



City and Borough of Juneau
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TO: Chair Woll and City and Borough Assembly Finance Committee
FROM: Katie Koester, City Manager
DATE: February 2, 2024
RE: Debt Capacity and Fund Balance Usage

This memo is a follow up from the Assembly retreat discussion on fund balance [usage](#). As discussed at the retreat, Finance staff project a large FY25 fund balance. However, there is no shortage of ideas on how best to spend these dollars as we face aging infrastructure and diverse community needs. In a similar vein, CBJ has significant bond capacity. Direction from the Assembly on what specific projects you would like to see funded with fund balance in FY25 – and bond initiatives – at this meeting will facilitate budget planning.

How much unrestricted general fund balance do we have? \$22M

Fund balance is not a static number; it is a snapshot in time. When revenues come in over projections, or expenditures come in below projections, it increases the unrestricted fund balance. For a variety of reasons (cash flow, cushion, funds available for one-time opportunities) staff recommend a fund balance floor of \$9M – which is separate from and in addition to the Restricted Budget Reserve. The Assembly may determine an alternate floor. The spread sheet on the next page is a list of the many potential uses for one-time funding. In my opinion, highest priorities on this list are:¹

- JSD loan/one-time expenditures: amount unknown
- Title 49 rewrite: \$3M
- Match for JDNC RAISE Grant: \$1M
- Water and Wastewater infrastructure (in any amount, the demand is large without 1% funding)
- City Hall Renovations/tenant improvements \$6M? (can be paid for out of City Hall CIP)

What is our current debt capacity? \$70M

You are all familiar with the chart that demonstrates CBJ debt dropping of sharply in the near future. Finance Director Flick is comfortable recommending that we have up to \$70M in debt capacity for FY25 with the 1.2 mills that is dedicated to debt (a number of factors like length of the bond repayment and interest rates influence that number). Feedback from the retreat favored keeping the debt service mill rate stable. For the most part, the same projects you could spend fund balance on would be candidates for bond financing.

Staff recommends the Public Safety Radio Communications project as a good candidate for the 2024 ballot: the need for the upgrade is acute, the infrastructure is critical, and the project has been scoped and is ready to solicit for vendor implementation. Currently, an estimated \$17M is required in addition to scheduled funding (\$500K appropriated, \$2M in CDS pending and \$2M in 1%) As a reminder, an ordinance for consideration on the October 2024 ballot needs to be introduced by the June 1 Regular Assembly meeting to make the ballot deadline. I recommend introducing an ordinance by April to allow more time for public education.

Recommendation:

What projects can the Assembly recommend for one-time spending of fund balance (e.g. JSD loan/one-time relief, Title 49 re-write)

What project(s) can the Assembly recommend for the October ballot (e.g. Public Safety communications infrastructure).

ⁱ The Assembly has many potential uses for one-time funding. Staff recommend the Assembly consider the use of fund balance in excess of the floor with the following conceptual framework:

- 1) Funds should work towards achieving Assembly goals
- 2) Funds should be used on non-recurring costs that the current or a future Assembly will need to address
- 3) Funds should be used in a manner that reduces future CBJ operating costs

One Time Expenditures

Available Fund Balance (keeping \$9M in reserve) 22

Available Debt Capacity 70

Public Safety Communications Infrastructure	17
T49 Rewrite	3
Restricted Budget Reserve	1
JSD Loan	5
FY24 JSD Shared Services	TBD
Match for JDNC Raise	1
Mid-term	
FOG Removal (or other utility project)	6
Match for grants (applications pending)	4
Keep in Mind	5
Mendenhall River Community School	30
Marie Drake	25
Endless Utility Projects	40
Telephone Hill Redevelopment	
Additional Investment in AHF	
JDNC Grant Match	30-50
Centennial Hall Renovations	25
Others Askes (JAR, AVEC, Assembly Grants...)	
Zero Waste initiatives	
City Hall Renovations/tenant improvements*	6?

*Can be coded to existing CIP City Hall Improvements

Possible Operating Budget Increases

Year round warming shelter

Lease Space for Downtown Employees

CDD Staffing

Childcare

Communications Strategy

Shared Services with JSD

Parks & Recreation services