

**ASSEMBLY FINANCE COMMITTEE  
THE CITY AND BOROUGH OF JUNEAU, ALASKA  
Wednesday, February 10, 2016, 6:30 PM.  
Assembly Chambers**

**The AFC meeting on February 10, 2016 will begin immediately following the conclusion of the Special Assembly Meeting scheduled to begin at 5 PM.**

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. APPROVAL OF MINUTES**

- a. **Wednesday, December 16, 2015**

**IV. ITEMS FOR DISCUSSION**

- a. **JCVB Supplemental Request**
- b. **D&H CIP Funding - Cruise Ship Berth Dock Project**
- c. **Avista Proposal**
- d. **Phase II Financial Update - Future CBJ Budget Projection**

**V. INFORMATION ITEMS**

- a. **Update on Walmart Closure**
- b. **FY15 Audit Report - Letters to the Assembly**

**VI. EXECUTIVE SESSION**

- a. **Employee Compensation Negotiations**

**VII. NEXT MEETING DATE**

- a. **Wednesday - March 2, 2016**

**VIII. 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](mailto:city.clerk@juneau.org)

**DRAFT**  
**City and Borough of Juneau**  
**Minutes - Assembly Finance Committee Meeting**  
**Wednesday, December 16, 2015, 5:30 p.m.**

**I. Call to Order**

The meeting was called to order at 5:30 PM by Karen Crane, Chair.

**II. Roll Call**

Committee Members Present: Jesse Kiehl, Debbie White, Karen Crane, Jerry Nankervis and Loren Jones.

Committee Members Present from 5:30 PM to 5:58 PM: Kate Toll

Committee Members Participating Telephonically: Maria Gladziszewski.

Committee Members Absent: Mayor Mary Becker.

**III. Approval of Minutes**

The October 21, 2015 minutes were approved as presented.

**IV. Change to the Order of the Day**

Chair Crane announced a change to the agenda, switching Items IV. and V. resulting in Juneau Housing First Corporation Project Bridge Funding Request being heard before Snow Removal Equipment Facility Project Update.

**There were no objections.**

**V. Juneau Housing First Corporation Project Bridge Funding Request**

Bob Bartholomew, CBJ Finance Director, provided an overview of the \$1.8M request for Bridge Funding from Juneau Housing First Corporation. He clarified that the funding would be an appropriation of existing fund balance of \$1.8M to meet the restrictive conditions currently requested by AHFC (SNHG grant) and Tlingit-Haida Regional Housing Authority, in order for them to authorize the construction contract and building on the property. To meet the restrictions a non-conditional funding source is required.

Amy Skilbred, Executive Director, Juneau Community Foundation responded to questions from the body.

Mariya Lovishchuk, Director, Glory Hole and responded to questions and provided an update on the request and the Housing First project.

Scott Ciambor, H&SS Planner, Alaska Mental Health Board also responded to questions from the body.

*A Brief at Ease was taken at 5:49 PM.*

*(Due to audio issues comments from the sole telephonic participant, Maria Gladziszewski were not heard in the Assembly Chambers from 5:30 PM through 5:49 PM. Ms.*

*Gladziszewski was able to hear the activity, but unable to participate. However, the audio recording did capture her comments. The issue was resolved during the brief at ease.)*

*The meeting reconvened at 5:51 PM.*

## **Minutes - Assembly Finance Committee Meeting**

### **Wednesday, December 16, 2015, 5:30 p.m.**

**Jesse Kiehl motioned for the AFC to direct staff to introduce the funding request not to exceed \$1.8m in bridge funding incorporating match.**  
**There were no objections.**

*Ms. Troll left the meeting for the evening at 5:58 PM, just before the SREF Project Update.*

#### **VI. Snow Removal Equipment Facility (SREF) Project Update**

Bob Bartholomew provided an overview of the financial aspects of the project. Patricia deLaBruere, Airport Manager responded to questions from the committee. Committee members: 1) expressed concern about the use of sales tax revenues for reimbursing FAA & the State and 2) questioned how the State grant was being utilized. Bob Bartholomew addressed the issues and stated that the proposed use of funds was appropriate use of funding if this is how the committee wished to proceed. Ms. deLaBruere stated that airport board supported this approach and that staff would proceed to implement this funding proposal and that the SREF FAA funding request would be part of the FY17 capital budget update.

**There were no objections from the committee.**

*The meeting was recessed at 6:22 PM.*

*The meeting reconvened at 6:25 PM.*

#### **VII. Responses to Audit RFP – Evaluation & Recommendations**

Bob Bartholomew outlined the history of and responses to the Audit RFP, and offered a recommendation to the Committee to go with the highest scorer to the RFP. Karen Tarver, CPA Partner, Elgee Rehfeld Mertz, LCC and Bob Bartholomew responded to questions from the Committee.

**There were no objections to accepting staff recommendations.**

#### **VIII. FY16 Major Revenue Fund & General Governmental Fund Balance Update**

Bob Bartholomew spoke to the Major Revenue Update, including the ramifications from cigarette stockpiling pertaining to Tobacco Tax and the Tobacco Tax Fund Balance. He also reviewed the updated available fund balance schedule. Bob Bartholomew explained that Housing First appropriation (for bridge funding) will reduce available fund balance until they secure sufficient funding to replace the CBJ appropriation.

#### **IX. Information Item – Property Tax Foreclosure Update**

Bob Bartholomew provided an update since discussing the topic with the Committee in September, 2015. Since meeting, all real properties have now paid their property taxes through 2013. For 2014 Taxes, taxes must be paid by October 31, 2016 on 56 parcels equivalent to \$230k in property taxes.

Some delinquencies remain with mobile homes; however staff is working on a plan to address this issue.

## **Minutes - Assembly Finance Committee Meeting**

### **Wednesday, December 16, 2015, 5:30 p.m.**

#### **X. Information Item – Social Services Grant Administration Agreement**

Kim Kiefer, City Manager provided an update. She stated that CBJ has signed a Grant Agreement with the Juneau Community Foundation as directed by the Assembly in November. They will be issuing the Social Service Grants as part of their overall grant process, contingent upon the Assembly's approval of SSAB funds in the FY17 Budget. The total amount they will be able to grant out will be \$853,900. They will provide an update as they move forward with their process. The proposal to abolish the SSAB will be before the Assembly in January, 2016.

#### **XI. Information Item – Print Shop Program Review**

Kim Kiefer, City Manager outlined the results of the review, including recommendations to move the Print Shop from the Clerk's Office to MIS to recognize efficiencies and potentially some savings, which would not be seen with outsourcing.

#### **XII. Information Item – Ordinance 2015-48 Amending Finance City Code Related to Same Sex Domestic Partnerships**

Bob Bartholomew provided an overview to the Committee in advance of the Ordinance's introduction at the Assembly meeting on December 21, 2016.

#### **XIII. Executive Session**

Employee Compensation Negotiations.

**Jesse Kiehl moved to convene to Executive Session for the purpose of discussing Employee Compensation Negotiation matters. There being no objection, it was so ordered.**

The meeting was opened to public testimony to see if there was any objection to the Executive Session. No one was present to testify.

*The committee entered into Executive Session at 7:06 PM.*

*[Due to computer problems, the audio recording of the meeting ended at 7:06 PM.]*

*The committee returned from Executive Session at 7:30 PM.*

Jesse Kiehl reported that the committee had heard from staff regarding employee contract negotiations and the committee provided comments and direction to staff.

Karen Crane asked if there was any other business. There was none.

The meeting was adjourned.

#### **XIV. Next Meeting Date**

Wednesday, February 10, 2016

#### **Adjournment**

Meeting was adjourned at 7:33 PM.

**City and Borough of Juneau  
ASSEMBLY FINANCE COMMITTEE  
JCVB FY16 Supplemental Budget Request  
February 10, 2016**

**Issue:** The Juneau Convention and Visitors Bureau (JCVB) desires to develop and implement an upgraded Juneau Travel Website. To accomplish this they are requesting an FY16 supplemental budget authorization to cover project implementation costs and a portion of the annual operating costs that were not included in their original FY16 budget.

Attached is a letter from JCVB providing an overview of the project and why it is needed to help accomplish their mission. Also attached is a project budget.

**Current Status:** The requested supplemental is \$141,000. The attached letter requests that the Hotel Tax fund balance provide \$115,000 and the JCVB fund balance provide \$26,000.

The CBJ Finance Director asked JCVB to consider the supplemental being funded 50% from each fund balance (\$70,500 each). Both JCVB and the Hotel Tax Fund have similar fund balances of around \$0.5 - \$0.6 million. JCVB discussed this and they can agree to this approach if that is what the Assembly prefers. Though this additional withdrawal makes it more difficult for them to maintain a 6 month operating reserve in their fund balance.

**Recommendation:** If the Assembly recommends approving the supplemental request the funding would be \$70,500 from both the Hotel Tax Fund JCVB's fund balance.



January 8, 2016

Bob Bartholomew  
Finance Director  
City & Borough of Juneau  
155 S. Seward Street  
Juneau AK 99801

Bob,

Juneau Convention & Visitors Bureau (JCVB) is responsible for marketing Juneau as a year-round destination for visitors and meetings. A major piece of our marketing effort resides with our Travel Juneau website ([www.traveljuneau.com](http://www.traveljuneau.com)), and each day the importance of the site grows in terms of attracting visitors and providing easy access to Juneau travel and meeting information.

