



2022 1st Quarter Budget Worksession



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1:00 pm



How MOA Ended 2021

- Fund balance at year-end (five majors) \$2.5 million*
 - Assumes full FEMA reimbursement
- Two departments overspent
 - Equity & Justice \$14,000
 - Fire \$1.3 million
 - Also year-end adjustments:
 - Workers' Compensation / General Liability
 - Room Tax payment to contractor for 2021
- Revenues
 - Year-end actuals came in \$263,200 higher than Treasury's projections

* Unaudited; estimate



2022 1st Quarter Snapshot

- Fund balance reserves met*
 - 10% for bond ratings
 - 2% for emergencies
- Revenues
 - Property taxes – Under Tax Cap \$ 5.8 million
 - Non-property tax revenue +11.4 million
- Spending: 2022 1Q v 2021 1Q +3.6 million
 - < 1% increase

* Unaudited; assumes FEMA reimbursements



Approach to 1st Quarter Revisions

- Focused on adjustments and not major program changes
- Fund departments with expectation will manage to come in on/under budget at year-end
 - Police, Fire overtime
- Funded contractual obligations
 - IAFF and AMEA new collective bargaining agreements
 - CPI contract adjustments
- Adjusted revenues based on Treasury's updated forecast



Revenue Changes

1st Quarter vs. Approved

- Room tax + \$5.5 million
 - Corresponding \$1.8 million spending increase
- Property taxes - \$2.8 million
- ASD prior-year property tax overcollection + \$2.3 million
- Investment income - \$0.5 million
 - \$1.3 million in added direct costs to pay TANS
- MOA trust fund contribution - \$2.1 million



Additional Revenue Changes

1st Quarter vs. Approved

- PFD garnishment, counter fines + \$3.1 million
 - Assumes \$2,414 individual check amount
- Ambulance fees (SEMT) + \$1.7 million
- Land sales (HLB) + \$907,000
- Building permits (Building Svc. Area) + \$628,000



Non-Property Taxes Under Tax Cap

1st Quarter vs. Approved

• Motor vehicle rental tax	+ \$1.7 million
• Tobacco Tax	+ \$1.2 million
• Marijuana Tax	+ \$200,000
• MUSA/MESA payments	- \$742,000
• Motor vehicle registration tax	- \$800,000
• Fuel Tax	- \$80,000



Tax Limit Calculation

Anchorage Municipal Charter 14.03 and Anchorage Municipal Code 12.25.040

Line	2021		2022		Line	
	at Revised		at Revised			
1	<u>Step 1: Building Base with Taxes Collected the Prior Year</u>				1	
2	Real/Personal Property Taxes to be Collected	292,591,547		297,714,363	2	
3	Auto Tax	10,508,117		10,508,117	3	
4	Tobacco Tax	20,000,000		20,700,000	4	
5	Aircraft Tax	182,000		126,000	5	
6	Marijuana Sales Tax	4,100,000		5,400,000	6	
7	Motor Vehicle Rental Tax	7,300,000		5,100,000	7	
8	Fuel Excise Tax	13,440,000		12,640,000	8	
9	Payment in Lieu of Taxes (State & Federal)	973,000		10,863,283	9	
10	MUSA/MESA	30,093,992		20,818,552	10	
11	Step 1 Total	379,188,656		383,870,315	11	
12					12	
13	<u>Step 2: Back out Prior Year's Exclusions Not Subject to Tax Limit</u>				13	
14	Judgments/Legal Settlements (One-Time)	(1,981,050)		(2,127,830)	14	
15	Debt Service (One-Time)	(54,091,332)		(54,545,777)	15	
16	Step 2 Total	(56,072,382)		(56,673,607)	16	
17					17	
18	Tax Limit Base (before Adjustment for Population and CPI)	323,116,274		327,196,708	18	
19					19	
20	<u>Step 3: Adjust for Population, Inflation</u>				20	
21	Population 5 Year Average	-0.70%	(2,261,810)	-0.60%	(1,963,180)	21
22	Change in Consumer Price Index 5 Year Average	0.80%	2,584,930	1.70%	5,562,340	22
23	Step 3 Total	0.10%	323,120	1.10%	3,599,160	23
24					24	
25	The Base for Calculating Following Year's Tax Limit	323,439,394		330,795,868	25	
26					26	
27	<u>Step 4: Add Taxes for Current Year Items Not Subject to Tax Limit</u>				27	
28	New Construction	2,058,526		2,631,367	28	
29	Taxes Authorized by Voter-Approved Ballot - O&M	651,500		692,000	29	
30	Judgments/Legal Settlements (One-Time)	2,127,830		165,050	30	
31	Debt Service (One-Time)	54,545,777		54,847,881	31	
32	Step 4 Total	59,383,633		58,336,298	32	
33					33	
34	Limit on ALL Taxes that can be collected	382,823,027		389,132,166	34	
35					35	
36	<u>Step 5: To determine limit on property taxes, back out other taxes</u>				36	
37	Automobile Tax	(10,508,117)		(10,606,323)	37	
38	Tobacco Tax	(20,700,000)		(20,700,000)	38	
39	Aircraft Tax	(126,000)		-	39	
40	Marijuana Sales Tax	(5,400,000)		(6,000,000)	40	
41	Motor Vehicle Rental Tax	(5,100,000)		(8,300,000)	41	
42	Fuel Excise Tax	(12,640,000)		(13,300,000)	42	
43	Payment in Lieu of Taxes (Utility, State, and Federal)	(10,863,283)		(12,259,549)	43	
44	MUSA/MESA	(20,818,552)		(20,083,652)	44	
45	Step 5 Total	(86,155,952)		(91,249,524)	45	
46					46	
47	Limit on PROPERTY Taxes that can be collected	296,667,075		297,882,642	47	
48					48	
49	Add General Government use of tax capacity within the Tax Cap	1,047,288		991,378	49	
50					50	
51	Limit on PROPERTY Taxes that can be collected within the Tax Cap	297,714,363		298,874,020	51	
52					52	
53	<u>Step 6: Determine property taxes to be collected if different than Limit on Property Taxes that can be collected</u>				53	
54	Property taxes to be collected based on spending decisions minus other available revenue.				54	
55					55	
56	Property taxes TO BE COLLECTED	297,714,363		293,092,584	56	
57					57	
58	Amount below limit on property taxes that can be collected ("under the cap")	-		5,781,436	58	

