

Municipality of Anchorage

2013 Year End Financial Results

2014 1Q Revised Budget

Assembly Worksession April 16, 2014

Mayor Dan Sullivan



Municipality of Anchorage

Agenda

■ 2013 Performance Overview

- Revenues
- Expenditures
- Fund Balance
- Enterprises

■ 1Q 2014 Revised Budget

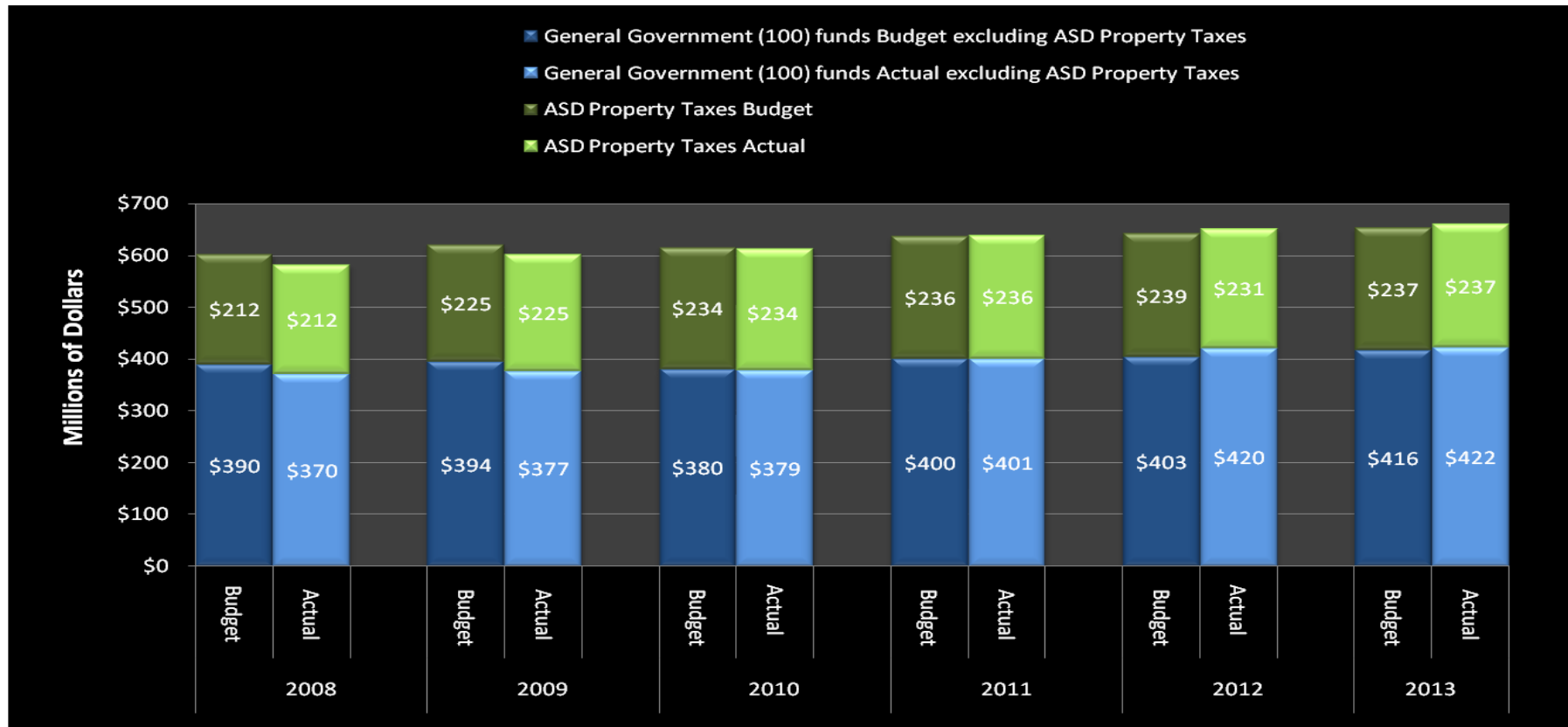
- Revenue/Expense Adjustments
- One Time Expenditures
- Property Taxes/Mill rates
- Property Tax Options for BSA Uncertainty

