CITY AND BOROUGH OF JUNEAU
ALASKA'S CAPITAL CITY

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

DATE: May 9, 2025

TO: Chair Woll and Assembly Finance Committee

FROM: Angie Flick, Finance Director

SUBJECT: **Funding Options for Eaglecrest**

The purpose of this memo is to provide a range of funding options for the Assembly Finance Committee (AFC) to consider when determining the path forward on Eaglecrest's FY 26 budget. Similar to many other decisions before the AFC, there are nearly infinite combinations of possibilities. The intent here is to provide details and consequences for both ends of a spectrum and a couple of natural mid-point solutions.

Definitions

There are a few terms to define so that we are all operating with the same meaning.

Enterprise Department – an Enterprise Department (or operation) is an entity within CBJ that has an expectation to operate like a business and bring in sufficient revenue to cover both operating needs as well as one-time and capital needs. Eaglecrest is not an Enterprise Operation. CBJ's enterprises include Airport, BRH, Docks, Harbors, Water and Wastewater programs.

Eaglecrest Department – The natural question following the above definition is "what is Eaglecrest, if not an enterprise?". It is a department, like others in CBJ, that provide services to the public. It does have its own special revenue funds (similar to Lands) for tracking revenue and expenses.

Economic Life Cycle – this term simply refers to a common pattern of periods of growth or peaks and contraction or valleys over time. The length of the cycle depends on subject matter at hand. With respect to Eaglecrest, an economic life cycle could be good snow winters and bad snow winters, and it can also be reflective of the imbalance of revenue to expenses as a new product (gondola) becomes operational versus the revenue to expenses picture after the product is operational.

Reserve – for purposes of this discussion a reserve is the preservation of a sum of funds that is held, and unavailable for other uses until a set of criteria is met.

Problem Statement

In the FY26 proposed budget, Eaglecrest's revenue and expenses are as follows:

$2,856,700	Eaglecrest Generated Revenue (operating)
$ 930 000	General Fund Subsidy (operating)
$3,786,700	Total Sources
$6,559,900	Operating Expenses
$2,773,200	Deficit from FY26 operations
$ 514,200	Deficit from FY25 and earlier operations
$3,287,400	Total anticipated deficit

Assuming agreement on the amount of operating expenses, what is to be done about the $3.3M deficit?

Ends of the Spectrum

The two ends of the funding spectrum for Eaglecrest are:

1. Fully funding the operations (recurring costs) with recurring revenue. In the current environment, that manifests as either decreases in operations other places or an increase in the mill rate to generate property tax revenue (recurring revenue).
2. Acknowledge that Eaglecrest is in the trough of an economic life cycle and allow expenses to create a negative draw on fund balance. In this situation, it means Eaglecrest's special revenue fund will run into a deficit for FY26. Accordingly, a reserve is placed on another fund balance equal to the anticipated deficit.

The remainder of this memo will more fully explore the two ends of the spectrum and provide a couple of natural mid-point solutions.

Fully Fund Operations with Recurring Revenue

In this scenario, the AFC will determine the amount of expenditure authority (operating) that Eaglecrest will be allowed, determine the revenue brought in by Eaglecrest and provide the rest as an operating General Fund subsidy. In this scenario, the AFC is holding firm to the idea that operating expenses should always be funded through operating revenues. This scenario places the least amount of risk on the city finances. It does require the AFC to determine if they wish to increase the revenue via a mill rate increase or if they prefer to make an operating reduction in another general fund program.

The General Fund subsidy could be managed two ways. The first is a straight transfer to the Eaglecrest fund of the full amount in the first period of the fiscal year. This is the method normally employed by CBJ. It provides the Eaglecrest Fund with the full amount of subsidy at the start and should ensure the fund does not go into a negative balance. The second way would be to direct staff to transfer only the amount of the general fund subsidy required to keep the Eaglecrest Fund from being negative. This analysis could be done quarterly, in December/June or at the end of the fiscal year.

Fully Fund Operations with One-Time Revenue

In this scenario, the AFC will determine the amount of expenditure authority (operating) that Eaglecrest will be allowed, determine the revenue brought in by Eaglecrest and provide the rest as a one-time General Fund subsidy. This moves away from the position that recurring expenses should be paid for with recurring revenue and creates unstructurally balanced budget for Eaglecrest. However, it also reduces risk on the city by providing funding today for the FY26 anticipated expenditures, compared to the options below. The subsidy could be managed in the same two methods described above.

