

**ASSEMBLY FINANCE COMMITTEE  
THE CITY AND BOROUGH OF JUNEAU, ALASKA  
Wednesday, December 13, 2017, 5:30 PM.  
Assembly Chambers**

**I. CALL TO ORDER**

**II. ROLL CALL**

**III. APPROVAL OF MINUTES**

- a. Minutes from the November 8, 2017 to be presented January 10, 2018 for approval.

**IV. ITEMS FOR DISCUSSION**

- a. Juneau School District - FY18 Budget Update
- b. Riverview Senior Assisted Living Project Update
- c. CBJ Cold Weather Emergency Shelter Operations
- d. Senior Tax Exemption Overview - Update
- e. Ordinance 2017-06(X) - An Ordinance Appropriating the Sum of \$250,000 as Funding for the Manager's Office Operating Budget; Funding Provided by the Sales Tax Fund's Fund Balance

**V. SUPPLEMENTAL MATERIALS**

- a. School District Letter of December 13, 2017 - FY2018 Budget Updates

**VI. EXECUTIVE SESSION**

- a. Employee Contract Negotiations

**VII. NEXT MEETING DATE**

- a. Wednesday, January 10, 2018

**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)

**City and Borough of Juneau  
ASSEMBLY FINANCE COMMITTEE  
Juneau School District FY18 Budget Update  
December 13, 2017**

**Issue:** FY2018 school enrollment will be below the level used to determine the Juneau School District (JSD) funding for the FY18 Approved school budget. This will result in lower state revenue and a reduction in the minimum required local contribution that CBJ can fund.

**Current Status:**

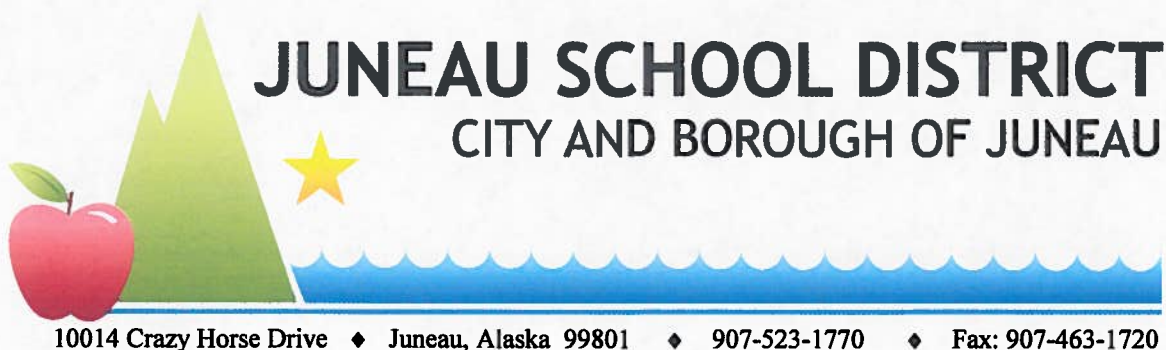
JSD is finalizing enrollment numbers. Attached is a memo detailing current enrollment counts versus budgeted/projected amounts. It is estimated that SOA Foundation funding will be reduced around \$726,000 and CBJ required contribution lowered by \$167,000 for an estimated total change of \$893,000,

Updated numbers will be available after JSD board meeting on Dec. 12.

**Recommendation:**

The CBJ Finance Director recommends that the assembly reduce the JSD budget appropriation for state revenues by the amount determined at the Dec. 12 meeting. The CBJ funding can also be reduced or JSD may recommend that the \$167,000 of funding originally directed for core education be reallocated to other needs.

Finance committee guidance is needed for developing the necessary de-appropriating ordinances.



November 29, 2017

Mr. Bob Bartholomew  
Finance Director  
City & Borough of Juneau

Re: FY 2018 Student Enrollment Counts

Dear Bob,

The FY 2018 enrollment count is nearly finished. The District submitted its data to the Alaska Department of Education & Early Development earlier this month. Today it submitted the answers to their questions concerning students reported by more than one school district. The District reported an average daily membership of 4,677.76. This is 123 fewer members than projected last spring. It also reported 87 students meeting the intensive needs level of special education services. This is 2 more than expected. The Department will verify that these students meet their criteria before March 1, 2018.

