

# **First Quarter Revisions 2012 General Government Operating Budget**

Assembly Work Session  
April 20, 2012

MAYOR DAN SULLIVAN



Municipality of Anchorage

# First Quarter Amendment Process

- Opportunity to:
  - Update non-property tax revenue
  - Examine expenditures
- Calculate final Tax Cap
- Set property tax mill levy for MOA based on above adjustments
- Set mill levy for ASD based on Assembly approved property tax amount



# Summary of Proposed Changes

2012

(in million\$)

	Approved	1Q Proposed Amendments	Difference	
<b>Revenue Adjustments</b>				
Non-property taxes	\$170.5	\$165.6	(\$4.9)	
IGCs	28.7	29.3	0.6	
Fund balance	8.0	11.9	3.9	
Property taxes	228.9	231.1	2.2	
Property taxes - Service Areas	16.1	16.4	0.3	
<b>Total</b>	<b>\$ 452.2</b>	<b>\$ 454.3</b>	<b>\$ 2.1</b>	*
<b>Expenditures (Direct Costs)</b>	<b>\$ 452.3</b>	<b>\$ 454.3</b>	<b>\$ 2.0</b>	*

\*Slightly off due to rounding



Municipality of Anchorage



# Revenue Adjustments from Approved Budget

<i>(in thousands)</i>	Change
<b>Other Taxes</b>	
Hotel-Motel Room Tax	\$ (225.4)
Tobacco Tax	(538.0)
MUSA/MESA	(803.5)
<b>Non-Tax Revenue</b>	
Investment Earnings	(2,176.2)
Revenue Sharing	(179.1)
Utility/Enterprise Dividend	119.4
Program generated fees	674.8



# Prior Year Savings Currently Available: \$3.7 M

(Five Major Funds)

<i>(in thousands)</i>	Amount
Total 2011 year-end savings (fund balance)	\$ 7,778.0
Fund balance already pledged in 2012 Approved Budget	\$ (4,095.6)
Balance available for 2012 amendments/reduce property taxes	\$ (3,682.4)





# Proposed Spending Adjustments

Includes:	Amount (in thousands)
<b>Increases:</b>	
Snow removal	\$ 1,725.0
APD Training Center filters for lead removal	125.0
Budget Alignment:	
Vacancy factor adjustments	446.6
ER positions (Reponse to Title 31, 32)	254.1
New AnchorRIDES contract cost increase	110.0
<b>Decreases to help offset increases:</b>	
I/M program	\$ (971.70)
Debt savings (non-GO bonds)	(604.4)
Employee health benefit rates	(416.6)
KRONOS savings	(196.6)



# 2012 Tax Limit Calculation

Line		2011 Revised	2012 Revised
33			
34	Limit on ALL TAXES that can be collected	\$ 277,530,184	\$ 287,231,653
35			
36	<u>Step 5: To determine limit on property taxes, back out other taxes</u>		
37	Payment in Lieu of Taxes (State & Federal)	(919,000)	(780,000)
38	Automobile Tax	(5,040,000)	(8,800,000)
39	Tobacco Tax	(21,300,000)	(20,411,994)
40	Aircraft Tax	(210,000)	(210,000)
41	Motor Vehicle Rental Tax	(4,753,653)	(5,174,208)
42	MUSA/MESA	(13,187,332)	(20,274,050)
43	Step 5 Total	(45,409,985)	(55,650,252)
44			
45	Limit on PROPERTY TAXES that can be collected	\$ 232,120,199	\$ 231,581,401
46			
47	<u>Step 6: Determine property taxes to be collected if different than Limit on Property Taxes that can be collected</u>		
48	Property taxes to be collected based on spending decisions minus other available revenue.		
49			
50	Property taxes TO BE COLLECTED	\$225,307,034	\$231,079,937
51			
52	<b>Amount below limit on property taxes that can be collected ("under the cap")</b>	<b>(6,813,165)</b>	<b>(501,464)</b>

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 preliminary 2012 total property taxes "outside the cap" is **\$16,422,114**, making the total of all property taxes that can be collected **\$247,502,051**.