However, because JCVB's current website is more than eight years old and "non-responsive", it no longer functions optimally. The expected life span of a destination marketing organization (DMO) site is estimated at no more than four years. Further, as more visitors – both prospective and in-market – use smartphones and/or tablets to research destinations and suppliers, they will leave non-responsive sites for those that work well on those devices. The relevance of a desktop site has declined significantly just in the past three years.

The age and architecture of JCVB's website prevents it from being responsive – information from the desktop site translates to other platforms only through patches and re-direct links to feed information to the various platforms, and often the patches fail. Additionally, it's not possible for staff to reconfigure or add pages and content to the site; JCVB pays additional charges to our site developers to do this work because the old architecture and technology do not allow us that level of control. Consequently, JCVB spends several thousand dollars a year and considerable staff effort monitoring the site and the patches needed to keep it working. The result of all these issues is that the site is losing views and market share because it doesn't meet visitors' needs or expectations.

JCVB is seeking funding for a website rebuild/rebranding, and invited proposals from three vendors, all of whom have extensive experience in building and maintaining sites for destination marketing organizations (DMOs). After careful consideration, JCVB has selected Simpleview, Inc., to build the new site. Simpleview has provided JCVB's web-based client relationships management (CRM) system since 2007, and submitted the most comprehensive development and service proposal. Further, JCVB's reference research has given us a high level of confidence in the coordination between CRM and the website management system. Proposals from all three vendors are available upon request.

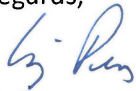
The new Travel Juneau site will

- be responsive across all platforms: mobile, tablet, and desktop. The site's architecture will be scalable to new platforms as they emerge.
- allow JCVB staff to build, manage, and take down pages through a WYSIWYG editor. This is critical to having the site be an authoritative and primary source to promote activities, events and services that draw out-of-town visitors and meeting planners.
- provide meeting planners with a seamless way to access space, catering and service information, and download RFPs.
- provide our members and partners greater visibility and opportunities for marketing and promotion.
- allow JCVB to track visitor website traffic much more effectively and accurately.

To complete this important project, JCVB requests a \$115,000 transfer from CBJ hotel bed tax reserves to our account; JCVB will match with \$26,000 from its undesignated reserves for a total of \$141,000 for the entire project, which includes a \$15,000 buffer against unforeseen costs. As the JCVB Board of Directors has approved a roll-out of "Travel Juneau" as the organization's working name (currently the name associated with the website), project costs include new photos, limited fresh content, and logo design. A preliminary budget for the entire project accompanies this letter.

I am available to answer any questions you may have or provide additional information. Thank you for your consideration of this transfer request.

Regards,



Liz Perry

President/CEO

Juneau Convention & Visitors Bureau

cc: Kim Kiefer – City Manager, CBJ  
Kirk Duncan – Director, Parks & Rec, CBJ  
John McConnochie – Chair, JCVB Board of Directors

# JCVB 2016 WEBSITE REBUILD

SIMPLEVIEW, INC  
TUCSON, AZ

## PRELIMINARY BUDGET

|                                                     | One-time Cost   | Annual Fees |  |
|-----------------------------------------------------|-----------------|-------------|--|
| <b>Usability, Strategy, Design &amp; Transition</b> |                 |             |  |
| Responsive sitemap consultation & content roadmap   | \$6,000         |             |  |
| Onsite destination immersion (does not include T&E) | \$7,000         |             |  |
| Responsive creative strategy                        | \$13,000        |             |  |
| Design implementation                               | \$10,000        |             |  |
| Content collection, page creation, & data migration | \$4,000         |             |  |
| Site transition (SEO) program                       | \$4,500         |             |  |
| Member/Partner Extranet web integration & skin      | \$3,000         | \$400       |  |
| <b>Subtotal - Site Build</b>                        | <b>\$47,500</b> |             |  |
| <b>Website development core engagement</b>          |                 |             |  |
| Navigation & content management (CMS)               |                 | \$8,000     |  |
| <i>Homepage slideshow/interior header mgt</i>       |                 |             |  |
| <i>Landing pages &amp; metatag mgt</i>              |                 |             |  |
| <i>Articles module</i>                              |                 |             |  |
| <i>RSS Feed</i>                                     |                 |             |  |
| <i>Print/email pages</i>                            |                 |             |  |
| <i>Microsite builder</i>                            |                 |             |  |
| <i>Adv site search</i>                              |                 |             |  |
| <i>Hosting</i>                                      |                 |             |  |
| <i>Adv admin access</i>                             |                 |             |  |
| Website form integration w/ CRM                     |                 | \$1,700     |  |
| Partner listings (integration with Simpleview CRM)  |                 | \$2,000     |  |
| Responsive GEO triggers (listings, coupons, events) |                 | \$1,000     |  |
| Events Calendar                                     |                 | \$2,000     |  |
| Multimedia gallery                                  |                 | \$1,000     |  |
| Asset Request Platform                              |                 | \$4,500     |  |
| <b>CMS modules &amp; integrations</b>               |                 |             |  |
| Highlights Module                                   |                 | \$1,200     |  |
| Google Maps                                         |                 | \$2,500     |  |
| Weather feed                                        |                 | \$400       |  |



# JCVB 2016 WEBSITE REBUILD

SIMPLEVIEW, INC

TUCSON, AZ

## PRELIMINARY BUDGET

|                                            | One-time Cost   | Annual Fees     |                  |
|--------------------------------------------|-----------------|-----------------|------------------|
| Blog module                                |                 | \$1,600         |                  |
| Google Translate                           |                 | \$500           |                  |
| Social Media Lite integration              |                 | \$2,000         |                  |
|                                            |                 |                 |                  |
| Simple Support v5                          |                 | \$6,000         |                  |
| SEO/analytics, reporting                   |                 | \$12,000        |                  |
| <b>Subtotal - annual fees</b>              |                 | <b>\$46,800</b> |                  |
|                                            |                 |                 |                  |
| <b>Project Management Fee</b>              | <b>\$6,675</b>  |                 |                  |
|                                            |                 |                 |                  |
| <b>Associated project costs</b>            |                 |                 |                  |
| <i>New high-res photos</i>                 | \$10,000        |                 |                  |
| <i>New logo</i>                            | \$5,000         |                 |                  |
| <i>Updated content</i>                     | \$10,000        |                 |                  |
| <b>Subtotal - associated project costs</b> | <b>\$25,000</b> |                 |                  |
|                                            |                 |                 |                  |
| <b>Project Totals</b>                      | <b>\$79,175</b> | <b>\$46,800</b> | <b>\$125,975</b> |
| <b>Buffer against cost overruns</b>        |                 |                 | <b>\$15,000</b>  |
| <b>GRAND TOTAL</b>                         |                 |                 | <b>\$140,975</b> |



# Port of Juneau

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155 S. Seward Street • Juneau, AK 99801  
(907) 586-0292 Phone • (907) 586-0295 Fax

## MEMORANDUM

**To:** Assembly Public Works and Facilities Committee  
**From:** Gary Gillette, Port Engineer  
**Date:** January 27, 2016  
**Re:** Appropriation Ordinance – Cruise Ship Berths

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The Cruise Ship Berth Improvements project is comprised of a number of components including: Cruise Ship Terminal Staging Area; Taku Dock Modifications; Floating Cruise Berths; 1 Percent for Art; and Archipelago Uplands. Funding for the project consists of State Marine Passenger Fees; CBJ Marine Passenger Fees; Port Development Fees; and Docks Funds.

CBJ Docks and Harbors requests approval of an appropriation ordinance that would transfer additional funds from the Port Development Fees and Docks Fund to the project account, specifically for the floating berths construction currently under way.

The request is to move \$2.5M from Port Development Fees and \$1.5M from Docks Fund for a total of \$4M to the project. This amount would not be sufficient to complete the project as currently estimated. The reason is that the estimate to complete the project includes a 10% contingency amount and an estimate for additional inspection services if the contractor continues to work two shifts. At this point there has been .032% in change orders but in a project of this scale unforeseen situations can create larger expenses. All this to say: At this time the proposed transfer puts the budget in line with the anticipated costs but at a reduced contingency amount (4%). With the project spanning two construction periods there will be better assessment of future contingency and inspection needs at the end of this first phase thereby giving time to identify additional funds for the project if needed.

The transfer of Port Development Fees and Docks Funds to the Cruise Berths project requires an appropriation ordinance approved by the Assembly. Staff recommends the Board consider the transfer and, in turn, recommend the Assembly approve an appropriation ordinance to use \$1.5M of Dock Funds and \$2.5M of Port Development Fees for the Cruise Ship Berths Improvement project.

