
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Patricia Soule, Finance Director
Through: William Homka, City Manager
Date: February 13, 2024
Re: FY25 Revenue Projections

SUMMARY: The focus tonight is FY25 Revenue Projections for the General Fund. For fiscal year 2025, Staff is proposing a total General Fund revenue budget of \$35,500,000 for your consideration. This is a .01% increase or \$331,041 from the fiscal year 2024 Budget. This is the first step in the budget process and we are open to suggestions from Council as we move forward. The budget amounts before you are not fixed and may require adjustment based on feedback and additional information received.

PREVIOUS COUNCIL ACTION: Each year the revenues are adjusted. This is the first time that Council has seen this estimate for the fiscal year 2025 budget process.

BACKGROUND: There are many external factors affecting City revenues; however, the primary driver is the fishing industry as it impacts so much of the City's tax revenue. Fish tax revenues are based on both historical information and fishing season 2023-24 quotas allocated for the sustainable fishery resources of the Bering Sea and Aleutian Islands that are landed in Unalaska, and the prices paid for that product to the harvesters by the processors. Due to those factors, we consulted with Frank Kelty on those revenue and he can answer any questions you may have.

DISCUSSION: Historically, the City has budgeted conservatively with respect to revenues, especially the major revenue sources. Over the last 10 fiscal years (FY 2013 to FY 2023), the City has exceeded their Major revenue budget seven times with the only exceptions in FY 2015, FY 2016 and FY 2018. Overall, during the last 10 fiscal years, revenue has exceeded budget by an average of \$1,977,376 or 6.75% annually.

A significant portion of tonight's discussion will center on the following major General Fund revenue sources: **Real and Personal Property Taxes, Sales Tax, Raw Seafood Tax, Alaska Fisheries Business Tax, and Alaska Resource Landing Tax.**

The revenue source listed as "Everything Else" will not be discussed as part of this presentation. For reference

- Payment in Lieu of Taxes (PILT)
- State Corrections Contract
- PERS Non-employer Contributions
- State Revenue Sharing

- Tideland Lease Revenue

Two new funds were created in FY 2022, E911 Enhancement and Tobacco Excise Tax. Activity related to both funds will be tracked separately from the General Fund; therefore, revenue discussed in this memo does not include an estimate for either item.

It is estimated that the major revenue sources (Real and Personal Property Taxes, Sales Tax, Raw Seafood Tax, Alaska Fisheries Business Tax, and Alaska Resource Landing Tax) analyzed below will comprise approximately 90% of the City's FY 2025 General Fund revenue. The following table summarizes the FY 2025 General Revenue projections followed by a more detailed explanation for each major revenue source.

	FY 2024 Budget	Actual (1/31/2024)	2025 Proposed
Real Property Tax	6,029,591	5,986,033	6,100,000
Personal Property Tax	2,780,218	2,774,756	3,000,000
Sales Tax	9,781,800	7,674,773	9,500,000
Raw Seafood Tax	4,000,000	2,930,850	4,000,000
State Fisheries Business Tax	3,470,000	3,880,930	4,000,000
State Fisheries Resource Landing Tax	5,600,000	6,780,164	5,900,000
Investment Income	1,000,000	5,486,343	1,000,000
Everything Else	2,507,350	1,994,590	2,000,000
Revenues	35,168,959	37,508,439	35,500,000

Real Property Tax - \$6,100,000

The amount proposed represents a \$70,409 or 11.7% increase from the FY 2024 budget amount. As of January 31, 2024, the City has recorded \$5,986,033, or 99% of FY 2024 budget (\$6,029,591). MIL rate is 10.5 last adjusted from 9 in 2024.

Personal Property Tax - \$3,000,000

The amount proposed represents a \$219,782 increase from the FY 2024 budget amount due to insufficient information. Personal property tax is calculated based on self-reported information. Once that information has been received, value and estimated tax will be determined. As of January 31, 2024, the City has recorded \$2,774,756, or 99.8% of FY 2024 budget (\$2,780,218). Mill Rate is 10.5 in 2024 was 9 in 2023.

