
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Erin Reinders, City Manager
Date: January 26, 2021
Re: FY22 Revenue Projections

SUMMARY: This is the first step in the budget process and we are open to suggestions from Council as we move forward with this process. Therefore, the budget amounts before you are not fixed and will most likely require adjustment based on information received. For fiscal year 2022, staff is proposing a total General Fund revenue budget of \$29,236,994 for your consideration.

PREVIOUS COUNCIL ACTION: Each year the revenues are adjusted. This is the first time that Council has seen this estimate for the fiscal year 2022 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 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. While allotments related to certain species have changed, overall, the impact of those changes will cancel each other out and have no impact on the budgeted amount for FY 2022 raw seafood tax. Delays in tax payments made to the State cause delays in payments to the City and this makes it even more difficult to make accurate predictions.

Sales tax revenues are also heavily impacted by the fishing industry as a significant portion of sales tax is derived from fuel sales. During the first half of 2020 fuel prices experienced a significant drop resulting in a sizable reduction in budgeted sales tax revenue for FY 2021. Sales tax collections have dropped; however, the reduction has not been as drastic as originally forecasted. Therefore, the FY 2022 budget projects a slight increase in sales tax revenue, which is more consistent with FY 2021 to date experience.

DISCUSSION: The City has historically budgeted quite conservatively on all of its revenues, especially the major revenue sources.

For fiscal year 2022, staff is proposing a total General Fund revenue budget of \$29,236,994 for your consideration. This is a 0.50% increase or \$144,923 from the fiscal year 2021 budget. While revenue projections for FY 2022 represent a minor increase over last fiscal year, they are still more than \$1,500,000 below the FY 2020 revenue budget.

The revenue projections provided do not contemplate any potential expanded/additional revenue sources discussed in the January 13, 2021 Council Work Session. Should Council enact a tobacco excise tax or increase the mil rate, revenues would be increased accordingly and would help make up for the recent decreases.

A more detailed explanation of the attached documents is given below.

General Fund - Major Revenue Sources Projected FY 2022: This page provides written detail regarding why major revenue sources have increased, decreased or remained the same.

General Fund Major Revenue Sources FY 2022 Projections: This graph shows the major revenue sources and their percentage of the total General Fund revenue of the City. Investment earnings are still budgeted in the general fund to fund operations.

Real Property Tax: Staff is projecting a decrease of \$250,000.

Personal Property Tax: Staff is projecting an increase of \$250,000.

Sales Tax: As mentioned above, YTD sales tax receipts represent a reduction from prior years, but have exceeded budgeted amounts. Therefore, Staff is projecting a \$666,667 increase from FY 2021.

Raw Seafood Tax: This tax is projected to remain stable with a minor decrease (\$11,165) from the budgeted FY2021 levels.

Fisheries Business Tax: This tax is tied to the Raw Seafood tax and we are projecting a small decrease from the budgeted FY 2021 levels.

Resource Landing Tax: Given the uncertainty regarding this tax (future collections and lack of transparency from State on how it is calculated), a significant reduction is forecast for FY 2022.

Investment income: Investment earnings have exceeded budgeted amounts in each of the last three fiscal years by an average of \$1,500,000. Therefore, staff is proposing an increase in the budgeted amount to \$1,800,000, which represents a \$400,000 increase from the prior year.

Other Revenues: Staff is projecting an increase of \$370,000 from FY 2021. The increase is related to the State PILT. For FY 2021, it is budgeted at approximately \$500,000. However, as of January 15, 2021 the City has received \$914,074. Additionally, in FY 2020, the City received more than \$900,000 and has received more than \$800,000 in each of the five fiscal years prior to that (FY 2015 to FY 2019).

ALTERNATIVES: This is work session item for discussion.

FINANCIAL IMPLICATIONS: This projection shows revenues are somewhat stable based on the current year activity and information from the State of Alaska. We will be monitoring these amounts and will adjust as we move forward with the FY 2022 Budget development.

LEGAL: There are no legal implications.

STAFF RECOMMENDATION: No staff recommendation; this is a discussion item only.

PROPOSED MOTION: No action proposed.

CITY MANAGER'S COMMENTS: The revenue projections provided are based on a similar approach to conservative budgeting that the Council has approved for the last 7-10 years.

