

**ASSEMBLY FINANCE COMMITTEE
THE CITY AND BOROUGH OF JUNEAU, ALASKA
Wednesday, September 5, 2018, 5:30 PM.
Assembly Chambers**

I. CALL TO ORDER

II. ROLL CALL

III. APPROVAL OF MINUTES

- a. **Wednesday, August 8, 2018**

IV. ITEMS FOR DISCUSSION

- a. **Manufacturing Personal Property Tax Exemption Limitation Update**
- b. **Non-Profit Retail Sales Exemption from Sales Tax**
- c. **FY18 Operating Budget Supplemental Funding Ordinance Update**

V. NEXT MEETING DATE

- a. **Wednesday, November 7, 2018**

VI. ADJOURNMENT

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

DRAFT

City and Borough of Juneau Minutes - Assembly Finance Committee Meeting Wednesday, August 8, 2018, 5:30 p.m.

I. Call to Order

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

II. Roll Call

Committee Members Present: Mary Becker, Jesse Kiehl, Loren Jones, Maria Gladziszewski, Norton Gregory, Rob Edwardson and Mayor Ken Koelsch.

Committee Members Participating Telephonically: Jerry Nankervis.

Committee Members Absent: None.

Clerk's Note: One of the District 2 Assembly seats was vacant at the time of this meeting. The District 2 seat was vacated by Beth Weldon on July 31, 2018. Her departure left a vacancy that will be determined by the voters in the October 2, 2018, Regular Municipal Election.

III. Approval of Minutes

The July 25, 2018, minutes were approved as presented.

IV. Ordinance 2018-11(G) – An Ordinance Appropriating to the Manager the Sum of \$350,000 as Supplemental Funding for Capital City Fire & Rescue; Funding Provided by General Fund's Fund Balance

Rorie Watt, City Manager, introduced the topic found on pages 7-9 of the meeting packet, and provided a one page hand-out. Discussion amongst the Assembly members ensued.

Norton Gregory, moved to AMEND Ordinance 2018-11(G) to provide the resources for 24-hour coverage, and increase funding from \$350,000 to \$450,000.

WITHDRAWN.

Norton Gregory, moved to AMEND Ordinance 2018-11(G) to provide the necessary amount of funding for 6 FTEs and 24-hour coverage for the remainder of FY19.

WITHOUT OBJECTION.

V. Funding Matrix for Waterfront Uplands CIP Purchase & Development

Bob Bartholomew, Finance Director, discussed the information provided on pages 10-12 of the meeting packet. He stated that Assembly members were not being asked to take action during the meeting. The information provided offered a scope of funding that would be

Minutes - Assembly Finance Committee Meeting Wednesday, August 8, 2018, 5:30 p.m.

needed for the project, with negotiation underway. Further information and timing for decisions will occur once a specific plan is formed.

The Assembly discussed the topic.

VI. RecycleWorks Program Funding

Mr. Watt, discussed the information provided on page 13 of the meeting packet. Mr. Bartholomew, noted that the City Manager is recommending using the \$4 fee as a pre-funding of the next rate increase, so transferring to Wastewater for now.

Assembly members discussed and requested more information and Ordinance be provided to AFC for discussion.

VII. Projected Labor Costs Regarding the Potential Maintenance of all Cemeteries

Ben Patterson, Landscape Maintenance Supervisor, Parks & Recreation.

Mr. Bartholomew asked Ben Patterson to approach the dais to field questions from the Assembly members. Parks and Recreation received a letter from the Diocese of Juneau supporting the transfer of maintenance of their cemeteries to the CBJ. They are willing to discuss the conditional transfer of property to the CBJ.

The Assembly discussed the topic found on pages 13-30 of the meeting packet, requested further research on the topic by staff, and had no objection to including budget for the potential activity in the FY20 budget.

VIII. Information Item – Potential CCFR FY18 Budget Supplemental

Mr. Bartholomew provided a verbal update on the information item instead of providing a handout. He said the Assembly should anticipate an FY18 supplemental ordinance to come before them in September for Capital City Fire & Rescue, with two components totaling \$400,000. Revenue shortfall is the biggest portion, ending up in the same place as in FY17 because we are budgeting to the bottom line and need additional general funds to replace revenue. Also the amount budgeted for fuel is not enough. The Supplemental Ordinance will address the total shortfall.

The Assembly did not have any questions or discussion on the topic.

IX. Next Meeting Date

Wednesday, September 5, 2018

X. Adjournment

The meeting was adjourned at 6:56 PM.

City and Borough of Juneau
ASSEMBLY FINANCE COMMITTEE
EXPORT MANUFACTURING PROPERTY TAX EXEMPTION
September 5, 2018

Issue

Per AS 29.45.050(m) and CBJ 69.10.020(10), the CBJ provides an economic development exemption for the portion of qualifying real and personal property subject to limitations and requirements. Based on Assembly request, this analysis reviews the potential impact of eliminating the limitation based on the number of Full Time Equivalent Employees (FTE) a business employs.