Sales Tax - \$9,500,000

The amount proposed represents a -\$281,800 or -.6% decrease from the FY 2024 budget amount. As of January 31, 2024, the City has recorded \$7,674,773 or 80.1% of FY 2024 budget (\$9,781,800).

Raw Seafood Tax - \$4,000,000

The amount proposed represents a \$0 or no adjustment to 2024 projection. As of January 31, 2024, the City has recorded \$2,930,850, or 73.3% of FY 2024 budget (\$4,000,000). The fiscal year 2025 estimate is based on two components:

- 2023-24 fishing season allocations published in December by the North Pacific Fishery Management Council (NPFMC), as they relate to Unalaska, Alaska
- Estimated prices based on recent information reported to the City of Unalaska by the processors.

The estimate of the raw seafood tax is most likely the most challenging fish tax to forecast as it requires applying data that is specific to fishing season 2023 to the 2024 fishing season. Since October 2023, staff has been in regular communication with Frank Kelty, fisheries consultant, to determine the impact of reductions/cancellations on local fisheries. It is expected that given the uncertainty going forward, we will continue to meet regularly and adjust tax projections as necessary.

Based on the information obtained, staff determined that a conservative approach was necessary.

Alaska Fisheries Business Tax – \$4,000,000

The amount proposed represents a \$530,000, or 15.3% increase from the FY 2024 budget amount (\$3,470,000). As of January 31, 2024, the City has recorded \$3,880,930, or 118% of FY 2024 budget (\$3,470,000).

Given that this tax amount is paid to the City based 100% on historical data, staff followed that same approach to estimate an amount for the FY 2025 budget. The FY 2025 budgeted amount was calculated using calendar year 2023 shore value information reported to the City monthly by local processors. The FY 2025 estimate includes shore value to the City through November 30, 2023 as it is not expected that December 2023 will provide much additional value.

Frank Kelty can elaborate on how we developed the projection for 2025.

Alaska Fisheries Resource Landing Tax - \$5,900,000

The amount proposed represents a \$300,000 or 5.3% increase from the FY 2024 budget amount (\$5,600,000). As of January 31, 2024, the City has recorded \$6,780,164, or 121% of FY 2024 budget.

The estimate for Alaska Fisheries Resource Landing Tax is based on total catch amounts reported by the NPFMC through November 6, 2023 and the State price book, last published in 2023. The actual amount paid to the City, however, is based on information provided to the State by the fishing vessels. While the City has requested additional detail related to amounts paid, the State has not been willing to provide such information. Frank Kelty can weigh in with details as needed.

ALTERNATIVES: This is a work session item for discussion.

FINANCIAL IMPLICATIONS: These General Fund projections provide preliminary information regarding the City's revenue projections for FY 2025. Staff will continue to

monitor any items that will impact projections discussed this evening, and make necessary adjustments. Council will see any change in the draft budget later in the budget cycle. Council will also have an opportunity to revisit enterprise projections later in the budget cycle while reviewing and approving rates and fees.

The City's full schedule of budgeted revenue accounts, including proprietary funds, 1% Sales Tax, Bed Tax, Tobacco Tax, E911 Enhancement and the Permanent Fund, will accompany budget documents presented to Council in April 2024. That information will also provide greater detail with respect to General Fund revenue accounts not fully detailed within this memo.

LEGAL: There are no legal implications.

STAFF RECOMMENDATION: No staff recommendation; this is a discussion item only. Revenue projections will be incorporated in future Budget drafts shared with City Council.

PROPOSED MOTION: No action required.

CITY MANAGER'S COMMENTS: This report serves as an integral tool for developing our FY25 budget.



