

SIX-YEAR FISCAL PROGRAM

2021 – 2026



Municipality of Anchorage

Austin Quinn-Davidson
Acting Mayor

Preface

In accordance with the Municipal Charter 13.02, the Mayor is required to submit to the Assembly a “six-year program for public services, fiscal policies, and capital improvements of the municipality. The program shall include estimates of the effect of capital improvement projects on maintenance, operation, and personnel costs.”

Like all responsible governments, the Municipality of Anchorage must provide its citizens with an acceptable level of critical public services. The purpose of the Six-Year Fiscal Program is to provide a financial plan for review and consideration in response to services required by the public.

The Six-Year Fiscal Program encourages a balanced approach towards responding to ever changing fiscal conditions. Achieving balance starts with a mindful approach and engaged activities to keep the cost of local government in focus. In addition to cost containment, other fiscal strategies include economic development, expenditure reductions, and revenue enhancements. Key strategic policy decisions will need to be made over the next six years in order to determine exactly what the appropriate balance point should be.

Detailed demographic and financial information about Anchorage are available at the Anchorage Economic and Community Development website at www.aedcweb.com; Municipal libraries, and the Municipal website at www.muni.org; relevant documents include:

- Comprehensive Annual Financial Reports
- General Government Operating Budgets
- General Government Capital Budgets/Programs

Six-Year Fiscal Program

2021 – 2026

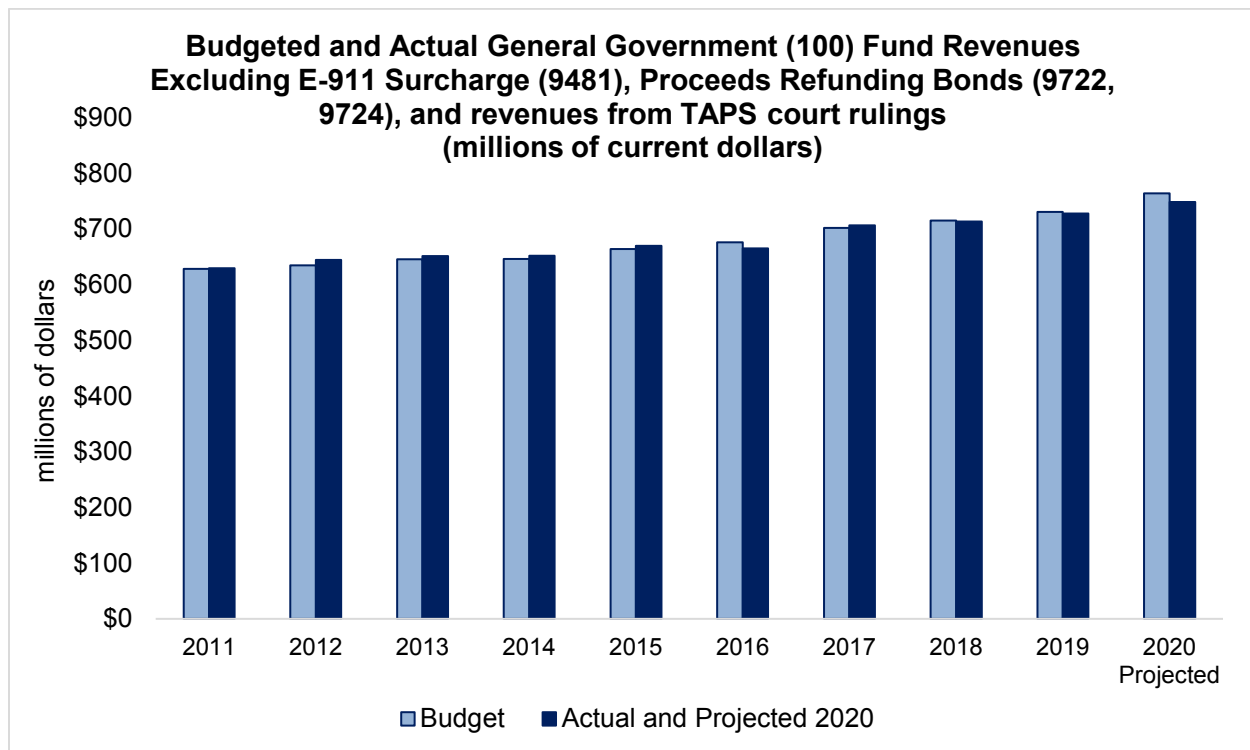
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3. Historical Financial Trends

Revenues

Total General Government Operating revenues increased approximately 2.5% annually, on average, over the past six years. Approximately 88% of these total revenues are subject to the Tax Cap limitation set in Municipal Charter and Anchorage Municipal Code. The Municipal Treasury Division regularly monitors and forecasts revenues so that the Administration can maintain a balanced budget. As illustrated in the graph below, General Government revenues have been close to budget during the last five years. This trend is evidence of the Municipal Treasurer's commitment to estimate, track, and benchmark important revenue sources.