Line numbers refer to lines on actual tax limit calculation (page 12 of packet)



Municipality of Anchorage

# 2012 MOA Average Tax Rate

(in mill levy)

	2011	2012	Difference
<b>Mill levy to collect taxes to:</b>			
Pay for government services	6.10	6.09	(0.01)
Pay debt on voter-approved bonds	1.56	1.76	0.20
<b>Total</b>	<b>7.66</b>	<b>7.85</b>	<b>0.19</b>

**Impact: \$19.00 increase / \$100,000 Assessed Value**





# Tax Payer Impact: MOA & ASD

## Total Taxes to be Collected

in million\$	2011	2012	Difference
MOA	\$ 240.8	\$ 247.5	\$ 6.7
ASD	236.2	238.8	2.6
<b>Total</b>	<b>\$ 477.0</b>	<b>\$ 486.3</b>	<b>\$ 9.3</b>

## Mill Levies

	2011	2012	Difference
MOA	7.66	7.85	0.19
ASD	7.52	7.57	0.05
<b>Total</b>	<b>15.18</b>	<b>15.42</b>	<b>0.24</b>



# Enterprise/Utility Amendments

- Port of Anchorage - \$1.3M
  - Security Contract accounting correction
- Merrill Field Airport - \$618k
  - Depreciation - \$538k
  - Overtime, fuel, repairs - \$80k
- ML&P – \$5.4 million savings
  - Due to using commercial paper
- AWWU - \$1.3 million savings (amendment)
  - Due to using commercial paper



# Proposed S-Version

- Legislature approved supplemental revenue sharing of \$6.2 million\*
- S -Version appropriates funds primarily for one-time costs contingent upon receipt for:
  - Fuel, snow removal costs \$2.2 M
  - Efficiency initiatives training, staff \$2.0 M
  - SAP (toward purchase in lieu of debt) \$2.0 M