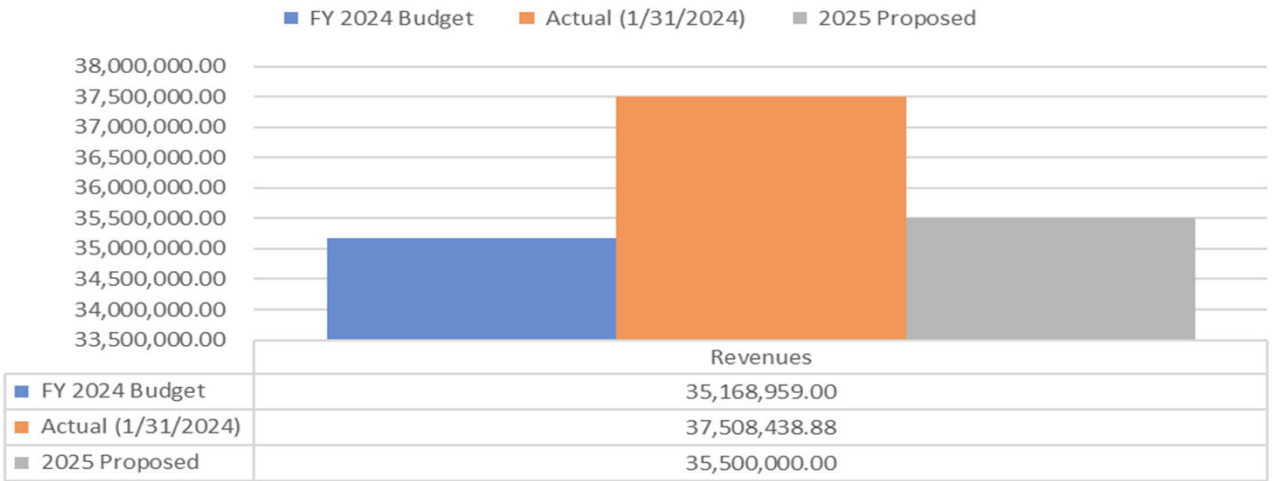
FY25 REVENUE PROJECTIONS - GENERAL FUND

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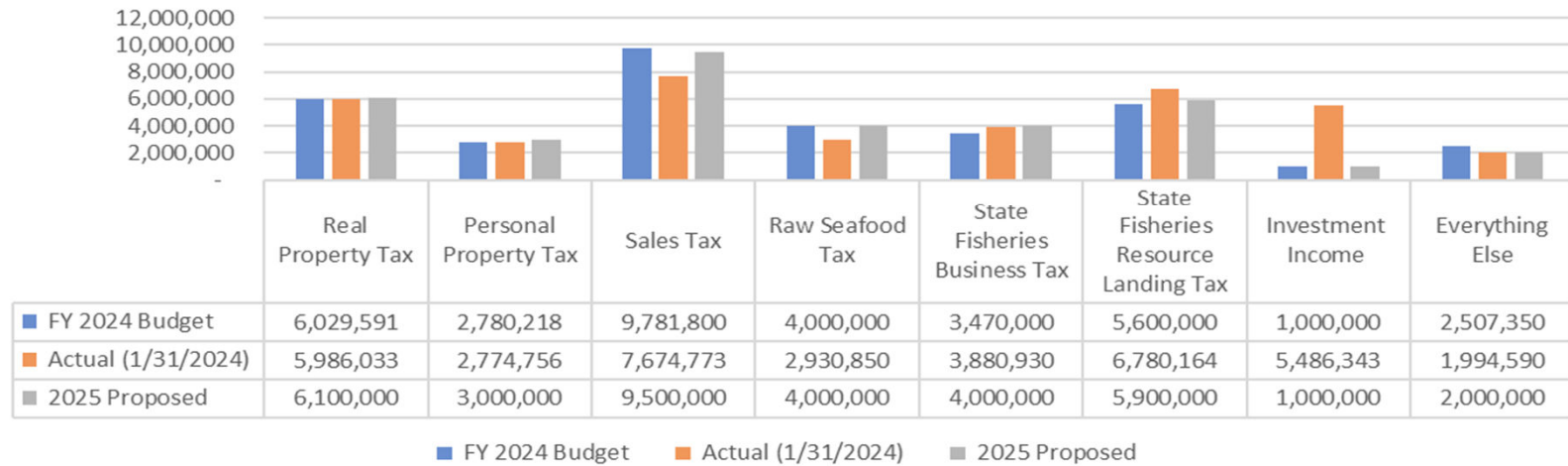
PURPOSE OF GENERAL FUND REVENUE PROJECTIONS

- Sustainability
 - Ensure that General Fund operating budget does not exceed projected General Fund revenue
- Comparison of Budget to Actual
 - Reconciliation of what we anticipated in prior years vs. actual revenues received

