# ASSEMBLY FINANCE COMMITTEE MINUTES -DRAFT

**June 7, 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 6:02 pm by Chair Triem.

## B. ROLL CALL

Committee Members Present: Chair Carole Triem; Mayor Beth Weldon; Maria Gladziszewski; Michelle Hale; Greg Smith; Christine Woll; Alicia Hughes-Skandijs; Wade Bryson

Committee Members Absent: Wáahlaal Gíidaak

Staff Members Present: Rorie Watt, City Manager; Angie Flick, Incoming Finance Director; Jeff Rogers, Outgoing Finance Director; Adrien Speegle, Budget Manager

## C. APPROVAL OF MINUTES

### 1. May 17, 2023

The May 17, 2023 minutes were approved as presented**.**

## D. AGENDA TOPICS

### 2. CBJ Bonding Capacity & General Obligation Bond Planning

Jeff Rogers, Finance Director, introduced the memo found on pages 10-14 of the packet which gives a history of the debt service mill rate over previous years. Mr. Rogers stated that in recent years there has been a shift in methodology affecting the debt service mill rate, favoring a more stable rate year after year. Mr. Rogers presented the chart found on page 10 of the packet, which shows the debt service mill rate being constant at 1.20 mills over the previous five years.

Mr. Rogers explained that the debt service mill rate is not a rate set by the Assembly but is the result of how bonds and debt repayments are structured. He further stated that the method that finance staff has used when structuring debt is to structure debt in a way that keeps the debt service mill rate at 1.20 mills, effectively working in reverse to determine debt structure.

Mr. Rogers answered Committee questions, stating that although bond debt has funded a variety of CBJ capital asset needs, the majority of these debts have been issued to fund school facility needs. He further stated that bonds have the ability to be repaid at varying capacities, with some debts being paid rapidly, and others over a longer period.

Mr. Rogers reviewed page 11 of the packet which contains a graph depicting the trajectory of the debt service mill rate if CBJ does not issue any new debts going forward. This chart shows that the CBJ has tremendous debt capacity going into FY25, with .47 mills becoming available to fund capital needs. Mr. Rogers stressed the significance of this capacity to be able to fund CBJ capital needs in the future.

Mr. Rogers reviewed page 12 of the packet, stating for the Committee that there are various methods that can be used to determine debt allowance for municipalities. The method CBJ uses is known as debt tolerance capacity, or in other words the amount of debt the community and the Assembly is comfortable with. This methodology ensures that CBJ can maintain a stable debt service mill rate of 1.20 mills, keeping CBJ debt under all other debt allowance methods.

Mr. Rogers stated that under this model of General Obligation (GO) bond debt issuance, the CBJ will have the capacity to issue $48 million in GO bonds while maintaining its 1.20 debt service mill rate. Mr. Rogers clarified for the Committee that GO bonds can only be used for capital asset needs and cannot be used for day-to-day operations of the CBJ.

Mr. Rogers further stated that taking out additional debt is not the only option available to the Committee. There are various methodologies employed to fund capital asset needs other than debt issuance. Several other communities choose to use a “pay as you go” method that does not require the issuance of debt, but instead employs short-term increases to sales and property taxes to fund projects.

Mr. Rogers stated that the benefit of issuing bond debt to pay for city needs is that you align city services with those that use them instead of blanket taxation.

Mr. Rogers stated that as an alternative option to issuing additional bond debt, the Assembly could direct staff to keep the debt service mill rate at 1.20 mills in FY25 and pay off current callable bonds early. The CBJ currently can retire up to $8 million over the course of the next three fiscal years.

Mr. Rogers reviewed the recommendations listed on page 14 of the packet, stating that there are various projects and CIP needs that can be met with new bond debt issuance. Mr. Roger further clarified that GO bonds can be combined in purpose, meaning that if the Committee wished to bond fund multiple projects, it is possible and wise to issue the bond at one time. He stated the reason for this is that each bond has flat issuance costs; packaging multiple bonds together results in a more efficient transaction.

Mr. Rogers answered Committee questions on bond issuance costs.

Rorie Watt, City Manager, responded to questions from Assemblymember Woll regarding the process for determining potential needs of various departments, and whether there is a need to fund these projects with debt. Mr. Watt stated that the timeline is short, but it is possible for staff to put together a list of options for the Committee to consider.

Assemblymember Bryson stated his concern with entering into new bond discussions when CBJ should be focused on passing the bond package for the degrading city hall facility. He stated that adding another bond package to the ballot could draw focus away from passing this much needed facility upgrade. He expresses further concern for trying to create smaller bonds to address needs that have not been fully realized.

Assemblymember Hughes-Skandijs stated her reservation for funding future park projects with bond debt.

Mayor Weldon echoed Assemblymember Bryson’s statement against proposing too many bond issuance options on the ballot and expressed her support for the new city hall bond, stating that it is CBJ’s highest priority capital.

Assemblymember Gladziszewski and Hale expressed further support for city hall.

Mr. Rogers answered additional Committee questions on GO bond issuance.

Mr. Rogers further stated that GO bonds can be used to address the capital needs for CBJ enterprise funds if needed, stating that while not recommended, it is possible to do.

**3. Update of Sales Tax Delinquencies**

Angie Flick, Finance Director, presented the memo found on page 15 of the packet, which gives an update on the Sales Tax delinquencies for the CBJ. Ms. Flick stated that every effort is being put into settling these tax delinquencies and that most merchants in Juneau work with the Sales Tax Office to settle their sales tax remittances. Ms. Flick clarified that all organizations, regardless of tax-exempt status, are required to file with the Sales Tax Office.

Ms. Flick reviewed the process for merchants that do not file their sales tax, stating that finance staff works with the Law Department to determine what the next steps are for each case. She further stated that the priority of the Sales Tax Office is to help merchants that operate in Juneau get into compliance with CBJ tax code.

Ms. Flick reviewed the publication that has been included on pages 16-23 of the packet, which lists the names and amounts of delinquent sales tax filers for the CBJ.

Ms. Flick answered Committee questions on how efforts of collection are prioritized, stating that the CBJ has a third-party collection agency that is employed after every effort has been made by the Sales Tax Office to collect overdue taxes.

**4. Wildflower Court Bond Covenant Waiver**

Mr. Rogers presented memos found on packet pages 24-26, stating that Wildflower Court has been struggling financially and as a result violated a bond covenant in 2022 that required a specific debt to income ratio. The Assembly has authorized Bartlett Regional Hospital (BRH) to acquire Wildflower Court and as part of that acquisition, the entirety of the bond will be paid in full, removing a required rate study consultation.

Mr. Rogers stated that no action is recommended at this time, however, if BRH is not able to acquire Wildflower Court, the Committee should revisit this issue.

## F. NEXT MEETING DATE

August 2, 2023

## G. ADJOURNMENT

*The meeting was adjourned at 7:13 pm.*