

**ASSEMBLY FINANCE COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
Wednesday, February 8, 2017, 5:30 PM.
Assembly Chambers**

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

- a. **Wednesday, December 14, 2016**
- b. **Wednesday, January 11, 2017**

IV. ITEMS FOR DISCUSSION

- a. **FY16 Audit Report Presentation**
- b. **Summary - Enterprise Funds - Available Fund Balance**
- c. **CBJ Budget Forecast - FY18-20**

V. INFORMATION ITEMS

- a. **\$500,000 General Government Reduction Allocation**
- b. **Renewal of 1% Temporary Sales Tax**
- c. **Marine Passenger Fee Recommendations**

VI. NEXT MEETING DATE

- a. **Wednesday, March 8, 2017**

VII. ADJOURNMENT

ADA accommodations available upon request: Please contact the Clerk's office 72 hours prior to any meeting so arrangements can be made to have a sign language interpreter present or an audiotape containing the Assembly's agenda made available. The Clerk's office telephone number is 586-5278, TDD 586-5351, e-mail: city.clerk@juneau.org

DRAFT

City and Borough of Juneau Minutes - Assembly Finance Committee Meeting Wednesday, December 14, 2016, 5:30 p.m.

The AFC meeting convened upon conclusion of an Assembly Appeal Hearing beginning at 5:00 p.m.

I. Call to Order

The meeting was called to order at 6:08 PM by Jesse Kiehl, Chair.

II. Roll Call

Committee Members Present: Jesse Kiehl, Chair; Beth Weldon, Debbie White, Loren Jones, Norton Gregory, Jerry Nankervis and Mayor Ken Koelsch.

Committee Members Participating Telephonically: Maria Gladziszewski.

Committee Members Absent: Mary Becker.

III. Approval of Minutes

The November 9, 2016, minutes were approved as presented.

IV. JSD Request for additional FY17 Funding

Handout: Letter from Dr. Mark Miller, Superintendent, dated December 14, 2016.

Bob Bartholomew introduced Dr. Mark Miller, Superintendent, Juneau School District; and David Means, Director of Administration, Juneau School District.

Dr. Miller provided an overview of JSD's request for additional funding in FY17.

Loren Jones moved approval to direct staff to make changes to the forthcoming JSD appropriating ordinance discussed at the AFC meeting on November 9, 2016; to increase expenditure authorization by \$1.6 million, in addition to the \$1.2 million previously recommended, to authorize \$2.8 million in total, with \$2.0 million appropriated to Operations, and with \$800,000 directed to fund balance.

Without OBJECTION.

Note: Dollar values in Ordinance adjusted from the rounded values discussed to reflect precise values provided by JSD.

Loren Jones moved approval to direct staff to prepare an ordinance appropriating \$650,500 from the CBJ Fund Balance to the Juneau School District to bring funding to the Cap.

Mr. Nankervis objected.

Discussion within the body ensued, including discussion to table the motion, or place in the parking lot of issues for a later date.

Minutes - Assembly Finance Committee Meeting

Wednesday, December 14, 2016, 5:30 p.m.

The AFC meeting convened upon conclusion of an Assembly Appeal Hearing beginning at 5:00 p.m.

Mayor Koelsch moved to postpone the motion to the next Assembly Finance Committee Meeting on January 11, 2017.

Without OBJECTION.

V. Use of Marine Passenger Fee Funds – Statter Harbor

Bob Bartholomew introduced the topic and invited Carl Uchtyl, CBJ Port Director, to the dais to be available for questions from the body. Mr. Bartholomew, Mr. Rorie Watt, and Mr. Uchtyl addressed questions from the committee.

Loren Jones moved approval to direct staff prepare a CIP Transfer Resolution for consideration by the full Assembly, to move \$4.6 million of FY17 State Marine Passenger Funds to Statter Harbor for Hire Float & Associated Uplands CIP; and would note in our packet the factual basis on the Statter Harbor Charter Fleet Facility formed the basis of the rationale for our decision to move the funds to Statter Harbor (page 11 – 14 of packet - basis of rationale.)