These numbers are expected to be very close the final approved numbers for this year. Lower than expected enrollment means less state funding from the foundation program. It also means that the maximum local appropriation is lower as shown below:

<b>Operating Fund Revenue</b> Based on enrollment as of	<b>Budget</b> Duplicate Resolution Report to DEED	<b>Projected</b>	<b>Variance</b>
Foundation	\$ 38,914,433	\$ 38,188,156	\$ (726,277)
CBJ Local Appropriation	<u>\$ 26,010,200</u>	<u>\$ 25,842,700</u>	<u>\$ (167,500)</u>
<i>Subtotal</i>	\$ 64,924,633	\$ 64,030,856	\$ (893,777)
Other Revenue (on-behalf omitted)	<u>\$ 520,000</u>	<u>\$ 520,000</u>	<u>\$ -</u>
<i>Total</i>	<u><u>\$ 65,444,633</u></u>	<u><u>\$ 64,550,856</u></u>	<u><u>\$ (893,777)</u></u>
<b>Key Assumptions:</b>			
Average Daily Membership	4,801	4,678	(123)
Intensive Needs	85	87	2

Mr. Bob Bartholomew

November 29, 2017

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I am preparing a budget revision for our operating fund for consideration by the School Board at their December 12, 2017 meeting. It adjusts revenues, increases use of fund balance, adjusts for some staffing changes, and increases the allocation to the Juneau Community Charter School as required by law because they had additional students. I will forward it to you once it is approved.

Let me know if you need more information for the Assembly Finance Committee meeting on December 13, 2017.

Sincerely,

A handwritten signature in black ink, appearing to read "David Means". The signature is fluid and cursive, with a large initial "D" and "M".

David Means

Director of Administrative Services

CC: Brian Holst, Board President  
Dr. Mark Miller, Superintendent

**City and Borough of Juneau**  
**FINANCE DEPARTMENT**  
**CBJ Evaluating Financial Backing for SCSSI Senior Housing Project**  
**November 20, 2017**

**Issue:**

Should the CBJ provide financing/credit support to the Riverview Senior Community Assisted Living Housing Development? The estimated amount of financing is \$26million. This could consist of providing CBJ credit/financial commitment to support the project (be up to 100% liable for debt service payments in the event of the facility having financial operating deficits).

In order for CBJ to back SCSSI project debt we must not be in conflict with:

AS 37.10.085 - Financial aid to corporations by state or political subdivision -

(a) Except as provided in AS 14.40.458, (c) or (d) of this section, or AS 37.10.089, neither the state nor a political subdivision of the state may

(2) lend its credit for the use of a corporation;

The facts underlying the SCSSI's, a non-profit corporation, request for CBJ to "back" the debt financing for the senior assisted living project appears to require CBJ "to lend its credit" to allow financing. If so, this action would be in conflict with AS 37.10.

**Background:**

In reviewing the issue of AS37.10 limitations we reviewed a previous situation where CBJ was involved in debt financing transactions for Wildflower Court (WC), a local non-profit nursing home facility. The facts supporting this are:

1. WC (formerly St Ann's Care Center) was an existing business generating sufficient revenues to pay operating costs and debt service. The first debt financing in 1999, to build a new facility, was sold directly to the financial markets with no recourse to CBJ if WC failed to make debt service payments. A refinancing took place 2012, via the Alaska Municipal Bond Bank (AMBB), and WC had successfully been paying their debt service for 12 years. The objective of the CBJ financing role, in both financings, was to allow WC to utilize CBJ's tax-exempt financing. CBJ acted as a "conduit" to tax exempt debt versus lending our credit.
2. CBJ owned the property upon which the WC building was to be built. CBJ entered into a 35 year land lease with WC.

Both CBJ Law and bond counsel agree the facts underlying the WC financing were not in conflict with AS 37.10 and CBJ was able to provide our tax exempt interest financing status.

**Current Status:**

The proposed SCSSI project is a "Greenfield" development. Meaning you are constructing a new facility and starting a new business. There are significant construction and operating unknowns. Given that there is no senior assisted living business operating history, it is a reasonable assumption that CBJ may be required to cover some (up to all) of the annual debt service costs. The objective of financing the project with revenue bonds having no recourse to CBJ is not available.

1. The Finance Director has been researching the option of applying to the AMBB about willingness to finance this project via revenue bonds. If successful this option would require a signed loan agreement between CBJ and AMBB that provides for "recourse" to CBJ funds not restricted to just the revenue of the housing project. Given the reasonable assumption that the project financial operations may be unable to fully fund annual debt service the legal guidance to the Finance Director is that the situation is in essence the loaning of CBJ credit and in conflict with AS 37.10. Financing the project via revenue bonds from AMBB is not an option.
2. CBJ does not have existing property or operating relationships with the proposed senior housing development.

Both CBJ Law and bond counsel agree the facts underlying the proposed SCSSI financing are in conflict with AS 37.10, requiring CBJ to loan its credit.

**General Obligation Bond Option:**

One potential financing option that is not being proposed or requested by SCSSI is financing project via general obligation bonds. This approach would require CBJ to own the facility and then it could be leased to SCSSI for operations. A public vote would be required to authorize the sale of the GO bonds. If the facility was able to operate profitably the net income could be used to pay the debt service. CBJ would be required to identify what revenues (property tax or sales tax) would be used to pay debt service in the event the housing project did not generate sufficient revenues.

