

Municipality of Anchorage

MEMORANDUM

To: Anchorage Assembly

From: Mayor Mark Begich 

Date: September 1, 2006

Re: 2007 Update - General Government Revenue Plan, Tax Limit, Service Priorities and Reorganizations

In accordance with Anchorage Municipal Code 6.10.040.A.3 and 6.10.040.A.4, this memorandum transmits the preliminary update of the 2007 general government revenue plan, tax limit, service priorities and reorganizations. The Administration's proposed 2007 budget update is scheduled to be reviewed with the Assembly at a work session on September 22, and budget documents will be introduced on September 26.

Preliminary General Government Revenue Plan for 2007

MUNICIPALITY OF ANCHORAGE GENERAL GOVERNMENT OPERATING BUDGET SUMMARY OF ALLOWABLE AND PROPOSED REVENUES

| | 2006 <u>Revised</u> | 2007 <u>Proposed</u> |
|---|------------------------------|------------------------------|
| Program Revenues | \$ 56,434,170 | \$ 56,784,650 |
| MUSA/MESA/Gross Receipts/Dividends | 22,779,150 | 23,446,940 |
| MOA Trust Fund | 6,300,000 | 6,400,000 |
| IGCs Outside General Government | 23,408,840 | 22,803,040 |
| Federal Revenues | 40,270 | 40,270 |
| State Revenues: | | |
| SOA PERS Assistance | 5,022,750 | 10,699,420 |
| SOA General Assistance | 0 | 33,375,520 |
| SOA Other | 1,440,130 | 1,440,130 |
| Interest Revenues | 6,661,480 | 8,701,480 |
| Other Revenues | 5,130,620 | 6,662,810 |
| Taxes Other than Property Tax | 38,644,410 | 46,263,210 |
| Total Allowable Property Tax | <u>209,016,630</u> | <u>222,160,850</u> |
| Total Allowable Revenues | 374,878,450 | 438,778,320 |
| | | |
| Property Tax for Fund Balance Policy Compliance | (2,125,850) | 0 |
| Property Tax Relief | <u>(6,350,640)</u> | <u>(44,074,940)</u> |
| | | |
| Total Proposed Revenues | <u>\$ 366,401,960</u> | <u>\$ 394,703,380</u> |

To help ensure completeness and accuracy, these preliminary revenue estimates will continue to be refined between now and September 26 when the proposed general government operating budget is introduced to the Assembly.

Preliminary 2007 Tax Limit Calculation

The preliminary 2007 tax limit calculation is presented in the table on the following page. The final tax limit calculation will be made next spring during the first quarter budget revision process when tax rates will be set by the Assembly

Total allowable property tax in 2007 is estimated at \$222,160,850. Of the total allowable property tax, the Administration proposes that \$44,074,940 be credited in 2007 for property tax relief. This is achieved through the application in 2007 of State PERS assistance and State general assistance received in the second half of 2006 through Senate Bill 231, together with similar amounts of State PERS assistance and State general assistance anticipated to be made available through additional State legislative action in 2007. This will have the effect of lowering the total property tax proposed to be billed in 2007 to \$178,085,910.

Service Priorities

Service priorities remain essentially the same as when I became mayor three years ago: improving public safety, upgrading Anchorage's transportation, and keeping the city's economy healthy. In cooperation with the Assembly, the Administration continues to advance its commitment to provide stable, sustainable general government services and programs, while holding the line on property taxes.

Organizational Changes

The Information Technology Department (ITD) is implementing a new organizational structure that closely aligns the divisions of ITD with the functions and services provided to its customers. The reorganization combines functions and resources previously housed under ITD's Geographic Information Services, the Planning Department's Technical Support Division, and the Finance Department's PeopleSoft Division. The consolidation of these functions creates a unified team necessary to achieve the goal of enhanced customer service, E-government initiatives and project completion on schedule.

**Municipality of Anchorage
Preliminary 2007 Tax Limit Calculation**

| | <u>2006 Final</u> | <u>2007 Update Preliminary</u> |
|--|-------------------------------------|-------------------------------------|
| TAXES | | |
| Real/Personal Property Taxes | \$ 176,210,220 | \$ 194,866,720 |
| Payment in Lieu of Taxes (State/Federal) | 579,410 | 579,410 |
| Automobile Tax | 5,300,000 | 5,400,000 |
| Tobacco Tax | 16,054,230 | 15,700,000 |
| Aircraft Tax | 225,000 | 225,000 |
| Motor Vehicles Rental Tax | 4,500,000 | 4,590,000 |
| Total Taxes | <u>\$ 202,868,860</u> | <u>\$ 221,361,130</u> |
| Less Taxes to Pay Judgments | 1,538,000 | 1,443,380 |
| Less Taxes to Pay Debt Service | 41,427,660 | 47,994,920 |
| | <u>\$ 159,903,200</u> | <u>\$ 171,922,830</u> |
| ADJUSTMENT FACTORS | | |
| Population 5 Year Average | 1.26% | 1.26% |
| Change in Consumer Price Index | 3.10% | 3.90% |
| Total | <u>4.36% 6,971,780</u> | <u>5.16% 8,871,220</u> |
| Base Taxes Allowed | \$ 166,874,980 | \$ 180,794,050 |
| PLUS: | | |
| Tax on New Construction | 4,866,140 | 5,007,960 |
| Tax to Pay Debt Service | 47,994,920 | 48,199,270 |
| Voter-Approved New O&M Costs | 1,509,600 | 800,000 |
| Judgments/Legal Settlements | 1,443,380 | 500,000 |
| TAX LIMITATION | <u>\$ 222,689,020</u> | <u>\$ 235,301,280</u> |
| LESS: | | |
| Payment in Lieu of Taxes (State/Federal) | (579,410) | (579,410) |
| Automobile Tax | (5,400,000) | (5,500,000) |
| Tobacco Tax | (15,700,000) | (16,014,000) |
| Aircraft Tax | (225,000) | (225,000) |
| Motor Vehicle Rental Tax | (4,590,000) | (4,680,000) |
| PROPERTY TAX SUBJECT TO CHARTER TAX LIMIT | <u>\$ 196,194,610</u> | <u>\$ 208,302,870</u> |
| PROPERTY TAX SUBJECT TO MAXIMUM TAX RATES | <u>12,822,020</u> | <u>13,857,980</u> |
| TOTAL ALLOWABLE PROPERTY TAX | <u>\$ 209,016,630</u> | <u>\$ 222,160,850</u> |
| PROPERTY TAX RELIEF | | |
| SOA PERS Assistance | (5,022,750) | (10,699,420) |
| SOA General Assistance | NA | (33,375,520) |
| Allowable Local Tax Capacity Not Utilized | (1,327,890) | NA |
| TOTAL PROPERTY TAX | <u><u>\$ 202,665,990</u></u> | <u><u>\$ 178,085,910</u></u> |