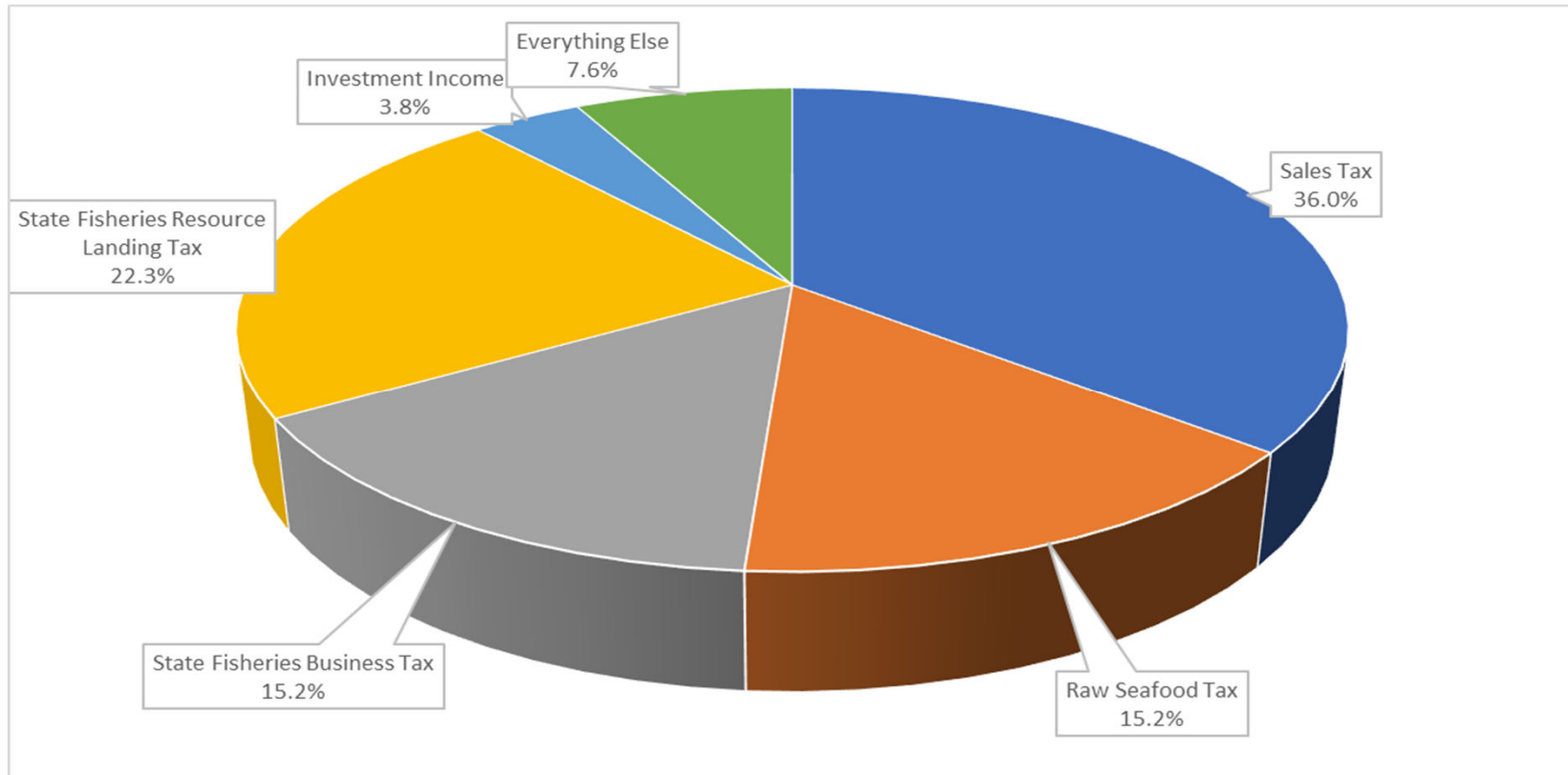
Annual Budget and Actual



Budget/ Actual/ Proposed



2025 REVENUE PROJECTIONS



GENERAL FUND HISTORICAL FY 2023-2025

	FY 2023 Budget	FY 2024 Budget	Actual 1/31/24	FY 2025 Proposed
Real Property Tax	4,950,000	6,029,591	5,986,033	6,100,000
Personal Property Tax	2,350,000	2,780,218	2,774,756	3,000,000
Sales Tax	7,650,000	9,781,800	7,674,773	9,500,000
Raw Seafood Tax	3,400,000	4,000,000	2,930,850	4,000,000
State Fisheries Business Tax	3,770,000	3,470,000	3,880,930	4,000,000
State Fisheries Resource Landing Tax	4,500,000	5,600,000	6,780,164	5,900,000
Investment Income	400,000	1,000,000	5,486,343	1,000,000
Everything Else	3,052,988	2,507,350	1,994,590	2,000,000
Total Revenues	30,072,988	35,168,959	37,508,439	35,500,000

