

Special Meeting
Monday, January 24, 2022
6:00 p.m.



Unalaska City Hall
Council Chambers
43 Raven Way

Council Members
Thomas D. Bell
Darin Nicholson
Daneen Looby

Council Members
Dennis M. Robinson
Alejandro R. Tungul
Shari Coleman

*To Provide a Sustainable Quality of Life
Through Excellent Stewardship of Government*

UNALASKA CITY COUNCIL

P. O. Box 610 • Unalaska, Alaska 99685
Tel (907) 581-1251 • Fax (907) 581-1417 • www.ci.unalaska.ak.us

Mayor: Vincent M. Tutiakoff Sr. **City Manager:** Erin Reinders
City Clerk: Marjie Veeder, mveeder@ci.unalaska.ak.us

COUNCIL MEETING ATTENDANCE

The community is encouraged to attend meetings of the City Council:

- In person at City Hall
- Online via ZOOM (link, meeting ID & password below)
- By telephone (toll and toll free numbers, meeting ID & password below)
- Listen on KUCB TV Channel 8 or Radio Station 89.7

PUBLIC COMMENT

The Mayor and City Council value and encourage community input at meetings of the City Council. There is a time limit of 3 minutes per person, per topic. Options for public comment:

- In person
- By telephone or ZOOM - notify the City Clerk if you'd like to provide comment using ZOOM features (chat message or raise your hand); or *9 by telephone to raise your hand; or you may notify the City Clerk during regular business hours in advance of the meeting
- Written comment is accepted up to one hour before the meeting begins by email, regular mail, fax or hand delivery to the City Clerk, and will be read during the meeting; include your name

ZOOM MEETING LINK: <https://us02web.zoom.us/j/85203975430>

Meeting ID: 852 0397 5430 / **Passcode:** 977526

TELEPHONE: Meeting ID: 852 0397 5430 / **Passcode:** 977526

Toll Free numbers: (833) 548-0276; or (833) 548-0282; or (877) 853-5247; or (888) 788-0099

Non Toll Free numbers: (253) 215-8782; or (346) 248-7799; or (669) 900-9128

AGENDA

1. **Call to order**
2. **Roll call**
3. **Pledge of Allegiance**
4. **Adoption of Agenda**
5. **Work Session** *Work sessions are for planning purposes, or studying and discussing issues before the Council.*
 - a. [Discuss proposed Council Goals for the FY23 Budget](#)
 - b. [Discuss and review FY23 Revenue Projections](#)
6. **Adjournment**

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Erin Reinders, City Manager
Date: January 24, 2022
Re: Fiscal Year 2023 Budget Goals

SUMMARY: This memo provides information regarding recommended FY23 Budget Goals. The FY22 Budget Goals are attached, along with staff recommendations for FY23, and will be utilized to help direct the preparation of the budget once approved.

PREVIOUS COUNCIL ACTION: The City Council has reviewed budget goals at the beginning of each budget cycle since about 2002. Council will discuss the FY23 Budget goals at the January 24, 2022 Special Meeting and may take action by resolution at the February 8, 2022 Council Meeting.

BACKGROUND: Much of what we do as a municipal government is legislatively or code driven. City staff will continue to seek ways to provide service to the community more efficiently in an effort to reduce costs and increase our effectiveness.

DISCUSSION: Proposed Budget Goals for fiscal year 2023 are attached and include narrative related to any changes from the prior fiscal year. Key points on various issues impacting the budget goals are provided below.

Personnel: In an effort to meet other Council Budget goals, we will not be proposing additional personnel for consideration in the FY23 budget process. Council is reminded that in the FY22 budget process, Staff brought forward Fire and Public Safety staffing needs, namely positions to focus on emergency preparedness as well as administrative support for the Fire Department. Additionally, we highlighted an expanded role for a Resource Analyst position, especially in light of the geothermal Power Purchase Agreement and the desire for an increased role in Economic Development. None of these positions were supported by Council.

General Fund Surplus/Deficit: Staff will work to develop a budget in which the General Fund will operate without a deficit. To accomplish this, and other related Council Budget Goals, Directors are working to try to keep overall operating budgets (including personnel) the same as last year. Given that we have employee merit/step increases and other related personnel costs required per code and CBA's, this means Directors are looking to effectively cut operating budgets for FY23. To that end, certain departments may make temporary reductions for services not needed this year, but that may be necessary in future years. This will be the third consecutive year that staff has proposed a budget limiting spending increases and proposing spending decreases wherever possible, all while inflation has eroded purchasing power. This has been accomplished with minimal, if any impact to the level of service provided to the community.