**FISCAL NOTE**
**ORDINANCE #: 2015-20(AF)**

|                                        |                                                                                                                           |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| <b>OPERATIONAL IMPACT</b>              | Check No/Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, explain in detail                       |
| Explanation of Impact:                 | Appropriate \$2.5M and \$1.5M of Port Development Fees and Dock Fund's Fund Balance to the Cruise Berth Improvements CIP. |
| (Attach Additional Pages as Necessary) |                                                                                                                           |

| <b>FINANCIAL IMPACT</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Check No/Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Yes (if Yes, complete the following) | Port Development Fees<br>Dock Fund's Fund Balance |      |      |      |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
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| <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <th style="width: 15%;"></th> <th style="width: 15%;">FY16</th> <th style="width: 15%;">FY17</th> <th style="width: 15%;">FY18</th> <th style="width: 15%;">FY19</th> <th style="width: 15%;">FY20</th> </tr> <tr> <td><b>Expenditure Budget</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Port Development Fees</td> <td>\$ 2,500,000</td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> </tr> <tr> <td>Dock Fund's Fund Balance</td> <td>1,500,000</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Total Expenditures</b></td> <td>\$ 4,000,000</td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> </tr> <tr> <td><b>Funding Sources:</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td><b>Total Funding Sources</b></td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> <td>\$ -</td> </tr> <tr> <td><b>Personnel</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Full-Time FTE's</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Part-Time FTE's</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Temporary FTE's</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </table> |                                                                                                                   |                                                   |      | FY16 | FY17 | FY18 | FY19 | FY20 | <b>Expenditure Budget</b> |  |  |  |  |  | Port Development Fees | \$ 2,500,000 | \$ - | \$ - | \$ - | \$ - | Dock Fund's Fund Balance | 1,500,000 | - | - | - | - | <b>Total Expenditures</b> | \$ 4,000,000 | \$ - | \$ - | \$ - | \$ - | <b>Funding Sources:</b> |  |  |  |  |  |  | - | - | - | - | - | <b>Total Funding Sources</b> | \$ - | \$ - | \$ - | \$ - | \$ - | <b>Personnel</b> |  |  |  |  |  | Full-Time FTE's | - | - | - | - | - | Part-Time FTE's | - | - | - | - | - | Temporary FTE's | - | - | - | - | - |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | FY16                                                                                                              | FY17                                              | FY18 | FY19 | FY20 |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| <b>Expenditure Budget</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                   |                                                   |      |      |      |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| Port Development Fees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | \$ 2,500,000                                                                                                      | \$ -                                              | \$ - | \$ - | \$ - |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| Dock Fund's Fund Balance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1,500,000                                                                                                         | -                                                 | -    | -    | -    |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| <b>Total Expenditures</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | \$ 4,000,000                                                                                                      | \$ -                                              | \$ - | \$ - | \$ - |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| <b>Funding Sources:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                   |                                                   |      |      |      |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                                                                                                 | -                                                 | -    | -    | -    |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| <b>Total Funding Sources</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$ -                                                                                                              | \$ -                                              | \$ - | \$ - | \$ - |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| <b>Personnel</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                   |                                                   |      |      |      |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| Full-Time FTE's                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                                                                                                 | -                                                 | -    | -    | -    |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| Part-Time FTE's                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                                                                                                 | -                                                 | -    | -    | -    |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |
| Temporary FTE's                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | -                                                                                                                 | -                                                 | -    | -    | -    |      |      |      |                           |  |  |  |  |  |                       |              |      |      |      |      |                          |           |   |   |   |   |                           |              |      |      |      |      |                         |  |  |  |  |  |  |   |   |   |   |   |                              |      |      |      |      |      |                  |  |  |  |  |  |                 |   |   |   |   |   |                 |   |   |   |   |   |                 |   |   |   |   |   |

| CAPITAL IMPROVEMENT PROJECTS (CIP)      |                                  |                     |                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------|----------------------------------|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Project Budget</b>                   | <b>Cruise Berth Improvements</b> |                     | Amounts noted at left are 100% of the project total expenses<br>Project Totals Before Appropriation: \$ 69,757,482<br>This Appropriation: * 4,000,000<br><b>Total Project:</b> \$ 73,757,482 |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Direct Project Costs                    | \$ 73,757,482                    | \$ -                |                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Total Project Budget</b>             | \$ 73,757,482                    | \$ -                |                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Funding Sources</b>                  | <b>Original Budget</b>           | <b>2015-20(AF)</b>  | <b>New Budget</b>                                                                                                                                                                            | <b>Comment:</b> This ordinance would transfer \$4,000,000 to the Cruise Berth Improvements Capital Improvement Project to support the project as originally budgeted in 2012. The funding would support construction contingency, additional funding for Construction Administration and Inspection, and CBJ project overhead costs.<br><br>Funding provided by:<br><br>Port Development Fees \$2,500,000<br>Dock Fund's Fund Balance \$1,500,000 |
| Federal Grant                           | \$ -                             | \$ -                | \$ -                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| State Grant                             | 11,256,842                       | -                   | 11,256,842                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| State MPF                               | 12,966,044                       | -                   | 12,966,044                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Marine Passenger Fees                   | 4,413,018                        | -                   | 4,413,018                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Port Development Fees *                 | 16,122,331                       | 2,500,000           | 18,622,331                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Dock Fund's Fund Balance *              | 4,096,229                        | 1,500,000           | 5,596,229                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Sales Tax                               | 3,018                            | -                   | 3,018                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Revenue Bonds                           | 20,900,000                       | -                   | 20,900,000                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Total Funding Sources</b>            | <b>\$ 69,757,482</b>             | <b>\$ 4,000,000</b> | <b>\$ 73,757,482</b>                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Total Project Expenses</b>           |                                  |                     | <b>67,964,398</b>                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Available Budget after Ordinance</b> |                                  |                     | <b>\$ 5,793,084</b>                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Personnel</b>                        |                                  |                     |                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Full-Time FTE's                         | -                                | -                   |                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Part-Time FTE's                         | -                                | -                   |                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Temporary FTE's                         | -                                | -                   |                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

Prepared by: Janella Lewis  
 Affected Depts a) Dock  
 (Dir/Dept): b) Carl Uchtyl  
 Finance Dir: Bob Bartholomew  
 City Manager: Kim Kiefer  
I:\Forms\EIN 1/27/2016

Date: 1/26/2016  
 Date: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Date: \_\_\_\_\_  
 Date: \_\_\_\_\_

Presented by: The Manager  
Introduced: February 8, 2016  
Drafted by: Finance

**ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA**

**Serial No. 2015-20(AF)**

**An Ordinance Appropriating to the Manager the Sum of \$4,000,000 as Additional Funding for the Cruise Ship Berth Improvements Capital Improvement Project; Funding Provided by Port Development Fees in the amount of \$2,500,000 and the Dock Fund's Fund Balance of \$1,500,000.**

BE IT ENACTED BY THE ASSEMBLY OF THE CITY AND BOROUGH OF JUNEAU, ALASKA:

**Section 1. Classification.** This ordinance is a noncode ordinance.

**Section 2. Appropriation.** There is appropriated to the Manager the sum of \$4,000,000 for the Cruise Ship Berth Improvements Capital Improvement Project.

**Section 3. Source of Funds**

|                          |             |
|--------------------------|-------------|
| Port Development Fees    | \$2,500,000 |
| Dock Fund's Fund Balance | \$1,500,000 |

**Section 4. Effective Date.** This ordinance shall become effective upon adoption.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Mary E. Becker, Mayor

Attest:

\_\_\_\_\_  
Laurie J. Sica, Municipal Clerk

**City and Borough of Juneau**  
**Docks & Harbors Finance Committee**

January 20, 2016

**Cruise Ship Berth Enhancement & Seawalk Project Revenue Update**

| Revenue Detail                                                   | January 2015         | January 2016         | Variance<br>Increase/<br>(Decrease) |
|------------------------------------------------------------------|----------------------|----------------------|-------------------------------------|
| <b>State Grants &amp; Dock Fund</b>                              |                      |                      |                                     |
| State DCCED Grant (partial)                                      | \$3,279,000          | \$3,279,000          | \$0                                 |
| State Grant                                                      | 7,500,000            | 7,500,000            | -                                   |
| State Grant                                                      | 477,000              | 477,000              | -                                   |
| Dock Fund                                                        | 4,096,000            | 4,096,000            | -                                   |
| <b>Subtotal</b>                                                  | <b>15,352,000</b>    | <b>15,352,000</b>    | <b>\$0</b>                          |
| <b>CBJ Port Development Fee (PDF)</b>                            |                      |                      |                                     |
| FY 09-2014                                                       | 17,147,000           | 17,147,000           | -                                   |
| <b>CBJ Marine Passenger Fee (MPF)</b>                            |                      |                      |                                     |
| FY 09-2013                                                       | 3,913,000            | 3,913,000            | -                                   |
| <b>State Marine Passenger Fee (SMPF)</b>                         |                      |                      |                                     |
| FY 12-2016                                                       | 21,441,000           | 21,441,000           | -                                   |
| <b>Sub-total Revenue (previously<br/>authorized by Assembly)</b> | <b>57,853,000</b>    | <b>57,853,000</b>    | <b>-</b>                            |
| <b>Revenue Bond</b>                                              | 29,400,000           | 29,400,000           | -                                   |
| <b>Total Project Revenue</b>                                     | <b>\$ 87,253,000</b> | <b>\$ 87,253,000</b> | <b>-</b>                            |
| <b>Total Project Expenditures</b>                                | <b>\$ 93,938,000</b> | <b>\$ 94,032,000</b> | <b>94,000</b>                       |
| <b>Project Balance (Shortfall)</b>                               | <b>(6,685,000)</b>   | <b>(6,779,000)</b>   | <b>(94,000)</b>                     |
| <b>Additional Funding Sources</b>                                |                      |                      |                                     |
| PDF FY15 (not needed for debt)                                   | 2,300,000            | 2,300,000            | -                                   |
| SMPF FY17                                                        | 4,385,000            | 0                    | (4,385,000)                         |
| Dock Fund Balance                                                | 0                    | 1,500,000            | 1,500,000                           |
| <b>Revenue Balance - Surplus (Shortfall)</b>                     | <b>\$0</b>           | <b>(\$2,979,000)</b> | <b>(\$2,979,000)</b>                |



## **Avista/AEL&P is proposing a legislative change to AS 29.45.050**

### Limitations of Current Law

AS 29.45.050(m) allows a municipality to grant a property tax exemption for “economic development property” for up to five years, with the option of renewing the exemption at five year intervals, but at a reduced rate to enable a contribution to a school district.

