



**DATE:** November 26, 2024

**TO:** Committee of the Whole

**FROM:** Angie Flick, Finance Director

155 Heritage Way  
Juneau, AK 99801  
Phone: (907) 586-5215

**SUBJECT: Fiscal Update – FY 2024, FY 2025 and FY 2026**

The purpose of this memo is to provide an overview of city's ending financial position from FY 2024, an update on major revenues for FY 2025 as well as setting the stage for conversation and direction around the FY 2026 budget preparation.

The Assembly is, has been and will be called upon to rescue and resolve a variety of situations in our community. Since the budget was adopted in June of 2024, the Assembly has funded \$6.5M in one-time needs. There is no shortage of requests coming your way for consideration as the calendar year wraps up, we move into spring and we enter into the FY 2026 budget development process. Using very rough estimations and knowing that not all additional requests have been accounted for, you could easily see requests over \$30M in operational, capital and one-time needs.

Looking back at FY 2024, our property tax and sales tax revenue finished short of the budget by about \$1.6M. The sales tax revenue is understated in FY 2024 by roughly \$3M because the FY 2023 sales tax revenue was overstated by that amount due to a filing error. The main excitement in the revenue arena was great returns from the market. The Fed had indicated rate cuts early and often in calendar year 2024, this did not play out. The additional \$9.5M in interest revenue over budget and \$7.5M over the forecast used to build the FY 2025 budget allowed the general government to complete the year adding just under \$6M to the fund balance. The expense side of the equation for FY 2024 also finished under budget by approximately \$6M; but only \$3.7M from the forecast. The savings is equally split between salary savings and from supplies and services (commodities and services). In total, the FY 2024 ending general government fund balance is increasing by \$10M.

FY 2025 revenue was built aggressively per the Assembly's direction. After one reporting quarter of the variety of sales-type taxes, the outcome is within \$400K of budget. Property taxes are currently \$1M under budget, with all property taxes having been due back on September 30<sup>th</sup>. This number may reduce further with the approval of late-filings for exemptions and also the finalization of disaster relief applications which are in process now. Additionally, there are always a few property owners which are late to pay which would increase property tax revenue. The property valuation from FY 2024 to FY 2025 only increased by 0.6%. The market does not feel as 'hot' as it has in previous years, which points towards relatively flat growth in property values in the next cycle.

Looking forward to the Assembly's upcoming retreat and preparation for the FY 2026 budget, there are a few assumptions and risks that are presented in the packet for your consideration and direction. **Please note that everything presented regarding FY 2026 is completely draft and prepared for discussion purposes. The Assembly has not made any decisions about the assumptions, risks or direction for the Manager and CBJ operations.** The biggest unknown economically is the transition of power and policies in Washington D.C. and impacts to the market, state and local governments. Internally, the labor negotiations that will commence shortly will have an impact on the budget, although the extent of that impact is unknown at this time.

The Debt Service Mill Rate chart for current and approved debt is included. Note that the recently voter-approved bonds have not been issued.

Finally, there are several questions for you to consider over the next few days prior to the retreat.

1. What is the comfort level with the assumptions (slide 20)?
2. Do you wish to explore revenue changes?
3. Do you wish to adjust levels of service?
4. Do you want to seek voter approval for bonds in October 2025?