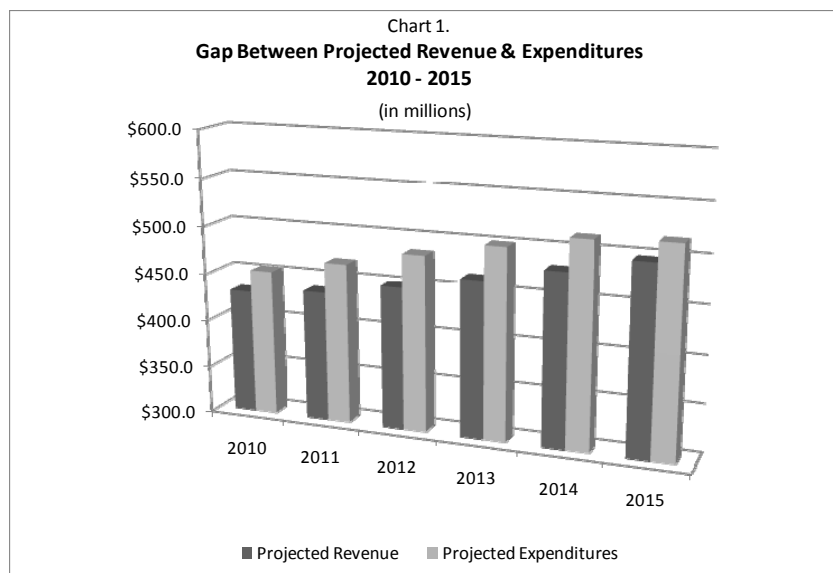


OVERVIEW

Past Budgets / Forecasted Challenges

Mayor Sullivan took office on July 1, 2009. Three months later he was required to propose the Municipality's 2010 budget.

What quickly became clear during the budget's development was that the Municipality was at an important juncture in its fiscal future. It faced dramatic cost increases in not only 2010, but every year thereafter due to labor contracts negotiated in 2008 by then-Mayor Begich. The bottom line was that the increased cost of salary and benefits alone for 2010 was \$12 million—with a cumulative increased cost of an additional \$175 million over the next five years. In addition, another \$12 million had to be paid in 2010 to the Police and Fire Retirement Trust Fund due to its loss in value from investment performance. Similar extraordinary payments were expected for the next five years.



For 2010, the price tag to continue the same level of services (a “continuation level” budget) jumped up to an increase of \$28.6 million due to increased debt service. Projected revenue for 2010 was not nearly enough to cover these increases. The same would be true every year thereafter—even if maximum property taxes were collected each year.

Chart 1 illustrates this challenge and identifies the recurring gap between a continuation level of spending and revenue from 2010 to 2015.

It was clear that Anchorage didn't have a one-time revenue problem; it had a long-term spending problem.

For 2010, the Mayor proposed and the Assembly approved \$19 million in spending reductions and limited property taxes to a 2.13% increase. The operating budget was flat when compared to 2009. This was step one in efforts to secure fiscal stability.

Challenge Continued in 2011

Fast forward a year and it was time to again prepare a balanced budget. A continuation level budget was projected to cost nearly \$29 million more than 2010. An additional \$15.2 million was required to pay increased salaries and benefits and another \$13.7 million was needed to pay voter-approved debt service. The challenge was the same—costs far outstripped revenue.

Citizen Input: Community Budget Dialogues

Given the recurring nature of the challenge, the Mayor wanted to engage citizens in talking about the choices that would be required. The Mayor convened four community dialogues in August 2010 at which citizens learned about the budget challenge and discussed choices between spending reductions and increased revenue. Over 350 people discussed the trade-offs between the two.

Out of the dialogue came some key recommendations that guided the Mayor's budget decision-making. Spending recommendations included:

- Anchorage residents don't want large service cuts—instead they want the city to first address inefficiencies;
- If cuts must be made, take them from administrative/support services, the Maintenance and Operations Department, and the Police Department; and
- Strong support for maintaining—and possibly expanding—essential services such as fire protection, police (after efficiency measures are in place), public transportation, and Health and Human Services programs.

Recommendations regarding revenue included:

- Residents generally are willing to raise taxes to maintain essential services—but the city should not continue to rely primarily on property taxes;
- Support for user fees;
- Strong support for an alcohol excise tax; and
- Support for a sales tax—but there was strong opposition too.