If the AFC decides to use this mechanism or other one-time funding, the AFC may need to provide direction that only temporary or non-permanent employees may be hired for positions that are funded with one-time funding. This may create some complications for Eaglecrest in segregating positions this way. However, it is not appropriate to fund ongoing positions with one-time funding. If one-time funding is not approved in the next cycle, those staff would need to be released from service.

Currently, the FY26 Proposed Budget includes $930,000 of recurring General Fund subsidy. The AFC could determine to make the full subsidy to Eaglecrest one-time rather than having a mix of recurring and one-time funding. If the full subsidy is taken from fund balance (one-time), that would create $930,000 of recurring revenue space in the General Fund for other recurring expenses.

Limit Eaglecrest Operating Expenses to Eaglecrest Generated Revenue

In this scenario, the operating General Fund subsidy is removed, and Eaglecrest is expected to operate as an Enterprise Department immediately. For FY26, the Eaglecrest generated revenue is $2,856,700. If the AFC wishes to move forward with this option, it requires a reduction in Eaglecrest's expenses of $3,703,200 from the proposed budget of $6,559,900; and removal of the support from the General Fund totaling $930,000.

This scenario would be the most impactful to Eaglecrest operations and represents a budget lower than FY24 actual operating expenses. This option does not limit the AFC from infusing general funds for one-time or capital purposes.

Fully Fund Operations with a Loan

This scenario (and the next) requires the AFC to agree with two assumptions:

1. CBJ should be in the business of operating a year-round mountain recreation area.
2. Eaglecrest will be 'profitable' in the near future.

If there is agreement on these two assumptions, then an argument can be made that Eaglecrest is in the trough of an economic life cycle and will have a growth cycle in a time frame that is acceptable. Through this acknowledgment, there's an expectation that Eaglecrest will be able to return the funds to repay the loan consistent with the loan terms.

In this scenario, the AFC will determine the amount of expenditure authority (operating) that Eaglecrest will be authorized, determine the revenue brought in by Eaglecrest and provide the rest as a loan. This moves away from the position that recurring expenses should be paid for with recurring revenue and moves into the idea Eaglecrest is in a trough of the economic life cycle and will have sufficient revenue in the future to repay the loan. The AFC would need to direct staff to draw up an ordinance with the details of the loan. The Eaglecrest Board and the Assembly would need to approve the loan. The loan amount would be a reduction in the General Fund's Fund Balance which would be returned as the loan is repaid. This is similar to a General Fund subsidy using fund balance, but has the requirement of repayment.

In this scenario, the AFC should determine if the $930,000 General Fund subsidy currently in the proposed budget should remain or if the $930,000 becomes part of the loan.

A Central Treasury Loan is not appropriate as those are restricted to the procurement/creation of a capital asset, not to funding operations. Using the Restricted Budget Reserve is also not appropriate as this is not an emergency.

Fully Fund Operations with a Deficit

Similar to the "Fully Fund Operations with a Loan" scenario, the AFC must agree that:

1. CBJ should be in the business of operating a year-round mountain recreation area.
2. Eaglecrest will be 'profitable' in the near future.

With concurrence on these two assumptions, then an argument can be made that Eaglecrest is in the trough of an economic life cycle and will have a growth cycle in a time frame that is acceptable. This scenario allows Eaglecrest to operate as their appropriation allows. Eaglecrest-generated revenue above expectations will reduce the deficit amount. Code does require that this scenario be offset by a reserve. The restricted budget reserve, the unrestricted general fund or another available fund balance could be held in reserve to meet this requirement. This reserve is held until either the deficit is resolved through positive operations (repayment of the deficit) or until the Assembly determines the deficit will never be resolved and the reserve pays off the deficit.

In this scenario, the AFC should determine if the $930,000 General Fund subsidy currently in the proposed budget should remain or if the full amount of operations should be part of the trough of the economic lifecycle.

The differences of this scenario as opposed to the loan are:

- A fund balance needs to be restricted as the reserve. This allows the fund balance to remain in place, although not accessible for other uses. Whereas the loan requires an expense of the fund balance.
- The more revenue Eaglecrest makes each year, the better the financial position for the Eaglecrest Fund.

Summary

There are several ways to address the proposed shortfall (planned deficit) in Eaglecrest's FY26 budget position. If the AFC determines that Eaglecrest will be allowed to operate with a deficit, no action is required and the total deficit amount will be reserved within the Restricted Budget Reserve.