CITY OF UNALASKA
General Fund Major Revenue Sources - Projected
Fiscal Year 2022 Budget

	Actual 2016	Actual 2017	Actual 2018	Actual 2019	Actual 2020	Budget 2021	Projections 2022	Increase / (Decrease)	Actual FY 2021 through 1/15/21	
1 Real Property Tax	4,085,050	4,233,663	4,347,513	4,666,560	4,489,648	5,000,000	4,750,000	(250,000)	4,689,634	Budget based on FY20 actual and YTD FY21 amounts
<p>The City had a property reassessment in fiscal year 2020, and this revenue projection was calculated using the fiscal year 2018 certified tax assessment roll times the current mill rate of 10.5.</p>										
2 Personal Property Tax	1,836,163	1,797,663	1,796,294	2,085,644	2,550,033	2,100,000	2,350,000	250,000	2,416,313	Budget based on FY20 actual and YTD FY21 amounts
<p>The personal property tax revenue projection was calculated the same as the real property tax revenue projection.</p>										
3 Sales Tax	7,757,315	7,411,475	7,045,535	7,299,723	7,093,282	5,333,333	6,000,000	666,667	3,151,663	Budget based on FY20 actual and YTD FY21 amounts
<p>City of Unalaska sales tax continues to be related to the price of crude oil because approximately half of the sales tax generated in Unalaska is from fuel sales.</p>										
4 Raw Seafood Tax	5,123,372	4,657,385	4,475,150	4,761,505	5,328,128	4,211,165	4,200,000	(11,165)	2,388,679	FY 2022 projection based on 2020 catch year
<p>The locally collected 2% Raw Seafood tax is projected to be consistent with prior year budgeted revenue</p>										
5 AK Fisheries Business Tax	4,099,315	4,276,287	4,014,323	3,528,499	3,869,625	3,480,663	3,300,000	(180,663)	3,641,049	FY 2022 projection based on 2020 catch year
<p>The State of Alaska Shared Fisheries Business Tax is projected to be consistent with FY20 receipts</p>										
6 AK Resource Landing Tax	3,034,438	4,276,287	4,532,106	5,220,958	4,635,929	5,000,000	3,900,000	(1,100,000)	4,094,954	FY 2022 projection based on 2020 catch year
<p>AK Resource Landing Tax is projected to be consistent with FY20 receipts</p>										
7 Investment Income	971,866	1,287,864	1,668,942	2,347,528	3,680,290	1,400,000	1,800,000	400,000	1,011,774	Budget on historical upward trend
8 Other Revenues	4,669,057	4,371,248	5,786,798	4,841,889	4,845,357	2,566,910	2,936,994	370,084	1,527,579	
<p>Other revenues include intergovernmental payments, charges for services and other non-major revenue sources. This is detailed out in a graph and spreadsheet included in this packet.</p>										
Total	31,576,576	32,311,872	33,666,661	34,752,306	36,492,292	29,092,071	29,236,994	144,923		