■ Enterprises/Utilities



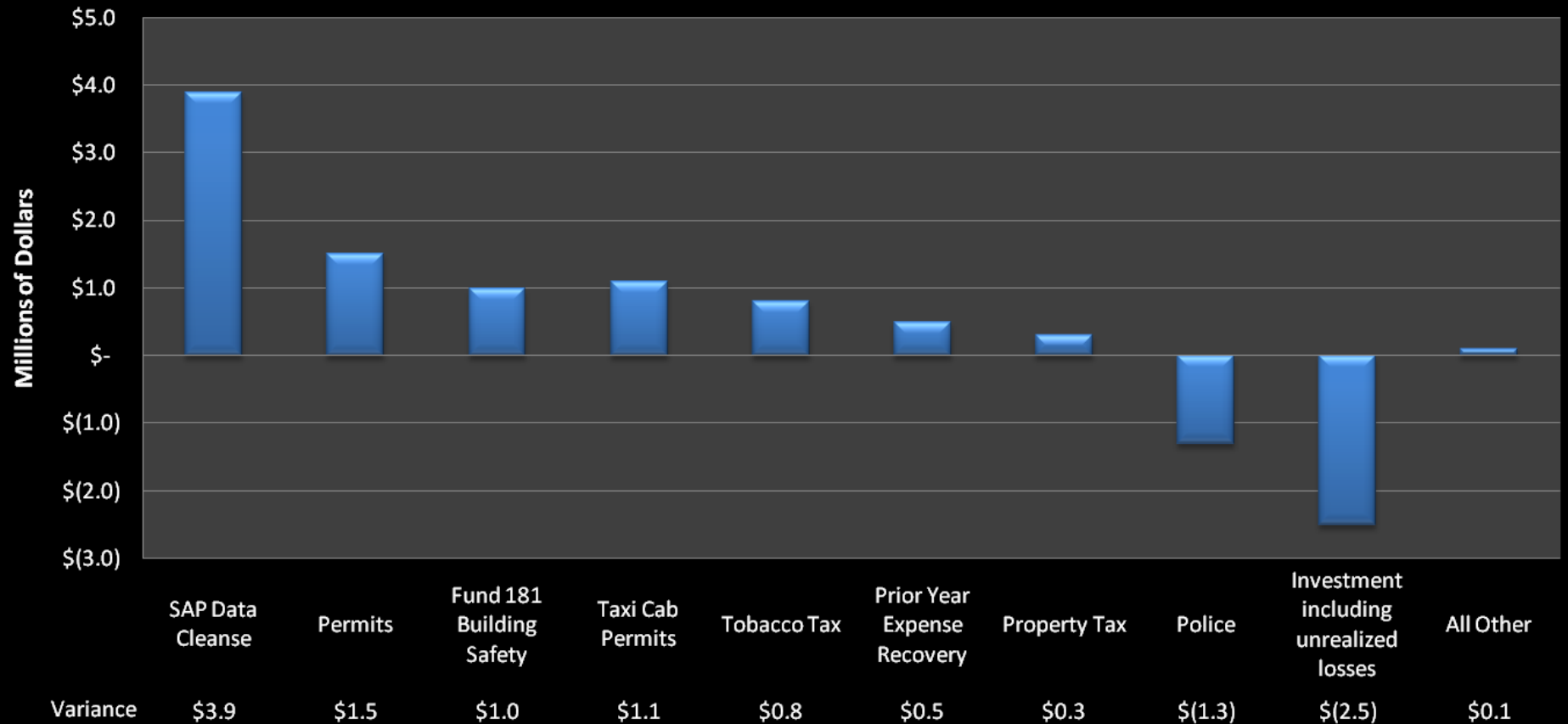
Historical Revenue Trends 2008 to 2013

General Government “100” Funds & ASD Budget vs Actuals

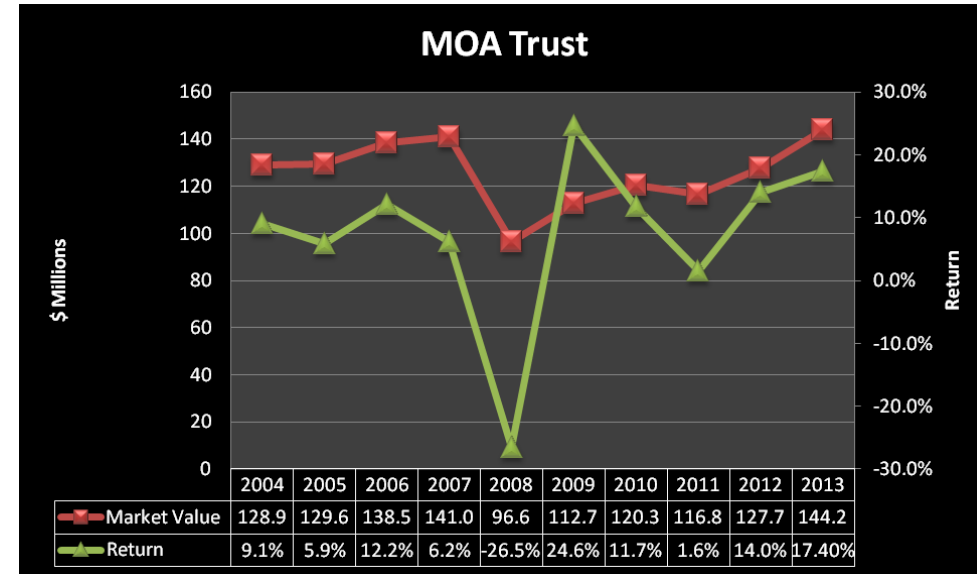
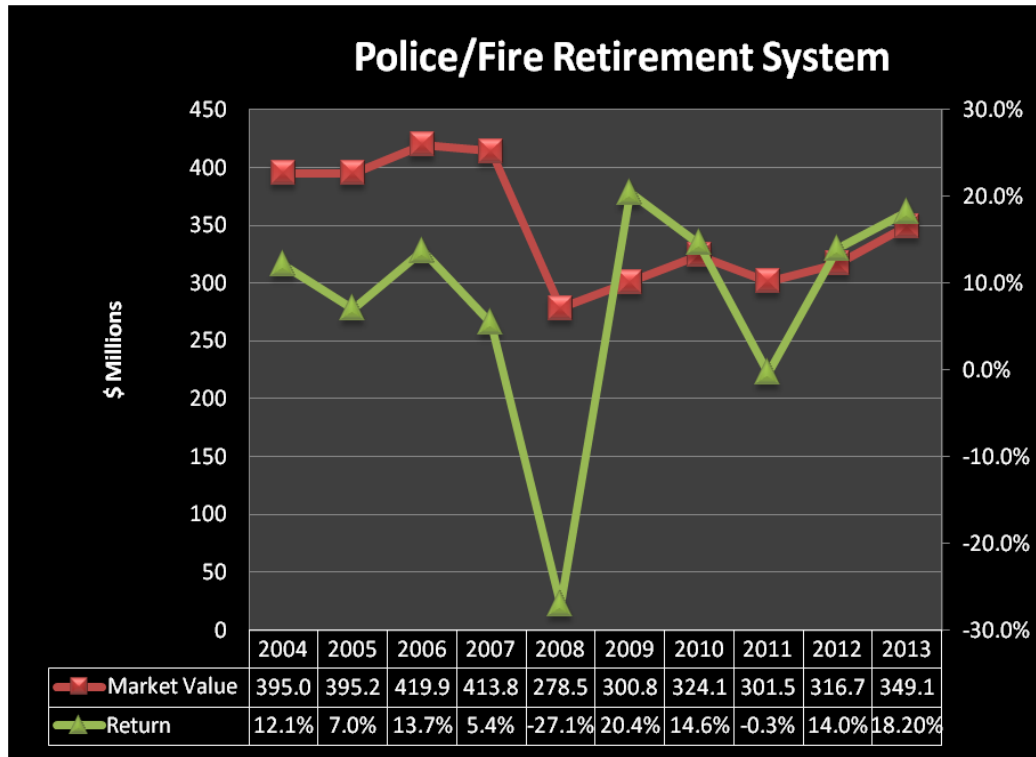


- The 2013 budget vs. actual revenue variance is \$5.4M, which is less than 1% of total general government revenues.
- Excludes TAPS rulings, proceeds from refunding bonds (account 9724) and premium on bond sales (account 9722) and includes ASD property taxes.

Summary of 2013 Revenue Variances for General Government (100) Funds



Investments – Police/Fire Retirement System & Trust



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Funded Status at Jan 1	102%	107%	107%	112%	110%	73%	78%	84%	77%	80%	88%
Annual Required Contrib.	\$3.8M	\$11K	\$0	\$0	\$0	\$0	\$12M	\$6.2M	\$10M	\$8.8M	\$5.9M
Note: Listed contribution cited won't take effect until January 1 of the next year											