Mayor Koelsch objected.

Roll call votes:

Ayes: White, Gladziszewski, Weldon, Jones, Gregory, Nankervis and Kiehl.

Nays: Mayor Koelsch.

Absent: Becker.

Motion PASSED 7-1.

The meeting recessed at 7:29 PM.

The meeting reconvened at 7:37 PM.

VI. Sales Tax Compliance / Collections

Bob Bartholomew and Amy Mead, City Attorney provided updated information regarding sales tax compliance and collections at the CBJ, and responded to questions from the body.

VII. Bond Interest Arbitrage Liability

Bob Bartholomew summarized the information found in the packet.

Jerry Nankervis moved approval to direct staff to forward an Ordinance to the Assembly authorizing payment of the \$487,104 liability and identifying the funding source as Debt Service Fund's Fund Balance.

Without OBJECTION.

Minutes - Assembly Finance Committee Meeting

Wednesday, December 14, 2016, 5:30 p.m.

The AFC meeting convened upon conclusion of an Assembly Appeal Hearing beginning at 5:00 p.m.

VIII. Major Revenue Update

Bob Bartholomew explained the figures on page 34 of the packet.

IX. Information Item – Conduit Financing & Financial Recourse

Bob Bartholomew provided an update on conduit financing.

X. Information Item – FY18/19 Priority Driven Budget Process – Calendar Update

Mila Cosgrove provided a brief update on the PDB scoring process. It is anticipated that more information will be provided to the AFC at the meeting on January 11, 2017.

XI. Next Meeting Date

Wednesday, January 11, 2017

XII. Adjournment

Meeting was adjourned at 8:16 PM.

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City and Borough of Juneau
Minutes - Assembly Finance Committee Meeting
Wednesday, January 11, 2017, 5:30 p.m.

I. Call to Order

The meeting was called to order at 5:30 PM by Jesse Kiehl, Chair.

II. Roll Call

Committee Members Present: Jesse Kiehl, Chair; Mary Becker, Beth Weldon, Debbie White, Loren Jones, Norton Gregory, Jerry Nankervis and Mayor Ken Koelsch.

Committee Members Participating Telephonically: Maria Gladziszewski.

Committee Members Absent: None.

III. Riverview Senior Assisted Living Presentation – CBJ Funding & Credit Support

Bob Bartholomew, Finance Directory, introduced the topic, explaining that the main issue for the committee would be that after the presentation there will be some issues about the difficulties of financing the project and whether there is any interest in having staff conduct additional research on what roll the CBJ might play if alternative financing isn't available for the Riverview Senior Assisted Living project.

Mr. Bartholomew introduced Sioux Douglas, Senior Citizens Support Service, Inc. (SCSSI), President; and Ted Johnson, Marathon Development, Inc., President.

Ms. Douglas and Mr. Johnson described the 88-bed assisted and memory care facility project, and requested assistance from the CBJ with reviewing the project and potential options available for financing.

Jerry Nankervis moved approval to direct staff to coordinate with SCSSI to research options available to assist in making this endeavor a reality.

(Motion was intentionally made as a broad directive, so not to limit options.)

Without OBJECTION.

IV. Juneau School District Funding Request

Handout: Letter from Juneau School Board, dated January 11, 2017.

Bob Bartholomew summarized the most recent history of Juneau School District's request to the Assembly, and provided an update on the FY17/18 city budget status.

Mayor Koelsch moved to approve directing staff to prepare a supplemental ordinance in the amount of \$250,000 to fund "small maintenance items of up to \$50,000"; funding to

Minutes - Assembly Finance Committee Meeting Wednesday, January 11, 2017, 5:30 p.m.

come from the CBJ fund balance and transfer this \$250,000 to the CIP's maintenance fund for the Juneau School District.

Mr. Jones and Ms. Gladziszewski objected.

Beth Weldon moved to amend the main motion and authorized the Juneau School District to spend \$400,000 of their fund balance to address their other needs.

Mr. Kiehl objected to the amendment.

Roll call votes:

Ayes: Weldon, Gregory, White and Mayor Koelsch.

