



City and Borough of Juneau
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TO: Mayor Weldon and Assembly
FROM: Katie Koester, City Manager
DATE: November 29, 2023
RE: Debt Capacity and Fund Balance Usage for Capital Projects

Due to a variety of factors discussed at the 11/29/22 Assembly Finance Committee meeting, Finance staff project a large FY25 fund balance. As we approach the FY25 budget planning process, we want to provide the Assembly context as you make decisions about the potential use of fund balance above what is necessary to hold for cash flow purposes. This memo is intended to provide a starting point for Assembly deliberation and decisions.

We had a similar conversation last year and ultimately an additional \$10M was added to the City Hall CIP – those funds remain, and a discussion about the future of City office space is planned for the December Committee of the Whole discussion.

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 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

For context, it may be helpful to recall the 1% sales tax list that was proposed by the Assembly and recently adopted by the voters. It may additionally be helpful to recall the major one-time funding adoptions made at the end of FY22. Both lists are attached.

Working within this framework and with the understanding that fund balance projections are at this time still projections, I propose the Assembly prioritize projects from the 6 year CIP for a combination of spending of fund balance and request to the voters for bond initiatives. The 6-year CIP has a total of \$730M in outstanding future needs. Obviously, some of these projects fit the above criteria better than others. Things that come to top of mind include:

- JPD Radio Project
- Water and Wastewater infrastructure
- JSD infrastructure
- CBJ facilities, including Centennial Hall and City Hall

Recommendation: Discuss the Assembly's comfort level with using fund balance and or bond capacity for one-time expenditures that meet the listed criteria. Give staff direction on the level of spending the Assembly is comfortable with and the types of projects you would like to see included on a future discussion on investment in key capital projects.