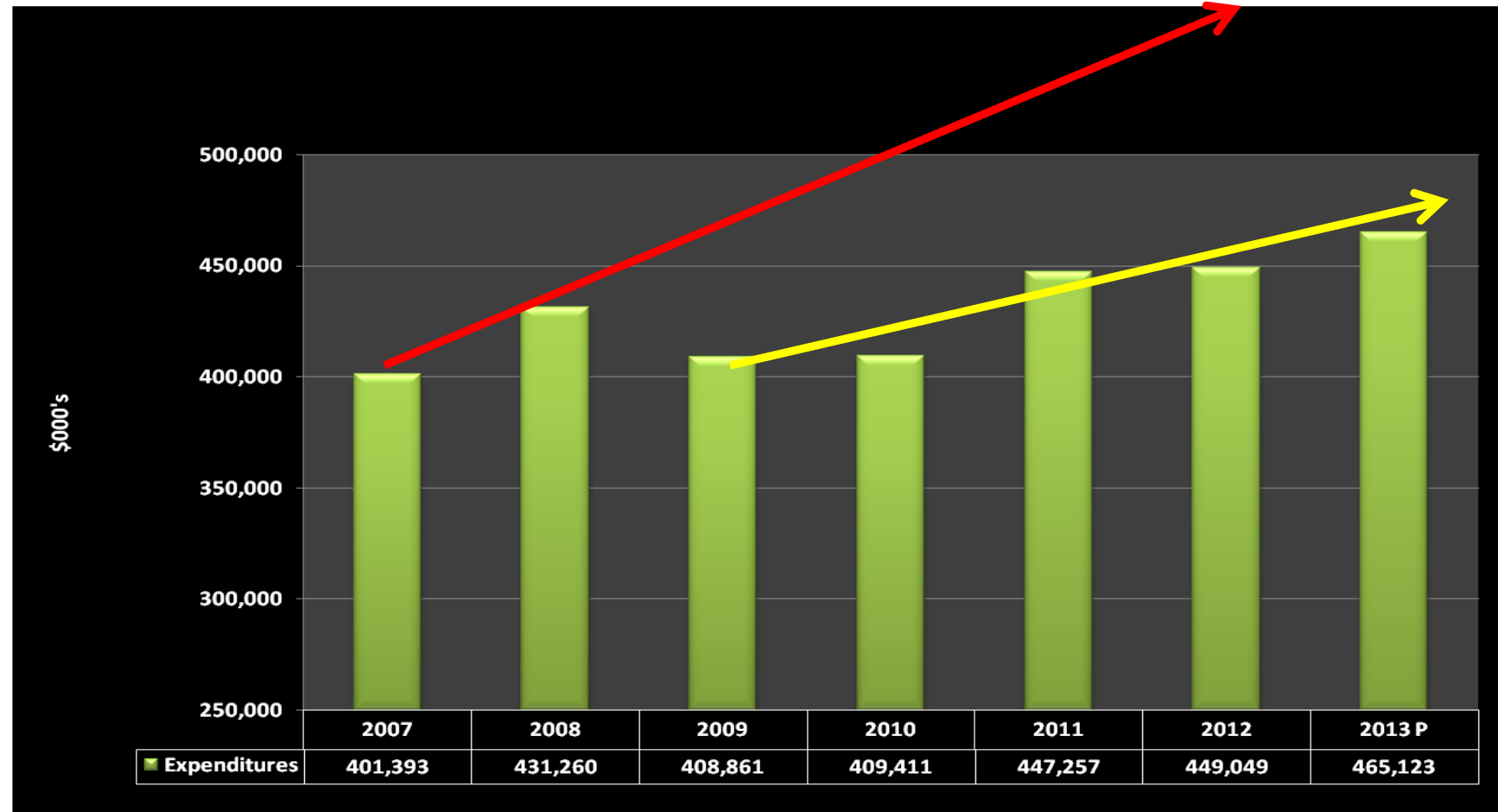
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Annual Dividend	\$6.6M	\$6.6M	\$6.3M	\$6.4M	\$6.6M	\$6.5M	\$5.1M	\$5.0M	\$4.8M	\$4.7M

Note: Per AO 2009-3, effective 1/1/2010, the dividend payout formula was lowered from 5% to 4% of a 5-year average market value