Nays: Becker, Jones, Nankervis, Gladziszewski and Kiehl.

Absent: None.

Amendment to Motion FAILED 4-5.

Roll call votes:

Ayes: Weldon, White, Becker, Kiehl and Mayor Koelsch.

Nays: Nankervis, Gladziszewski, Jones and Gregory.

Absent: None.

Main Motion PASSED 5-4.

Loren Jones moved to approve directing staff to bring forward an ordinance in the amount of \$400,000 to fund the Juneau School District to the CAP for FY17 from CBJ fund balance.

Ms. Weldon objected to the motion.

Roll call votes:

Ayes: Jones, Becker, White, and Gregory.

Nays: Gladziszewski, Weldon, Nankervis, Kiehl and Mayor Koelsch.

Absent: None.

Motion FAILED 4-5.

The meeting recessed at 6:51 PM.

The meeting reconvened at 7:01 PM.

V. Final Administrative Opinion – Requiring Cruise Ships to Collect & Remit Sales Tax for Onboard Activity

Bob Bartholomew provided an update and status on the topic to the committee. Discussion ensued.

Mayor Koelsch moved to direct staff to prepare an ordinance for introduction at the next Assembly meeting, supporting an exemption from CBJ sales tax on goods sold and service performed aboard cruise ship(s) while the ship(s) is (are) within CBJ boundaries.

Mr. Kiehl objected.

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Roll call votes:

Ayes: White, Gregory, Becker, Nankervis, Gladziszewski, Jones, Weldon and Mayor Koelsch.

Nays: Kiehl.

Absent: None.

Motion PASSED 8-1.

VI. CBJ Support for University Alaska Southeast (UAS) - School of Education

Rorie Watt, City Manager, provided background on support for UAS School of Education; and asked for direction from AFC on how the Assembly would like to proceed.

Mayor Koelsch moved to direct the City Attorney to prepare an ordinance committing \$250,000 to the Teacher Excellence Fund, a University Alaska Southeast (UAS) School of Education endowment through the Juneau Community Foundation; Funding provided from the CBJ fund balance in FY17, and incorporate another \$250,000 into the Manager's FY18 Revised Budget.

Mr. Jones and Mr. Nankervis objected.

Roll call votes:

Ayes: Weldon, White, Gladziszewski, Gregory, Becker, Kiehl and Mayor Koelsch.

Nays: Jones and Nankervis.

Absent: None.

Motion PASSED 7-2.

VII. Information Item – Priority Driven Budget Process – Draft Program Inventory

Mila Cosgrove, Deputy City Manager, shared information provided in the meeting packet.

VIII. Information Item – Community Foundation 2016 Report on CBJ Grant Funds

Bob Bartholomew provided information on administration of Community Foundation Grants.

IX. Information Item – FY17 Revenue Budget De-appropriating Resolution

Bob Bartholomew presented the housekeeping resolution to adjust budget to address revenue reductions from the State of Alaska and local sales tax.

X. Next Meeting Date

Wednesday, February 8, 2017

XI. Adjournment

Meeting was adjourned at 8:17 PM.

City and Borough of Juneau

Fiscal 2016 Audit Presentation

February 8, 2017

Karen Tarver, CPA

Elgee Rehfeld Mertz, LLC

Ex. 073, p. 8

What We Audit

- ▶ CBJ – November/December (traditional timeline)
 - CAFR (Comprehensive Annual Financial Report)
 - Federal and State Grants
 - FAA – Passenger Facility Charges
- ▶ CBJSD– Prelim June/September
 - Financial Statements
 - Federal and State Grants
 - DEED Tuition Rate Report
- ▶ Bartlett Hospital–
 - Stand alone Financial Statements

CBJ School District Audit Results

- ▶ Federal and state grants – no findings or questioned costs
- ▶ No adjustments to the financial statements other than in the preparation of the financial statements
- ▶ Recommendations to the School District
 - Student Activity Agency Fund Oversight – We recommend that more stringent steps be implemented to eliminate deficit student activity balances.

Bartlett Hospital Audit Results

- ▶ Started in August. Finished in November.