Source: MOA Treasury Division

Long-term Trends in Major Categories of General Government Revenues

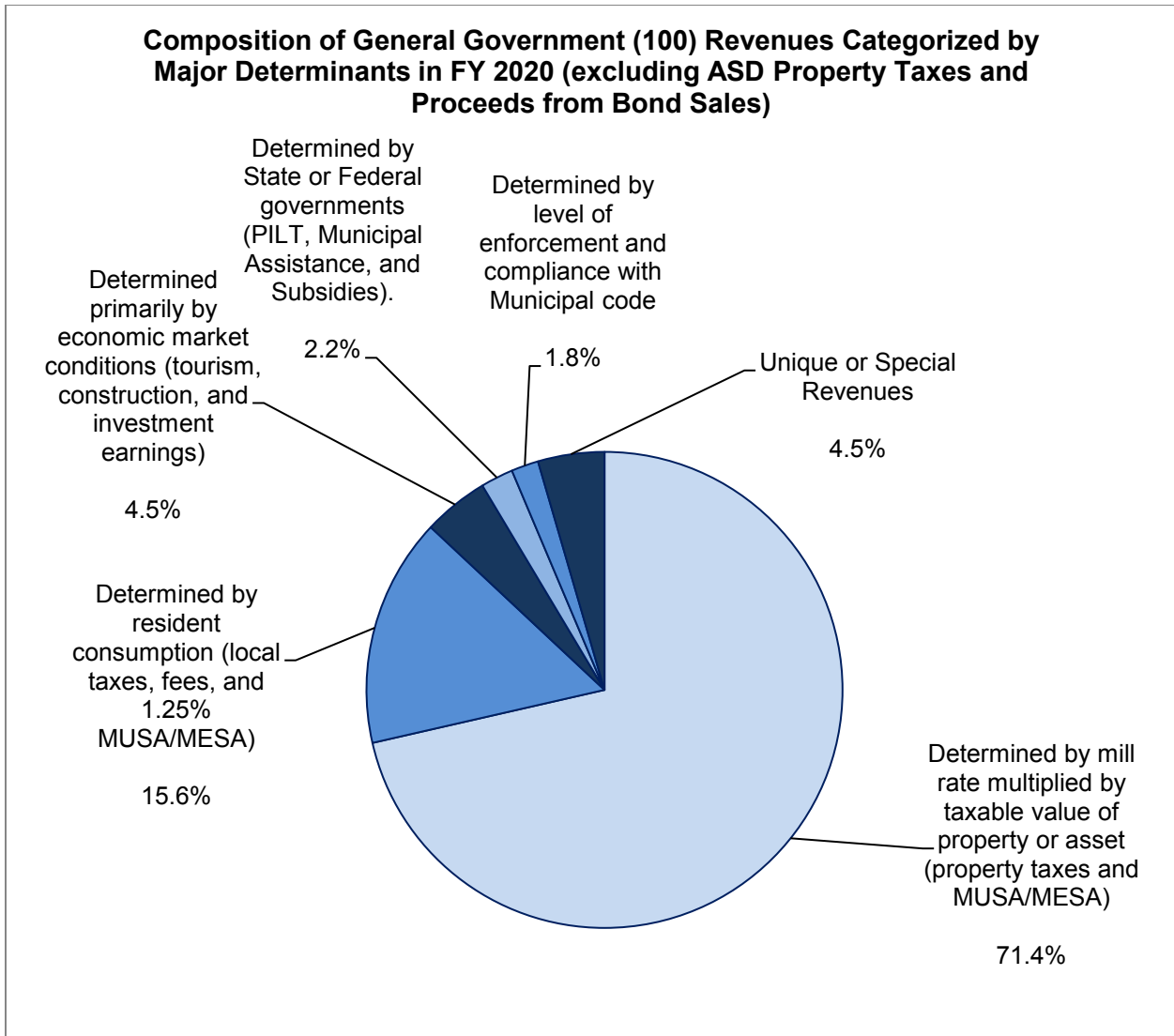
A review of long-term revenue trends and drivers will assist policy makers and citizens when considering potential changes in the revenue structure of Anchorage. The narrative and graphs in this section review the long-term trends of general government revenues over the past twenty-two years from 1998 through 2020. The review is based on the six major categories of revenues listed below. Each category is affected by a different policy decisions, economic conditions, legal requirements, staffing, consumer decisions, and other factors.

- 1. Determined by Mill Rate and Taxable Value:** Property Taxes, Municipal Enterprise Service Assessment (MESA) payments, and Municipal Utility Service Assessment (MUSA) payments are determined by the mill rate multiplied by taxable value of property or utility/enterprise net plant value. The taxable value of property is determined by the Municipal Assessor, and net plant value is derived based on the net book value of utility/enterprise balance sheets. The Assembly sets the mill rate each year as part of the budget approval process.

2. **Determined by Resident Consumption:** Revenue from taxes on tobacco, motor vehicles, marijuana, motor fuel, aircraft, and Municipal service fees are determined primarily by city residents' choices about their ownership and use of these products and services. Also included in this category are revenues from the Utility Revenue Distribution and 1.25 percent MUSA/MESA payments. These payments are specific percentages of gross revenues of the utilities, which are determined mostly by local residents' choices about consuming utility services.
3. **Determined by Economic Market Conditions:** Tourism taxes, construction permit revenues, and investment earnings are determined primarily by economic conditions in the tourism, construction, and investment markets.
4. **Determined by State or Federal Government:** State Municipal Assistance, Federal Build America Bond Subsidies, State fisheries taxes, State liquor license fees, State Traffic Signal Reimbursements, State and Federal Payments in Lieu of Taxes (PILT), and other intergovernmental revenues are determined by decisions and actions of the State or Federal governments.
5. **Determined by Level of Compliance and Enforcement of Municipal Code (Code):** Revenues from collections of delinquent taxes, as well all types of fines, penalties and interest paid on delinquent taxes, are determined by the level of Code compliance and enforcement and collection efforts.
6. **Unique or Special Revenues:** Contributions from the MOA Trust Fund, lease revenue, land and property sales, private PILT payments, claims and judgments, miscellaneous revenues, and other special types of revenue are specified in contracts, by court rulings, or special provisions in the Code.