2007 to 2013 Historical Expenditures Trends*

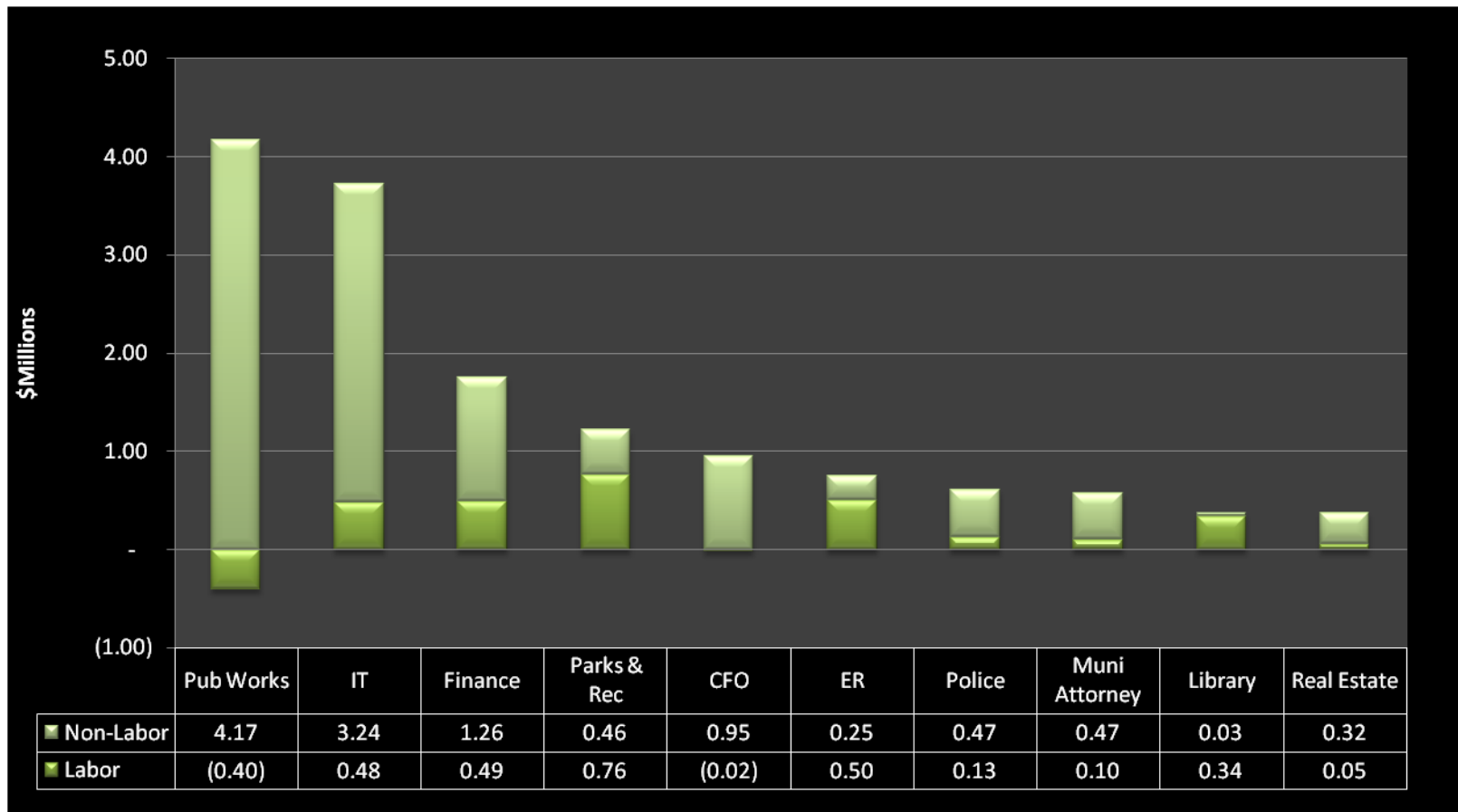
General Government

*excludes impact of debt refinancing



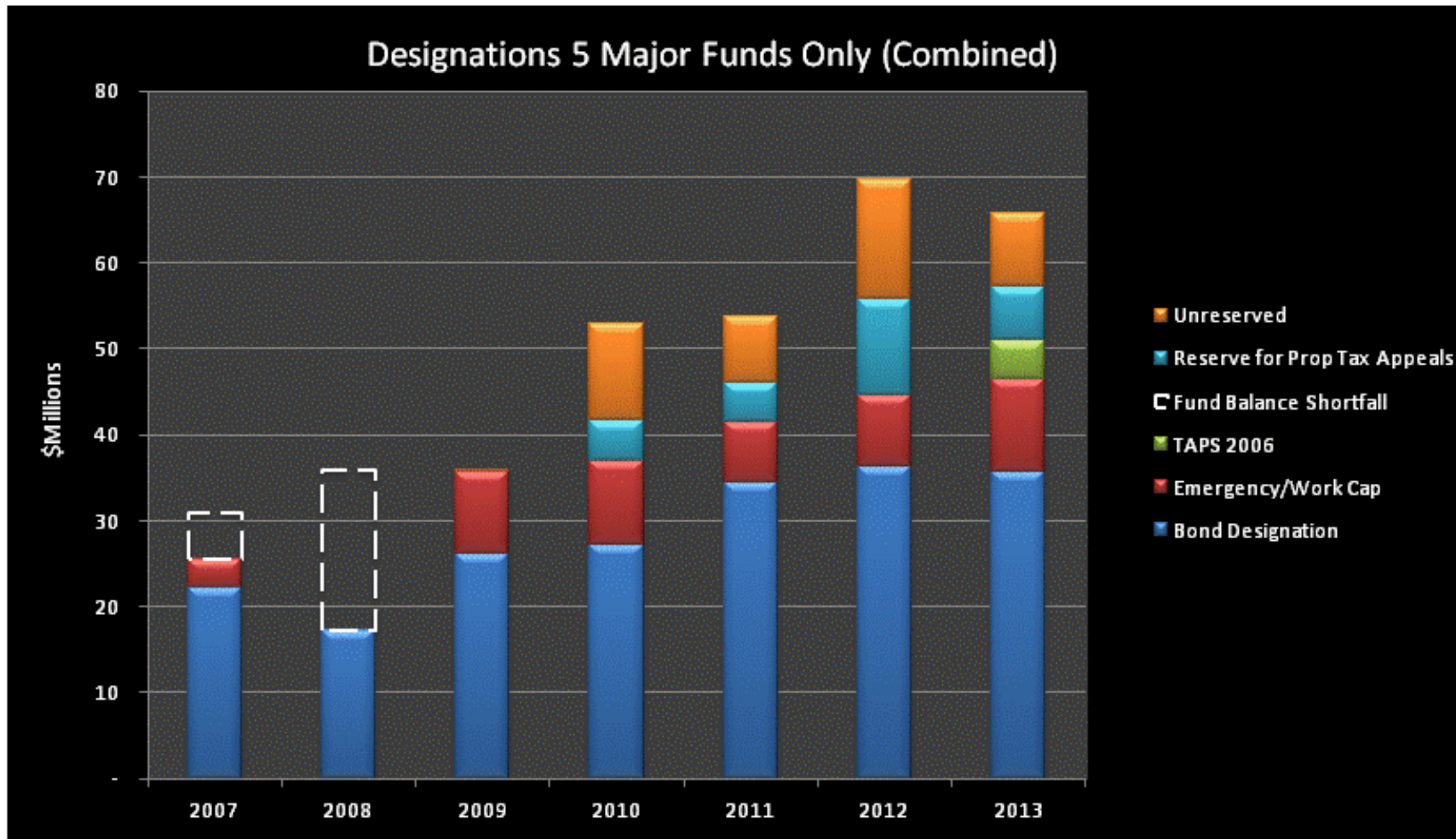
2013 Expenditures

Budget to Actual Variance by Department



Fund Balance

Fund Balance Historical Trends



The MOA has established a formal fund balance designation policy requiring a percentage of general fund revenues to be designated for bond ratings. Percentage is 10% for bond reserves and 2-3% is a working capital reserve.

2013 Estimated Fund Balance (unaudited)

	Areawide General Fund 101	Fire Fund 131	Roads & Drainage Fund 141	Police Fund 151	Parks & Rec Fund 161	Total 5 Majors	Building Safety Fund 181	All Other Funds	General Funds Total
Revenues	354,496,046	71,432,769	70,026,393	115,794,243	19,611,787	631,361,238	7,270,940	19,941,269	658,573,447
Expenditures (includes IGC impact)	362,905,075	72,903,842	65,626,281	113,375,584	19,332,941	634,143,723	7,155,726	19,787,196	661,086,645
Total	(8,409,029)	(1,471,073)	4,400,112	2,418,659	278,846	(2,782,485)	115,214	154,073	(2,513,198)
Fund Balance - Jan 1	37,195,683	9,646,720	8,995,849	12,811,067	3,568,568	72,217,887	(2,956,985)	12,576,978	81,837,880
Fund Balance - Dec 31	28,786,654	8,175,647	13,395,961	15,229,726	3,847,414	69,435,402	(2,841,771)	12,731,051	79,324,682
Fund Balance:									
Reserved for Inventories	1,431,288	-	-	-	-	1,431,288	-	-	1,431,288
Reserved for Prepaids	-	-	-	-	-	-	-	-	-
Reserved for LT Loans	1,258,746	-	-	-	-	1,258,746	-	242,782	1,501,528
2014 Applied Fund Balance	1,000,000	-	-	-	-	1,000,000	556,039	-	1,556,039
Bond Rating	8,332,991	6,967,059	6,942,554	11,447,114	1,960,848	35,650,566	-	1,504,887	37,155,453
Working Capital - 3%	2,499,897	2,090,118	2,082,766	3,434,134	588,254	10,695,169	-	1,135,832	11,831,001
Reserve for Prop Tax Appeals	2,814,921	792,138	1,196,505	1,179,828	273,429	6,256,821	-	3,179	6,260,000
2006 TAPS - TBD	2,297,320	532,278	846,806	777,247	169,361	4,623,012	-	-	4,623,012