Proprietary Funds: Staff will continue to review operating expenditures so as to budget/operate at a break-even point. However, increased revenue is most likely the only way proprietary fund budgets will operate without a deficit in the near term.

Operating Expenses: Although the goal is set at a maximum increase of 3% for non-personnel expenses, the Directors will prepare their proposed budgets understanding any non-personnel increases will have to be justified and evaluated to ensure that the level and quality of services to the public is maintained or improved. Certain departments may request one-time increases in order to purchase items that do not qualify as a capital purchase, but would otherwise not be purchased at their existing operating budget levels.

As described in the previous goal, this will be the third year in a row where staff has been charged with reducing costs wherever possible, while at the same time striving to maintain the level of service the Community has come to know and expect. Staff has been able to do so while also experiencing an overall rise in prices of goods and services. The 3% increase in this goal is related to inflation. Generally speaking, our operating budgets have not, and are not this year, fully accounting for inflation. To place this in context, the FY19 General Fund operating budget totaled \$27,966,634; for FY22 it was \$29,403,494, an increase of \$1,436,860, or 5.14%. During that same time frame, budgeted personnel costs increased by \$2,307,314 (15.65%), requiring reductions from non-personnel operating costs (\$157,544; 2.46%), capital outlay (\$401,013; 41.24%) and other (\$311,897, 5.33%).

Capital Projects: The CMMP is currently being developed. A presentation of the initial draft projects, with a special focus on FY23, was provided to Council at the January 11, 2022 meeting. Projects proposed for FY23 are focused on maintaining our current infrastructure and continuing currently funded projects. The draft CMMP presentation to Council is planned for March.

Revenues: Projected FY23 General Fund revenues are also being presented this evening, January 24, 2022. Council considers the property tax millage rate annually as part of the budget process. Projected revenues for the Proprietary Funds are included in the Council Packet and will be presented along with the draft budget later in the budgeting process.

Debt Service: In prior years, the City has incurred debt in the Proprietary Funds, specifically, each of the utilities and Ports. Each debt obligation requires annual debt service; debt service amounts are included in each of their respective budgets. In early FY21, the City refunded (aka “refinanced”) a portion of its bond debt, specifically as it relates to the Electric and Ports Proprietary Funds. This action will result in significant cost savings over the remaining term of the debt obligation. The City paid off the remainder of the non-proprietary fund debt in FY20 and does not anticipate a need for additional debt at this time.

ALTERNATIVES: Various alternatives exist. As staff completes the budget process, we will seek ways to perform our work more efficiently in an effort to reduce costs and increase effectiveness.

FINANCIAL IMPLICATIONS: Financial implications will be brought forward during the budget presentations.

STAFF RECOMMENDATION: No action is required at the work session stage. Recommended changes from last year’s budget goals are noted on the attached sheet. Approval of the budget goals by resolution is proposed for the February 8, 2022 meeting.

ATTACHMENTS:

1. Draft FY23 Budget Goals
2. Draft Resolution 2022-04 for action on February 8, 2022

CITY COUNCIL
DRAFT FY23 BUDGET GOALS

Personnel Goals

Goal: Any proposed increase to the total number of full-time equivalent (FTE) positions will be fully evaluated and justified during the budget approval work sessions.

The FY 2023 goal represents no change from the approved FY 2022 budget goal.

General Fund Surplus/Deficit

Goal: The General Fund operations will be budgeted without a deficit. The Council may appropriate additional funds from surplus to cover costs of capital projects.

The FY 2023 goal represents no change from the approved FY 2022 budget goal.

Proprietary Funding

Goal: Staff will continue to seek ways to balance budgets in the proprietary funds.

The FY 2023 goal represents no change from the approved FY 2022 budget goal.

Operating Expenses

Goal: The City Manager's proposed General Fund budget shall not increase more than 3 percent for non-personnel expenditures.

Goal: The total amount available to fund the Community Support Program grants will follow the formula of up to 3.50% of the five-year average revenue for the General Fund and up to all of the Bed Tax fund balance for the most recently completed fiscal year. (Revenues do not include Other Financing Sources.)

Goal: City management shall continue to examine ways to reduce expenditures without significantly impacting the level and quality of services to the public.