The proposed 2011 budget reduced \$14.8 million from the continuation level of spending. The Assembly approved increases in a number of user fees—from Parks to false alarms to vehicle registration taxes. The approved budget ended up \$14.3 million lower than continuation.

Becoming the B.E.S.T.

At the community dialogues citizens said that they want assurances that government is operating efficiently before they would be willing to pay increased taxes.

To that end, the Mayor has launched the B.E.S.T. (Building Efficient Services Today) project that involves a number of cost-savings initiatives that leverage technology, consolidate resources, and streamline business processes. Last year, the city provided pay advices on-line instead of delivering print copies to each employee every payday. The city also implemented an on-line notification system for public notices instead of expensive newspaper advertisements. In November 2010, employees updated benefit information on-line; previously paper applications were completed that then were entered manually into the electronic personnel system.

But these were initial steps. Major transformations are underway that further leverage technology to improve efficiency, accountability, and achieve permanent budget savings. Processes being re-engineered include electronic timesheets and absence management (to be completed in 2012) and replacement of the Municipality's ERP system (accounting, human resources, purchasing, budgeting) that got underway in September 2011 and will go live in 18 months. The ERP project will result in significantly more efficient, paperless processes that will deliver improved service and save taxpayer dollars.

The Mayor also wanted to tap into private sector expertise to learn how the city's maintenance operations can become one of the best and also save money. CH2M Hill was awarded a contract to review current maintenance operations—from fleet to facilities to grounds—and identify strategies by which the city can be more efficient and maintain or improve service. Recommendations are expected by December 31, 2011.

Accountability for Results

In 2010 the Mayor launched an initiative by which departments report on the effectiveness of programs. This accountability initiative, called “Anchorage: Performance. Value. Results.” (PVR) reports the “return on investment” for citizens of their tax dollars—it reports the value being delivered for the dollars spent.

Departments report their respective results through a strategic framework that includes its purpose, services, goals, performance measures and performance data that tracks how well the goals are being achieved. Performance data is updated throughout the year, reviewed with the Mayor, and can be viewed at www.muni.org.

Citizens Guide to the Budget

In advance of proposing the 2012 budget, the Mayor launched a new budget website. The “Citizens Guide to the Budget” includes background information about the budget process, how to get/stay involved in it, and background information about the current 2011 budget. It will be the clearinghouse for key information about the 2012 budget throughout the year and can be viewed at www.munibudget.org.

Mayor's Proposed 2012 General Government Operating Budget

Just as in the last two years, a continuation budget to fund the same level of service in 2012 was projected to increase \$19.5 million:

- \$12.4 million for salary and benefits
- \$1 million for contractual and other obligations; and
- \$6.1 million for debt service on voter-approved bonds.

At the same time, property tax revenue could only increase \$4.6 million even if the Municipality taxed the full amount allowed under the Tax Limit and other revenue was expected to increase about \$4.5 million. Additionally, fund balance use of \$4.7 million in 2011 could not carry forward to 2012.

Once again, the cost to maintain the status quo far exceeded revenue. A total of \$15.0 million in savings had to be found.

Mayor's Priorities

2012 Budget Challenge (in million\$)	
2011 Total Budget	\$ 443.2
Spending Increases	
Labor	\$ 12.4
Non-Labor	1.0
Debt	6.1
Continuation Level	\$ 462.7
Funding Changes	
Tax to Cap	\$ 4.6
Non-property taxes	4.5
2011 Fund Balance Use (net)	(4.7)
Continuation Revenue	\$ 4.4
2012 Challenge - \$15.0	

The Mayor's goal was to propose a budget that met his commitment to public safety. In 2011, 29 new firefighters and safety officers were added to the budget. While a Federal grant pays 60% of their cost, an additional \$1.7 million in local funds is required in 2012 to cover the full year cost of the additional fire fighters.

Also, a 28-person Police Academy was funded in the 2011 Revised Budget, with another 2 recruits added, all to start in October 2011. The full-year Academy cost in 2012 adds \$1.3 million to the budget.

But in addition to limited revenue and these and other required increases, the Mayor still was determined to minimize the impact on direct services from budget reductions.

