

**SPECIAL ASSEMBLY MEETING
THE CITY AND BOROUGH OF JUNEAU, ALASKA**

Meeting Minutes - September 8, 2016

MEETING NO. 2016-31: The Special Meeting of the City and Borough of Juneau Assembly, held in the Assembly Chambers of the Municipal Building, was called to order at Noon by Mayor Ken Koelsch.

I. CALL TO ORDER / ROLL CALL

Assembly Present: Mary Becker, Jamie Bursell, Maria Gladziszewski, Loren Jones (teleconference), Jesse Kiehl, Ken Koelsch, Jerry Nankervis, Kate Troll and Debbie White.

Assembly Absent: None.

Staff Present: Rorie Watt, City Manager; Mila Cosgrove, Deputy City Manager; Amy Mead, Municipal Attorney; Laurie Sica, Municipal Clerk; Beth McEwen, Deputy Clerk; Susan Phillips, Executive Assistant III; Tricia Everson, Executive Assistant II; Deb Senn, Law Office Manager; Elisabeth Jensen, Budget Analyst; Bob Bartholomew, Finance Director; Jean Hodges, Assistant Controller; Rob Steedle, Community Development Director; Scott Ciambor, Chief Housing Officer; Jane Sebens, Deputy Municipal Attorney; Officer Colon, JPD; Jennifer Mannix, Risk Manager.

Special Guests: Governor Bill Walker; Senator Dennis Egan, Debra Reed, Governor's Executive Assistant; John Hozey, Governor's Deputy Chief of Staff.

II. AGENDA TOPICS

A. Remarks by Governor Walker

The following is a summary of Governor Walker's comments:

Governor Walker spoke about the importance of local government and his experience on the local level, previously as Mayor of Valdez. He said there will be changes in store and plans are now "in pencil." He spoke about the Alaska Plan and taking the plan to the public. Serving with Byron Mallott is one of the best things about being Governor, and they are working well together to get information out. Having a team born in the Territory of Alaska is good and he feels they are not working across the aisle, as there really is no aisle, but they are working together for the good of Alaska. He spoke about Jay Hammond's prediction that "this day would come" and how Alaska needs to get away from reliance on one commodity and diversify. We have reduced spending 44% and have gone from a capital budget of \$2 Billion in 2013 to \$96 million dollars currently. In 2013 there were unrestricted general fund revenues of \$7 Billion and now it is \$1.2 Billion. Some savings have been drawn upon. He thanked Senator Egan for his vote on the Permanent Fund Protection Act. There have been tough choices and decisions, he said he was disappointed that we did not get all the pieces last year, but there is not one solution. He feels as if he is an orchestra leader balancing the pieces so we don't hurt any one area. Alaska draws down \$12 million on our savings each day. He is from a building background and wants to build Alaska, but not on the back of local governments or any one region. We believe Alaska deserves a balanced budget going forward, one that has some taxation. We have to have the discussion, and if we don't, nothing will change. He has

been pleasantly surprised by the reaction we see around the state and thinks Alaskans are ready to get beyond this phase with a solution. We don't have to go broke before we fix Alaska. He would prefer to use savings for capital projects. We have to work together to get this fixed. In the local government model there is compromise to get things done. He is hopeful that after this election cycle we will see the ability to fix this. We need to embrace this opportunity - we get to "fix" Alaska. He was at the celebration for the first barrel of oil, and has watched the drop in oil prices since. He spoke about the growing number of farmer's markets in Alaska, which is an example of growing the local economy in the state. There is much we can do. The discussion about the University is front and center and shifting the debt reimbursement has been a difficult decision. If we don't make changes, this year will be the "good old days." Every year we wait - the price tag becomes more expensive. We are the most resource rich state in the nation, we have thriving tourism, we have the permanent fund, we have much for which to be thankful. It currently takes \$110 barrel of oil price to balance the budget, and oil recently went up to \$47 a barrel due to a storm down south, so we must get off this track. He is committed to fixing this problem. It is the biggest project we will ever take on. He announced his vetoes to the legislatures adopted budget in a rural Alaska village and they told me that they understood that we will have to make changes and they were thankful that we are fighting for their future. He does hate that we cut the dividend. He did not deal with the Juneau Access issue, which requires more of his attention and study, so he set the project aside to gather more information. He and Lt. Governor Mallott understand the importance of the Alaska Marine Highway to the economy of Alaska. We need to take a balanced approach and we have had to close some facilities, consolidate facilities, and every department has reduced by 30-60%, so we are making some heavy reductions. But we can't keep pulling that lever - we need to be surgical with reductions. He thanked Mayor Koelsch for the meeting and he said he missed working on the local level. Alaskans are ready to step up and pull together.

Mayor Koelsch thanked Governor Walker for speaking at this meeting in his "home town."

B. Assembly Comments and Questions

Mayor Koelsch opened the floor to questions from Assemblymembers.

Mary Becker said that one of the decisions that had hit Juneau hard was the shift of the school debt reimbursement from the state's budget to the municipalities. Juneau supports the schools very heavily and we have to find a way to pay this debt.

Governor Walker said if there is not a solution, the debt service, which is "subject to appropriation" may completely shift to the municipalities. He was hopeful that this year we will not need to do this because of new revenues. If there is a better plan, bring it to us. The end result must be a sustainable financial plan. We are now the lowest in the nation for taxes on government services, and if they are instituted we will still be low. We have not had to make adjustments - the fuel tax has not been adjusted since the 1960's. He asked how long will it take to turn a ship of state - back to the territory he was born into - similar to other states. The good news is we are Alaskans. There are two types of people - Alaskan's and those who wish they were. If these cuts rolls downhill you will have to make adjustments, such as in the mill rate. The revenues come to state government in Alaska rather than to the counties. There are 249 airports in the state to manage, for example, and we can't shut those down. He said he understood the message from Ms. Becker.