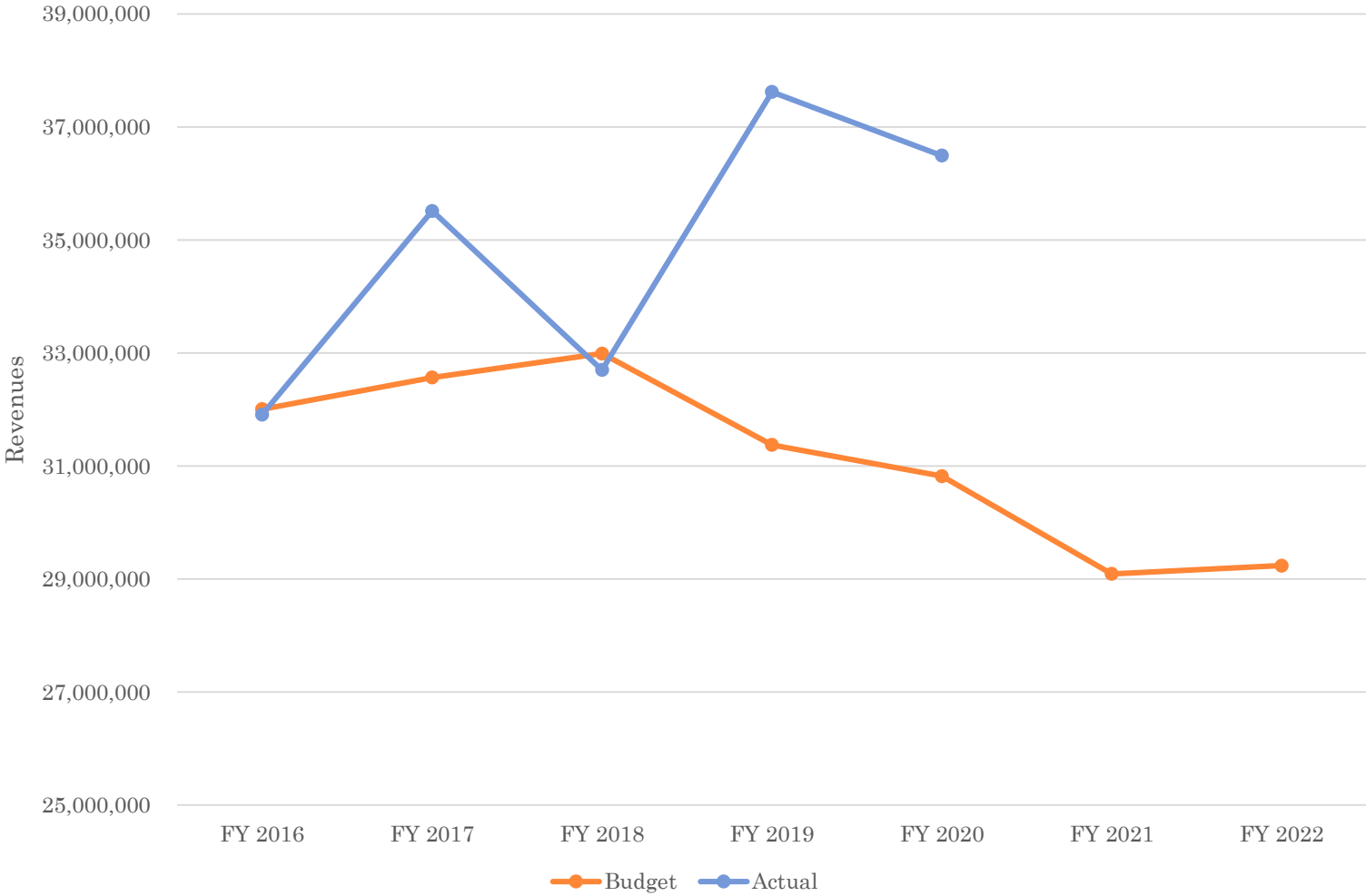
FY22 REVENUE PROJECTIONS

1

PURPOSE OF GENERAL FUND REVENUE PROJECTIONS

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

GENERAL FUND REVENUE BUDGET VS. ACTUAL

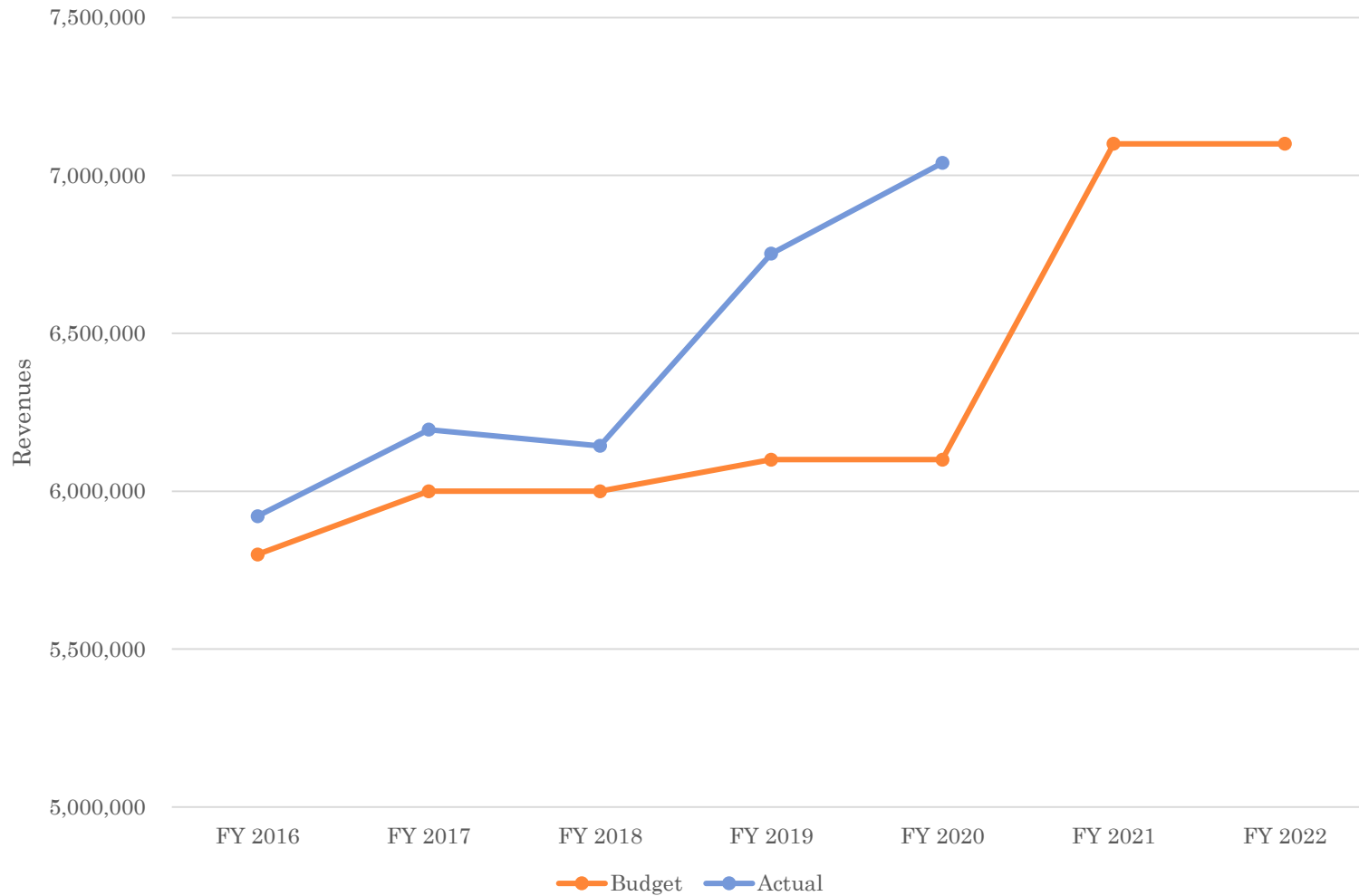


MAJOR REVENUE SOURCES

Real & Personal Property Tax

- Calculated off the most recent Assessed Value, using 2020 Assessed Values
- Mill Rate – 10.5
 - Staff recommends reviewing mill rate for appropriateness

REAL & PERSONAL PROPERTY TAX BUDGET VS. ACTUAL



MAJOR REVENUE SOURCES

Fish Taxes

○ Raw Seafood Tax

- Locally collected 2% Tax paid by fisheries
 - The impact of allotment changes will cancel each other out with no impact on the budgeted amount for FY 2022 raw seafood tax