\*Sec. 19 of HCS CSSB 160(FIN) am H; legislative awaits Governor's approval



**2012  
Tax Limit Calculation  
at 04/20/2012**

**Anchorage Municipal Charter 14.03 and Anchorage Municipal Code 12.25.040**

Line		2011 Revised	2012 Revised
1	<u>Step 1: Building Base with Taxes Collected the Prior Year</u>		
2	Real/Personal Property Taxes to be Collected	\$ 221,394,860	\$ 225,307,034
3	Payment in Lieu of Taxes (State & Federal)	919,000	919,000
4	Automobile Tax	4,984,000	5,040,000
5	Tobacco Tax	16,300,000	21,300,000
6	Aircraft Tax	210,000	210,000
7	Motor Vehicles Rental Tax	4,271,327	4,753,653
8	MUSA/MESA	6,328,914	13,187,332
9	Step 1 Total	\$ 254,408,101	\$ 270,717,019
10			
11	<u>Step 2: Back out Prior Year's Exclusions Not Subject to Tax Limit</u>		
12	Taxes Authorized by Voter-Approved Ballot - O&M Reserves (One-Time)	(440,000)	(440,000)
13	Judgments/Legal Settlements (One-Time)	(539,824)	(118,550)
14	Debt Service (One-Time)	(35,582,194)	(49,147,385)
15	Step 2 Total	(36,562,018)	(49,705,935)
16			
17	Tax Limit Base (before Adjustment for Population and CPI)	\$ 217,846,083	\$ 221,011,084
18			
19	<u>Step 3: Adjust for Population, Inflation</u>		
20	Population 5 Year Average	1.00% 2,178,460	0.90% 1,989,100
21	Change in Consumer Price Index 5 Year Average	2.60% 5,664,000	2.60% 5,746,290
22	Step 3 Total	3.60% 7,842,460	3.50% 7,735,390
23			
24	<b>The Base for Calculating Following Year's Tax Limit</b>	<b>\$ 225,688,543</b>	<b>\$ 228,746,474</b>
25			
26	<u>Step 4: Add Taxes for Current Year Items Not Subject to Tax Limit</u>		
27	New Construction	1,657,790	1,671,690
28	Taxes Authorized by Voter-Approved Ballot - O&M	477,916	834,945
29	Taxes Authorized by Voter-Approved Ballot - O&M Reserves (One-Time)	440,000	440,000
30	Judgments/Legal Settlements (One-Time)	118,550	25,050
31	Debt Service (One-Time)	49,147,385	55,513,494
32	Step 4 Total	51,841,641	58,485,179
33			
34	<b>Limit on ALL TAXES that can be collected</b>	<b>\$277,530,184</b>	<b>\$287,231,653</b>
35			
36	<u>Step 5: To determine limit on property taxes, back out other taxes</u>		
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<b>Proposed S Version Amendments</b>			
<b>Line #</b>	<b>Department</b>	<b>Description</b>	<b>Direct Cost</b>
<b><u>Fuel / Snow Removal</u></b>			
1	Public Works	<b><u>Snow Removal</u></b> - Balance of funding spent on snow removal associated with record snow fall. Approximately one-half of department's full request of \$3,123,550 (balance is funded in original first quarter proposal).	1,598,550
2	Public Works	<b><u>Snow Removal</u></b> - Balance of funding to cover costs associated with removing snow from roofs of municipal facilities and parking lots. Full department request is \$279,200; balance was included in original first quarter proposal.	79,200
	Real Estate	<b><u>Snow Removal</u></b> - Maintenance cost increases for City Hall repairs, upkeep and snow removal.	24,160
3	Finance	<b><u>Fuel</u></b> - Property Appraisal - Anticipated higher gas prices.	4,200
4	Public Transportation	<b><u>Fuel</u></b> - Increase fuel costs for buses to maintain the current level of scheduled transportation service to the public.	225,000
5	Public Transportation	<b><u>Fuel</u></b> - Increase fuel costs for Paratransit fleet to maintain current level of senior and ADA transportation service to the public.	70,000
6	Public Transportation	<b><u>Fuel</u></b> - Increase fuel costs for Vanpool fleet to maintain the current level of active vanpools. Increased cost is offset with user fees.	95,000
7	Public Works	<b><u>Fuel</u></b> - Increased diesel fuel prices - Areawide.	6,520
8	Public Works	<b><u>Fuel</u></b> - Increased diesel fuel prices - ARDSA.	50,000
9		<b>Sub-Total Fuel/Snow Removal</b>	<b>\$ 2,152,630</b>
<b><u>Efficiency Initiatives Implementation</u></b>			
10	Employee Relations	<b><u>KRONOS</u></b> - Addition of Leave Administrator position to centralize this function. Also funds \$8.5k in overtime to support KRONOS; \$18k for training in KRONOS, NeoGov, and Org Chart software; \$9k for equipment upgrades	130,029
11	Employee Relations	<b><u>SAP</u></b> - Overtime to support project work in place of backfilling positions in ER; includes \$12k for training.	78,500
12	Finance	<b><u>CAMA - Property Appraisal</u></b> - Adds back some of the labor savings as a result of a delay in the start of the CAMA project. Original budget charged partial labor cost for six employees to the project. A delay means their costs can't be charged to the project at this time.	117,890
13	Finance	<b><u>KRONOS- Controller Division</u></b> - Increase Payroll department by 3 positions for KRONOS implementation; also funds telephone and technical support. Cost of positions is offset by savings in department-specific payroll positions taken in 2011 and in 2012 budget and 1st quarter amendments.	326,854
14	Finance	<b><u>KRONOS - Controller Division</u></b> - Increased overtime due to implementation of KRONOS and competing priorities between CAFR and SAP implementation.	160,000
15	Information Technology	<b><u>SAP/ERP</u></b> - Interest on capital lease/loan.	33,150
16	Information Technology	<b><u>SAP/ERP</u></b> - Operational costs associated with implementation that cannot be charged to project (training, overtime); support from Black & Vetch and RDI after implementation; additional software maintenance fees; training and materials.	1,130,047
17	Municipal Attorney	<b><u>TimeMatters</u></b> - Upgrade to database system that tracks cases; current version is no longer supported by vendor.	13,950
18	Police	<b><u>eCitation</u></b> - automation for APD to CourtView.	30,000
19		<b>Sub-Total Efficiency Initiatives</b>	<b>\$ 2,020,420</b>
<b><u>SAP Purchase</u></b>			
20	Information Technology	Additional cash to offset debt that will be required to purchase SAP. In 2001 Assembly approved \$5M in supplemental revenue sharing to reduce loan amount for purchase.	<b>\$ 2,002,312</b>
21		<b>Total Amendments</b>	<b>6,175,362</b>