Mr. Nankervis said the people of Alaska are ready to be done with this phase – he characterized the phase as one of “not knowing.” We had a balanced budget before the school debt reimbursement was cut and we are meeting tonight to figure out how to fill this hole. Mr. Nankervis felt the school debt reimbursement was a contract with the state that wasn’t honored and asked what other contracts will we find out will not be honored. These actions lead to the uncertainty. It is difficult to have the commitment withdrawn. We based our budget on the reduction in the PFD and revenue sharing. He also asked if there was an estimate in the number of prison population reduction that goes along with SB91.

Governor Walker spoke about the comment regarding uncertainty and said it was a virus that would not go away, and that is why we need a fix so people can plan and make decisions. SB 91 criminal justice reform was multi-faceted. He did not have a number for Mr. Nankervis but could provide the information - it is not just a financial decision, it is a different way of addressing reform. We are on track to build another prison in a few years but we don’t have the funds, so we need to do something different.

Ms. Troll said she hoped that one of the issues SB91 would address was treatment. The outreach on budget sustainability was great, and she thanked the Governor for staying away from sales tax as local governments count on this key revenue locally. We get to feel the budget cuts directly due to loss of government jobs, and we know that the deficit runs downhill and it piles up here. We have a political problem, not a fiscal problem, and the legislature was not able to make changes. Will the actions you have taken give us some hope that there is the political will to make some changes?

Governor Walker said he has been told by legislators individually to make the hard changes and the legislature would tidy things up – he had heard that legislators supported his actions but they could not support the work because their constituents did not understand. The legislators need to explain the issues to their constituents. It was not his role to get involved with the election. He couldn't fix Alaska with a red pen. The Permanent Fund Protection Act does not help alone. A dividend check of \$1000 has been about the average of the program and if we don’t make changes, the program could end. Post election, post what he has done, he has told the legislators he will take all the blame. He will walk the talk – it is not pleasant – but it is not pleasant to do what you have to do.

Ms. Gladyszewski said the school debt reimbursement issue was a large issue, but we did balance our budget and we are back at it. The cut to the dividend reduces sales tax revenue. If the state adds on a sales tax it will be more difficult. Do you intend to reduce the school debt reimbursement again next year.

Governor Walker said that was not a trend, they would do everything they could to restore, but there would be a menu of items and we are holding budget meetings now. We will be mindful of this issue. We did introduce a sales tax, and a sales vs. income tax was discussed, and we made a decision to not touch sales tax as that is the purview of the local government. An income tax welcomes seasonal workers to our solution. Our preference remains an income tax.

Ms. White said she realized there were difficult decisions. She viewed school debt reimbursement as a contract and wished there was a different lever as it was not proportional across the state – it hit Juneau harder than Anchorage for example, so she asked the governor to please try to spread the pain. She hoped history would look at him more kindly than do some of his constituents.

Governor Walker said Alaska could not be fixed with a veto pen. Reduction of the dividend hits every family and there is no equity in vetos.

Mr. Kiehl thanked Governor Walker for his visit and applauded him for doing the work. He related a story about a legislator who was tired of hearing from local governments and that the state did everything for them. You have observed that municipalities are more than a partner but a force multiplier. DOT could not provide local roads, we take care of our airport and you are aware of this. He said Juneau was a community that sent a resolution to the legislature about providing a balanced fiscal plan. He asked the Governor what he would like municipalities to do – what should be our role other than taking what comes downhill.

Governor Walker said the state has upped its "ask" – he thanked Juneau for the resolution about a balanced fiscal plan. We have been telling communities to tell their legislators to make tough decisions, to empower them to act. The ask is to say that we don't want any more of these hurtful cuts in the budget and the worst part of a veto is that there is no public process. He did not want to be in that situation again. That guarantees inequities across the board and he understands that people don't like his actions. His generic message is to "get it fixed" – we do not want to endure insecurity – tell the legislature to get the work done. We need to fix Alaska and keep a healthy savings account.

Ms. Bursell asked about SB91, and said we are moving in the right direction, treatment vs. incarceration, but we lack treatment facilities. Will there be funding to help build and operate these facilities, and will funds from the prison system be transferred?

Governor Walker said that heroin / opiate use is a widespread problem and there are federal grants we can apply for which we are doing. We will get some federal money for this. The other thing is an attitude adjustment. Every community has their own tragedies. He said that attitudes have to change and referred to Haven House locally. The biggest frustration for ER doctors is that they have no place to send those with substance abuse issues that they treat and it is one of the biggest issues facing Alaska. We are looking for solutions in addition to money.

Mr. Nankervis said he appreciated Governor Walker's visit knowing he was going to get difficult questions.

Mayor Koelsch asked Governor Walker if there might be a supplemental budget. Governor Walker said he wouldn't plan on it. We will have a discussion about that.

Ms. Troll said that Juneau has a parking problem, the state has some parking lots, and she asked if Juneau could get someone from the governor's office or Commissioner Ladic's office to work with us to solve our mutual parking problem.

Mayor Koelsch thanked Governor Walker and his staff present for being present and called for an at ease before continuing the meeting.

III. PUBLIC PARTICIPATION ON NON-AGENDA ITEMS

None.

IV. ADJOURNMENT

There being no further business to come before the Assembly, the meeting adjourned at 1:00 p.m.

Signed: _____
Laurie Sica, Municipal Clerk

Signed: _____
Kendell D. Koelsch, Mayor