Goal: City management shall continue to examine ways to reduce inventory without significantly impacting the level and quality of services to the public.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

Capital Projects

Goal: New capital assets or maintenance of existing capital assets will be limited to projects approved by Council in the CMMP, which will include projects that are mandated or required by statute, projects that maintain our existing infrastructure, projects that address life, safety, or health issues, and projects that support the economic development of Unalaska.

Goal: The replacement and maintenance plans for all existing capital assets will be reviewed annually.

Goal: The vehicle and heavy equipment fleet requirements will be reviewed annually and reduced where appropriate without significantly impacting services provided to the public.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

Revenues

Goal: Proprietary Fund rate studies will be completed every three years and presented to council.

Goal: The mil rate will be reviewed annually to establish an appropriate mil rate to maintain infrastructure and operations.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

Debt Service

Goal: The City will not incur new debt without appropriate analysis to show impacts to rates or taxpayers, and will not incur new debt unless the capital asset purchased or constructed is eligible for a debt reimbursement program; is mandated by State or Federal government; or is needed to address life, safety or health issues.

Goal: The City may incur debt for its Proprietary Funds provided there is a documented plan to pay the debt through rate adjustments.

The FY 2023 goals represents no change from the approved FY 2022 budget goals.

CITY OF UNALASKA
UNALASKA, ALASKA

DRAFT RESOLUTION 2022-04

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING THE COUNCIL'S GOALS FOR THE FY23 BUDGET

WHEREAS, budget guidelines help to ensure that the budget is prepared in a manner consistent with City Council desires; and

WHEREAS, the City Council has discussed and selected the attached set of budget goals for FY23; and

WHEREAS, management will utilize the adopted goals as guidelines when developing the FY23 budget.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council adopts the attached goals as a guideline for developing the FY23 budget.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 8, 2022.

Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:

Marjie Veeder, CMC
City Clerk

FY22 BUDGET GOALS

CITY OF UNALASKA
UNALASKA, ALASKA

RESOLUTION 2021-07

A RESOLUTION OF THE UNALASKA CITY COUNCIL APPROVING THE COUNCIL'S GOALS FOR THE FY22 BUDGET

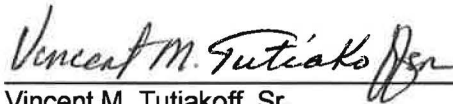
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WHEREAS, the City Council has discussed and selected the attached set of budget goals for FY22; and

WHEREAS, management will utilize the adopted goals as guidelines when developing the FY22 budget.

NOW THEREFORE BE IT RESOLVED that the Unalaska City Council adopts the attached goals as a guideline for developing the FY22 budget.

PASSED AND ADOPTED by a duly constituted quorum of the Unalaska City Council on February 9, 2021.



Vincent M. Tutiakoff, Sr.
Mayor

ATTEST:



Estkarlen Magdaong
Acting City Clerk



**UNALASKA CITY COUNCIL
FY22 BUDGET GOALS**

Personnel Goals

Goal: Any proposed increase to the total number of full-time equivalent (FTE) positions will be fully evaluated and justified during the budget approval work sessions.

The FY 2022 goal represents no change from the approved FY 2021 budget goal.

General Fund Surplus/Deficit

Goal: The General Fund operations will be budgeted without a deficit. The Council may appropriate additional funds from surplus to cover costs of capital projects.

The FY 2022 goal represents no change from the approved FY 2021 budget goal.

Proprietary Funding

Goal: Staff will continue to seek ways to balance budgets in the proprietary funds.

The FY 2022 goal represents no change from the approved FY 2021 budget goal.

Operating Expenses

Goal: The City Manager's proposed FY22 General Fund budget shall not increase more than 3 percent for non-personnel expenditures.

Goal: The total amount available to fund the Community Support Program grants will follow the formula of up to 3.50% of the five-year average revenue for the General Fund and up to all of the Bed Tax Fund balance for the most recently completed fiscal year. (Revenues do not include Other Financing Sources.)

Goal: City management shall continue to examine ways to reduce expenditures without significantly impacting the level and quality of services to the public.

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The FY 2022 goals represents no change from the approved FY 2021 budget goals.

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Goal: The vehicle and heavy equipment fleet requirements will be reviewed annually and reduced where appropriate without significantly impacting services provided to the public.

The FY 2022 goals represents no change from the approved FY 2021 budget goals.

Revenues

Goal: Proprietary Fund rate studies will be completed every three years and presented to council.

Goal: The mil rate will be reviewed annually to establish an appropriate mil rate to maintain infrastructure and operations.

The FY 2022 goals represents no change from the approved FY 2021 budget goals.