MAJOR REVENUE SOURCES

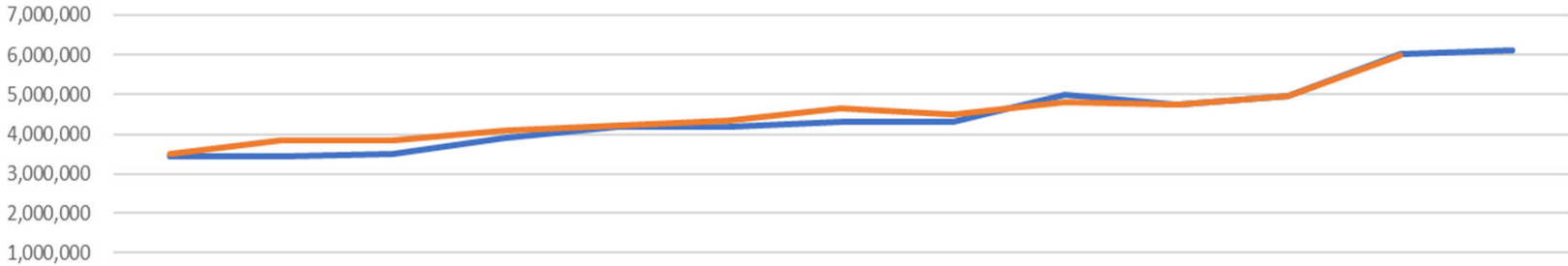
- Real Property Tax
- Personal Property Tax
- Sales Tax
- Raw Seafood Tax
- Alaska Fisheries Business Tax
- Alaska Fisheries Resource Landing Tax

- Over last 10 fiscal years, these taxes have accounted for 80.1% of General Fund revenues
- For FY 2025, budgeted to account for 90.6% of General Fund revenues

MAJOR REVENUE SOURCE – REAL PROPERTY TAX

- Mill Rate – 10.5
- Last adjustment – 2024 9.0 to 10.5
2023 10.5 to 9.0
2009 11.79 mills to 10.5
- Since FY 2013: Average of 17.25% of GF Revenue
- General upward trend during that time
- FY 2023 Actual \$4,978,177
- FY 2024 Budget \$6,029,591
- FY 2024 Actual (1/31/24) \$5,986,033
- FY 2025 Projection – \$6,100,000