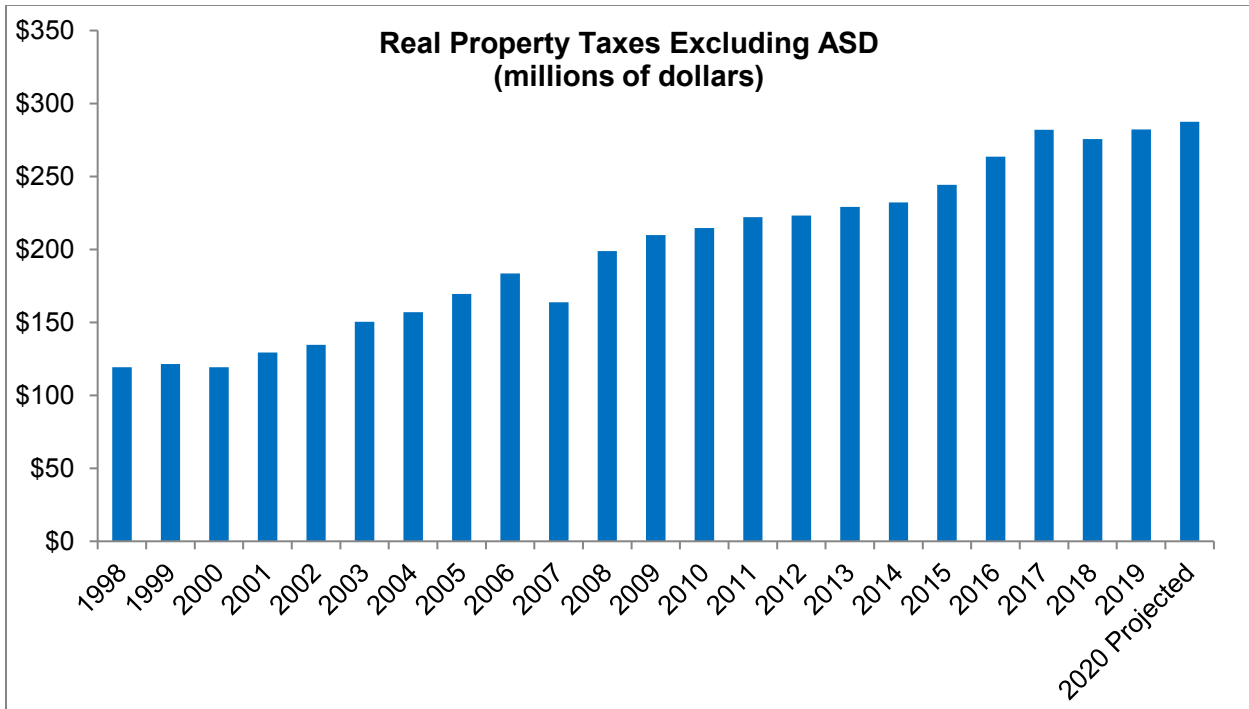
Summary of All Categories of Revenues

About 71 percent of general government revenues are determined each year by multiplying the mill rate by the taxable value of property or assets. Revenues based on resident consumption contribute the next largest share (about 16 percent). About 5 percent of revenues are determined by economic market conditions. Another 2 percent are determined by the actions of State or Federal governments. About 2 percent of revenues are driven by compliance and enforcement of Municipal Code. The remaining 5 percent are determined by a variety of unique or special factors. The summary pie chart below from the MOA Treasury Division shows the composition of general government revenues. It excludes the property tax revenues transferred to the Anchorage School District (ASD) and proceeds from bond sales.