Background

The CBJ provides an economic development exemption for the portion of qualifying real and personal property subject to the following limitations and requirements.

- The exemption only applies to the part of the property which;
 - Has not previously been taxed as real or personal property by the CBJ.
 - Is used in a trade or business located within CBJ and engaged in manufacturing that creates employment in the CBJ; and generates sales outside of the CBJ of goods produced in the CBJ, OR materially reduces the importation of goods from outside CBJ by substituting locally manufactured goods.
 - Is not located at the primary residence of any person.
 - Has not been used in the same trade or business in another municipality for at least 6 months before application for exemption filing.
- The original version of the tax exemption was enacted in 1992 with a sunset provision. The exemption was reviewed, updated and renewed in 1996, 2001 and 2006. The sunset provision was removed in 2006, partially based on the fact that applicants apply for new property each year.
- **The exemption has limitations/caps;**
 - Depending on the value and percentage of goods sold and exported in the previous year.
 - ***The number of full time employees employed by the business during the previous year.***
- The real or personal property shall be exempted for a period of 5 years on a sliding scale from 100% to 20% of value.
- A written application must be filed no later than January 31 of the first assessment year in the five year period.
- Applicants who are delinquent for the filing deadline or payment of any property, sales, excise tax, special assessment or utility fee, are subject to revocation for the following tax year.

Current Status

The requirement for adjusting the exemption by the number of employees is being reviewed for possible revision. It appears that the FTE limitation provision has been included since the beginning. Minutes from assembly meetings during the renewal efforts have some limited discussion around whether intent should to help small and start-up businesses or intent to help

all businesses even once they have grown the number of employees. Each renewal maintained the FTE limitation.

Personal property – The Assessor’s office receives and processes personal property exemptions every year. Primary applicants have been Alaska Brewery, Alaska Glacier Seafood and Taku Smokeries. In 2018 the Assessor’s office received applications from Alaska Glacier Seafood and Alaska Brewery.

The limitation is determined using the following table:

FTE	Adjusted Exemption
1 to 49	100%
50 to 99	80%
100 to 149	60%
150 to 199	40%
200 to 499	20%
Over 499	0%

The following table provides an example comparison based on 2018 tax exemption information. The Current Exemption column was calculated based on current CBJ guidelines. The right most column provides a Conceptual Exemption – calculated without the FTE limitation.

	Current Exemption	Conceptual Exemption
Total for 2018 Applicants	\$37,200	\$58,388

Next Steps

Assembly Finance Committee discussion and direction to staff.

City and Borough of Juneau
ASSEMBLY FINANCE COMMITTEE
Non-Profit Organization Retail Sales Tax Overview
September 5, 2018

Issue

Several current and former assembly members have requested that staff review the appropriateness of the exemption provided for non-profits conducting retail sales. The issue regarding the tax exemption provided for purchases made by non-profits was not raised.

Background

CBJ 69.05.040(12) exempts the following:

Sales, services and rentals to a buyer, or made by a seller, organized and administered solely by an organization that has a current 501(c)(3) or 501(c)(4) exemption ruling from the Internal Revenue Service and an exemption certificate from the manager, provided this exemption applies to sellers only if the income from the sale is exempt from federal income taxation. This exemption does not apply to the sale of pull-tab games.

Under this exemption, 501(c)(3) & 501(c)(4) organizations are exempt on their purchases as well as their retail sales. Certain 501(c)(3) & 501(c)(4) organizations may compete as retailers with for-profit sellers who are required to collect and remit the 5% CBJ Sales Tax on their sales.

There has been prior discussion at the AFC on whether this competition is appropriate or not. In order to better determine the scope of this issue, the CBJ Sales Tax office staff has been working to update the list of non-profit organizations, and obtain updated filings from the required organizations. This project is still ongoing, but better exemption & sales data are now available to help further discussion on this topic.

Exemption History

1970

- Only purchases by religious or charitable organizations were exempted from CBJ sales tax.
- “Charitable organization” was interpreted as one that was organized exclusively to provide a service or benefit to persons who are in need.

1983

- Code was changed to remove the “religious & charitable” terminology in favor of 501(c)(3) status. This status is a obtained by filing an application with the IRS.
- Only purchases by 501(c)(3) organizations were exempted

1985

- Sales tax exemption was expanded to include 501(c)(4) organizations.
- “Sales by” an organization were also added to the exemption, provided the income from those sales are exempt from Federal income taxation.