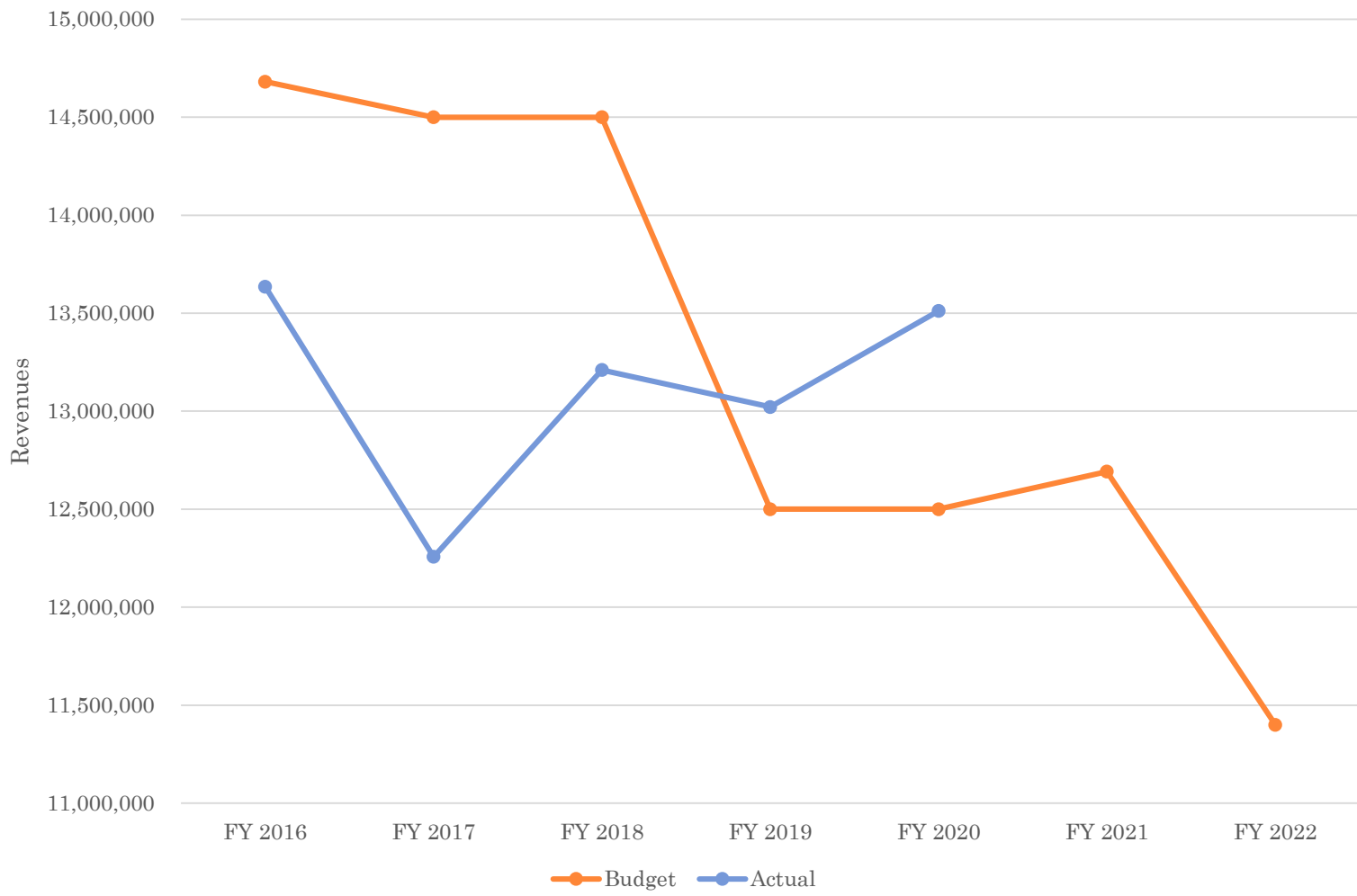
○ Fisheries Business Tax

- State of Alaska shared tax of 1.5% from a 3% State tax on local fisheries
 - Small decrease from FY 2021

○ Resource Landing Tax

- State of Alaska shared tax of 1.5% from a 3% State tax on offshore processors
 - Decrease from FY 2021 due to uncertainties surrounding data provided to State by fishing vessels