- ▶ Stand-alone financial statements (request of the BRH board)

- ▶ One recommendation to the Board
 - Audit Preparation and General Ledger Review

- ▶ Detailed Exit Conference with:
 - Finance Committee – November
 - Full board – January

CBJ Audit Results

- ▶ **CAFR**
 - Unmodified opinions (clean)

- ▶ **Federal and State Grants**
 - Unmodified opinions (clean) for Federal and State major programs

- ▶ **FAA**
 - Passenger facility charges schedule fairly presented

Significant Estimates

- ▶ Investments
 - Stated at market value at June 30, 2016
 - Assumes credit worthiness of counterparty
 - In compliance with CBJ code/policy
- ▶ Accounts, taxes, assessments and other receivables
 - Assumes ability to collect
 - Accuracy of allowance for doubtful accounts
- ▶ Self-insurance reserves for claims liabilities
 - Represents reserves for reported and unreported losses
 - Based on an estimated (by an actuary) ultimate cost of settling the claims

Internal Control Matters and Recommendations

- ▶ Update Procurement Policies and Procedures
 - We recommend CBJ use the current grace period to modify its procurement policies and procedures for federal programs to be consistent with the Uniform Guidance, to become effective July 1, 2017.

Status of Prior Year Comments

- ▶ **Improve Review Monitoring Controls Over Financial Reporting**
 - Progress made. We continue to recommend documentation of the close and grant reporting processes be developed and internal reviews be increased and documented.
- ▶ **Further Develop and Document Accounting Procedures**
 - Progress made. We continue to recommend further development and documentation of accounting procedures.
- ▶ **Aggregate, Record and Disclose CBJ Leases Receivable**
 - Progress made. Management continues to monitor its leases and weigh the benefits of a more formal method of tracking these leases.
- ▶ **Consider Transferring CBJSD and BRH Cash Accounts**
 - Comment considered by management – will not be repeated.
- ▶ **Building Assessments and Reserves**
 - Progress made. Management is continuing its efforts to add buildings and evaluate their condition within its asset management system.

Conclusion

- ▶ Questions?
- ▶ We are happy to sit down with members of the Assembly to discuss any items related to the audit.

City and Borough of Juneau
ASSEMBLY FINANCE COMMITTEE
February 8, 2017

Enterprise Available Fund Balance & Pension Liabilities

Issue:

To present the enterprise funds' financial status as measured by available fund balance and to disclose a new administrative policy. The new policy is to allow enterprise funds to "add back" unfunded pension liabilities when determining their available fund balance.

Attached is a schedule summarizing the FY16 available fund balance for enterprise funds.

Background:

Available fund balance is a measure of unrestricted, non-capital resources available for future projects and operations. It can be generalized as: Available Fund Balance = Cash + Accounts Receivable - Accounts Payable.

In FY2015, the Governmental Accounting Standards Board (GASB) began requiring that unfunded pension liabilities be recorded as liability in the financial statements. The result of booking the liability was that the available fund balance for each fund decreased by an amount equal to the pension liability allocated. In other words: Available Fund Balance = Cash + Accounts Receivable – Accounts payable – Unfunded Pension liabilities.

Current Status:

The pension liability is not a liability that is immediately due and payable. CBJ's current base budgets include a required PERS pension contribution of 22% of salaries and wages. This payment goes to pay both the cost of the current year pension expense and to reduce the unfunded liability. Because the unfunded pension liability is to be paid off over a long period of time, extending far in to the future and is not a drain on current resources, we determined that the enterprise funds can "add back" the pension liability when determining the fund balance available to spend on current projects and operations.

The issue has been discussed with our auditors. Their guidance has been to disclose this policy and any resulting fund balance in a deficit position in the financial statements. If the overall net position becomes negative CBJ would disclose that the given fund does not currently have all of the resources needed to satisfy its liabilities. However, that it is not necessarily an indication that the fund is in dire financial difficulties.