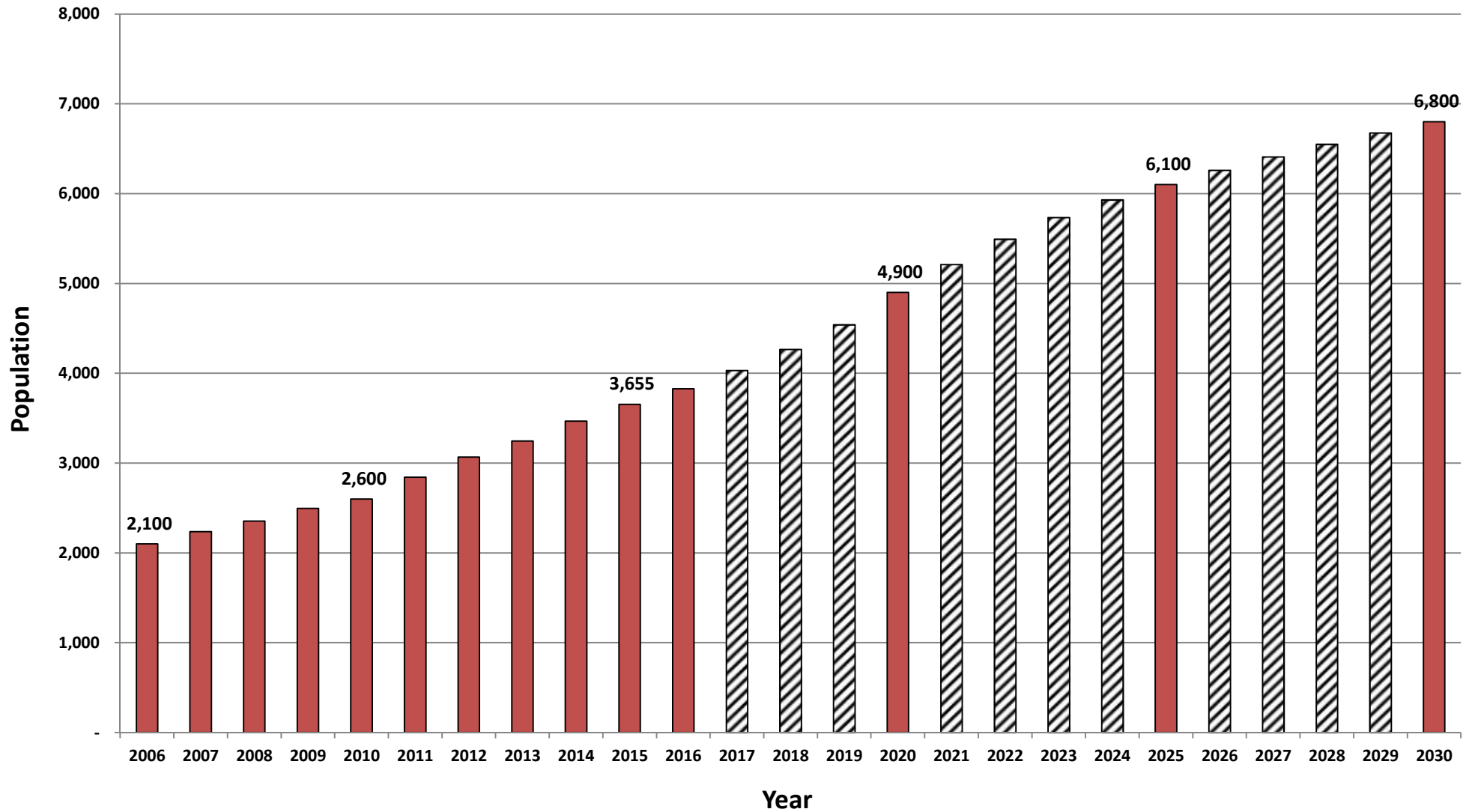
**Next Steps:**

1. Communicate to the Assembly Finance Committee and SCSSI the current situation.
2. Continue to evaluate what actions CBJ can take (e.g. direct capital contributions, providing land) to assist SCSSI in securing project financing.
3. Discuss with AMBB and State Assistant Attorney General any other financing options that might be available or actions CBJ can take to be compliance with AS 37.10.

