



Greater Juneau Chamber of Commerce

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IUOE Local 302

April 8, 2024

Dear Chamber Members

Last week the City and Borough released their proposed budget for 2025 and 2026. After a review of this year's budget, we wrote a letter to the mayor and the assembly asking them to reduce the budget and the amount of reserves that it is forecasting to maintain.

We were surprised and disappointed to see the proposed budget includes an increase in property tax of nearly \$2 million dollars or 3% for FY25, and that fund balance levels for the general government are going to be maintained far in excess of the Assembly's existing policies.

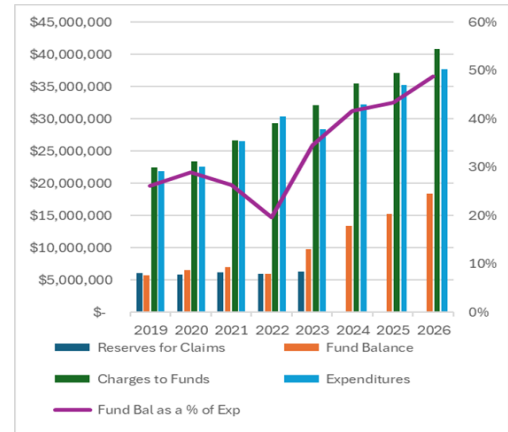
We offered the following observations to the assembly:

Risk Management Fund Balances

CBJ uses the Risk Management Fund to manage its various liability exposures and provide insurance to the various departments. As reflected in the tables below (dollars and graphic), from 2019 through 2023, the Risk Management Fund's balance has averaged approximately \$6-10 million representing about 27% of expenditures. Starting with 2024 and continuing through 2025, the fund balance is predicted to increase substantially, so that by 2026, the fund balance will be nearly 50% of annual expenditures. Why? It is important that both the assembly and the public understand the reasoning behind this approach, and the consequences it will have for the general fund and ultimately the tax-paying business and property owners.

*Information from annual ACFR and
page 193 in the FY25 budget.*

FY	Reserves for Claims	Fund Balance	Charges to Funds	Expenditures	Fund Bal as a % of Exp
6/30/2019	\$ 6,134,000	\$ 5,706,551	\$ 22,454,641	\$ 21,851,722	26%
6/30/2020	\$ 5,829,000	\$ 6,553,994	\$ 23,414,266	\$ 22,605,030	29%
6/30/2021	\$ 6,231,000	\$ 6,977,023	\$ 26,702,324	\$ 26,490,157	26%
6/30/2022	\$ 5,935,000	\$ 5,983,809	\$ 29,319,362	\$ 30,344,708	20%
6/30/2023	\$ 6,342,000	\$ 9,822,317	\$ 32,158,545	\$ 28,390,528	35%
6/30/2024	N/A	\$ 13,415,700	\$ 35,530,300	\$ 32,205,500	42%
6/30/2025	N/A	\$ 15,275,300	\$ 37,149,200	\$ 35,289,600	43%
6/30/2026	N/A	\$ 18,395,500	\$ 40,825,500	\$ 37,705,300	49%



The impact of this is that departments are over-charged for insurance needs, inflating the overall general government budgeted expenditures projection.

Maintaining the fund balance as a percentage of expenditures at 27% for FY24 would give \$4.6 million in additional funding to reduce the amount planned for property tax. By keeping the percentage at 27% for fiscal years 25 and 26, an additional \$3.5 million would be available.

We encourage you to reduce the planned increase in Risk Management Fund balance for FY25 and 26 by reducing the charges to funds and therefore the budget needs to the general governmental funds.

Fund balance in Excess of Needed Amounts

CBJ's policy for reserves is reflected in the FY25/26 budget book on pdf page 222 (Doc4). The policy calls for a reserve of \$26.52 million. To date, CBJ has funded \$16.03 of the reserve. Total Fund balances available to fund the reserve even using the currently planned FY24 draw down is \$40.59 million. CBJ simply does not need to maintain Fund balances that are over \$14 million higher than the amount called for in your policy, which is based on sound financial references.

We recommend that CBJ use a substantial part of its excess reserves to reduce property taxes and bring the fund balance in line with policy. We further encourage you to fully fund the budget reserve.

Capital Projects

The Juneau Chamber of Commerce supports a strong Capital Budget, to invest in Juneau's future and meet its maintenance needs. However, strong budget controls are also necessary. As of June 30, 2023, CBJ's financial statements reflect general government capital projects fund balances totaling \$88.5 million (FY23 financials page 151). On that date, there were over 100 open capital projects with remaining project amounts plus encumbrances of \$91.6 million (FY23 financials pages 197-199). **A review of the open capital projects list identified many projects that are completed (in some cases many years ago) but still have 'Remaining Projects Commitments' aggregating well over the projected increase in property taxes.** This represents money that otherwise could be used for general government operations with simple action by the Assembly.

We encourage the Assembly to ask the City Manager to conduct a comprehensive review of open capital projects and transfer amounts not needed to completed projects back to the general government.

Forecasts are overly gloomy. 2024 approved budget

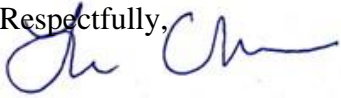
As pointed out in our February letters, CBJ management has a history of projecting expenditures too high and sales tax revenues too low. FY23 was no exception to this trend. Actual sales tax revenue in FY23 was \$68.8 million (FY23 financials page 24). Yet the FY24 budget, which was written only five or six months before the end of FY23, projected sales tax revenue for FY23 was \$64.6 million (FY24 adopted budget page 54), a difference of \$4.2 million, or 6.5%. Likewise, the FY24 budget adopted an expected loss in general government fund balance of 18.9 million, but the projection now is only a loss of \$15.7 million (FY25-26 budget pdf page 219, DOC-1).

These overly conservative estimates have resulted in the overall trend of increasing fund balances over at least the past ten years.

We encourage the Assembly to reduce the expectation for needed fund balances for FY25 and 26 in order to reduce the planned amounts needed for property tax revenues or other amounts charged to CBJ's citizens.

Thank you for your consideration of these items and thank you very much for your service to Juneau.

Respectfully,



Laura McDonnell, President



Maggie McMillan, Executive Director