Developing the 2012 Budget

Given this challenge, the Mayor asked each department to identify potential reductions to cover these and other increased costs. In the summer he met with department directors to discuss their ideas. Some of the proposals impacted the level of service that would be delivered to citizens. As an alternative, the Mayor asked OMB to "scrub" current year spending.

OMB examined each department's actual level of expenditure in prior years as compared to the amount that was budgeted. This quickly identified several areas that had been budgeted too high, which helped target areas for further analysis. This effort resulted in substantial savings as discussed below.

Scrubbing the Numbers: Budgeting for Leave

One area in which departments have consistently come in lower than the amount budgeted is leave cash-out. While leave taken is included in the amount budgeted for salaries, employees may also cash out accrued leave. As a result, an additional percentage of salary cost is budgeted to cover the cost of the additional leave cashed out.

In 2010 a total of \$10.0M was budgeted for leave cash-out—but only \$4.3M was spent (unspent funds go into the treasury at the end of the year and are available to help pay for the following year's budget). The same situation—departments coming in under-budget in leave cash-out accounts—were true in prior years.

To correct this, a new formula is used in 2012 based on each department's prior year actual experience. For 2012, this resulted in a \$6.5 million savings—with no impact on services to citizens.

This lower rate of spending also meant that leave cash-out was over-budgeted in 2011 too. Current year expenditures were analyzed and \$4.1 million in savings for the current year was identified. As part of the 2012 proposed budget, this savings is pledged as revenue to support the 2012 budget. (Using fund balance in this way typically is a process each April during first quarter budget revisions when unspent funds such as these are applied as a revenue to the budget.)

Scrubbing the Numbers: Non-Labor Costs

Departments also closely examined historical spending in non-labor expenditures, such as utilities, travel, and contracts, to identify accounts that might historically be under-spent. OMB used a 3-year average historical spend rate to identify such savings for 2012. This process resulted in a \$1.2 million savings—with no impact on services to citizens.

Other Savings

While substantial savings were realized by adjusting leave cash-out and scrubbing non-labor costs, more reductions were still necessary to balance the budget. As a result, some department programs will need to be realigned and staff reductions made and every effort is being made to minimize the impact on the level of direct services to citizens.

Balanced Budget Achieved

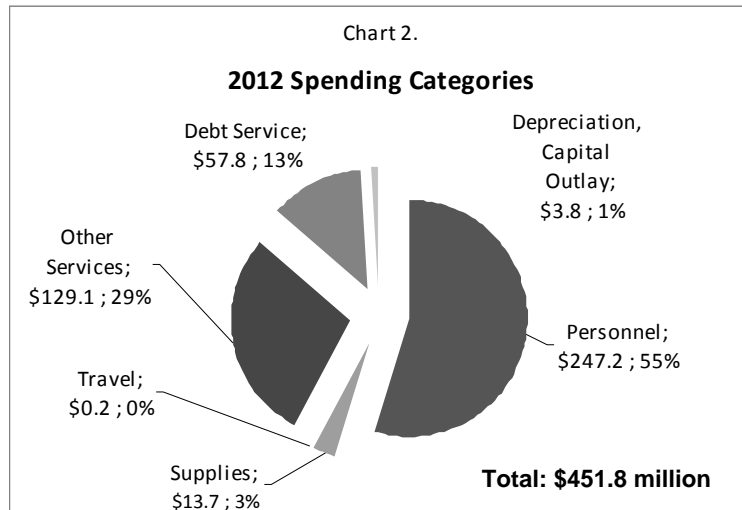
The result of these efforts is a budget that meets the Mayor's priorities:

- Enhanced public safety with 29 new firefighters and 30 new police officers;
- Minimal, if any, impact on direct services delivered to citizens; and
- Property tax increase that is about half the rate of inflation.

Meeting 2012 Challenge	
Spending savings	
Leave cash-out adjustment	\$ 6.5
Non-labor "scrub"	1.2
Other areas (net)	3.2
Revenue	
2011 leave cash-out applied	\$ 4.1
Challenge Met	\$ 15.0

2012 Spending Details

The 2012 proposed budget is \$451.8 million, a 1.9% increase above 2011. As shown in Chart 2, the largest cost is \$247.2 million for salaries and benefits, which makes up 55% of spending.