# City and Borough of Juneau Population Growth - Age 65+

## Historic and Projected

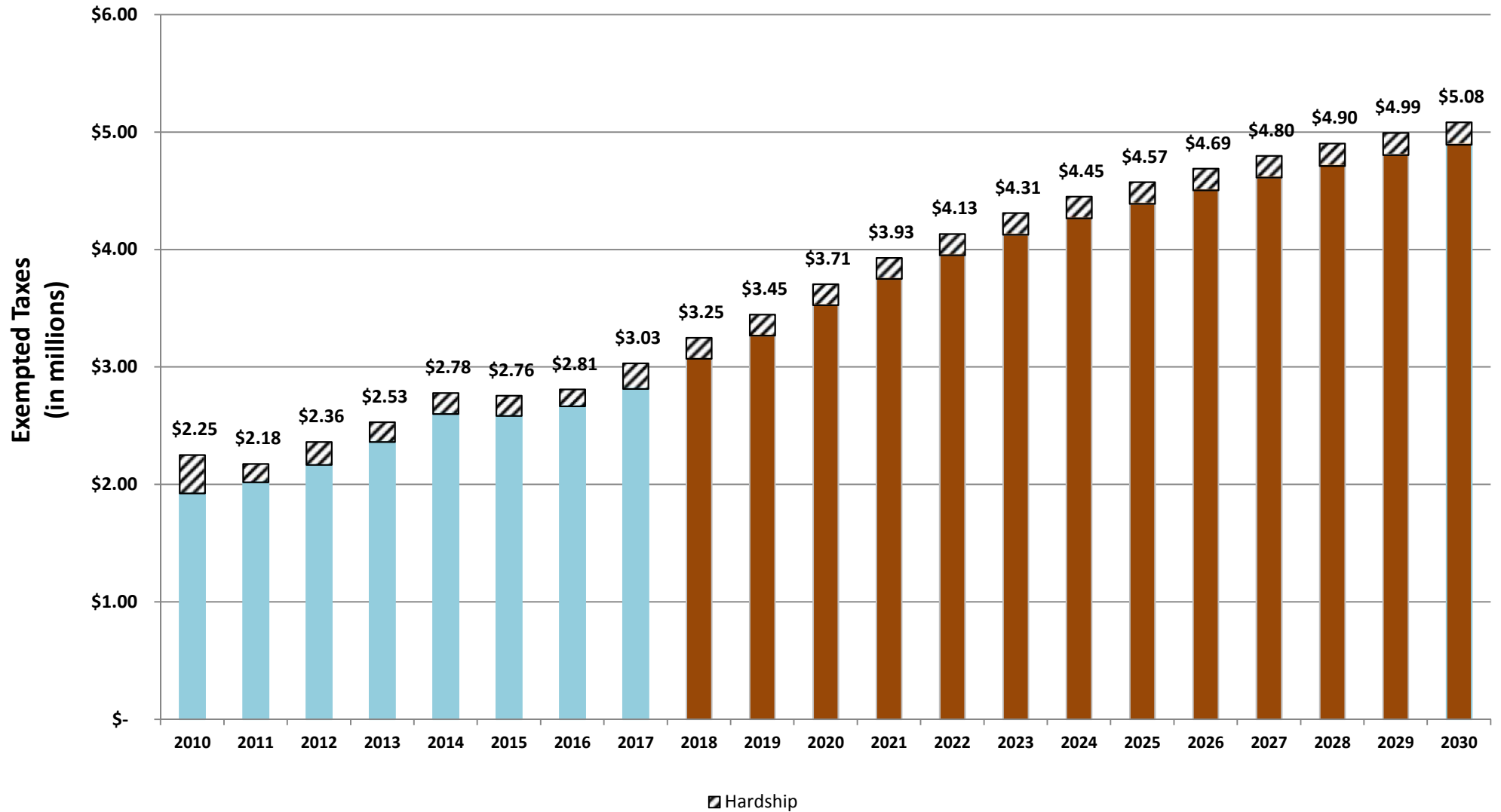
Data Source (solid bars): State of Alaska, Dept. of Labor - Research and Analysis  
<http://labor.state.ak.us/research/pop/index.cfm> and [/projections.cfm](http://labor.state.ak.us/research/pop/projections.cfm)