Real Property Tax Budget vs Actual



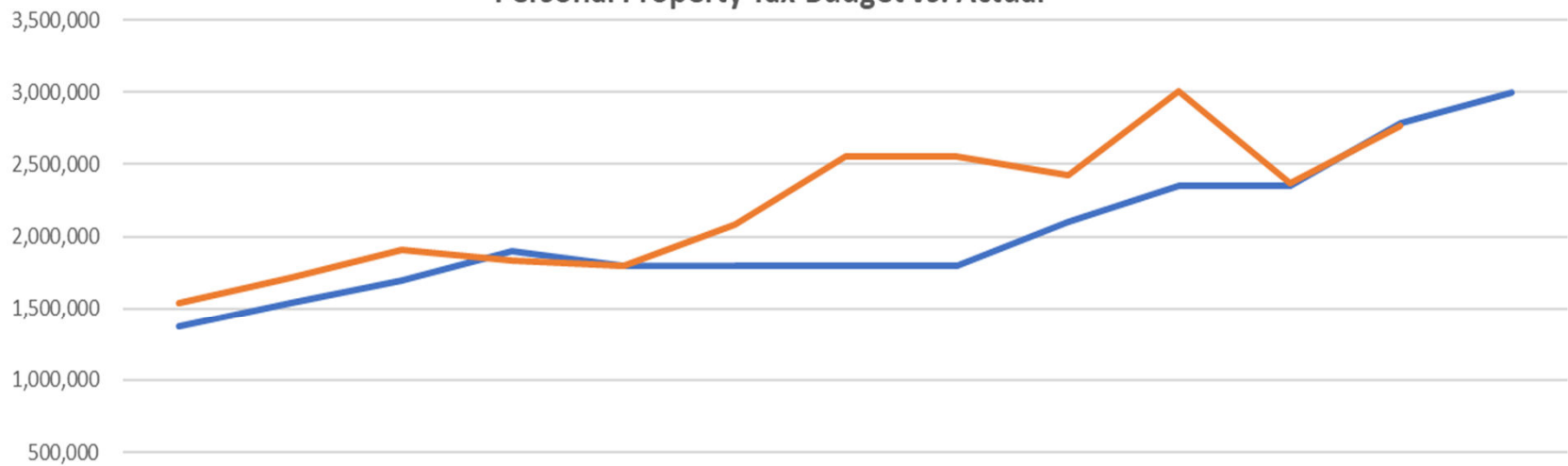
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Budget	3,450,000	3,450,000	3,500,000	3,900,000	4,200,000	4,200,000	4,300,000	4,300,000	5,000,000	4,750,000	4,950,000	6,029,591	6,100,000
Actual	3,493,790	3,862,350	3,862,350	4,085,050	4,233,660	4,347,500	4,666,500	4,489,600	4,799,500	4,737,374	4,978,177	5,986,033	

— Budget — Actual

MAJOR REVENUE SOURCE – PERSONAL PROPERTY TAX

- Mill Rate – 10.5
- Last adjustment – 2024 9.0 to 10.5
2023 10.5 to 9.0
2009 11.79 mills to 10.5
- Since FY 2013: Average of 5.9% of GF Revenue
- General upward trend during that time
- FY 2023 Actual – \$2,382,289
- FY 2024 Budget – \$ 2,774,756
- FY 2024 Actual (1/31/24) -2,764,714
- FY 2025 PROJECTED \$3,000,000

Personal Property Tax Budget vs. Actual



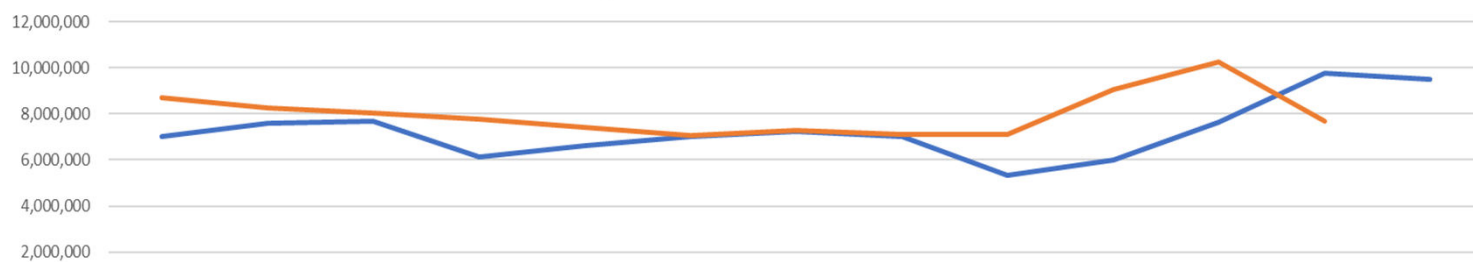
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025 P
— Budget	1,370,000	1,540,000	1,700,000	1,900,000	1,800,000	1,800,000	1,800,000	1,800,000	2,100,000	2,350,000	2,350,000	2,780,218	3,000,000
— Actual	1,538,770	1,713,124	1,907,363	1,836,163	1,797,663	2,085,644	2,550,033	2,550,033	2,421,301	3,007,081	2,370,417	2,764,714	