The second largest is \$129.1 million (29%) for other services (leases, contracts, utilities, etc.). A breakdown of these spending categories by department is in Appendix A.

Table 2 breaks down the operating budget by department (excluding debt service), which shows:

- Police Department has the largest share of the budget with \$92.3 million (20%);
- Fire Department has the second largest at \$81.1 million (18%);
- Public Works has the third largest with \$63.4 million (14%);
- Debt service costs have the fourth largest slice with \$57.8 million (13%); and
- Budgets for all other departments total \$157.2 million (35%) of the budget.

Table 2.

2012 Proposed Budget by Department / Debt Service

Police	\$92,296,519	20.43%	Health & Human Services	\$11,369,259	2.52%
Fire	\$81,051,420	17.94%	Real Estate	\$8,012,209	1.77%
Public Works	\$63,415,628	14.04%	Library	\$7,704,877	1.71%
Debt Service	\$57,810,046	12.80%	Municipal Attorney	\$7,500,119	1.66%
Public Transportation	\$20,951,916	4.64%	Assembly	\$2,798,381	0.62%
Municipal Manager	\$20,338,403	4.50%	Mayor	\$2,179,399	0.48%
Parks & Rec	\$16,761,438	3.71%	Employee Relations	\$2,189,122	0.48%
Information Technology	\$14,856,429	3.29%	Purchasing	\$1,760,416	0.39%
Community Development	\$13,903,896	3.08%	Management & Budget	\$843,933	0.19%
Convention Ctr Reserve	\$12,330,090	2.73%	Equal Rights	\$715,248	0.16%
Finance	\$11,749,633	2.60%	Chief Fiscal Officer	\$635,140	0.14%
			Internal Audit	\$577,863	0.13%

A comparison of the appropriation level by department is included at the end of this Overview section.

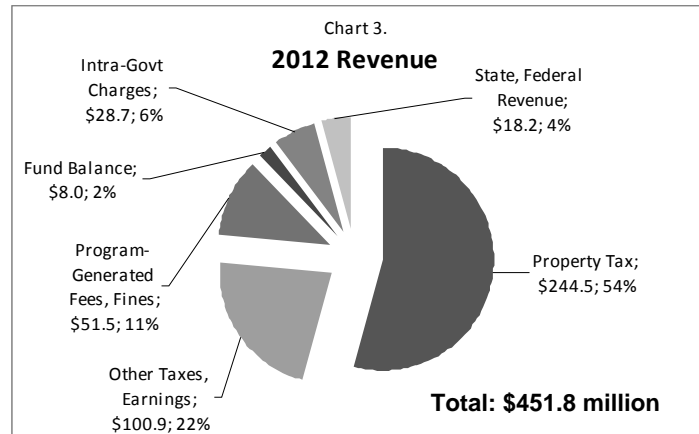
2012 Revenue Details

The Mayor is required to propose a balanced budget because the Charter prohibits the city from incurring debt without voter approval. As a result, the budget identifies \$451.8 million in revenue from six major sources as displayed in Chart 3. Of this, \$244.5 million (54%) is from property taxes.

Property Taxes - \$244.5 million

The amount of taxes the Municipality collects is governed by a Tax Limit that calculates two numbers important to the budget and taxpayers:

- The maximum amount of all taxes that the city can collect; and
- The maximum amount of property taxes that can be collected.



The preliminary 2012 Tax Limit calculation shows that \$287.0 million in all taxes can be collected (not subject to the Tax Limit is another \$16.1 million in mill levies set by service area boards). This is a \$9.5 million increase above the limit of all taxes that could have been collected in 2011. But at the same time, there is a \$2.2 million decrease in the maximum amount of property taxes that can be collected in 2012.

The reason for an increase in one limit and a decrease in the other is the core of the Tax Limit's design. Every dollar of a non-property tax replaces a dollar of property tax. The \$3.8 million increase in vehicle registration taxes projected in 2012 automatically replaces \$3.8 million in property taxes. Most significant, is the third and final year of phasing in Proposition 9, approved by voters in 2009, that put revenue from utility/enterprise payments-in-lieu-of-taxes under the Tax Limit. A total of \$21 million in these payments will replace \$21 million in property taxes in 2012.

