register new vendors although not at the fast pace of previous years. As was mentioned in last year's mid-year update, Google (Alphabet) has still failed to register with the ARSSTC and commission staff are force-filing the company and will move forward with legal action as appropriate. Once registered, it is believed Google's remittance alone will materially increase the total remote sales tax collections. Online sales remain strong and we anticipate crossing into the \$4 million territory as a revenue source in FY 2024.

Different from previous years, FY 2024 is also seeing the end of a steady stream of one-time revenue from the federal and state governments as the pandemic-era funding packages wind down. While the funding streams have been helpful maneuvering through the pandemic, forecasting during the pandemic proved difficult. Moving forward, forecasting and general performance is returning to more traditional trends and methods.

Thus far in FY 2024, very few supplemental requests have been presented to the Assembly for consideration. It is important to remember that we should continue to use the unrestricted fund balance for A) one-time expenditures rather than ongoing expenditures; B) efforts that will need to be performed by CBJ at some point; and C) efforts that reduce operating costs as much as possible. The Manager's Office and Finance will continue to examine expenditure requests prior to moving them forward for Assembly action. We are currently aware of a few issues. The Restricted Budget Reserve is currently underfunded by \$1 million. We anticipate CBJ will be looking to secure grant-matching funding for upcoming projects. Leased office space for downtown staff is an upcoming topic for a Committee of the Whole meeting which may require resources. Additionally, there are a myriad of maintenance and capital projects across city operations which may be ready to move forward.

In summary, FY 2024 is off to a strong start. Information presented at the start of the budget process in April will benefit from another quarter of operations and revenue collection, allowing better projections for the year-end position. Inflation and the ability to recruit and retain employees remain a high focus as we move through FY 2024.