Given that the current law requires renewal every five years and at a reduced amount, it creates uncertainty about the timing and sufficient recovery of a significant upfront investment necessary for a capital project. Such uncertainty would be a barrier to making a significant capital investment.

### Proposed Amendment to AS 29.45.050

The proposed amendment will create a new subsection under AS 29.45.050 to authorize a municipality to exempt “economic investment property” from taxation for up to 20 years. “Economic development property” is defined to establish specific criteria for eligible projects above and below \$50 million in value, while giving municipalities particular flexibility in determining eligibility for projects under \$50 million in value.

This proposed amendment will provide a tool for economic investment within individual municipalities throughout the state. Municipalities will not have an obligation to use the new authority proposed in the legislation, but they will have the option to do so.

### Proposed Application in Juneau

Avista/AEL&P is investigating the feasibility of investing approximately \$130 million to develop and construct a natural gas distribution system within the City and Borough of Juneau.

The end-user fuel cost, and resulting consumer benefit, of natural gas as an alternative to heating oil depends on the volume of fuel consumed. To facilitate optimum rates of demand growth, Avista/AEL&P proposes to assist customers by subsidizing heating system conversions and, if approved by the City Assembly, to recover those costs using the abatement enabled by the proposed legislation.

### Benefits of a natural gas system in Juneau

- Lower space heating costs to residents and businesses of Juneau
- Reduction in the heating costs of public buildings, which reduces costs paid from local and state tax revenues
- Reduction in emissions relative to the use of heating oil
- Improved heating system efficiencies when converting from heating oil to natural gas
- New utility infrastructure property tax revenue commencing after twenty years
- Increased sales tax revenues from heating system equipment purchases, enabled in part via the property tax abatement

Juneau City and Borough Support

It would be beneficial to Avista/AEL&P's effort to have CBJ join us in advocating for legislation that creates a property tax exemption for "economic investment property." However, should CBJ not be prepared to take an active role in promoting legislation, we would ask for a supportive position from CBJ officials to the effect of: "The CBJ supports legislative efforts to amend Chapter 29.45 so that municipalities would have discretionary authority to provide a property tax exemption for economic investment property for up to 20 years. While we are not committed at this time to using this mechanism, we can see clear benefit to CBJ and other municipalities in having this tool available as an option for enhancing local economic investment."



# Juneau Natural Gas Project

January 2016



Avista Corp. is exploring the opportunity to provide *another energy choice* – natural gas – to residential and commercial customers in Juneau, Alaska. The project is estimated to be a 10-year, \$130 million investment.

## Benefits of Natural Gas

- Reduced heating costs
- Lower carbon emissions
- Stimulated economy
- Job Creation

## Cost of Conversion

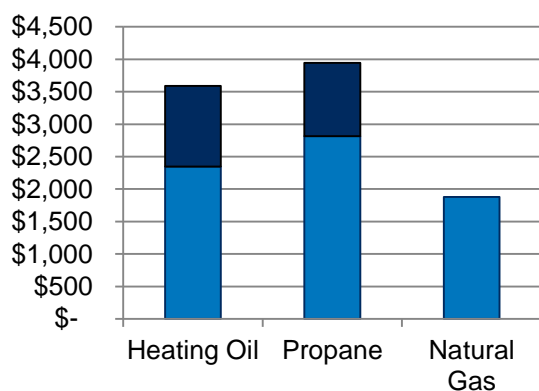
- Variable, depending on current equipment
- Average estimated at \$6,000 for residential customers

## Offsets for Conversion Costs

- AHFC offers the Home Energy Rebate Program
- Additional assistance is being explored

## Natural Gas is a good choice to help reduce home heating costs

- Studies show natural gas costs 20% less to use than heating oil and 33% less than propane.
- While oil prices are low, initial savings come from updating to new, more efficient heating equipment.
- Longer-term savings are expected to come from more stable prices for natural gas prices.



| Natural Gas: Annual Customer Savings* |                        |                        |
|---------------------------------------|------------------------|------------------------|
|                                       | Spot price<br>Jan 2016 | 5 yr avg<br>historical |
| vs Heating Oil                        | 20%                    | 48%                    |
| vs Propane                            | 33%                    | 52%                    |

\*Estimated savings using more efficient equipment using natural gas, excluding customer equipment conversion costs.

## Where will the natural gas come from?

- Liquefied natural gas (LNG) initially would be sourced from British Columbia – it is less expensive than transporting Cook Inlet natural gas at this time.
- LNG will arrive in Juneau in containers via barge and be stored at AEL&P's Sheep Creek property.
- LNG will be turned back into a gas and distributed through underground pipes to homes and businesses.

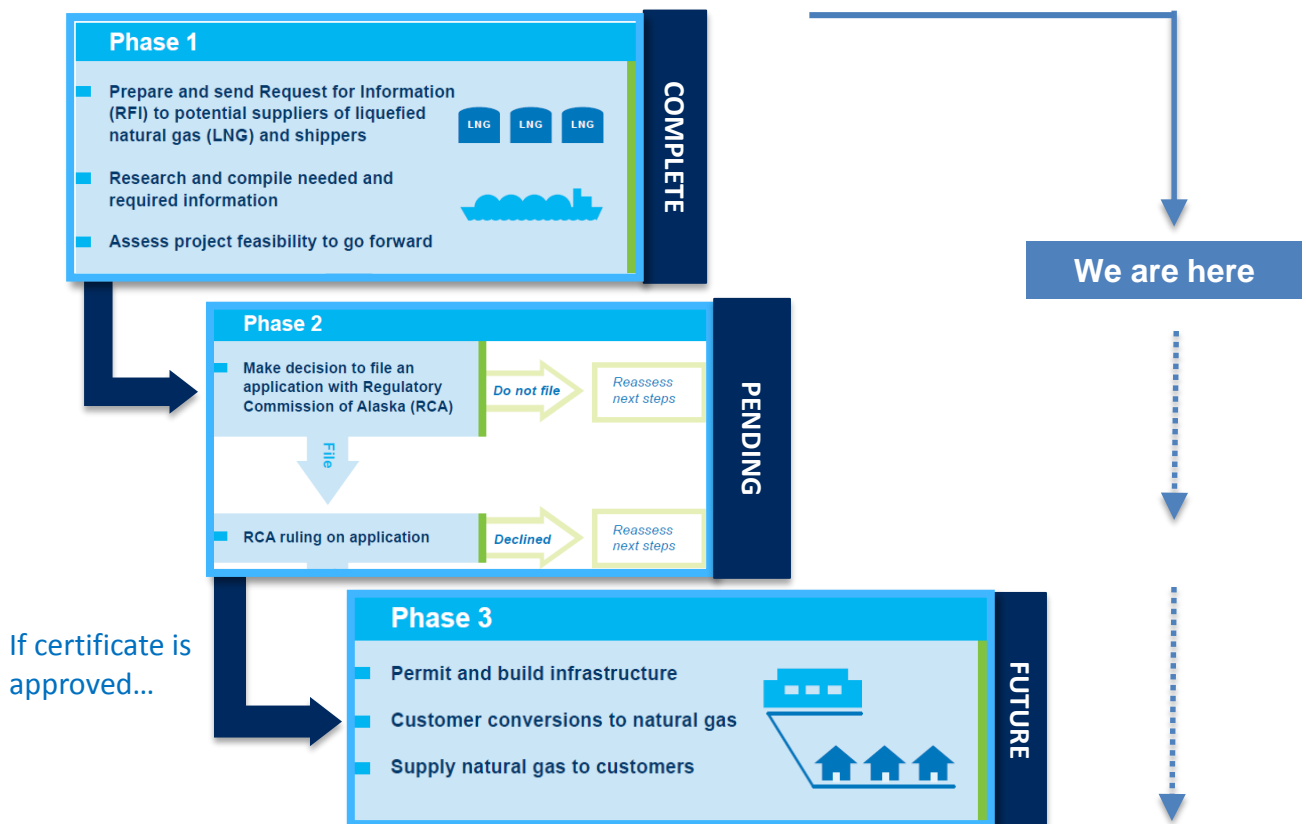
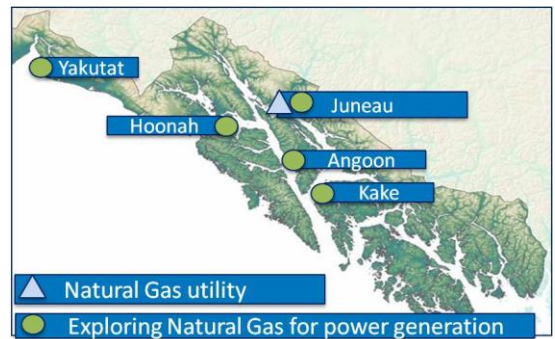


## How safe are LNG and natural gas?

- LNG has the best safety record of all common fuel types and is non-toxic. It has been transported and used safely in the U.S and worldwide for more than 40 years.
- Natural gas is lighter than air. It will safely and harmlessly rise and disperse into the air if allowed to vent freely. Other gases, such as propane, are heavier than air, causing them to "pool" on the ground (similar to spilled gasoline).
- An odorant – called mercaptan – is added to natural gas. The “rotten egg” smell indicates the presence of natural gas when it leaks, alerting people to clear the area, call 911 then the local gas utility

## A potential energy solution for Southeast

Initially, an underground distribution system will be constructed in Juneau. Decisions regarding the use of natural gas for power generation in other communities in Southeast would depend on the success of the Juneau project. We continue to work with communities in the region for possible solutions that will best meet their needs.