The Mayor's proposed 2012 budget relies on \$244.5 million in property taxes, which is \$1.5 million below the maximum allowed under the preliminary 2012 Tax Cap. It is a \$3.7 million (1.5%) increase from the amount of total property taxes collected in 2011. Table 3 describes the taxpayer impact per \$100,000 of assessed property valuation.

Table 3.

Property Tax Impact			
	2011	2012	Change
Tax Per \$100,000 Assessed Value	\$766.00	\$773.00	\$7.00
<i>(Excludes Anchorage School District)</i>			

Other Revenue - \$170.5 million

In 2012 there is a \$4.5 million increase in this category of revenue, which includes:

- State and Federal revenue;
- Other non-property taxes and interest earnings; and
- Program-generated revenue such as user fees.

State and Federal Revenue - \$18.2 million

State Revenue – A total of \$16.6 million is expected, primarily from a program by which the State shares revenue with local governments. In 2012 the same level (\$15 million) is expected as received in 2011 (the Municipality also received \$5 million in one-time funding in 2011).

Federal Revenue – A total of \$1.6 million is expected, which compares to \$2.1 million in 2012. Much of the difference is due to a \$417,000 reduction in the Build America Bonds subsidy and \$139,000 less in Payments-in-Lieu-of-Tax.

Other Taxes, Investment Earnings - \$100.9 million

Revenue from other taxes that have substantively changed in 2012 includes:

Automobile Registration Tax – A total of \$8.8 million is expected for an additional \$3.8 million due to an increase in rates approved by the Assembly in 2010.

Tobacco Tax – A total of \$20,950,000 is expected, which is a decrease of \$350,000 when compared to 2011;

Motor Vehicle Rental Tax – A total of \$5.2 million is expected, representing an increase of \$420,600 in 2012;

MUSA/MESA – This is a payment-in-lieu-of-(property) taxes paid by municipal-owned utilities and enterprises. In 2012 these payments will total \$21.1 million, which is \$1.3 million higher than 2011;

Hotel/Motel Room Tax – A total of \$21.6 million from this 12% tax is expected in 2012 for a \$1.8 million increase. Revenue from the tax is split three ways—4% to tourism marketing; 4% for Dena'ina Center debt; and 4% to general government; and

Investment Earnings – This category of revenue includes interest earnings on management of municipal cash pools and a dividend paid from MOA's Trust Fund (created with the proceeds from the sale of the Anchorage Telephone Utility). A total of \$4.1 million in revenue is expected in interest earnings, which is \$854,400 less than 2012; the MOA Trust Fund dividend will be \$4.9 million, which is \$100,000 lower.

Program-Generated Revenue - \$51.5 million

This category includes fees paid for services, such as bus fare, land use permits, and fines (traffic tickets, late library books). This category of revenue provides \$51.5 million in total revenue, which is \$1.2 million less than 2011 due to the following:

Court Fines – A decrease of \$720,000 is anticipated for a total of \$3.8 million. The reduction is due to a smaller Permanent Fund dividend projected for 2012, which will reduce the amount that can be garnished from those that fail to pay these fines;

E-911 Surcharge – A total of \$6.8 million is expected in 2012, which is a decrease of \$329,100 due to a leveling off in the number of cell phones; this compares to an annual increase of 3% in previous years;

Parking Enforcement Fees – A \$432,100 decrease is expected due to APD no longer writing parking tickets downtown; the revenue now will go to the Anchorage Community Development Authority; and

Lease and Rental Revenue – There is a \$203,400 increase from rental of municipal-owned property, which will bring this category's total revenue to \$464,200.

Intra-Governmental Charges (IGCs) - \$28.7 million

In 2012, IGCs will generate \$28.7 million in revenue which is \$1.3 million more than in 2011. IGCs are charges for services provided by one Municipal organization to another. For example, the Maintenance and Operations Department maintains all general government buildings. Maintenance costs are budgeted in Maintenance and Operations and “charged out” through IGCs to the appropriate users. By using an intra-governmental charge system, the full cost of a program—including overhead—is linked to the program. This system also allows departments to properly charge Municipal utilities, grants, and capital projects for services.

Fund Balance - \$8.1 million

Several programs generate revenue that is placed in a self-sustaining fund to pay operating costs. For example, the Heritage Land Bank that gets revenue from the sale of municipal property; Development Services gets revenue from construction-related permits; the Dena'ina Center gets bed tax revenue to pay its debt service. A total of \$4.0 million is expected to be used by such funds in 2012.