# City and Borough of Juneau

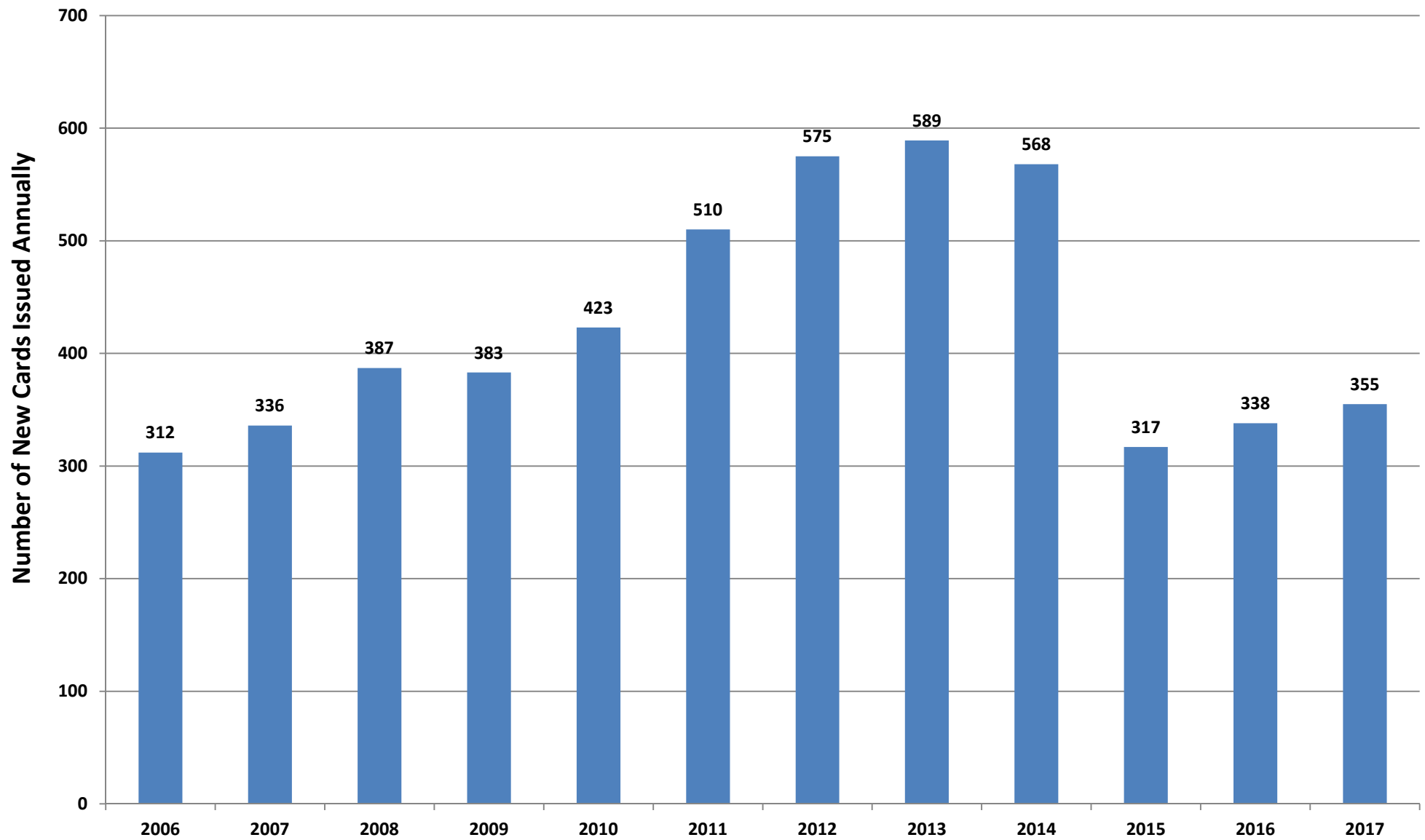
## Projected Senior Citizen & Hardship Exempted Property Tax

Dark bars are estimates based on projected population trends and property tax exemptions growth