For more information, contact [Jessie.Wuerst@avistacorp.com](mailto:Jessie.Wuerst@avistacorp.com) or visit our website [www.avistacorp.com](http://www.avistacorp.com)

## **PROPOSED DRAFT AMENDMENT (as of 2/5/16)**

Add a new subsection to AS 29.45.050 (Optional Exemptions and Exclusions) to read as follows:

(x) A municipality may by ordinance partially or totally exempt all or some types of economic investment property from taxation for up to twenty years. The ordinance shall establish a cap on the aggregate value of the exemption, as expressed in avoided property tax revenue, over the duration of the exemption. A municipality may adopt an ordinance under this subsection only if, before it is adopted, copies of the proposed ordinance made available at a public hearing on it contain written notice that the ordinance, if adopted, may be repealed by the voters through referendum. An ordinance adopted under this subsection must include specific eligibility requirements and require written application for each exemption. In accepting an application, the municipality must make a finding that the economic investment property will not be brought into existence but for the availability of the exemption to the applicant. In this subsection, "economic investment property" means real or personal property that:

(1) involves an investment of more than \$50 million over the duration of the exemption by the owner of the real or personal property subject to the exemption and which:

(A) has not previously been taxed as real or personal property by the municipality;

(B) expands the municipality's tax base through the development of physical infrastructure that does not presently exist;

(C) will generate property tax revenue after the exemption expires; and

(D) will serve as a source of sales tax revenue; and

(2) involves an investment of less than \$50 million over the duration of the exemption by which the owner of real or personal property subject to the exemption and which:

(A) has not previously been taxed as real or personal property by the municipality;

(B) expands the municipality's tax base through the development of physical infrastructure that does not presently exist;

(C) will generate property tax revenue after the exemption expires; and

(D) meets any other criteria that may be established by the municipality by ordinance.

**City and Borough of Juneau**  
**Finance Department Issue Paper**  
**February 10, 2016**

**Issue:** AVISTA Corporation is proposing an amendment to state statute to provide for an additional optional property tax exemption for natural gas economic development investment.

**Financial Summary**

Rough estimate of financial impacts if amendment adopted and project is implemented:

1. Property Taxes
  - a. Based on \$130 million invested over 10 years and taxes exempted for full 20 years the potential cost ranges from \$15 - \$17 million.
  - b. After the exemption expires, based on the current mill rate, CBJ would annually collect property taxes from \$500,000 - \$750,000.
2. Sales Taxes
  - a. Sales taxes would be collected on the sale of natural gas energy to consumers but these sales would offset taxes currently collected on the energy source that is being replaced. No expected increase sales tax from energy sales.
  - b. Sales taxes would be collected on the local sale of new residential heating equipment consumers wanting natural gas. Over 10 years the estimated taxes to be collected would range from \$1 million to \$1.8 million.

**Exemption Review**

In comparing the current optional economic development property tax exemption, allowed in state law but not yet adopted by CBJ, to the proposed new exemption:

1. Proposed exemption would be for up to 20 years. The existing economic development tax exemption is for 5 years with the option for the municipality to “renew”. Could we get to a 20 years exemption with current code via extensions granted at the beginning of the project investment?
  - a. Current exemption, during a renewal period, reduces the allowable exemption from the existing CBJ mill rate of 10.76 mills by the required school contribution mill rate of 2.65, for a net exemption rate of 8.11. Thus the exemption would be reduced by 25% in years 6 through 20.
2. The proposed exemption includes a minimum investment threshold, in an attempt to address CBJ concerns, of \$50 million. The existing exemption does not have a minimum investment threshold to qualify.
3. The new exemption would require that any eligible investment “serve as a source of sales tax revenue”. The new project’s ultimate sale of energy would generate sales tax revenue, but it may be just offsetting existing sales tax revenue from the existing energy sources. The new project would generate sales tax from the local sale of new heating units purchased by homeowners converting to natural gas. The existing exemption does not have a requirement that the investment result in the generation of sales tax.

**City and Borough of Juneau**  
**ASSEMBLY FINANCE COMMITTEE**  
**Initial CBJ Budget Forecast FY17 - 19**  
**February 10, 2016**

**Issue:**

Both the Assembly and management have expressed a desire to have multi-year budget forecasts to aid in budget planning and other financial decisions. The Finance Department has procured an Excel based model and prepared several (FY17 – 19) forecast scenarios.

**Current Status:**

Three **initial** forecast scenarios will be presented at the Finance Committee meeting. State Government is working to address a multi-billion revenue shortfall. Given this, the forecast scenarios are based on decreased state funding and the potential negative impacts to the local economy. The forecast is based on numerous assumptions of State budget reductions but is not meant to reflect support or opposition for any proposal. We have to start somewhere and adjust as the facts become known.

In preparing these scenarios, for the general government operating budget, the focus was on estimating the various general government revenues and leaving expenditures basically flat. The impact of the change in revenues can be measured by the estimated change in fund balance. The forecast also includes projections for capital improvement project activity.

The forecast can be updated based on the review and feedback of the initial scenarios and this year's decisions made by the Alaska Legislature. Then, if necessary, we can begin the deliberations on how to adjust (reduce costs and or increase revenue) the budget for shortfalls as we move forward. The base case scenario does not project a shortfall for FY17.

**Budget Scenarios:** Three forecast scenarios: A) Base Case, B) Small Decline& C) Medium Decline were prepared based on the assumptions explained below and **detailed in the attached tables.**

1. Sales Tax Assumptions – The annual change is a net of factors that both increase revenue (e.g. change in exemptions, increase in cruise passengers, marijuana sales) and decrease in overall economic activity from state downsizing. In FY17 it is assumed that the PFD is not reduced but the FY18 & 19 numbers assume the PFD drops from about \$2,000 to \$1,000.
2. Property Tax Assumptions – Rather than reduce revenue by an estimated decline in value, if any, scenarios assume any decline in assessed taxable value will be offset by a corresponding increase in the mill rate. Thus property tax payers would pay the same amount for all 3 years (except in scenario #3).
3. Local Charges for Programs, Fees and Services – For general government programs assumption was no increase in revenues (minor increases in rates may be offset by lower usage). Varying increases for some enterprise funds.
4. State Revenue Assumptions –
  - i. Revenue sharing – revenue significantly reduced in all scenarios.
  - ii. Education funding slight decrease to reflect increase in assessed values (with same enrollment and higher P-taxes the CBJ pays slightly higher

percentage) and small drop in enrollment. Assume \$50 increase in BSA in FY18.

- iii. State shared fisheries tax flat all 3 years, cruise passenger tax up 2% a yr.
- iv. State grants reduced to minimal capital project funding provided (none for school maintenance). Education grants flat all 3 years.

5. Federal Revenue Assumptions –

- i. Education grant funding flat for 3 years.
- ii. PILT funding flat all 3 years.
- iii. Secure Rural Schools/ Forest Program Receipts \$0 (\$700,000 decline) all 3 years.

6. Expenditures -

- i. Salaries - 0% annual growth
- ii. Benefits - FY17 down 1%, FY18 flat, FY19 up 3% (health costs).
- iii. Commodities & Services – FY17 .5% decline, FY18 flat, FY19 up 1%.
- iv. Assuming no increase in the required local government contribution to the unfunded public pension liability.

**City and Borough of Juneau**  
**ASSEMBLY FINANCE COMMITTEE**  
**Initial CBJ Budget Forecast FY17 - 19**  
**February 10, 2016**

Below are three different forecast scenarios. See the attached narrative for additional explanation.