Unreserved	9,151,491	(2,205,946)	2,327,330	(1,608,597)	855,522	8,519,800	(3,397,810)	9,844,371	14,966,361
Fund Balance - Dec 31	28,786,654	8,175,647	13,395,961	15,229,726	3,847,414	69,435,402	(2,841,771)	12,731,051	79,324,682

■ All Other Funds: LRSAs, P&F Med Admin

2013 Fund Balance Set Asides for Potential Property Tax Appeals

■ 2012

- Total at risk for property tax refunds - \$15M
 - ✓ Reserved \$10.7M
 - TAPS AK Supreme Court
 - Other outstanding property assessment appeal cases

■ 2013

- Several cases have been resolved
 - ✓ 2006 TAPS - \$4.6M
 - ✓ Gallen
 - ✓ Enstar
- Total set aside for year end 2013 is \$6.2M; TAPS related

Discussion of 2006 \$4.6 M TAPS Case Resolution

- Legal identity of various funds must be maintained if appropriation is done directly from the originating fund
- A deposit into MOA Trust/Reserve requires separate accounting/spending by fund
- \$4.6M was designated as unassigned for 2013 CAFR; falls to fund balance
 - Option: Appropriate from areawide into either trust
 - ✓ The funding status of the other funds impacts property taxes to be collected
- Spending from MOA Trust requires a ballot vote
- Spending from MOA Trust Reserve can be appropriated by Assembly

1Q Revised Budget



MOA General Government Overall Summary

	2014 Approved Budget	2014 1Q Recom Budget	\$ Delta to Approved Budget
in million\$			
<u>Revenues</u>			
Property Taxes	\$ 261.0	\$ 257.9	\$ (3.1)
Other Local Revenues	172.1	171.9	(0.2)
IGC	36.1	36.0	(0.1)
Fund Balance	2.1	15.7 *	13.6
Total Revenues	\$ 471.3	\$ 481.5	\$ 10.2
<u>Expenditures</u>			
Labor	\$ 260.3	\$ 259.8	(0.5)
Debt Service	55.6	55.4	(0.2)
Non-Labor / Other	155.4	155.8	0.4
Sub Total	\$ 471.3	\$ 471.0	\$ (0.3)
One-Time Expenditures	-	3.4 *	3.4
Running Sub Total	\$ 471.3	\$ 474.4	\$ 3.4
Savings: MOA Reserve	-	2.5 *	2.5
TAPS Set-Aside to 730	-	4.6 *	4.6
Total Expenditure Budget	\$ 471.3	\$ 481.5	\$ 10.5

* adjusted to reflect updated available fund balance and \$100K ER, \$195K FD and \$346K PD academies S version amendments.