— Budget — Actual

MAJOR REVENUE SOURCE – SALES TAX

- Current Rate – 3%
 - General Fund Portion – 2%
 - 1% Sales Tax Fund – 1%
- Since FY 2013: Average of 22.0% of GF Revenue
- General downward trend during that time
- Strong correlation to Alaska North Slope Crude
- FY 2023 Actual – \$10,271,105
- FY 2024 Budget -\$9,781,800
- FY 2024 Actual (1/31/24) – \$7,674,773
- FY 2025 Projection \$9,500,000

Sales Tax Budget vs. Actual



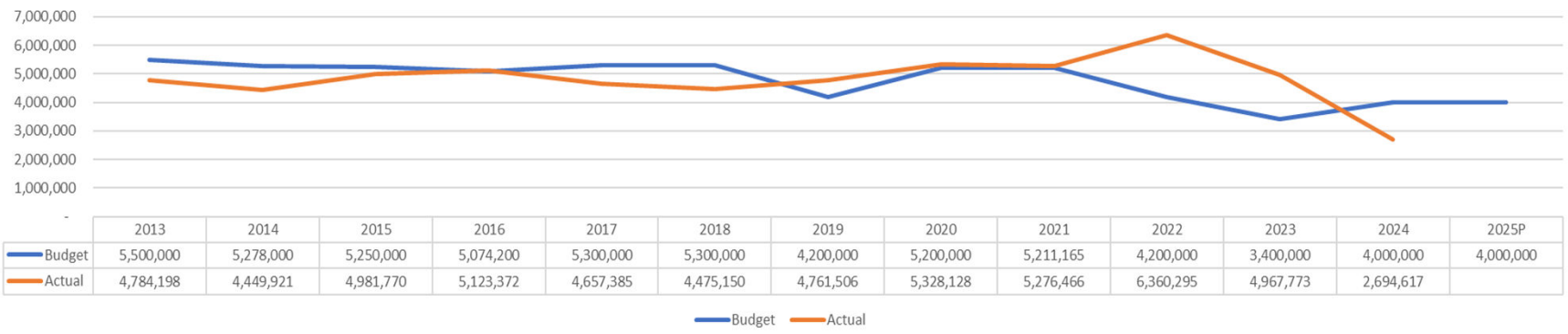
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025P
Budget	7,000,000	7,600,000	7,700,000	6,120,000	6,600,000	7,000,000	7,250,000	7,000,000	5,333,333	6,000,000	7,650,000	9,781,800	9,500,000
Actual	8,722,523	8,255,697	8,020,397	7,757,315	7,411,475	7,045,535	7,299,723	7,093,282	7,096,330	9,039,203	10,271,105	7,674,773	

MAJOR REVENUE SOURCE – RAW SEAFOOD TAX

- Current Rate – 2%
- Since FY 2013: Average of 14.2% of GF Revenue
- Fairly volatile during that time
- Difficult to forecast

- FY 2023 Actual – \$4,967,773
- FY 2024 Budget – \$4,000,000
- FY 2024 Actual (1/31/24) - \$2,930,850
- FY 2025 Projection \$4,000,000