**Scenario #1- Base**

|  |                                | <b>FY17</b>                            | <b>FY18</b>                            | <b>FY19</b>                            |
|--|--------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
|  |                                |                                        |                                        |                                        |
|  | Sales Tax                      | Decrease 1%, \$450K                    | Decrease 3.3% from FY17                | Decrease 2.0% from FY18                |
|  | Property Tax                   | Increase 2%, \$950K                    | No change from FY17                    | No change from FY18                    |
|  | State Revenue                  |                                        |                                        |                                        |
|  | Revenue Sharing                | Decrease 20%, \$400K                   | Decrease 10% from FY17                 | Decrease 10% from FY18                 |
|  | Education Foundation Funding   | Decrease 0.25%                         | Increase 1% over FY17                  | No change from FY18                    |
|  | Fisheries Tax                  | No change                              | No change                              | No change                              |
|  | SMPF                           | Increase 2%                            | Increase 2% over FY17                  | No change from FY18                    |
|  | State Grants – CIP & Education | Decrease 30%                           | No change from FY17                    | No change from FY18                    |
|  | Federal Revenue                |                                        |                                        |                                        |
|  | Education Grant Funding        | No change                              | No change from FY17                    | No change from FY18                    |
|  | PILT                           | No change                              | No change from FY17                    | No change from FY18                    |
|  | Secure Rural Schools           | Decrease to \$0, (\$750K)              | No funding                             | No funding                             |
|  | Expenditures                   |                                        |                                        |                                        |
|  | Salaries                       | 0% annual growth                       | 0% annual growth                       | 0% annual growth                       |
|  | Benefits                       | Decrease 1%                            | No change from FY17                    | Increase 3% over FY18                  |
|  | Commodities & Services         | Decrease 0.5%                          | No change from FY17                    | Increase 1% over FY18                  |
|  | Unfunded Pension Liability     | No increase in local govt contribution | No increase in local govt contribution | No increase in local govt contribution |

**City and Borough of Juneau**  
**ASSEMBLY FINANCE COMMITTEE**  
**Initial CBJ Budget Forecast FY17 - 19**  
**February 10, 2016**

## Scenario #2 – Small Decline

|  |                                | <b>FY17</b>           | <b>FY18</b>             | <b>FY19</b>             |
|--|--------------------------------|-----------------------|-------------------------|-------------------------|
|  |                                |                       |                         |                         |
|  | Sales Tax                      | Decrease 2%, \$900K   | Decrease 5.0% from FY17 | Decrease 5.0% from FY18 |
|  | Property Tax                   | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | State Revenue                  |                       |                         |                         |
|  | Revenue Sharing                | Decrease 30%, \$600K  | Decrease 30% from FY17  | No change from FY18     |
|  | Education Foundation Funding   | Decrease 2%           | Decrease 4% from FY17   | Decrease 2% from FY18   |
|  | Fisheries Tax                  | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | SMPF                           | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | State Grants – CIP & Education | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | Federal Revenue                | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | Expenditures                   | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |

## Scenario #3 –Medium Decline

| <b>Scenario #3 –Medium Decline</b> |                                | <b>FY17</b>           | <b>FY18</b>             | <b>FY19</b>             |
|------------------------------------|--------------------------------|-----------------------|-------------------------|-------------------------|
|                                    | Sales Tax                      | Decrease 4%, \$1.8M   | Decrease 6.0% from FY17 | Decrease 5.0% from FY18 |
|                                    | Property Tax                   | Same as Base Scenario | Same as Base Scenario   | Decrease 2.0% from FY18 |
|                                    | State Revenue                  |                       |                         |                         |
|                                    | Revenue Sharing                | Decrease 40%, \$800K  | Decrease 40% from FY17  | Decrease 100% from FY18 |
|                                    | Education Foundation Funding   | Decrease 0.5%         | Increase 1% over FY17   | No change from FY18     |
|                                    | Fisheries Tax                  | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|                                    | SMPF                           | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|                                    | State Grants – CIP & Education | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|                                    | Federal Revenue                | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|                                    | Expenditures                   | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |



**City and Borough of Juneau**  
**ASSEMBLY FINANCE COMMITTEE**  
**Initial CBJ Budget Forecast FY17 - 19**  
**February 10, 2016**

**Issue:**

Both the Assembly and management have expressed a desire to have multi-year budget forecasts to aid in budget planning and other financial decisions. The Finance Department has procured an Excel based model and prepared several (FY17 – 19) forecast scenarios.

**Current Status:**

Three **initial** forecast scenarios will be presented at the Finance Committee meeting. State Government is working to address a multi-billion revenue shortfall. Given this, the forecast scenarios are based on decreased state funding and the potential negative impacts to the local economy. The forecast is based on numerous assumptions of State budget reductions but is not meant to reflect support or opposition for any proposal. We have to start somewhere and adjust as the facts become known.

In preparing these scenarios, for the general government operating budget, the focus was on estimating the various general government revenues and leaving expenditures basically flat. The impact of the change in revenues can be measured by the estimated change in fund balance. The forecast also includes projections for capital improvement project activity.

The forecast can be updated based on the review and feedback of the initial scenarios and this year's decisions made by the Alaska Legislature. Then, if necessary, we can begin the deliberations on how to adjust (reduce costs and or increase revenue) the budget for shortfalls as we move forward. The base case scenario does not project a shortfall for FY17.

**Budget Scenarios:** Three forecast scenarios: A) Base Case, B) Small Decline & C) Medium Decline were prepared based on the assumptions explained below and **detailed in the attached tables.**

1. Sales Tax Assumptions – The annual change is a net of factors that both increase revenue (e.g. change in exemptions, increase in cruise passengers, marijuana sales) and decrease in overall economic activity from state downsizing. In FY17 it is assumed that the PFD is not reduced but the FY18 & 19 numbers assume the PFD drops from about \$2,000 to \$1,000.
2. Property Tax Assumptions – Rather than reduce revenue by an estimated decline in value, if any, scenarios assume any decline in assessed taxable value will be offset by a corresponding increase in the mill rate. Thus property tax payers would pay the same amount for all 3 years (except in scenario #3).
3. Local Charges for Programs, Fees and Services – For general government programs assumption was no increase in revenues (minor increases in rates may be offset by lower usage). Varying increases for some enterprise funds.
4. State Revenue Assumptions –
  - i. Revenue sharing – revenue significantly reduced in all scenarios.
  - ii. Education funding slight decrease to reflect increase in assessed values (with same enrollment and higher P-taxes the CBJ pays slightly higher

percentage) and small drop in enrollment. Assume \$50 increase in BSA in FY18.

- iii. State shared fisheries tax flat all 3 years, cruise passenger tax up 2% a yr.
- iv. State grants reduced to minimal capital project funding provided (none for school maintenance). Education grants flat all 3 years.

5. Federal Revenue Assumptions –

- i. Education grant funding flat for 3 years.
- ii. PILT funding flat all 3 years.
- iii. Secure Rural Schools/ Forest Program Receipts \$0 (\$700,000 decline) all 3 years.

6. Expenditures -

- i. Salaries - 0% annual growth
- ii. Benefits - FY17 down 1%, FY18 flat, FY19 up 3% (health costs).
- iii. Commodities & Services – FY17 .5% decline, FY18 flat, FY19 up 1%.
- iv. Assuming no increase in the required local government contribution to the unfunded public pension liability.

**City and Borough of Juneau**  
**ASSEMBLY FINANCE COMMITTEE - February 10, 2016**  
**Initial CBJ Budget Forecast FY17 - 19**  
**Version 2**

Below are three different forecast scenarios. See the attached narrative for additional explanation.

**Scenario #1- Base**

|  |                                | <b>FY17</b>                            | <b>FY18</b>                            | <b>FY19</b>                            |
|--|--------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
|  |                                |                                        |                                        |                                        |
|  | Sales Tax                      | Decrease 1%, \$450K                    | Decrease 3.3% from FY17                | Decrease 2.0% from FY18                |
|  | Property Tax                   | Increase 2%, \$950K                    | No change from FY17                    | No change from FY18                    |
|  | State Revenue                  |                                        |                                        |                                        |
|  | Revenue Sharing                | Decrease 20%, \$400K                   | Decrease 10% from FY17                 | Decrease 10% from FY18                 |
|  | Education Foundation Funding   | Decrease 0.25%                         | Increase 1% over FY17                  | No change from FY18                    |
|  | Fisheries Tax                  | No change                              | No change                              | No change                              |
|  | SMPF                           | Increase 2%                            | Increase 2% over FY17                  | No change from FY18                    |
|  | State Grants – CIP & Education | Decrease 30%                           | No change from FY17                    | No change from FY18                    |
|  | Federal Revenue                |                                        |                                        |                                        |
|  | Education Grant Funding        | No change                              | No change from FY17                    | No change from FY18                    |
|  | PILT                           | No change                              | No change from FY17                    | No change from FY18                    |
|  | Secure Rural Schools           | Decrease to \$0, (\$750K)              | No funding                             | No funding                             |
|  | Expenditures                   |                                        |                                        |                                        |
|  | Salaries                       | 0% annual growth                       | 0% annual growth                       | 0% annual growth                       |
|  | Benefits                       | Decrease 1%                            | No change from FY17                    | Increase 3% over FY18                  |
|  | Commodities & Services         | Decrease 0.5%                          | No change from FY17                    | Increase 1% over FY18                  |
|  | Unfunded Pension Liability     | No increase in local govt contribution | No increase in local govt contribution | No increase in local govt contribution |

**City and Borough of Juneau**  
**ASSEMBLY FINANCE COMMITTEE - February 10, 2016**  
**Initial CBJ Budget Forecast FY17 - 19**  
**Version 2**

Below are different forecast scenarios. See the attached narrative for additional explanation.