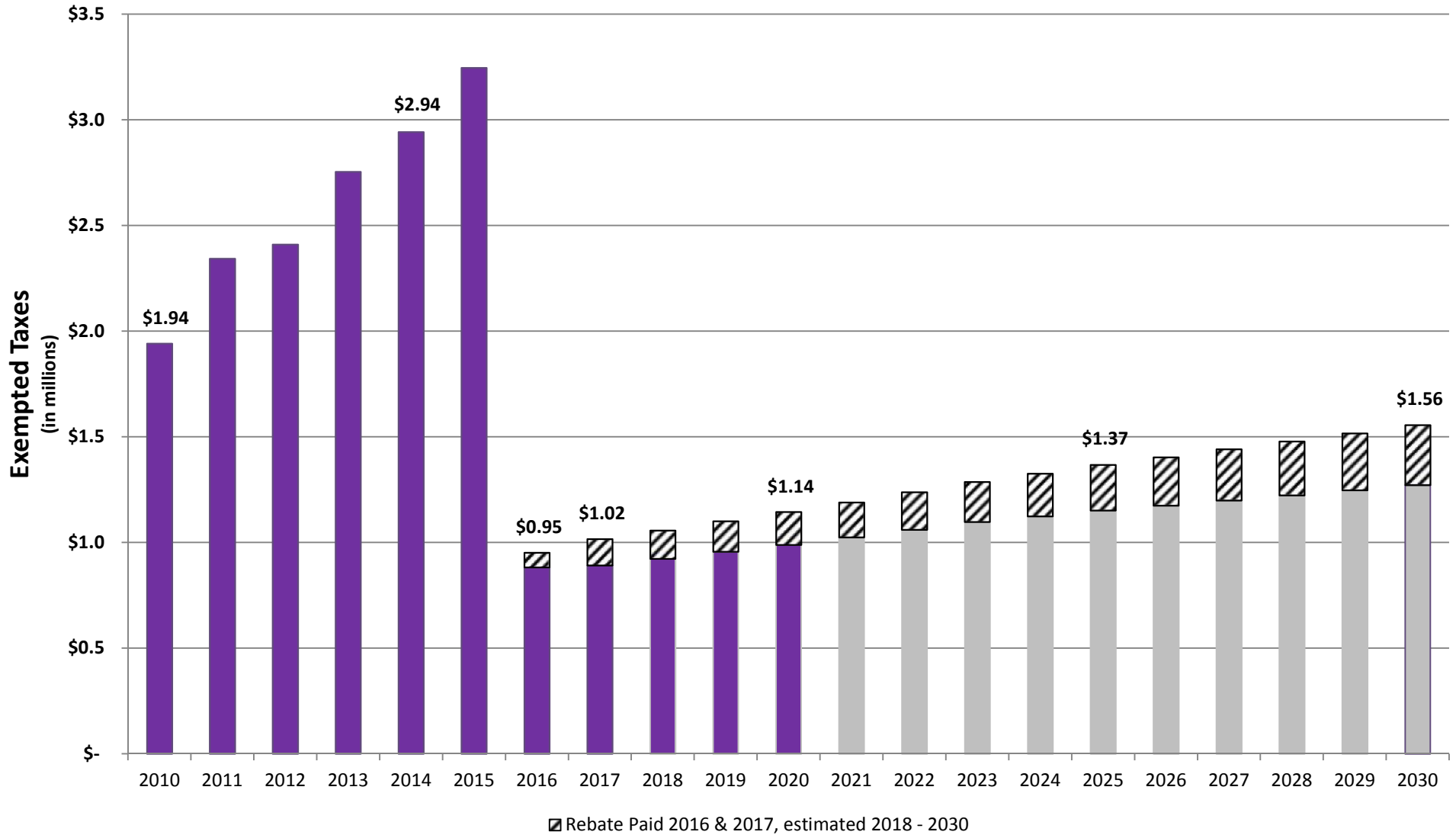
## City and Borough of Juneau New Senior Sales Tax Card Issued