CBJ Enterprise Funds Fund Balance - FY16 Activity & Available Balance

Updated December 5, 2016

	Harbors	Docks	Airport	Water	Waste Water	Waste Management	BRH	Total
Revenues: \$	4,431,076	1,505,624	6,837,614	5,010,756	11,530,090	1,152,064	91,687,274	122,154,498
Expenditures:	(3,102,065)	(1,722,888)	(6,325,263)	(3,095,507)	(9,084,193)	(1,169,161)	(88,654,711)	(113,153,788)
Transfers to Capital Projects	(1,300,000)	(1,500,000)	(919,116)	(1,330,000)	(3,940,000)	(850,000)	-	(9,839,116)
Debt Service	(898,362)	-	-	(174,531)	(783,511)	-	(1,421,314)	(3,277,718)
***Other Financing Sources (Uses):	120,764	305,814	312,202	(16,333)	(79,671)	-	(9,640,241)	(8,997,465)
FY16 Increase (decrease) in Fund Bal (FB):	<u>(748,587)</u>	<u>(1,411,450)</u>	<u>(94,563)</u>	<u>394,385</u>	<u>(2,357,285)</u>	<u>(867,097)</u>	<u>(8,028,992)</u>	<u>(13,113,589)</u>
FY16 Ending Unrestricted FB, including Pension Liability:	2,399,992	2,049,962	1,731,141	4,017,314	5,051,228	849,453	14,309,479	30,408,569
Add Back Pension Liability	<u>1,474,885</u>	<u>1,048,292</u>	<u>2,847,133</u>	<u>1,737,804</u>	<u>3,595,491</u>	<u>179,345</u>	<u>42,778,267</u>	<u>53,661,217</u>
Ending Unrestricted FB, not including Pension Liab:	<u>\$ 3,874,877</u>	<u>3,098,254</u>	<u>4,578,274</u>	<u>5,755,118</u>	<u>8,646,719</u>	<u>1,028,798</u>	<u>57,087,746</u>	<u>84,069,786</u>

***Other Financing sources (uses) include: Transfers in from: the Marine Passenger Fee Fund, tobacco tax, sales tax. Capital contributions/restrictions for CIPS. Deferred inflows/outflows of resources.

City and Borough of Juneau
FY17 - \$500,000 General Government Reduction Allocation
January 30, 2017

	FY17 Reduction
Law	\$ 15,000
Manager	13,000
MIS	22,000
Libraries	68,000
Finance	92,000
CDD	35,000
CCFR	15,000
General Engineering	32,000
Parks and Rec	84,000
Police	22,000
Streets	81,000
Capital Transit	46,000
Total	\$ 525,000

Note: The majority of these reductions are the result of asking Departments to absorb the negotiated pay increase (lump sum payment) and parking. The Assembly initially authorized management to increase operating budgets for the new costs. After the Governor vetoed some state funding, the decision was made to absorb the costs. Not all departments were able to do this, so others were asked to reduce costs in addition to absorbing the increases.

City and Borough of Juneau
ASSEMBLY FINANCE COMMITTEE
February 8, 2017

Issue:

1% Temporary Sales renewed effective October 1, 2013 is scheduled to expire September 30, 2018.

Background:

In October 2012 the voters renewed a 1% temporary sales tax for 5 years expiring September 30, 2018. The sales tax revenues were to be used for:

1. Major maintenance and improvements to harbor facilities, recreational facilities & parks and Capital Transit facilities.
2. Partial funding for design, permitting and construction of:
 - a. Snow Removal Equipment Facility
 - b. Juneau Arts and Culture Center
 - c. Library at Dimond Park
 - d. Walter Filtration at Salmon Creek
 - e. Child and Adolescent Mental Health Facility at BRH
3. Grant to Sealaska Heritage Institute for Cultural Education Center
4. Increase the CBJ Budget Reserve
5. First five years of debt service for general obligation bonds authorized by the voters in October 2012

Over the 5 year period it is projected that the temporary 1% tax will bring in about \$44 million.

Current Status:

The City Manager has begun developing a plan for renewing the temporary 1% sales tax. He is working towards bringing information to the Assembly Finance Committee as soon as we finish the FY18 budget process. The FY18 budget process should be done in late May or early June 2017.