**Scenario #2 – Small Decline**

|  |                                | <b>FY17</b>           | <b>FY18</b>             | <b>FY19</b>             |
|--|--------------------------------|-----------------------|-------------------------|-------------------------|
|  |                                |                       |                         |                         |
|  | Sales Tax                      | Decrease 2%, \$900K   | Decrease 5.0% from FY17 | Decrease 5.0% from FY18 |
|  | Property Tax                   | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | State Revenue                  |                       |                         |                         |
|  | Revenue Sharing                | Decrease 30%, \$600K  | Decrease 30% from FY17  | No change from FY18     |
|  | Education Foundation Funding   | Decrease 0.5%         | Increase 1% over FY17   | No change from FY18     |
|  | Fisheries Tax                  | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | SMPF                           | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | State Grants – CIP & Education | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | Federal Revenue                | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | Expenditures                   | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |

**Scenario #3 –Medium Decline**

|  |                                | <b>FY17</b>           | <b>FY18</b>             | <b>FY19</b>             |
|--|--------------------------------|-----------------------|-------------------------|-------------------------|
|  | Sales Tax                      | Decrease 4%, \$1.8M   | Decrease 6.0% from FY17 | Decrease 5.0% from FY18 |
|  | Property Tax                   | Same as Base Scenario | Same as Base Scenario   | Decrease 2.0% from FY18 |
|  | State Revenue                  |                       |                         |                         |
|  | Revenue Sharing                | Decrease 40%, \$800K  | Decrease 40% from FY17  | Decrease 100% from FY18 |
|  | Education Foundation Funding   | Decrease 2%           | Decrease 4% from FY17   | Decrease 2% from FY18   |
|  | Fisheries Tax                  | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | SMPF                           | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | State Grants – CIP & Education | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | Federal Revenue                | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |
|  | Expenditures                   | Same as Base Scenario | Same as Base Scenario   | Same as Base Scenario   |

**CITY & BOROUGH OF JUNEAU**  
**ASSEMBLY FINANCE COMMITTEE - FEBRUARY 10, 2016**  
**BUDGET FORECAST GENERAL GOVERNMENT**  
**BASE SCENARIO**

**General Government (GG)** budget excludes financial activity for Enterprise Funds (hospital, airport, docks & harbors and utilities) and school district (except local tax contribution).

|                                                     | 201 | 2014A             | 2015A              | 2016B              | 2017F              | 2018F              | 2019F              |
|-----------------------------------------------------|-----|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>REVENUES</b>                                     |     |                   |                    |                    |                    |                    |                    |
| 01-State Support                                    |     | 4,459,021         | 4,454,281          | 3,736,800          | 2,832,320          | 2,662,672          | 2,509,989          |
| 02-Federal Support                                  |     | 793,526           | 2,695,325          | 2,507,700          | 1,867,204          | 1,867,204          | 1,867,204          |
| 03-Taxes                                            |     | 84,085,216        | 84,547,689         | 85,985,100         | 86,325,712         | 84,747,791         | 83,869,678         |
| 04-Charges for Services                             |     | 4,270,430         | 4,092,701          | 4,345,500          | 4,345,500          | 4,345,500          | 4,345,500          |
| 05-Licenses, Permits, Fees                          |     | 1,023,450         | 1,070,968          | 893,000            | 901,930            | 910,949            | 920,059            |
| 06-Sales                                            |     | 38,346            | 42,106             | 34,300             | 34,300             | 34,300             | 34,300             |
| 07-Rentals & Leases                                 |     | 342,152           | 369,002            | 326,500            | 329,765            | 333,063            | 336,393            |
| 08-Fines and Forfeitures                            |     | 389,417           | 392,585            | 391,100            | 391,100            | 391,100            | 391,100            |
| 09-Investment & Interest Income                     |     | 1,851,814         | 1,843,685          | 2,176,800          | 2,176,800          | 2,176,800          | 2,176,800          |
| 11-Other Miscellaneous Revenue                      |     | 1,317,924         | 852,342            | 1,123,000          | 1,123,000          | 1,123,000          | 1,123,000          |
| <b>TOTAL - REVENUES</b>                             |     | <b>98,571,297</b> | <b>100,360,683</b> | <b>101,519,800</b> | <b>100,327,631</b> | <b>98,592,379</b>  | <b>97,574,022</b>  |
| <b>EXPENDITURES, BY ACCOUNT GROUP</b>               |     |                   |                    |                    |                    |                    |                    |
| 01-Personnel Services                               |     | 42,017,367        | 41,951,035         | 45,949,300         | 45,787,303         | 45,787,303         | 46,268,434         |
| 02-Commodities and Services                         |     | 22,905,829        | 23,047,090         | 23,129,000         | 23,013,355         | 23,013,355         | 23,243,489         |
| 03-Capital Outlay                                   |     | 388,624           | 156,815            | 121,800            | 131,033            | 94,978             | 83,028             |
| 06-Capital Projects Indirect Cost Allocation        |     | (524,300)         | (524,300)          | (524,300)          | (524,300)          | (524,300)          | (524,300)          |
| 07-Interdepartmental Charges                        |     | (5,315,881)       | (5,712,930)        | (5,797,200)        | (5,797,200)        | (5,797,200)        | (5,797,200)        |
| 08-Better Capital City                              |     | 425,259           | 424,652            | 440,500            | 440,500            | 440,500            | 440,500            |
| <b>TOTAL - EXPENDITURES</b>                         |     | <b>59,896,897</b> | <b>59,342,362</b>  | <b>63,319,100</b>  | <b>63,050,691</b>  | <b>63,014,636</b>  | <b>63,713,951</b>  |
| <b>TRANSFERS</b>                                    |     |                   |                    |                    |                    |                    |                    |
| 13-Transfers In                                     |     | 5,240,759         | 4,177,476          | 6,092,500          | 6,092,500          | 6,092,500          | 6,092,500          |
| 14-Transfers Out (contribution to schools and CIPs) |     | 42,851,501        | 42,639,400         | 44,890,500         | 44,890,500         | 44,890,500         | 44,890,500         |
| <b>FAVORABLE/(UNFAVORABLE) - AFTER TRANSFERS</b>    |     | <b>1,063,657</b>  | <b>2,556,397</b>   | <b>(597,300)</b>   | <b>(1,521,060)</b> | <b>(3,220,258)</b> | <b>(4,937,928)</b> |
| <b>FUND BALANCE - FISCAL YEAR END</b>               |     | <b>8,780,000</b>  | <b>11,336,397</b>  | <b>10,739,097</b>  | <b>9,218,037</b>   | <b>5,997,780</b>   | <b>1,059,852</b>   |

**A** Actuals

**B** Budget

**F** Forecast



**City and Borough of Juneau**  
**Assembly Finance Committee - Feb. 10, 2016**  
**Initial Budget Forecast FY17 - 19**  
**GG Budget Fund Balance Base Scenario Adjusted for Decline Scenarios**

**Small Decline Scenario Additional Budget Budget Shortfall**

|                                                         | <b>2017F</b>        | <b>2018F</b>     | <b>2019F</b>       |
|---------------------------------------------------------|---------------------|------------------|--------------------|
| <b>Adjusted Base Scenario GG Available Fund Balance</b> | 9,218,037           | 5,345,780        | (1,152,498)        |
| <b>Small Decline Additional Fund Balance Usage</b>      | (652,000)           | (1,560,350)      | (2,649,845)        |
| <b>Small Decline Available Fund Balance</b>             | <b>\$ 8,566,000</b> | <b>3,785,000</b> | <b>(3,802,000)</b> |

**Medium Decline Scenario Additional Budget Budget Shortfall**

|                                                     |                     |                  |                    |
|-----------------------------------------------------|---------------------|------------------|--------------------|
| <b>Base Scenario Available Fund Balance</b>         | 9,218,037           | 4,243,780        | (3,804,098)        |
| <b>Medium Decline Additional Fund Balance Usage</b> | (1,754,000)         | (3,109,950)      | (5,814,169)        |
| <b>Medium Decline Available Fund Balance</b>        | <b>\$ 7,464,000</b> | <b>1,134,000</b> | <b>(9,618,000)</b> |





CITY AND BOROUGH OF JUNEAU, ALASKA

LETTER TO THE ASSEMBLY

December 18, 2015

# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801  
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

December 18, 2015

The Members of the Assembly  
City and Borough of Juneau, Alaska

Dear Members:

We have audited the financial statements of the City and Borough of Juneau, Alaska (City and Borough or CBJ) as of and for the year ended June 30, 2015, and have issued our report thereon dated December 18, 2015. Professional standards require that we advise you of the following matters relating to our audit.

## **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 9, 2015, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City and Borough solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City and Borough is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

As described in Notes 11 and 19 to the financial statements, during the year, the CBJ changed its method of accounting for pensions by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the statement of revenues, expenses, and changes in net position (deficit).

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimates of the net realizable value of accounts, taxes, assessments and government agency receivables are based on historical collections of these receivables, current market conditions and management's assessment of the collectability of the various individual and classes of receivables. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole. Actual results could differ from those estimates.

