

CLERK'S OFFICE
AMENDED AND APPROVED
Date: 1-18-05

Submitted by: Assembly Chair at the
Request of the Mayor
Prepared by: Office of Management &
Budget
For reading: November 9, 2004

ANCHORAGE, ALASKA
AO NO. 2004-154

1 AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 11.60 TO
2 ADD A NEW SECTION SETTING THE MUNICIPAL ENTERPRISE SERVICE
3 ASSESSMENT (MESA) CALCULATION FOR MUNICIPAL AIRPORTS.
4

5
6 THE ANCHORAGE ASSEMBLY ORDAINS:
7

8 **Section 1.** Anchorage Municipal Code Chapter 11.60 is hereby amended by adding a new
9 section to read as follows:
10

11 **11.60.205 Municipal enterprise service assessment.**
12

13 A. An airport shall pay a municipal enterprise service assessment (MESA) for
14 governmental services provided by the municipality, other than those services
15 received by the airport on the airport premises from the municipality on a contract
16 or interfund basis.
17

18 B. The MESA for an airport shall be calculated in accordance with
19 section 26.10.025C., except:
20

- 21 1. All leasehold improvements shall be excluded from the airport's adjusted
22 plant in service; and
23
24 2. Net contributed plant acquired with Federal Aviation Administration
25 (FAA) funds shall be excluded from the MESA computation.
26

27 C. For purposes of this section, and notwithstanding anything in section 26.10.025C.
28 to the contrary, the following terms are defined as follows:
29

- 30 1. *Adjusted plant in service* shall mean the final, year-end, audited net
31 classified non-contributed plant in service value, less exclusions specified
32 in subsection B. of this section, for the calendar year preceding the mill
33 rate year; for example, in the year 2005, the MESA payment will be based
34 on the 2004 mill rate multiplied by the December 31, 2003 adjusted plant
35 in service.
36

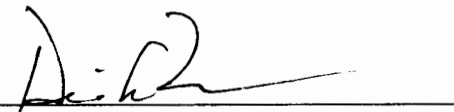
2. *Calculation* shall mean that the airport's MESA equals the value of the airport's adjusted plant in service multiplied by the annual mill rate (MESA = [adjusted plant in service value x mill rate]).
3. *Mill rate* shall mean the aggregate of general property tax mill rates levied against taxable property in the airport's taxing district in the calendar year preceding the MESA payment including all areawide general property tax mill rates and general property tax mill rates levied in service areas within which the airport is located.
4. *Net* shall mean plant values which are net of accumulated depreciation and amortization; and
5. *Non-contributed* shall mean that portion of a capital improvement funded directly with airport funds.

D. The airport shall budget annually for the MESA as an operating expense. It is the policy of the municipality that the MESA be considered a part of the airport rate base as it represents a contribution to local government services comparable to that contributed by municipal utilities and private property owners.

E. To phase in the MESA charge, fifty percent (50%) of the net value of non-contributed plant shall be used for MESA calculation purposes for 2005, seventy-five percent (75%) shall be used to calculate for 2006, and the full value of non-contributed plant shall be included in the MESA formula beginning in 2007.

Section 2. This ordinance shall become effective immediately upon its passage and approval.

PASSED AND APPROVED by the Anchorage Assembly this 18th day of January, 2005.


Chair

ATTEST:


Municipal Clerk

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2004- 154 Title: AN ORDINANCE AMENDING MUNICIPAL CODE CHAPTER 11.60 TO SET THE MUNICIPAL ENTERPRISE SERVICE ASSESSMENT (MESA) CALCULATION FOR MUNICIPAL AIRPORTS

Sponsor:
Preparing Agency: OMB
Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:		(In Thousands of Dollars)			
	FY04	FY05	FY06	FY07	
Operating Expenditures					
1000 Personal Services					
2000 Non-Labor		52	79	105	
3900 Contributions					
4000 Debt Service					
TOTAL DIRECT COSTS:	\$ -	\$ 52	\$ 79	\$ 105	
Add: 6000 Charges from Others					
Less: 7000 Charges to Others					
FUNCTION COST:	\$ -	\$ 52	\$ 79	\$ 105	
REVENUES:					
CAPITAL:					
POSITIONS: FT/PT and Temp					

PUBLIC SECTOR ECONOMIC EFFECTS:

Approval of this ordinance will ensure a more equitable allocation of general government costs to Merrill Field, which has not paid MESA in the past. The ordinance applies methodology to the computation of MESA with respect to contributed capital consistent to that applied to the Port and the Anchorage Parking Authority. It should have no other significant public sector effects.