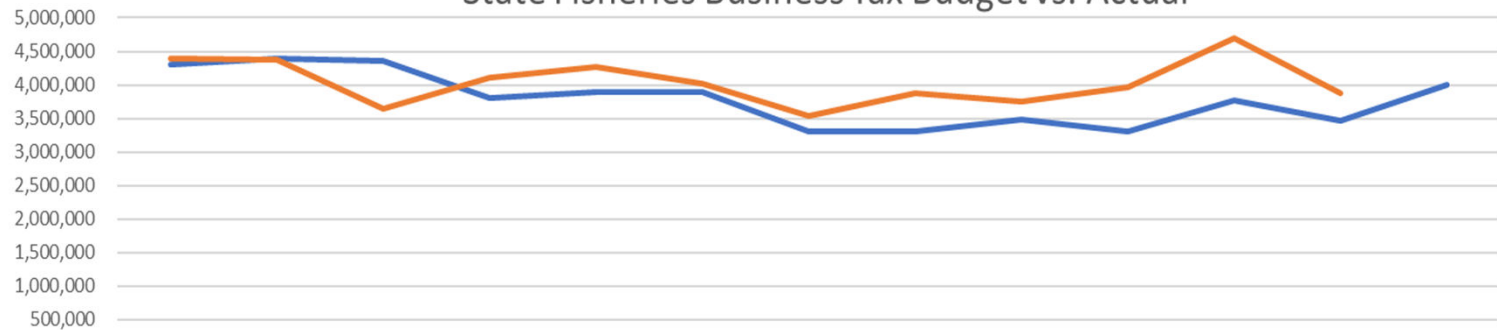
Raw Seafood Budet vs. Actual



MAJOR REVENUE SOURCE – STATE FISHERIES BUSINESS TAX

- Current Rate – 1.5%
- Since FY 2013: Average of 11.3% of GF Revenue
- Fairly straight forward calculation
- Based on prior calendar year fishery data
- FY 2023 Actual – \$4,689,418
- FY 2024 Budget – \$3,470,000
- FY 2024 Actual (1/31/24) -\$3,880,930
- FY 2025 Projection \$4,000,000

State Fisheries Business Tax Budget vs. Actual

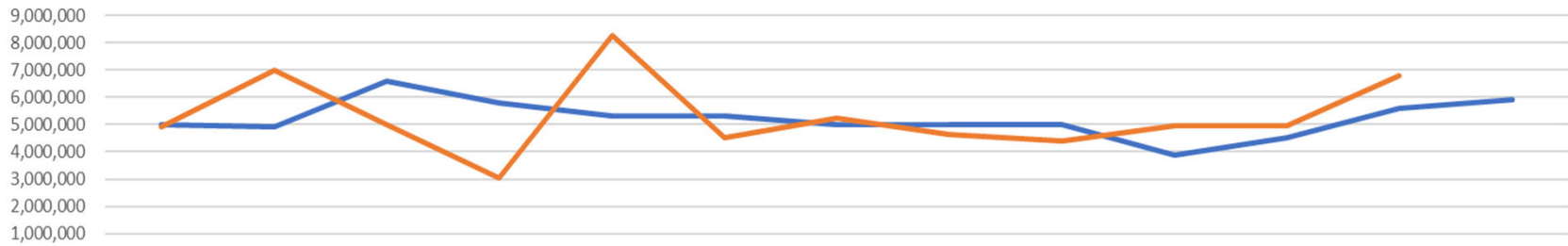


	2013	2014	2015	2016	2017	2018	2019	2022	2021	2022	2023	2024	2025P
— Budget	4,300,000	4,400,000	4,350,000	3,806,700	3,900,000	3,900,000	3,300,000	3,300,000	3,480,663	3,300,000	3,770,000	3,470,000	4,000,000
— Actual	4,398,441	4,377,934	3,639,448	4,099,315	4,276,287	4,014,323	3,528,499	3,869,625	3,747,582	3,973,545	4,689,418	3,880,930	

MAJOR REVENUE SOURCE – STATE FISHERIES RESOURCE LANDING TAX

- Current Rate – 1.5%
- Since FY 2013: Average of 14.7% of GF Revenue
- Difficult to predict with accuracy
- Based on:
 - Prior calendar year fishery data reported to the State
 - State published price book
- FY 2023 Actual – \$4,963,063
- FY 2024 Budget – \$5,600,000
- FY 2024 Actual (1/31/24) - \$6,780,164
- FY 2025 Projection \$5,900,000

State Resource Landing Tax Budget vs. Actuals



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025P
Budget	5,000,000	4,900,000	6,600,000	5,800,000	5,300,000	5,300,000	5,000,000	5,000,000	5,000,000	3,900,000	4,500,000	5,600,000	5,900,000
Actual	4,898,543	6,974,887	5,014,309	3,034,438	8,272,661	4,532,106	5,220,958	4,635,929	4,386,842	4,971,744	4,963,063	6,780,164	

— Budget — Actual

QUESTIONS