There also are service areas with boards that set their maximum mill levies. The property taxes in these service areas are not subject to the Tax Limit Calculation ("outside the cap"). The 2022 total property taxes "outside the cap" is \$22,968,568, making the total of all property taxes to be collected for General Government \$316,061,152.



Spending

1st Quarter vs. Approved

- Fire Department + \$2.9 million
 - Overtime +\$2.5 million
 - IAFF contract + \$965,000
 - AWWU fire hydrant maintenance - \$620,000

- Police Department + \$2.7 million
 - Overtime + \$2.5 million
 - Anchorage jail contract CPI +\$192,000
 - Girdwood police services CPI + \$33,100



Other Major Spending Changes

1st Quarter vs. Approved

- CAMA “go live” debt service, support + \$368,000
- M&O utility, facility contract increases + \$248,000
- Museum, ACPA contract increases + \$127,000
- City Hall lease CPI + \$251,000



Other Major Spending Changes

1st Quarter vs. Approved

- ASD pools + \$689,000
- Labor “scrub” savings - \$2.4 million
- New positions:
 - Pools – 7
 - Municipal Manager – 1
 - OMB - 1

Open item: Fuel cost increases



Spending, Property Taxes, & Mill Levy

1st Quarter vs. Approved

	2021 1 st Quarter	2022 1 st Quarter	Difference
Spending	\$550,164,849	\$561,106,513	\$10,941,664
Property Taxes*	\$297,714,363	\$293,092,584	-\$4,621,779
Mill Levy	17.69	16.35	-1.34

What 1Q revised means to taxpayers:

- \$134 savings / \$100,000 assessed value
- \$563 savings on \$420,000 average assessed valued home

*Doesn't include limited service areas



Alcohol Tax

1st Quarter vs. Approved

- 2021 unspent went to Alcohol Tax fund balance \$7.7 million
 - Proposed for Navigation Center (AR 2022-111) - \$1.3 million
 - Remaining Balance (estimated/unaudited) \$6.4 million

- 2022 Treasury's updated projection + \$1.65 million

- 1Q proposed allocation:
 - Child Abuse, Sexual Assault, Domestic Violence + \$598,000
 - Homelessness, mental health, Substance Abuse + \$971,000
 - Administration + \$105,000



Utilities / Enterprises – 2021 Year-End

- All under in expenses
- All over in revenues except SWS:
 - Refuse Collections
 - Decrease in residential revenues
 - Investment income also less than budgeted
 - Disposal
 - Decrease in disposal fee revenue; somewhat offset by increase in commercial and residential community recycling fees
 - Investment income higher due to landfill closure fund earnings



Utilities / Enterprises

1st Quarter vs. Approved

- Operating
 - \$1.7 million net savings across all utilities / enterprises
 - Covered \$641,000 increased fuel, chemical costs
 - \$2 million savings from revised debt schedules
- Capital
 - \$3 million to Anchorage Sewer Utility for National Pollutant Discharge Elimination System (NPDES) permit renewal



1st Quarter “Moving Parts”

- AIM 57-2022 – 2021 Year-End GG Revenue Status (accepted 4/12)
- AIM 60-2022 – 2021 Year-End Expenditure Status (accepted 4/12)
- AR 2022-113 – 2021 Year-End GG Appropriation to fix overspend

- AR 2022-98 – 2022 GG Revised Budget

- AIM 51-2022 – 2022 Utilities / Enterprise Dividends
- AR 2022-99 – 2022 Utilities / Enterprises Activities Revised Budgets

- AO 2022-45 – 2022 GG Tax Levy
- AO 2022-46 – 2022 ASD Tax Levy



Next Steps...

- Work session - Assembly amendments April 22
- Assembly public hearing/action April 26

Budget information available
OMB's web page at

<https://www.muni.org/Departments/budget/Pages/default.aspx>