Data Collected

Reported Exempt Sales	2015	2016	2017
Sales TO NP Orgs:	\$23,841,364	\$23,837,272	\$27,466,853
Sales BY NP Orgs:	\$3,026,736	\$10,743,600	\$13,010,116

	Calendar Year 2017
Total Non-Profit (NP) Exemption Certificates Issued by CBJ:	785
Total # NP Organizations w/ Filing Requirement:	174
Total # NP Organizations reporting Sales Activity:	79

Primary Activity	Estimated % of Sales (per Activity) by Non-Profit Organizations	Associated \$ of Sales by Activity
Services	51%	\$7,200,000
“Retail” Sales	19%	\$2,700,000
Entertainment	14%	\$1,900,000
Classes / Camps	9%	\$1,200,000
Fundraising	7%	\$980,000

Example Non-Profit Organizations by Primary Activity				
Service Orgs	Retail Sales	Entertainment	Classes/Camps	Fundraising
REACH	Sealaska Heritage	Perseverance Theatre	Roadscholar	Glacier Swim Club
KTOO	Discovery Southeast (<i>Glacier Gift Shop</i>)	Juneau Dance Theatre	YMCA-Camp Manitou	Girl Scouts of Alaska
Capitol Community Broadcasting	St. Vincent DePaul	DIPAC	Discovery Southeast (<i>Summer Camps</i>)	Juneau Adult Hockey
J.A.H.C.	Salvation Army	The Arts for Youth	Methodist Camp	Juneau Sports Association
Juneau Youth Services	Friends of the Library	Dimond Park Fieldhouse	Rainforest Yoga	Crimson Bears Womens Rebounders Club

**Please note that the organizations in the above tables were categorized roughly by what is believed to be their primary activity. It is probable that numerous non-profit organizations engage in activities that could be classified in multiple of these categories.

Next Steps

Assembly Finance Committee discussion and direction to staff.

**Ordinance 2017-09(BB)
Manager's Report – 8/5/2018**

The attached ordinance would appropriate \$661,700 for increases in FY18 operations among several CBJ departments. Funding is provided by the sales tax revenues exceeding budget, Dock's revenues exceeding budget and Risk funds' fund balance.

Parks & Recreation

Parks & Recreation anticipates exceeding its FY18 Assembly authorized spending authority by \$195,000. The need is due to a shortfall in revenue collected from the Pools & Centennial Hall and Parks/Landscape Maintenance exceeding expenditure authority. Funding will be provided by FY18 sales tax revenues exceeding budget.

Docks

The supplemental request would increase the Docks Enterprise spending authority in FY18 by \$35,000. Funding will be provided by FY18 revenues exceeding budget.

The Docks & Harbors Board approved the supplemental request at their August 30, 2018 regular Board meeting.

Engineering

The Engineering Department is anticipating a \$15,300 shortfall due to allocating less costs to CIPs than projected in the FY18 operating budget. The anticipated funding for this increase is from sales tax revenues exceeding budget.

Community Development

CDD is anticipated to exceed their bottom line budget by \$30,200 in the current fiscal year. This shortfall is due to the \$80,000 less revenues coming in less than was anticipated, and expenditures were more than \$50,000 under the expenditure budget. The anticipated funding for this increase is sales tax revenues exceeding budget.

Capital City Fire & Rescue

The Fire Department is anticipating a shortfall of \$384,200 in the FY18 operating budget. This is due to ambulance billing shortfalls. The FY18 budgeted revenue was increased by \$330,000 (17%) from FY17 budget while actual billable activity was flat. The anticipated funding for this increase is sales tax revenues exceeding budget.

Risk

The Risk Management Department anticipates exceeding its FY18 Assembly authorized spending authority by \$2,000. Funding will be provided by FY18 Risk fund revenues.

The Manager recommends this ordinance be referred to the Assembly for introduction, and set for public hearing at the next regular Assembly meeting.

Presented by: The Manager
 Introduced: Sept. 17, 2018
 Drafted by: Finance

ORDINANCE OF THE CITY AND BOROUGH OF JUNEAU, ALASKA

Serial No. 2017-06(BB)

An Ordinance Appropriating to the Manager the Sum of \$661,700 as Partial Funding for Various Departments’ Fiscal Year 2018 Operating Budgets; Funding Provided by the Sales Tax Revenue, Docks Revenue and Risk Funds’ 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. Appropriation. There is appropriated to the Manager the sum of \$661,700 for the following Departments’ Fiscal Year 2018 operating budgets:

<u>Department</u>	<u>Amount</u>
Docks	\$35,000
Capital City Fire and Rescue (CCFR)	384,200
Community Development (CDD)	30,200
Engineering	15,300
Parks & Recreation	195,000
Risk	<u>2,000</u>
Total	\$661,700

Section 3. Source of Funds

<u>Department</u>	<u>Source of Funds</u>	<u>Amount</u>
Docks	FY18 Revenues Exceeding Budget	\$35,000
CCFR	Sales Tax Revenues Exceeding Budget	384,200
CDD	Sales Tax Revenues Exceeding Budget	30,200
Engineering	Sales Tax Revenues Exceeding Budget	15,300
Parks & Recreation	Sales Tax Revenues Exceeding Budget	195,000
Risk	Risk Fund’s Fund Balance	<u>2,000</u>
Total		\$661,700

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

Adopted this _____ day of _____, 2018.

Kendell D. Koelsch, Mayor

Attest:

Elizabeth J. McEwen, Municipal Clerk