At the end of year unspent funds also fall into this category of revenue. These balances then are used to pay for the following year's budget, which reduces the amount of revenue from other sources that otherwise would be required. For 2012, the budget proposes to use \$4.1 million in fund balance that is anticipated to be unspent at the end of 2011 due to over-budgeting leave cash-out as discussed earlier.

Summary Reconciliation of 2011 Revised to 2012 Proposed

Department	2011 Revised Budget	Continuation Level Adjustments			Continuation Level	Additional Changes	2012 Proposed Budget	%Δ
		Salary, Benefits	All Other	Subtotal				
Assembly	2,600,641	159,974	-	159,974	2,760,615	37,766	2,798,381	7.6%
Chief Fiscal Officer	485,366	10,096	-	10,096	495,462	139,678	635,140	30.9%
Community Development	14,335,001	608,773	(88,540)	520,233	14,855,234	(892,078)	13,963,156	-2.6%
Employee Relations	2,256,775	98,760	-	98,760	2,355,535	(166,413)	2,189,122	-3.0%
Equal Rights Commission	676,331	60,352	-	60,352	736,683	(21,435)	715,248	5.8%
Finance	12,063,732	540,070	-	540,070	12,603,802	(476,415)	12,127,387	0.5%
Fire	73,064,907	2,845,238	362,696	3,207,934	76,272,841	1,574,293	77,847,133	6.5%
<i>Fire - Police/Fire Retirement</i>	8,713,855	-	-	-	8,713,855	(740,347)	7,973,508	-8.5%
Health and Human Services	12,536,491	310,084	43,510	353,574	12,890,065	(1,204,469)	11,685,596	-6.8%
Information Technology	15,350,495	314,133	52,036	366,169	15,716,664	(397,322)	15,319,342	-0.2%
Internal Audit	535,762	60,103	-	60,103	595,865	(18,002)	577,863	7.9%
Library	7,742,765	341,204	(27,000)	314,204	8,056,969	(352,092)	7,704,877	-0.5%
Management and Budget	912,499	(22,022)	-	(22,022)	890,477	(46,544)	843,933	-7.5%
Mayor	1,702,039	121,443	-	121,443	1,823,482	(124,583)	1,698,899	-0.2%
<i>Community Grants</i>	480,500	-	-	-	480,500	-	480,500	0.0%
Municipal Attorney	7,342,483	195,924	163,700	359,624	7,702,107	(201,988)	7,500,119	2.1%
Municipal Manager	22,025,020	111,340	336,189	447,529	22,472,549	(159,847)	22,312,702	1.3%
Parks and Recreation	19,921,915	538,916	405,344	944,260	20,866,175	(636,668)	20,229,507	1.5%
Police	82,927,404	4,192,166	(67,660)	4,124,506	87,051,910	(3,743,046)	83,308,865	0.5%
<i>Police - Police/Fire Retirement</i>	10,175,537	-	-	-	10,175,537	(659,472)	9,516,065	-6.5%
Public Transportation	21,251,109	683,685	95,277	778,962	22,030,071	(498,112)	21,531,959	1.3%
Public Works	104,613,880	1,120,595	4,909,362	6,029,957	110,643,837	(2,335,830)	108,308,007	3.5%
Purchasing	1,581,159	22,815	-	22,815	1,603,974	156,442	1,760,416	11.3%
Real Estate	7,834,255	41,128	290,542	331,670	8,165,925	(153,716)	8,012,209	2.3%
Department Subtotal	431,129,921	12,354,757	6,475,456	18,830,213	449,960,134	(10,920,200)	439,039,934	
Convention Center Reserve	11,700,574	-	629,516	629,516	12,330,090	-	12,330,090	5.4%
TANS Areawide Expense	381,360	-	-	-	381,360	-	381,360	0.0%
Subtotal	12,081,934	-	629,516	629,516	12,711,450	-	12,711,450	
Total	443,211,855	12,354,757	7,104,972	19,459,729	462,671,584	(10,920,200)	451,751,384	1.9%