MOA General Government Revenue Adjustments

Changes to 2014 Approved Budget

	in thousand\$
<u>Within Tax Cap</u>	
Auto Tax	\$ 149
Tobacco Tax	782
Motor Vehicle Rental Tax	380
MUSA / MESA / 1.25% Gross Receipts	(859)
Total	\$ 452
<u>Other Revenue</u>	
Hotel / Motel Tax	\$ (286)
Utility Dividend	(215)
P&I on Delinquent Taxes	(66)
SOA Traffic Court Fines	235
SOA Trial Court Fines	(73)
APD Counter Fines	(284)
DWI Impound/Admin Fees	(151)
Taxi Cab Permits	183
Taxi Inspection Revenue	142
Other Revenue Adjustments	(64)
Total	\$ (579)
Grand Total	\$ (127)

MOA General Government

2014 Ongoing Expenditure Adjustments

	in thousand\$
<u>Increases</u>	
Elections Supervisor	\$ 53
Structural Inspector	91
Payroll Adjustments	20
IT Helpdesk	106
Fire Department Overtime	2,500
Code Enforcement Officer	73
Total	\$ 2,843
<u>Decreases</u>	
Wage Alignment	\$ (3,413)
IT Depreciation	(858)
Total	\$ (4,271)

MOA General Government

Proposed use of 2013 Unreserved Fund Balance: \$13.1M

In thousands. Adjusted to reflect updated available fund balance.

Property Tax Relief

5 Majors	\$ 2,661
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Contribute to MOA Trust

TAPS Set-aside	\$ 4,623
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Contribute to MOA Trust Reserve

Savings	\$ 2,533
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2013 Carry into 2014

Ship Creek	400
Youth Court	205
Legal eDiscovery Software	266
Total	\$ 871

2014 One-Time

November Election	436
Electronic Plan Review	500
Wetlands Classification and Mapping	25
ER Support-Labor	300 *
Fire Academy	320 *
Employee Parking	17
Legal Fees Kennedy	116
Police Academy	396 *
Mayor's Community Grants	100
Centennial Fund	250
Total	\$ 2,460

* \$100K ER, \$195K FD and \$346K PD amendments in S version

Tax Limit Calculation

	2013	2014
34 Limit on ALL Taxes that can be collected	290,533,971	308,241,186
35		
36 <u>Step 5: To determine limit on property taxes, back out other taxes</u>		
37 Payment in Lieu of Taxes (State & Federal)	(794,746)	(800,290)
38 Automobile Tax	(11,300,053)	(11,448,632)
39 Tobacco Tax	(22,019,634)	(23,001,852)
40 Aircraft Tax	(210,000)	(210,000)
41 Motor Vehicle Rental Tax	(4,970,037)	(5,449,649)
42 MUSA/MESA	(20,556,995)	(22,091,221)
43 Step 5 Total	(59,851,465)	(63,001,644)
44		
45 Limit on PROPERTY Taxes that can be collected	230,682,506	245,239,542
46		
47 Add MOA use of ASD 2013 Unusable Tax Capacity	7,068,444	-
48		
49 Limit on PROPERTY Taxes that can be collected (with ASD capacity)	237,750,950	245,239,542
50		
51 <u>Step 6: Determine property taxes to be collected if different than Limit on Property Taxes that can be collected</u>		
52 Property taxes to be collected based on spending decisions minus other available revenue.		
53		
54 Property taxes TO BE COLLECTED	237,750,950	241,317,214
55		
56 Amount below limit on property taxes that can be collected ("under the cap")	-	(3,922,328)

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 2014 total property taxes "outside the cap" is **\$16,594,588**, making the total of all property taxes to be collected for General Government **\$257,911,802**.

Line numbers refer to lines on actual tax limit calculation

Tax Payer Impact: MOA & ASD*

Total Taxes to be Collected

in million\$	2013	2014	Difference
MOA	\$ 253.2	\$ 257.9	\$ 4.7
ASD	236.7	233.6	(3.1)
Total	\$ 489.9	\$ 491.5	\$ 1.6

Average Mill Levies

	2013	2014	Difference
MOA	7.87	7.70	(0.17)
ASD	7.35	6.97	(0.38)
Total	15.22	14.67	(0.55)

**Impact to
\$100,000
Assessed
Value
=
(\$55.00)**

Impact: \$55 decrease / \$100,000 assessed value*

* assessed values at 04/11/2014

*** Excludes impact of any changes to BSA**

Options to Address Uncertain BSA

**Situation: ASD Local Contribution is not final until governor approves SOA budget in July.
MOA sends out tax bills on May 15. Timing difference**

Possible Scenario: BSA increases by \$200 per student.