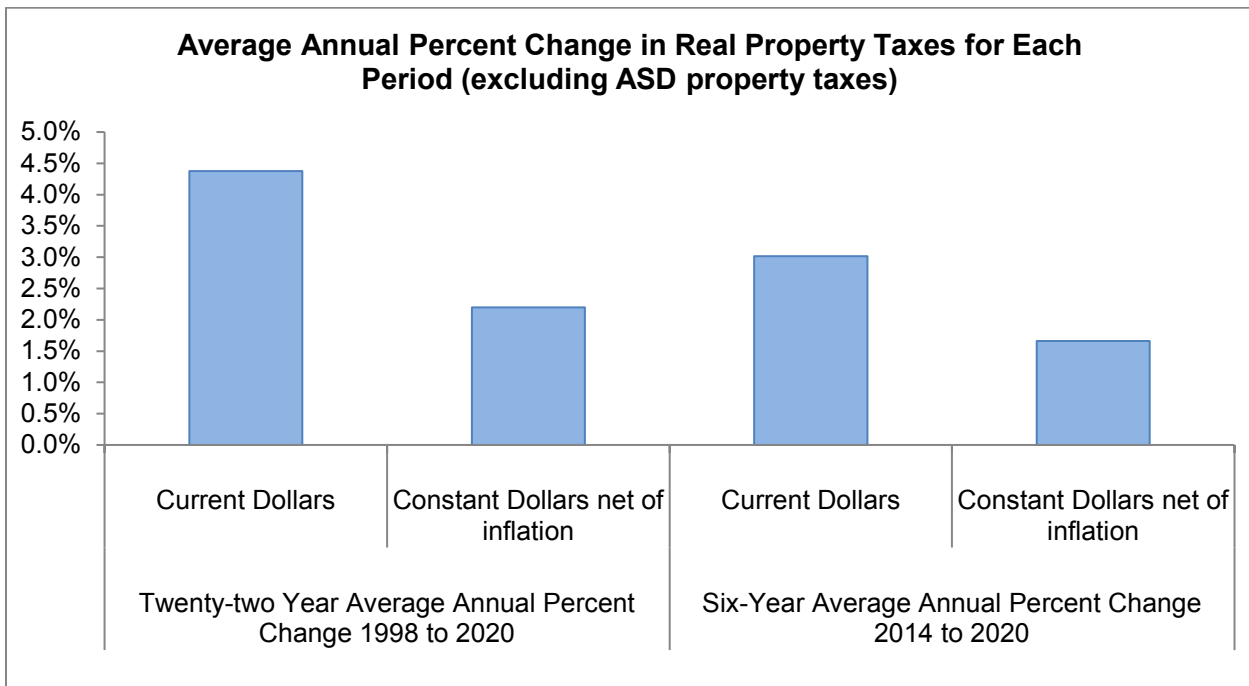


Source: MOA Treasury Division

The summary chart below from the MOA Treasury Division shows the changing composition of revenues for each of the major categories over the last twenty-one years. Revenues determined by the mill rate and taxable value of property or utility assets have contributed between 60 percent to 70 percent of general government revenues each year over the last twenty-two years (these percentages exclude ASD property taxes, revenues from Trans-Alaska Pipeline System (TAPS) rulings, and E-911 Surcharge revenues). Revenues determined by resident consumption have contributed a growing share of revenues mostly because of increases in the tax rate on tobacco and motor vehicles and the enactment of new taxes such as the marijuana retail sales tax and the motor fuel excise tax. Revenues driven by economic conditions in tourism, investment, and construction markets have contributed a relatively stable share since about 2006. The unusual increase in total revenues in 2006 followed by a decrease in 2007 was because some State Municipal Assistance revenues were received and posted in 2006 but were applied as a tax credit in 2007. Total general government (100) fund revenues in 2016 were slightly lower than 2015 primarily because the Utility Revenue Distribution and 1.25% MUSA payment for ML&P were lower due to a ruling by the Regulatory Commission of Alaska.