Management's estimate of the reserves for losses and loss adjustment expenses represent (a) individual case estimates for reported losses, (b) estimates for unreported losses based on past experience modified for current trends, and (c) estimates of expenses for investigating and settling claims. The reserves are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. These estimates are limited to the appropriate per occurrence retention for the coverage and policy year. We evaluated the key factors and assumptions used to develop the reserve for losses and loss adjustment expenses in making our determination whether they are reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent and clear.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements that were material to the financial statements.

The following significant misstatements identified as a result of our audit procedures were brought to the attention of, and corrected by, management, or were identified to us by management during the audit:

- To properly state CB's net pension liability and related accounts in accordance with GASB 68.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City and Borough's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management related to the financial statements and federal and state single audit compliance audits that are included in the attached management representation letter.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City and Borough, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City and Borough's auditors.

### **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing CBJ's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considering whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## **Internal Control and Other Matters**

### **Significant Deficiencies in Internal Controls over Grant Compliance**

As described in our *Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133*, we identified major grant program noncompliance and certain deficiencies that we consider to be significant deficiencies, as described below.

Finding 2015-001: Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

CBJ did not maintain required time records for employees charged to grants. As a result of this finding, we reported \$135,992 in questioned costs.

Finding 2015-002: Major Program Noncompliance and Significant Deficiency in Internal Controls over Compliance – Reporting

CBJ did not file required financial reports on its FAA airport runway grants.

### ***Internal Control Matters Noted During the Current Audit***

During our audit, we noted certain matters that are opportunities for strengthening internal controls and operating efficiency. These items do not affect our report on the financial statements of the City and Borough.

#### **2015-003 Improve Review Monitoring Controls Over Financial Reporting**

The finding pertaining to FAA grant reporting (Finding 2015-002) taken together with significant errors in recording certain journal entries and other items noted in the audit, indicate that CBJ needs to improve its procedures for closing the accounting records and reviewing and monitoring for external financial reporting for grants and its financial statements.

We recommend that management evaluate its processes for closing its records including management's review and monitoring of important financial information and dates.

### ***Internal Control Matters Noted During the Prior Audit and their Current Status***

During our prior audit we noted deficiencies in internal control, and other matters that were opportunities for strengthening internal controls and operating efficiency. Following are the recommendations we made in the prior year and the current status of those recommendations.

#### **2015-004 Further Develop and Document Accounting Procedures**

As noted in prior years, management has not properly documented certain important and rather complex tasks associated with the annual close of CBJ's accounting records and the production of its financial reports. Many of these tasks are known by very few individuals. Management has made some progress to document certain areas, particularly Treasury. However, based on the results of the current year audit, including issues above, certain tasks still need to be documented, and processes implemented for the review of closing workpapers and related journal entries.

*Status:* We recommend that Finance Department staff continue to develop and document their accounting procedures.

**2015-005 Aggregate, Record and Disclose CBJ Leases Receivable**

In prior year, we recommended CBJ aggregate its leases and consider whether these leases are properly recorded and disclosed.

*Status:* We noted no significant improvements in this area; we continue to recommend that CBJ aggregate, record and disclose its leases receivable.

**2015-006 Consider Transferring CBJSD and BRH Cash Accounts**

For the past few years we have, we recommended that CBJ evaluate the current cash management and reconciliation processes with the City and Borough of Juneau School District (CBJSD) and Bartlett Regional Hospital (BRH), to determine whether management could simplify the cash function by moving operating cash for both entities to CBJSD and BRH.

*Status:* CBJ management continues to evaluate this suggestion pending BRH having permanent upper level financial managers in place. During the current year, we noted continued issues with timely and accurate reconciliations of interfund activity at Bartlett. Comment repeated.

**2015-007 Building Assessments and Reserves**

In prior year, we recommended that CBJ management evaluate the condition of its buildings (possibly on a cyclical basis) in order to update its building assessment schedules, and also consider evaluating components of building replacement costs as part of its budget or long range forecasting.

*Status:* During 2015, CBJ purchased an asset management system and tasked the Parks and Recreation Department with beginning the process of populating the software with the various components of CBJ's various buildings. To date, Treadwell has been completed and Centennial Hall is next on the list for evaluation. Comment considered in process of resolution.

**2015-008 Evaluate Procedures Related to Converting Employees into Contractors**

In prior year, we recommended that management evaluate its procedures for hiring former employees as contractors. Based on our work, we believe it is prudent to require a competitive solicitation in all instances in which federal or state funding is involved, and evaluate whether the employee meets the federal definition, upon conversion, of a contractor. The CBJ may also want to determine whether management should periodically reevaluate the contractor versus employment condition, and whether to periodically re-bid the related services.

*Status:* We noted no similar matters in 2015. Comment resolved.

**2015-009 Improve Investment Monitoring and Financial Reporting Procedures**

In prior year, we noted that CBJ's existing financial reporting procedures were not sufficiently designed and implemented to ensure that investments were properly disclosed in the financial statement footnotes. We recommended that CBJ review and improve its procedures for investment financial reporting and documenting compliance with CBJ's investment policy.

*Status:* Management made required changes to its processes and we noted no similar issues in the current year. Comment resolved.

**2015-010 Improve Monitoring of Contracts for Federal and State Grant Requirements**

In prior year, we recommended that management review its procedures for documenting the presence of direct or indirect federal or state grant funding for contracts, especially in situations in which a Modification Request is used to ensure that CBJ complies with required federal and/or state regulations.

*Status:* We noted no similar matters in 2015. Comment resolved.

**2015-011 Evaluate Year End Accounting Close Procedures at Treasury**

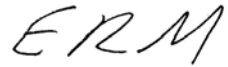
In prior year, we recommended management develop additional specific procedures/steps to ensure the allowance for doubtful accounts is updated for significant accounts receivable accruals and utility billings that have not been collected for quite some time.

*Status:* Comment is considered resolved do the work the Treasury Division to address its closing processes.

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This information is intended solely for the use of the Assembly, federal and state granting authorities and management of the City and Borough and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Handwritten signature in cursive script, appearing to read 'ERM'.

CITY AND BOROUGH OF JUNEAU SCHOOL DISTRICT  
(A Component Unit of the City and Borough of Juneau)

Letter to the Board

For the Year Ended June 30, 2015

December 14, 2015



# ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801  
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

December 14, 2015

To the Members of the School Board  
City and Borough of Juneau School District

We have audited the financial statements of the City and Borough of Juneau School District (the School District), a component unit of the City and Borough of Juneau, for the year ended June, 30 2015, and have issued our report thereon dated December 14, 2015. Professional standards require that we advise you of the following matters relating to our audit.

## **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated June 26, 2015, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the School District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

## **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the the School District is included in Note 1 to the financial statements. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

As described in Notes 1 and 7 to the financial statements, during the year, the School District changed its method of accounting for pensions by adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the Statement of Activities.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

The financial statement disclosures are neutral, consistent and clear.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to School District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

## **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter.

## **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## **Other Significant Findings or Issues**

In the normal course of our professional association with the School District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the School District's auditors.

## **Other Information in Documents Containing Audited Financial Statements**

Pursuant to professional standards, our responsibility as auditors for other information in documents containing School District's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

## **Internal Control and other Matters**

### ***Other Internal Control Matters Noted During Prior Audits and Their Current Status***

During our prior audit we noted deficiencies in internal controls and other matters that were opportunities for strengthening internal controls and operating efficiency. Following are the recommendations we made in the prior year and the current status of those recommendations. As noted below some of the prior year recommendations continue to be in effect.

### **Bargaining Unit Contract Language Review**

In prior year, we recommended management review contract language for all three of the District's bargaining units, and individual employment contracts, to ensure contract language is consistent with related insurance plan documents.

*Status:* Comment considered resolved.

Purchasing Activities Oversight

In prior year, we recommended management conduct annual training for Principals on the School District's purchasing policies and procedures and ensure that these policies are enforced.

*Status:* Administration provided training during fiscal year 2015. Comment considered resolved.

New Federal "Omni-Circular"

In prior year, we recommended management, and those directly involved in administering federal grants, evaluate current policies and procedures against the new "Omni-Circular" guidance during fiscal year 2015 and implement changes as appropriate, including required documentation.

*Status:* Management's implementation will continue in fiscal year 2016 with the update and finalization of written policies over certain accounting processes. Comment considered resolved.

Student Activity Agency Funds Oversight

In prior years, we recommended management monitor individual activity balances and develop procedures to address the use of these funds when deficits exist for an activity. We also recommended management evaluate the current deficits in the student activity agency funds and develop a plan to ensure that additional deficits are not incurred and current ones are resolved.

*Status:* Management is now closely monitoring the student activity agency funds. We continue to recommend management review the current procedures and develop district-wide protocols relating to student activities. This would include, but not limited to, coaches/ coordinators/organizers understanding their role and responsibilities in the organization and operation of the activity, cash receipt and cash disbursements, fund-raising events, grant opportunities, and all reporting requirements and any other related tasks associated with that activity. Comment considered resolved.

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This report is intended solely for the information and use of the School Board, management, and the City Assembly and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

ERM