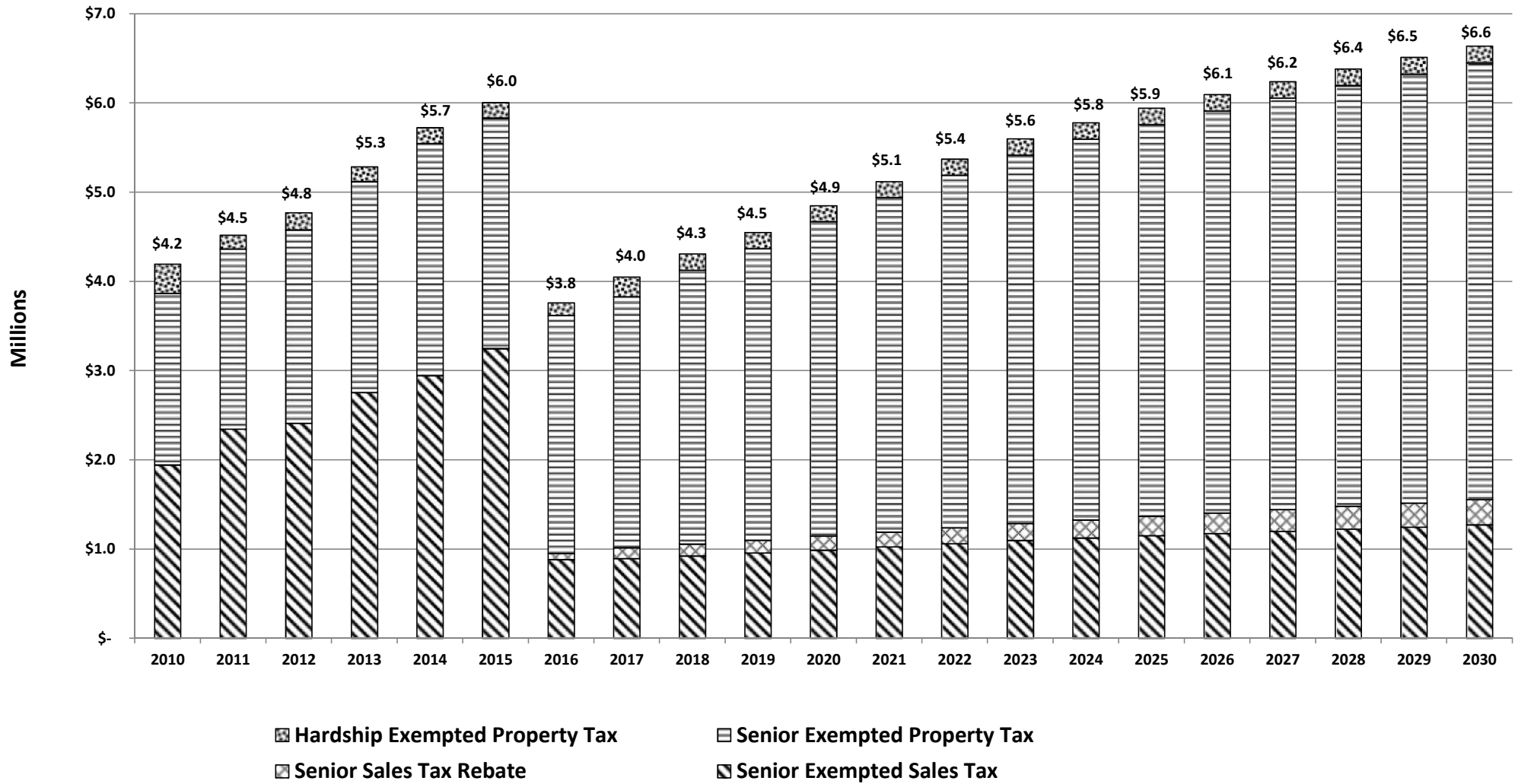
# City and Borough of Juneau

## Projected Growth of Senior Sales Tax Exemptions

Dark bars are actuals. Light bars are projections based on senior exempted taxes from 2016 to 2017



## Combined Senior Exempted Sales and Property Taxes, Senior Sales Tax Rebate and Hardship Exempted Property Tax



**City and Borough of Juneau  
ASSEMBLY FINANCE COMMITTEE  
Funding Legal Defense for CLIA Lawsuit  
December 13, 2017**

**Issue:**

CBJ continues to incur costs in defense of the lawsuit from Cruise Lines International Association (CLIA) over our use of Marine Passenger Fees.

**Current Status:**

The attached schedule summarizes the appropriations and expenditures related to the lawsuit. To date the assembly has appropriated \$597,000 for the cost of legal defense. Through October 2017 \$525,000 has been spent leaving an available balance of \$72,000. It is estimated that an additional \$250,000 of funding will be needed in FY18. These funds would be appropriated as an FY18 reserve to be used by the City Attorney at the direction of the Assembly to defend the ongoing litigation by CLIA.

Staff has initiated the process, pending Finance Committee approval, to introduce an appropriating ordinance at the December 18 Assembly meeting.

**Recommendation:**

The City Manager recommends an additional \$250,000 be appropriated in FY18 of legal defense costs. Funding source is recommended as sales tax revenue.

The CBJ Finance Director also recommends that an additional \$750,000 of sales tax revenue/fund balance be set aside for future legal defense costs.

Finance committee guidance is needed for developing the necessary ordinance.

# City and Borough of Juneau

## Summary of Funding and Costs for the CLIA Lawsuit vs CBJ

16-Nov-2017

	<u>\$ Amount</u>	<u>Sales Tax</u>	<u>MPF</u>	<u>Comments</u>
<b><u>Appropriated Funding</u></b>				
Ordinance 2015-20(AL)	50,000			
Ordinance 2015-20(AV)	42,233			FY16 Supplemental
Ordinance 2016-09(G)	250,000			
Ordinance 2016-09(AG)	100,000			Remaining FY17 Balance to GF
Ordinance 2017-06	<u>250,000</u>			FY18 Operating Budget
Subtotal Appropriations	<u>692,233</u>			
Funds lapsed back to GF	<u>(94,944)</u>			
<b>Net Funding Provided</b>	<b><u>597,289</u></b>			
<b><u>Legal Expenditures</u></b>				
FY16	(92,233)			
FY17	(255,056)			
FY18 YTD October	<u>(177,938)</u>			FY18 monthly average cost is over \$40,000. This includes non-recurring increase for forensic accountants.
<b>Subtotal Expenditures</b>	<b><u>(525,227)</u></b>			
<b>Net Funding Available</b>	<b><u><u>72,062</u></u></b>			

Presented by: The Manager  
Introduced: 12/18/2017  
Drafted by: Finance

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

**Serial No. 2017-06(X)**

**An Ordinance Appropriating to the Manager the Sum of \$250,000 as Funding for the Manager's Office Operating Budget; Funding Provided by the Sales Tax Fund's Fund Balance.**

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. Appropriate.** There is appropriated to the Manager the sum of \$250,000 for the Manager's Office Operating Budget.