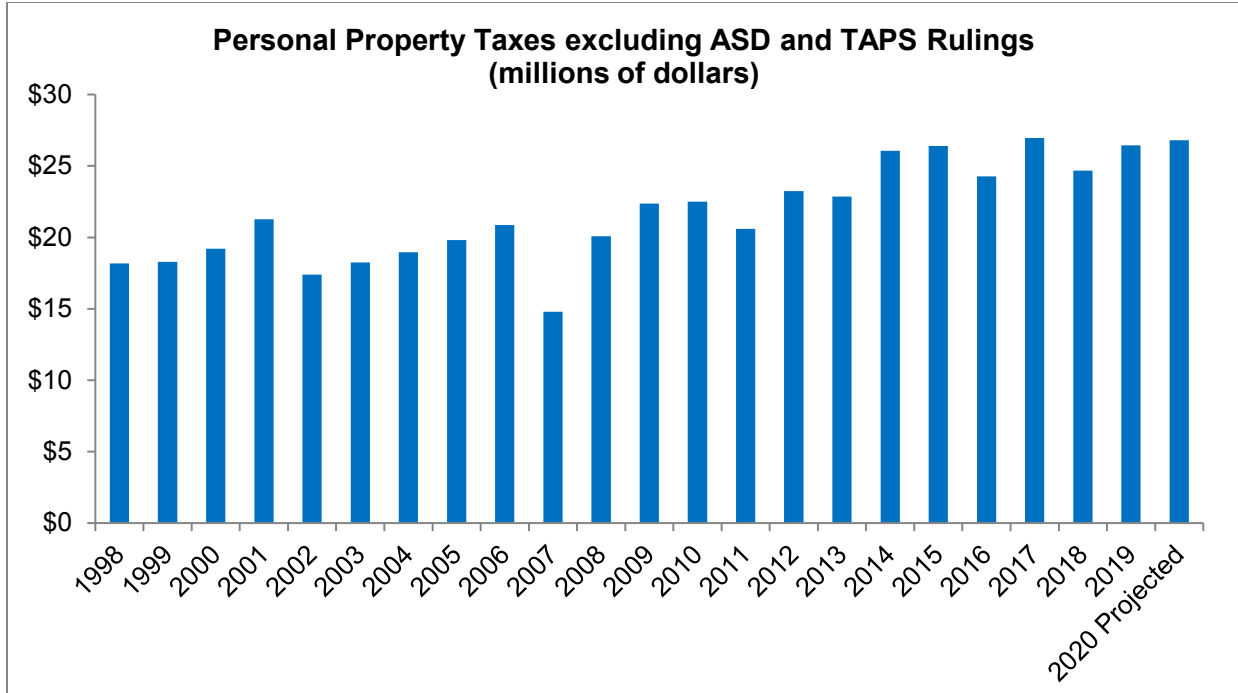


Source: MOA Treasury Division

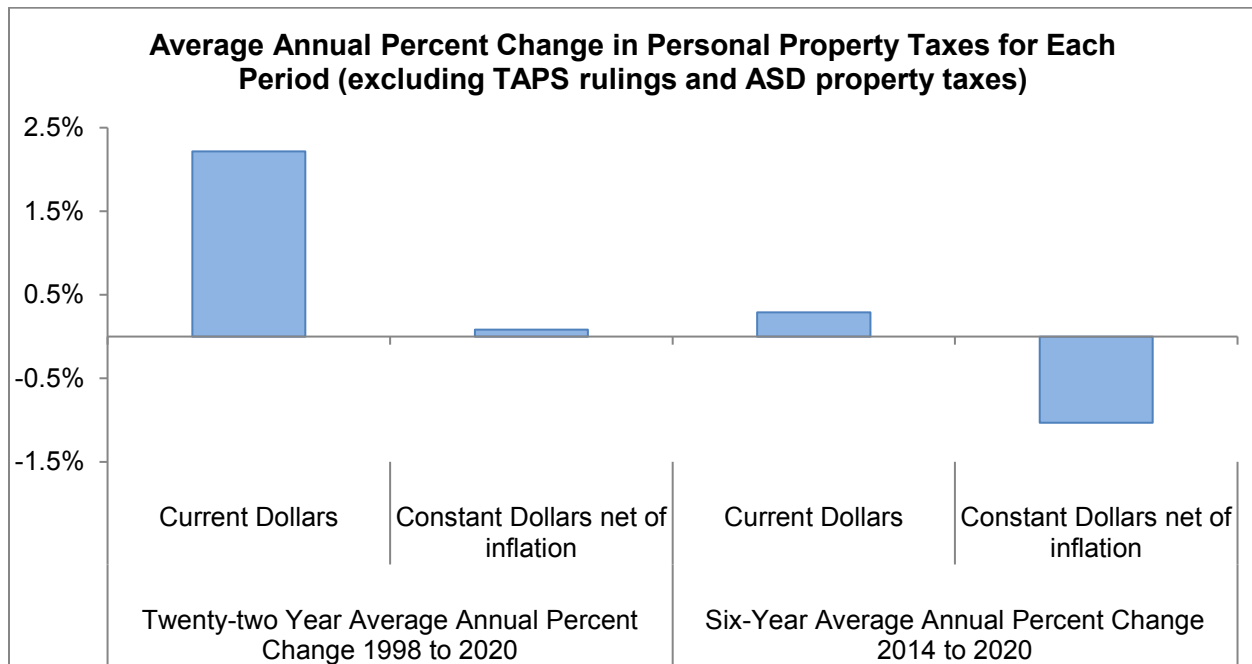


Source: MOA Treasury Division

Personal property tax revenues are variable year to year due to changes in the mill rate and changes in the assessed values of business personal property, state and oil and gas property, and mobile homes. Over the last six years, personal property tax revenues have grown at a slower average annual rate than the long-term trend after adjusting for inflation. The charts below exclude ASD property taxes, the one-time special revenues from the lower court rulings regarding the value of the Trans-Alaska Pipeline in 2010, 2012, and 2013, and the State Assessor’s change to the taxable value of State oil and gas properties in 2014. The court rulings required payments of personal property taxes on State oil and gas properties owned by Alyeska Pipeline.