FISH TAXES BUDGET VS. ACTUAL

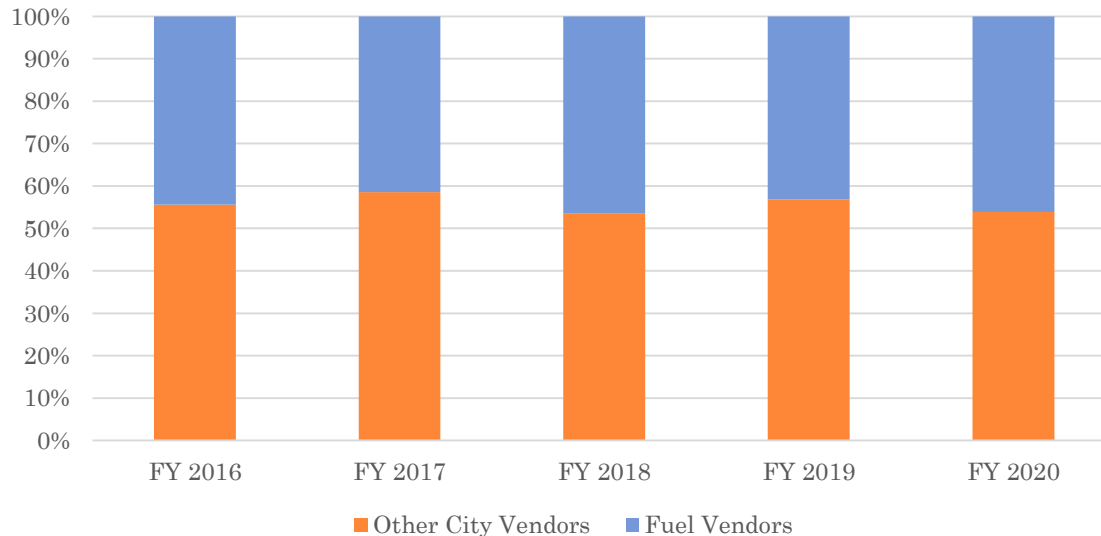


MAJOR REVENUE SOURCES

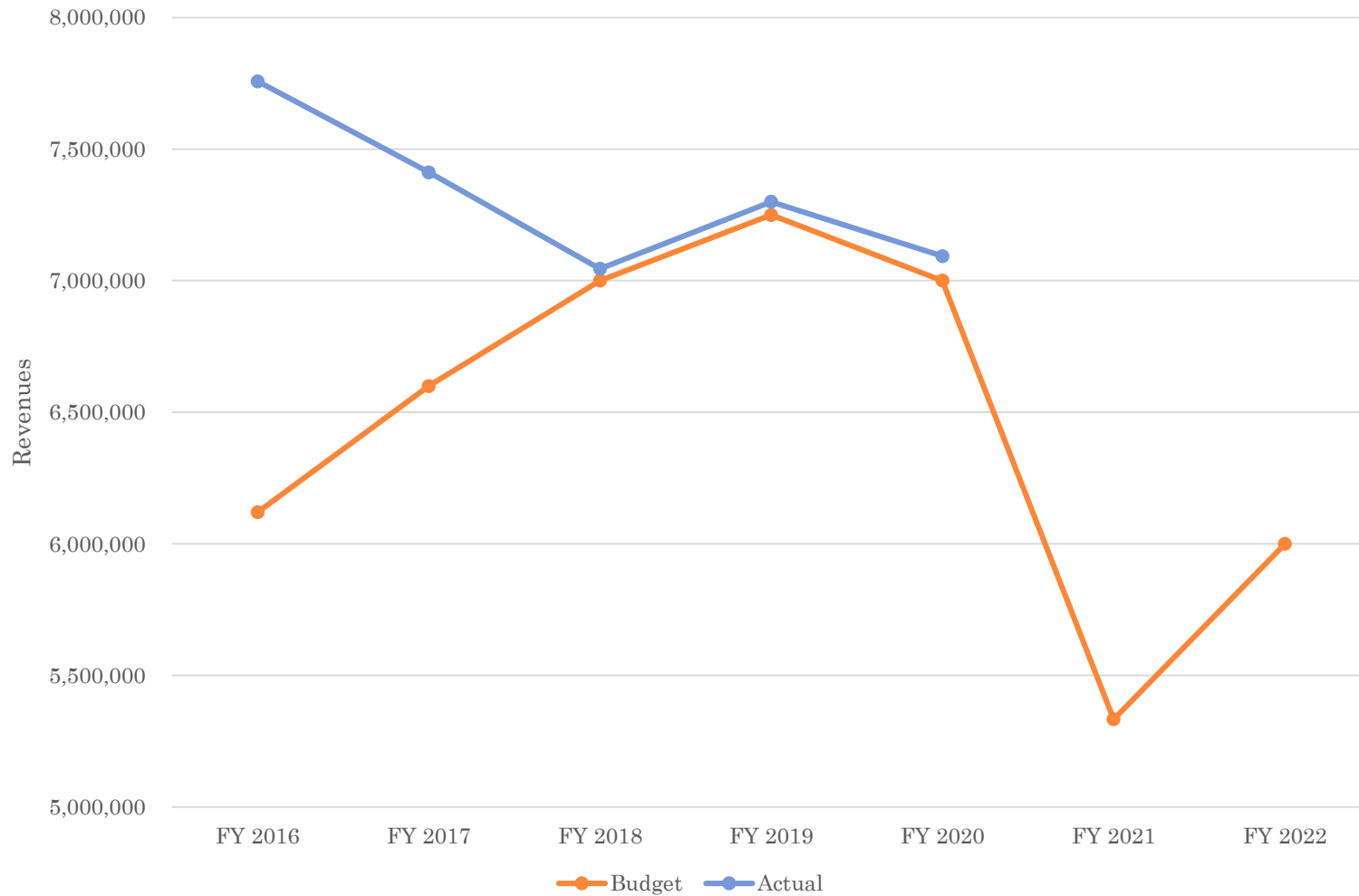
Sales Tax

- 3% Total Tax
 - 2% recorded in General Fund
 - 1% recorded in 1% Special Revenue Fund
- During FY 2020, fuel taxes accounted for approximately 46% of sales tax collected by the City