- ✓ **ASD receives additional SOA funding of \$15 Million**
- ✓ **MOA has option to increase property taxes by \$3.4M (\$1.7 half fiscal year)**

A. Increase 2014 taxes by \$1.5 M

- ✓ **Use MOA reserve already established for fluctuating open enrollment. \$700k is currently budgeted**
- ✓ **Increase Property Taxes by \$1.5 million and hold in reserve**
- ✓ **Total ASD reserve = \$2.2 M**

B. Bill up to \$1.5M tax increase in 2015

- ✓ **Increase 2015 mil rate**
- ✓ **Manage minor cash shortfall to ASD as interfund loan**
- ✓ **Forgive any interest**

C. Do Nothing; Chose to not tax the maximum

Tax Payer Impact: MOA & ASD

Assumes \$1.5M Increased 2014 Taxes for ASD

Total Taxes to be Collected

in million\$	2013	2014	Difference
MOA	\$ 253.2	\$ 259.4	\$ 6.2
ASD	236.7	233.6	(3.1)
Total	\$ 489.9	\$ 493.0	\$ 3.1

Average Mill Levies

	2013	2014	Difference
MOA	7.87	7.74	(0.13)
ASD	7.35	6.97	(0.38)
Total	15.22	14.72	(0.50)

*Impact to
\$100,000
Assessed
Value
=
(\$50.00)*

Impact: \$50 decrease / \$100,000 assessed value*

* assessed values at 04/11/2014

*** Includes ½ of \$3M impact of any changes to BSA**

Enterprise and Utility Funds



Enterprise/Utility – 2013 Year End

■ AWWU –

- **Water Utility – \$12M net income; \$5.6M more than budgeted**
 - ✓ Expenses were \$5.3M less than the 2013 revised budget
 - Labor (\$1.6M), Non Labor (\$2.3M), Non Operating Expenses (\$1.4M)
 - Vacancies higher than expected, RCA costs less than normal
- **Wastewater Utility – \$8.1M net income; \$3M more than budgeted**
 - ✓ Expenses were \$2.2M less than the 2013 revised budget
 - Labor (\$.5M under budget), Non Labor (\$1M), Non Operating Expenses (\$1.4M)

■ ML&P – \$5.8M net income; \$11M less than budgeted

- ✓ Expenses were \$11.2M less than 2013 revised budget
 - Labor (\$2.3M), Non Labor (\$11.8M) ➡ Gas Reduced Purchase Expense (\$7.1M), Non Operating Expenses (\$2.9M)
- ✓ Less Re-Sales - \$18M

Enterprise/Utility – 2013 Year End

- **Port – (\$1.1M) net loss; \$1.3M less than budgeted**
- **Merrill Field – (\$1.9M) net loss; (\$3.0M) was budgeted**
 - ✓ Did not receive revenue from the FAA land swap
- **SWS –**
 - **Disposal Utility - \$7.3M net income; \$3.4M more than budgeted**
 - ✓ Revenues \$2.1M increase due to contribution Doyon gas (one time)
 - ✓ Expenditures were \$.5M less than 2013 revised budget
 - Labor (\$300k), Non Labor (\$200k)
 - Vacancies, all categories of non labor were less than budgeted
 - **Refuse Collection Utility - \$24k net income; \$330k less than budgeted**
 - ✓ Labor less than 2013 revised budget - \$146k
 - ✓ Non-Labor less than 2013 revised budget - \$110k

Enterprise/Utility – 2014 1Q Budget

- **AWWU – Increase net income**
 - **Water Utility – Increase net income \$1M by reducing budgeted expenses**
 - ✓ Labor (\$970k)- wage alignment to actuals
 - ✓ Non Labor (\$50k); MUSA payment, IGC
 - **Wastewater Utility – Increase net income \$710k**
 - ✓ Labor (\$892k) – wage alignment to actuals
 - ✓ Non Labor \$181k increase, MUSA, IGC
- **ML&P – Increase net income (\$1.6M)**
 - ✓ Labor decrease (\$1.1M) – wage alignment to actuals
 - ✓ Non Labor (\$479k) –MUSA payment, IGC

Enterprise/Utility – 2014 1Q Budget

- **Port of Anchorage - Increase net income (\$200k)**
 - ✓ Reduced expenses (\$214k) – labor, MESA, & IGC
- **Merrill Field Airport – Increase net income (\$12k)**
 - ✓ Reduced expenses (\$13k) – labor, MESA, & IGC
- **SWS**
 - Disposal Utility – Increase net income (\$1.1M)
 - ✓ Labor, MUSA, & IGC
 - Refuse Collection Utility – Decrease net income (\$78k)
 - ✓ Labor, MUSA, & IGC