Source: MOA Treasury Division

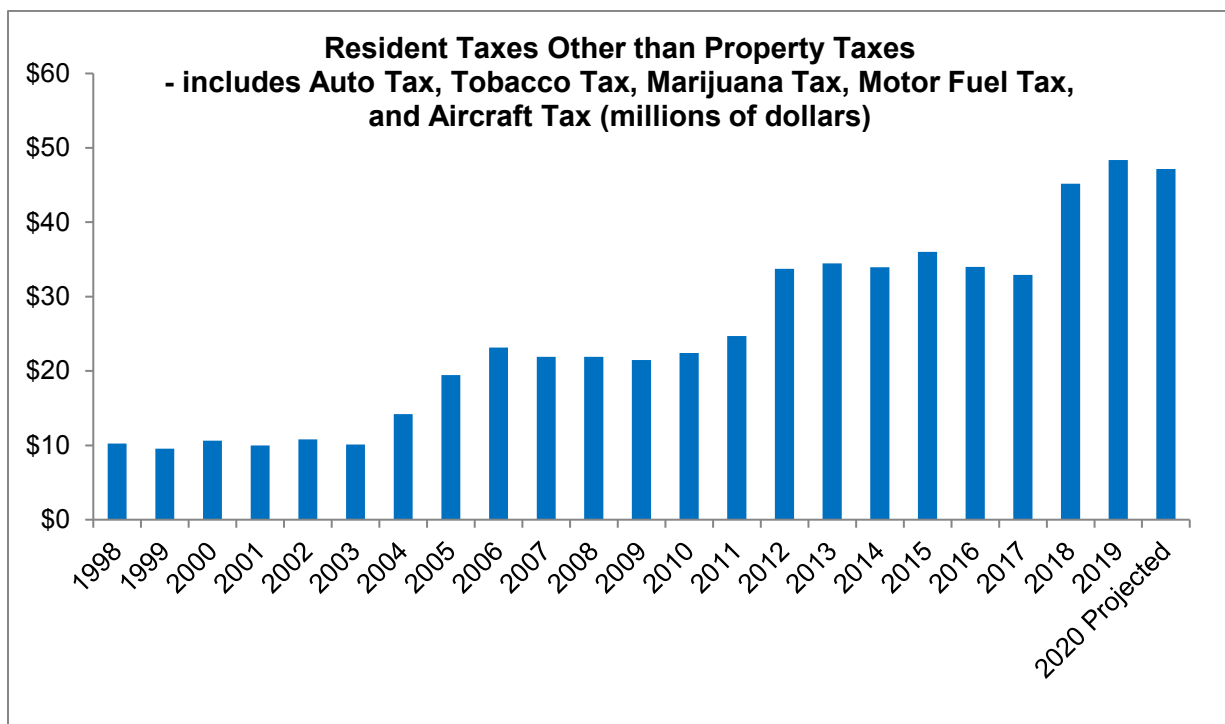


Source: MOA Treasury Division

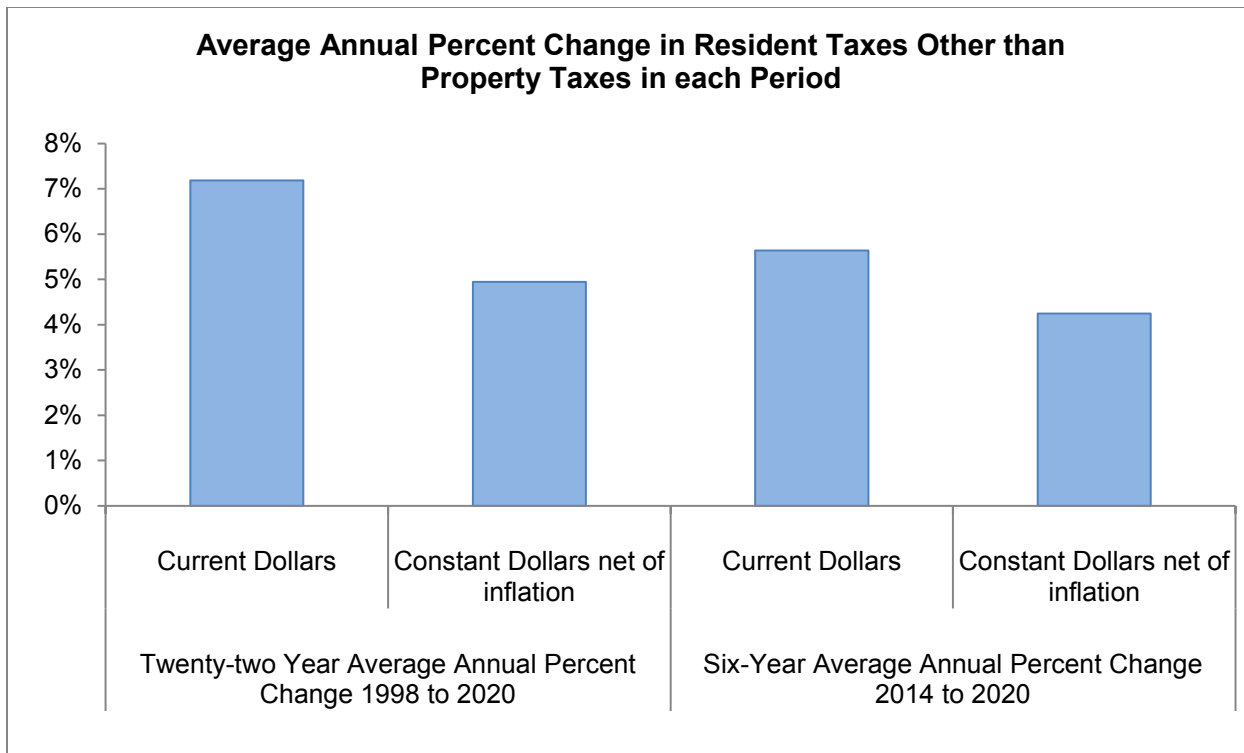
Assessed Value: The calculation of real property tax revenues, personal property tax revenues, and MUSA/MESA payments are all dependent on the mill rate. One of the factors affecting the mill rate is the assessed value of taxable property. For a given level of property tax revenues, an increase in assessed taxable property value would result in a lower mill rate. For the same level of revenues, a decrease in assessed taxable property value would result in a higher mill rate. Because of its effect on the mill rate, it is important to track changes in the total taxable property value over time. From 2009 to 2013, the total assessed value of taxable real and personal property remained relatively stable compared to previous years. Taxable value increased in FY 2014, FY 2015, and FY 2016 but then declined in 2017 and 2018. The current projection of taxable value in FY 2020 is about the same as the taxable value in FY 2019.

registration tax revenues are also affected by the age distribution of vehicles and the percent of population over 65 because seniors are eligible to receive an exemption from the registration tax for one vehicle. Tobacco tax revenues are affected by the long-term decline in per capita use of tobacco, substitution to e-cigarettes, and the annual CPI adjustment to the cigarette tax rate.