General Fund Sales Tax by Vendor Type – Five Year History

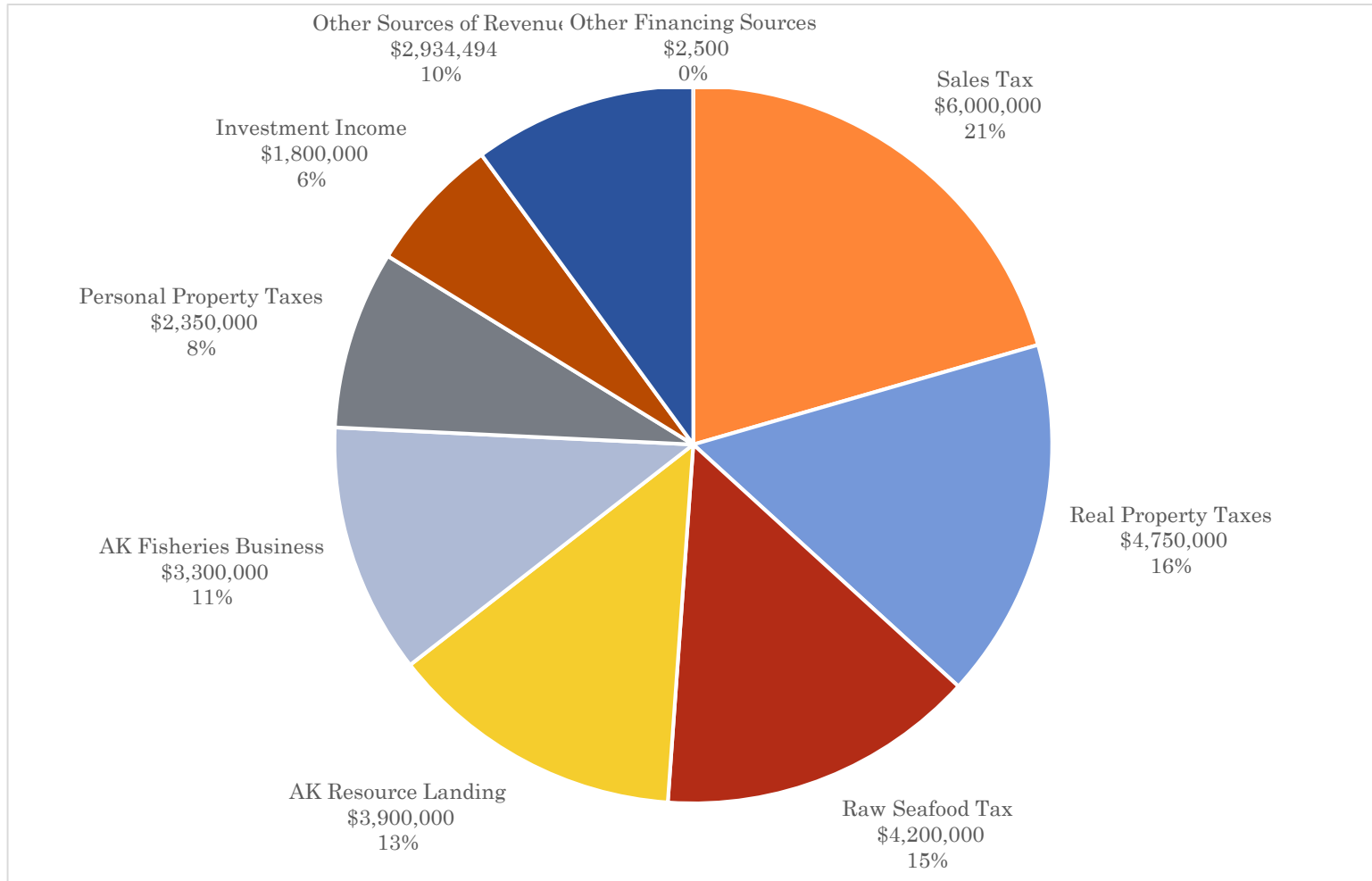


GENERAL FUND SALES TAX



FY22 GENERAL FUND REVENUE

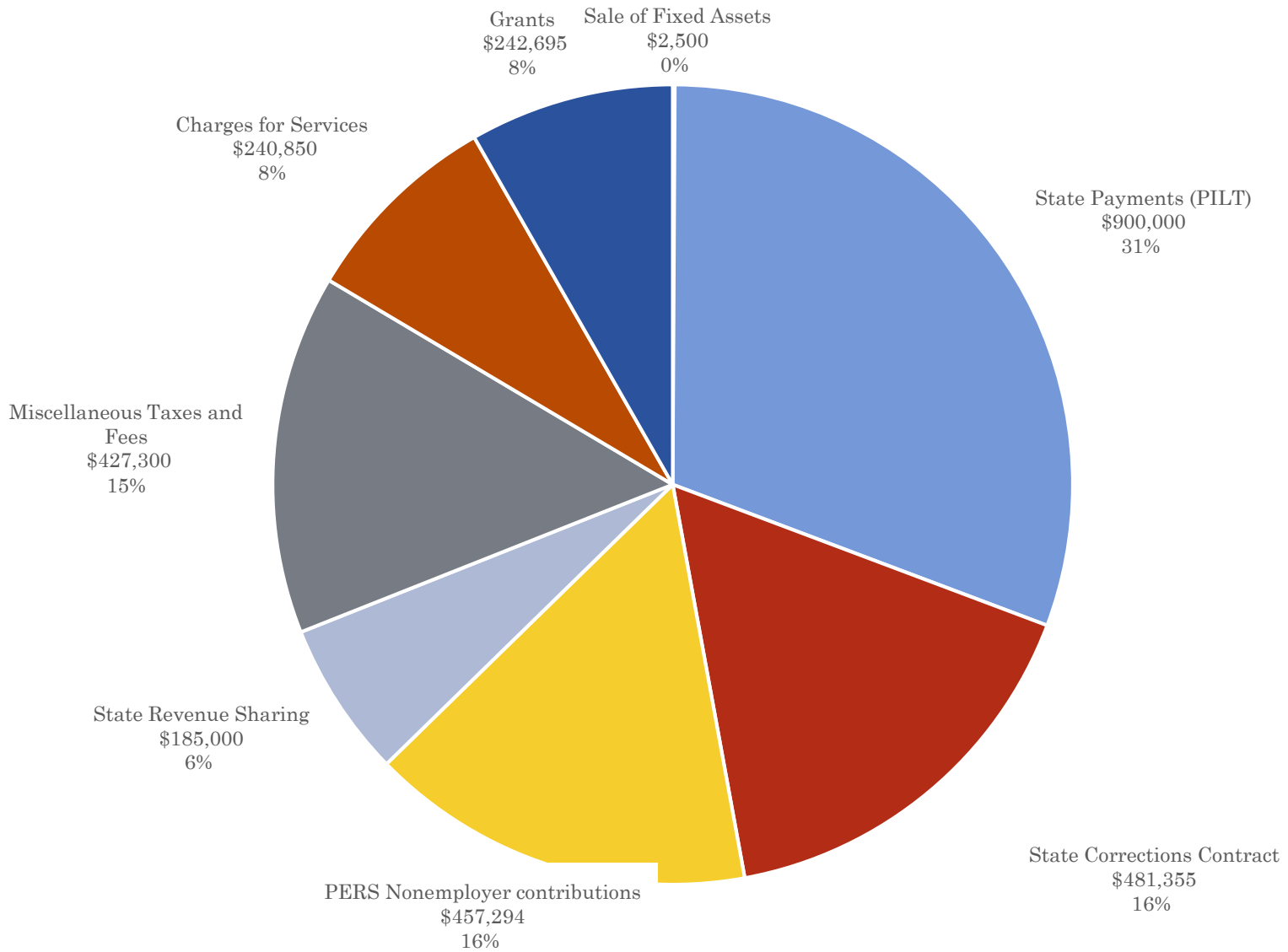
\$29,236,994



OTHER REVENUE SOURCES

- Grants (Public Safety, Library, Debt Reimbursement)
- Alaska State Shared or Generated
 - Payment in Lieu of Taxes
 - Revenue Sharing
 - State Corrections Contract
 - State on Behalf for PERS

FY22 OTHER REVENUE SOURCES \$2,934,494



QUESTIONS