PRIVATE SECTOR ECONOMIC EFFECTS:

Approval of this ordinance will require a reduction in other airport expenditures, an increase in revenues, or a combination of both, totaling approximately \$52,460 in 2005, \$78,690 in 2006, and \$104,920 in 2007.

Prepared by: Bob Lohr, OMB Telephone: 343-4467



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 837-2004

MEETING DATE: November 9, 2004

1 **FROM:** Mayor

2
3 **SUBJECT:** AN ORDINANCE AMENDING MUNICIPAL CODE CHAPTER 11.60 TO
4 ADD A NEW SECTION SETTING THE MUNICIPAL ENTERPRISE
5 SERVICE ASSESSMENT (MESA) CALCULATION FOR MUNICIPAL
6 AIRPORTS
7

8
9 This ordinance amends Anchorage Municipal Code (AMC) chapter 11.60 to add a new
10 section requiring municipal airports to pay an annual Municipal Enterprise Service
11 Assessment (MESA). MESA is a payment in lieu of taxes (PILOT) for governmental
12 services provided by the municipality, other than those services received on a contract or
13 interfund basis between the enterprise activity and the municipality. Merrill Field is the only
14 municipal airport at present.
15

16 The Port, the Anchorage Parking Authority and all municipally owned utilities are required
17 to make PILOT payments. Currently, the Port of Anchorage pays MESA as described in
18 AMC section 11.50.280. The other Municipal Utilities (Anchorage Water and Wastewater
19 Utility, Municipal Light & Power, and Solid Waste Services) pay for these services as well
20 through a Municipal Utility Service Assessment (MUSA) set out in AMC section 26.10.025,
21 and the Anchorage Parking Authority pays MESA as described in AMC section 9.60.125B.
22

23 The value of net non-contributed plant after depreciation, excluding all private leases, is
24 multiplied by the mill rate for all taxing districts that cover the Merrill Field property. Based
25 on current plant figures, the 2005 MESA amount for Merrill Field under this ordinance
26 would be:
27

28 **\$6,476,543 (projected net non-contributed plant/12/31/03) x 16.20 mills**
29 **(tax district #1) = \$104,920**
30

31 However, the ordinance proposes to phase in the total MESA amount over a three-year
32 period to control the impact on Merrill Field's financial condition. So MESA for 2005 will
33 be 50% (**\$52,460**); 75% for 2006, **\$78,690**, and 100%, or **\$104,920**, for 2007. As the mill
34 rate or the amount of net non-contributed plant for those out years changes, so will the
35 MESA computation.
36

37 MESA has not previously been collected from the airport. The Federal Aviation
38 Administration (FAA) funds approximately 95% of airport capital costs. Congress enacted a
39 prohibition on "revenue diversion" from federally funded airports (49 U.S.C. §47107(b) and
40 (l) (2) (A-D)). A condition of each FAA grant is that all airport revenues must be used for

the capital or operating cost of the airport. Payments in lieu of taxes are not prohibited by this law, unless they exceed the value of service provided or are improperly allocated.

The FAA Policy Statement prohibits:

Payments in lieu of taxes, or other assessments, that exceed the value of services provided or are not based on a reasonable, transparent cost allocation formula calculated consistently for other comparable units or cost centers of government.

(64 Federal Register 7720, February 16, 1999, Sec. VI B 5)

MESA, as established in this ordinance, is based on a reasonable, transparent formula, and is consistently applied to other municipally owned utilities and enterprise activities without regulatory agency objections.

THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 11.60 TO ADD A NEW SECTION SETTING THE MUNICIPAL ENTERPRISE SERVICE ASSESSMENT (MESA) CALCULATION FOR MUNICIPAL AIRPORTS.

Prepared by:	Bob Lohr, OMB
Concur:	Diana L. Percy, Director, OMB
Concur:	Jeffrey E. Sinz, Chief Fiscal Officer
Concur:	Denis C. LeBlanc, Municipal Manager
Respectfully submitted:	Mark Begich, Mayor

Content Information**Content ID :** 002231**Type:** Ordinance - AO**Title:** AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 11.60 TO SET THE MUNICIPAL ENTERPRISE SERVICE ASSESSMENT (MESA) CALCULATION FOR MERRILL FIELD AIRPORT.**Author:** lohrra**Initiating Dept:** OMB**Select Routing:** All Ordinances AO**Review Depts:** Finance**Date Prepared:** 10/4/04 10:19 AM**Director Name:** Diana Percy, CPA**Assembly****Meeting Date** 11/9/04**MM/DD/YY:****Public Hearing** 12/7/04**Date MM/DD/YY:**

CLERK OF COURT

2004 NOV -5 10:11:10

150 A

Workflow History

<u>Workflow Name</u>	<u>Action Date</u>	<u>Action</u>	<u>User</u>	<u>Security Group</u>	<u>Content ID</u>
AllOrdinanceWorkflow	10/4/04 1:04 PM	Checkin	lohrra	Public	002231
AllOrdinanceWorkflow	10/4/04 1:36 PM	Reject	pearcydl	Public	002231
AllOrdinanceWorkflow	10/5/04 3:23 PM	Checkin	lohrra	Public	002231
AllOrdinanceWorkflow	10/12/04 9:04 AM	Reject	pearcydl	Public	002231
AllOrdinanceWorkflow	10/18/04 2:51 PM	Checkin	lohrra	Public	002231
OMB_SubWorkflow	10/19/04 2:36 PM	Approve	pearcydl	Public	002231
AllOrdinanceWorkflow	10/20/04 4:47 PM	Reject	sinzje	Public	002231
AllOrdinanceWorkflow	11/2/04 1:35 PM	Checkin	lohrra	Public	002231
OMB_SubWorkflow	11/2/04 1:36 PM	Approve	pearcydl	Public	002231
AllOrdinanceWorkflow	11/2/04 2:36 PM	Reject	sinzje	Public	002231
AllOrdinanceWorkflow	11/2/04 3:16 PM	Checkin	lohrra	Public	002231
AllOrdinanceWorkflow	11/2/04 3:19 PM	Reject	pearcydl	Public	002231

ADDENDUM - CONSENT AGENDA - INTRODUCTION

AllOrdinanceWorkflow	11/2/04 3:46 PM	Checkin	lohrra	Public	002231
Finance_SubWorkflow	11/2/04 5:25 PM	Approve	pearcydl	Public	002231
OMB_SubWorkflow	11/2/04 5:25 PM	Approve	pearcydl	Public	002231
OMB_SubWorkflow	11/2/04 5:25 PM	Approve	pearcydl	Public	002231
AllOrdinanceWorkflow	11/3/04 4:37 PM	Reject	gatesdt	Public	002231
AllOrdinanceWorkflow	11/3/04 4:42 PM	Checkin	lohrra	Public	002231
OMB_SubWorkflow	11/3/04 5:06 PM	Approve	pearcydl	Public	002231
Finance_SubWorkflow	11/3/04 5:07 PM	Approve	pearcydl	Public	002231
Legal_SubWorkflow	11/4/04 11:09 AM	Approve	gatesdt	Public	002231
MuniManager_SubWorkflow	11/4/04 9:05 PM	Approve	leblancdc	Public	002231
MuniMgrCoord_SubWorkflow	11/5/04 9:44 AM	Approve	katkusja	Public	002231