**Section 3. Source of Funds.**

Sales Tax Fund's Fund Balance	\$ 250,000
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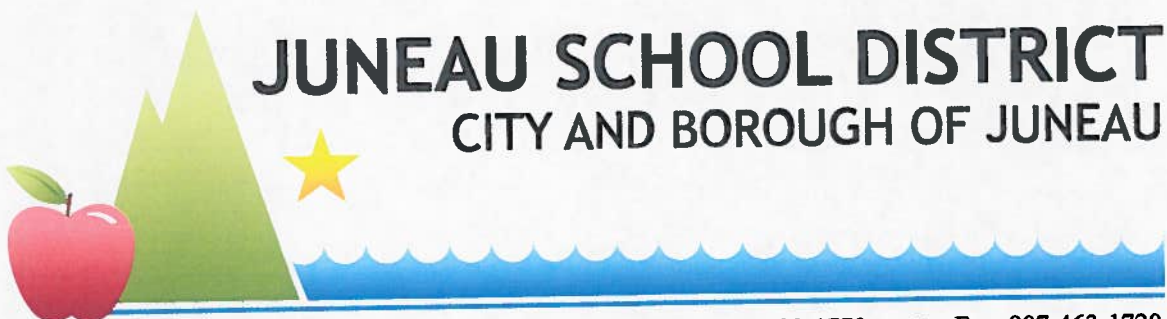
**Section 4. Effective Date.** This ordinance shall become effective upon adoption.

Adopted this \_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
Kendell D. Koelsch, Mayor

Attest:

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



10014 Crazy Horse Drive ♦ Juneau, Alaska 99801 ♦ 907-523-1770 ♦ Fax: 907-463-1720  
December 13, 2017

Mr. Bob Bartholomew  
Finance Director  
City and Borough of Juneau

Re: FY 2018 Budget

Dear Bob,

The Board of Education held its December meeting yesterday. They passed a budget revision for the FY 2018 District's Operating Fund which returned \$167,500 to the City Treasury because of fewer students than expected this school year. A copy of the revision is attached.

The Board of Education also requested that the Assembly re-allocate the \$167,500 to a pre-school education program. This appropriation is permitted outside the cap according to a Department of Education & Early Development official. In general this will enhance the current pre-school program funded by a state grant. We call it *KinderReady*. Educational research indicates students learn better when they are more ready for kindergarten. Our staff reports that only 38% of our students met the Alaska Department of Education & Early Development's benchmark readiness test for kindergarten this fall. The administration will need to put together a specific plan for these funds.

The District, its Board members, administration, and staff are always very appreciative of the on-going support that you, City Manager Watt, and the Assembly provide to our students. Board members, Superintendent Miller, and I will be available to answer questions about this request.

Sincerely,

David Means  
Director of Administrative Services

Cc: Board of Education  
Dr. Mark Miller, Superintendent

Juneau School District 16  
Budget Revision -- Operating Fund  
FY 2018

	FY 2018 Original Budget	Proposed Revision	FY 2018 Revised Budget
<b>OTHER AVAILABLE RESOURCES</b>			
Fund Balance--Budgeted	2,928,120	493,941	3,422,061
Fund Balance--JCCS		129,582	129,582
Fund Balances, Beginning of Year	2,928,120	623,523	3,551,643
<b>REVENUES</b>			
Foundation (BSA: \$5,930)	38,914,433	-726,277	38,188,156
State Payment into Retirement Systems	4,648,000	0	4,648,000
CBJ Direct Appropriation	26,010,200	-167,500	25,842,700
Other Local Revenue	20,000	47,000	67,000
Tuition from Students	180,000	0	180,000
E-Rate	120,000	0	120,000
Medicaid: Direct Billing	200,000	0	200,000
Total Revenues	70,092,633	-846,777	69,245,856
Total Available Resources	73,020,753	-223,254	72,797,499
<b>EXPENDITURES AND OTHER FINANCING USES</b>			
Budget As Approved March 28, 2017	72,020,753		72,020,753
<b><u>Budget Reductions</u></b>			
Special Education Coordinator not hired		-144,587	-144,587
<b><u>Budget Increases</u></b>			
JCCS for additional students		105,542	105,542
JCCS for fund balance carryforward		129,582	129,582
Added teacher, Gastineau		105,501	105,501
Added teacher, Dzantiki Heeni		17,618	17,618
Added teacher, special education mentor		105,501	105,501
School budgets for additional students		2,093	2,093
Fish Tech - funded by Dipac		25,000	25,000
Dem Bones - funded by Dipac		22,000	22,000
<b><u>Budget Transfers</u></b>			
Professional & Technical for special education providers		896,760	
Salaries & Benefits budgeted for special education providers		-896,760	
Professional & Technical for nurses		65,625	
Salaries & Benefits budgeted for nurses		-65,625	
Net Change of Increases and Decreases		368,250	
Total Expenditure Budget	72,020,753		72,389,003
Budgeted Fund Balance, June 30, 2018	1,000,000		408,496