Personnel Summary by Department

Department	2011 Revised Budget					2012 Proposed Budget				
	FT	PT	Seas	Temp	Total	FT	PT	Seas	Temp	Total
Assembly	23	-	-	-	23	23	1	-	-	24
Chief Fiscal Officer	2	-	-	-	2	2	-	-	-	2
Community Development	103	2	-	-	105	100	1	-	-	101
Employee Relations	16	4	-	-	20	16	4	-	-	20
Equal Rights Commission	5	2	-	-	7	5	2	-	-	7
Finance	84	16	-	-	100	84	15	-	-	99
Fire	389	2	-	-	391	387	2	-	-	389
Health and Human Services	54	7	1	-	62	48	8	-	1	57
Information Technology	58	17	-	-	75	57	17	-	-	74
Internal Audit	4	1	-	-	5	4	1	-	-	5
Library	64	29	-	-	93	63	28	-	-	91
Management and Budget	6	1	-	-	7	5	1	-	-	6
Mayor	7	1	-	-	8	7	1	-	-	8
Municipal Attorney	53	5	-	-	58	53	5	-	-	58
Municipal Manager	16	2	-	-	18	15	2	-	-	17
Parks and Recreation	69	50	162	33	314	63	43	182	35	323
Police	553	-	-	-	553	544	-	-	-	544
Public Transportation	145	-	-	-	145	145	-	-	-	145
Public Works	245	2	16	3	266	240	2	16	3	261
Purchasing	13	1	-	-	14	15	1	-	-	16
Real Estate	8	-	-	-	8	7	-	-	-	7
Total General Government	1,917	142	179	36	2,274	1,883	134	198	39	2,254

**Preliminary 2012
Tax Limit Calculation**

Anchorage Municipal Charter 14.03 and Anchorage Municipal Code 12.25.040

Line		2011 Revised	2012 Proposed
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)
16	Step 2 Total	(36,562,018)	(49,705,935)
17			
18	Tax Limit Base (before Adjustment for Population and CPI)	\$ 217,846,083	\$ 221,011,084
19			
20	<u>Step 3: Adjust for Population, Inflation</u>		
21	Population 5 Year Average	1.00% 2,178,460	0.70% 1,547,080
22	Change in Consumer Price Index 5 Year Average	2.60% 5,664,000	2.50% 5,525,280
23	Step 3 Total	3.60% 7,842,460	3.20% 7,072,360
24			
25	The Base for Calculating Following Year's Tax Limit	\$ 225,688,543	\$ 228,083,444
26			
27	<u>Step 4: Add Taxes for Current Year Items Not Subject to Tax Limit</u>		
28	New Construction	1,657,790	2,195,450
30	Taxes Authorized by Voter-Approved Ballot - O&M	477,916	723,945
31	Taxes Authorized by Voter-Approved Ballot - O&M Reserves (One-Time)	440,000	440,000
32	Judgments/Legal Settlements (One-Time)	118,550	25,050
33	Debt Service (One-Time)	49,147,385	55,513,494
37	Step 4 Total	51,841,641	58,897,939
38			
39	Limit on ALL TAXES that can be collected	\$ 277,530,184	\$ 286,981,383
40			
41	<u>Step 5: To determine limit on property taxes, back out other taxes</u>		
42	Payment in Lieu of Taxes (State & Federal)	(919,000)	(780,000)
43	Automobile Tax	(5,040,000)	(8,800,000)
44	Tobacco Tax	(21,300,000)	(20,950,000)
45	Aircraft Tax	(210,000)	(210,000)
46	Motor Vehicle Rental Tax	(4,753,653)	(5,174,208)
47	MUSA/MESA	(13,187,332)	(21,120,375)
48	Step 5 Total	(45,409,985)	(57,034,583)
49			
50	Limit on PROPERTY TAXES that can be collected	\$ 232,120,199	\$ 229,946,800
51			
52	<u>Step 6: Determine property taxes to be collected if different than Limit on Property Taxes that can be collected</u>		
53	Property taxes to be collected based on spending decisions minus other available revenue.		
54			
55	Property taxes TO BE COLLECTED	\$225,307,034	\$228,420,331
56			
57	Amount below limit on property taxes that can be collected ("under the cap")	(6,813,165)	(1,526,469)

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 \$16,096,785, making the preliminary total of all property that can be collected \$246,043,585.