There was an unusual \$1.1M increase in tobacco taxes in 2015 because of a one-time restitution payment due to a court ruling against cigarette smugglers. There was an unusual one-time decrease in tobacco tax revenues in 2017 due to the unexpected closure of Sam’s Club in December 2017. The increase in the motor vehicle registration tax rates in 2012 and the increase in the tobacco tax rate in late 2004 and 2011 led to substantial increases in these revenues beginning in those years. There were large increases in resident tax revenues in 2018 and 2019 as the legal retail marijuana market expanded and the motor fuel excise tax was implemented.

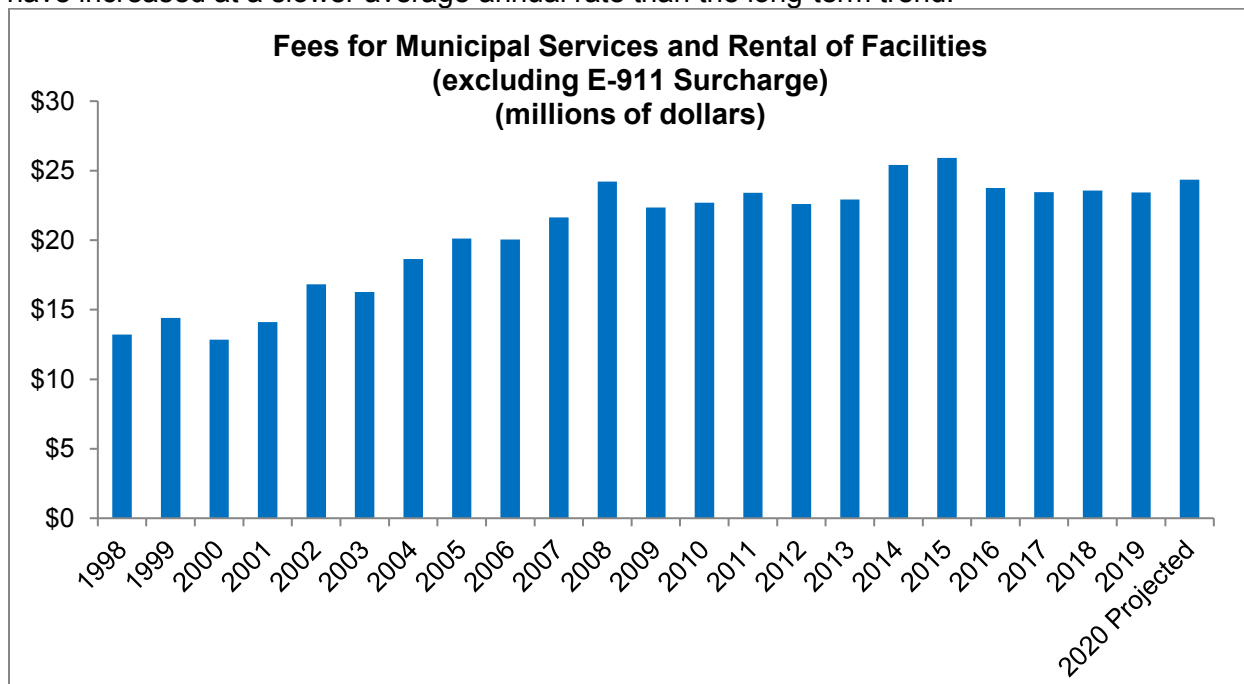


Source: MOA Treasury Division

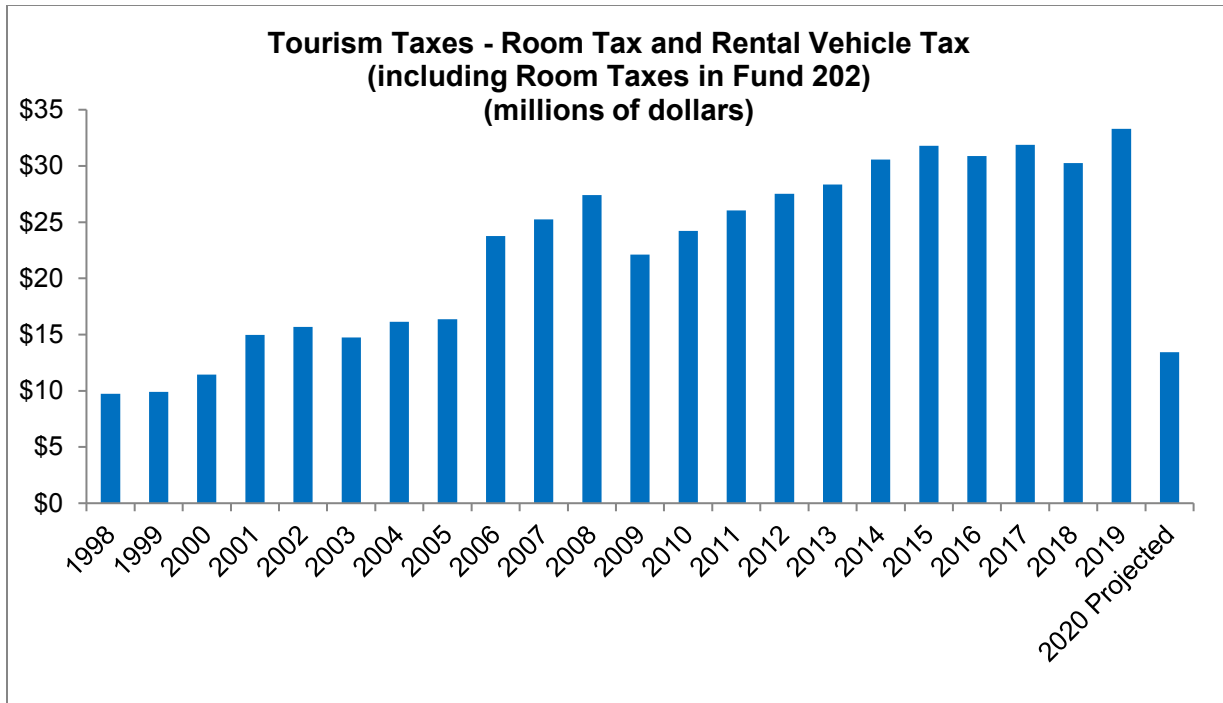


Source: MOA Treasury Division

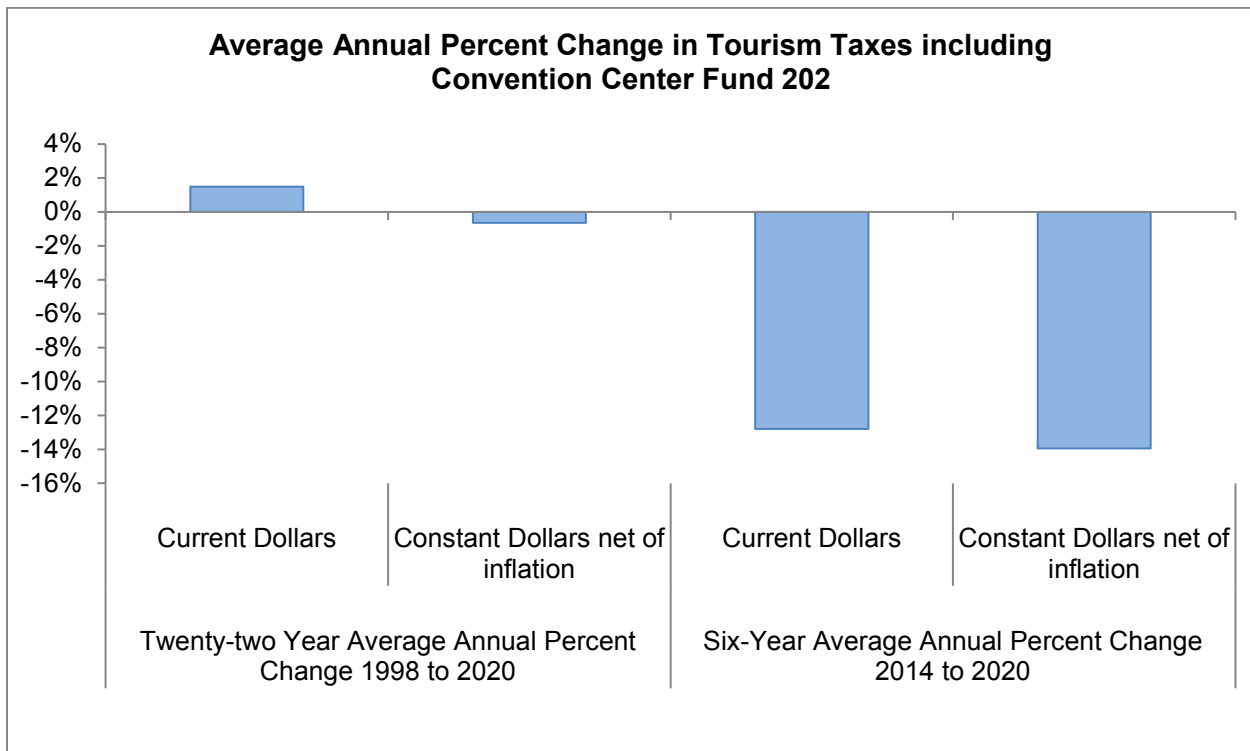
Fees paid by residents for Municipal services and facility rental are affected by the amount and types of public services provided by the Municipality, the amount of fees charged for those services, the amount of Municipal resources and personnel allocated to provide the services, and the amount of these services and rentals that residents to use. Since 2009, fee revenues have increased at a slower average annual rate than the long-term trend.



Source: MOA Treasury Division



Source: MOA Treasury Division



Source: MOA Treasury Division

Construction-related permit revenues are paid by builders for inspections, reviews, and permits to build construction projects. These revenues are affected by the value of permitted building activity, the type of construction (residential or commercial / new or renovation), the level of Municipal resources and personnel available to process permits, changes in Code requirements for various permits, and the amount of the fee paid for each type of permit. Building permit fee revenues declined in 2015 and 2016 but increased in 2017 and 2018. Revenues are projected to be slightly higher in 2020.