Debt Service

Goal: The City will not incur new debt without appropriate analysis to show impacts to rates or taxpayers, and will not incur new debt unless the capital asset is eligible for a debt reimbursement program; is mandated by State or Federal government; or is needed to address life, safety or health issues.

Goal: The City may incur debt for its Proprietary Funds provided there is a documented plan to pay the debt through rate adjustments.

The FY 2022 goals represents no change from the approved FY 2021 budget goals.

MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Erin Reinders, City Manager
Date: January 24, 2022
Re: FY23 Revenue Projections

SUMMARY: The primary focus tonight is FY23 Revenue Projections for the General Fund. For fiscal year 2023, Staff is proposing a total General Fund revenue budget of \$30,829,401 for your consideration. This is a 5.94% increase or \$1,729,852 from the fiscal year 2022 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 2023 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 2022 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.

DISCUSSION: Historically, the City has budgeted conservatively with respect to revenues, especially the major revenue sources. Over the last 10 fiscal years (FY 2012 to FY 2021), the City has exceeded their revenue budget seven times with the only exceptions FY 2015, FY 2016 and FY 2018. Overall, during the last 10 fiscal years, revenue has exceeded budget by an average of \$1,673,000 or 5%, annually.

The current economic environment feels different than in years past. Therefore, given the need to "sharpen our pencil" on the expense side, it is also appropriate to take the same approach for revenue projections.

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.**

Historically, the revenue projection presentation has included investment income. However, with the expected creation of a Permanent Fund and a separation of investments related to Emergency Operations, the amount of income provided by investments is expected to become a much less significant contributor to the City's

operating revenues. Along with the exclusion of investment income, the revenue source listed as “Everything Else” will not be discussed as part of this presentation. For reference purposes, the more significant line items (projected to be in excess of \$100,000 each) of that revenue source are:

- 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 2023 General Fund revenue. The following table summarizes the FY 2023 General Revenue projections followed by a more detailed explanation for each major revenue source.

	<u>FY 2022</u>	<u>FY 2023</u>	<u>\$ Change</u>	<u>% Change</u>
Real Property Tax	\$ 4,750,000	\$ 6,000,000	\$ 1,250,000	26.32%
Personal Property Tax	2,350,000	2,350,000	-	0.00%
Sales Tax	6,000,000	7,650,000	1,650,000	27.50%
Raw Seafood Tax	4,200,000	3,400,000	(800,000)	-19.05%
State Fisheries Business Tax	3,300,000	3,770,000	470,000	14.24%
State Fisheries Resource Landing Tax	3,900,000	4,500,000	600,000	15.38%
Investment Income	1,800,000	400,000	(1,400,000)	-77.78%
Everything Else	<u>2,799,549</u>	<u>2,759,401</u>	<u>(40,148)</u>	-1.43%
	<u>\$ 29,099,549</u>	<u>\$ 30,829,401</u>	<u>\$ 1,729,852</u>	5.94%

Real Property Tax - \$6,000,000

The amount proposed represents a \$1,250,000 or 26.3% increase from the FY 2022 budget amount. As of December 31, 2021, the City has recorded \$4,803,916, or 101% of FY 2022 budget (\$4,750,000).

Staff consulted with the City’s outsourced tax assessor to obtain the property value change from 2021 to 2022, which was estimated at a 29.15% increase from 2021.

The increase in real property values is due in large part to land value increases, both vacant (47.82% increase) and as part of a commercial (31.98%) or industrial (93.45%) building. Taxable residential real property values increased by a more modest amount (13.24%). We have requested additional explanation for the increases in commercial and industrial properties.

Personal Property Tax - \$2,350,000

The amount proposed represents no increase from the FY 2022 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 December 31, 2021, the City has recorded \$2,872,857, or 122% of FY 2022 budget (\$2,350,000).

Sales Tax - \$7,650,000

The amount proposed represents a \$1,650,000 or 27.5% increase from the FY 2022 budget amount. As of December 31, 2021, the City has recorded \$4,472,945, or 75% of FY 2022 budget (\$6,000,000).

Staff reviewed previous sales tax projection methodologies in an effort to determine the most effective projection technique. Prior to fiscal year 2021, staff used a model that estimated annual sales tax revenue based on the average price per barrel of Alaska North Slope (ANS) Crude, as published in the States Fall Revenue Book. However, during the fiscal year 2021 revenue projection calculations, that model broke down due to fluctuations in the price of ANS Crude in the previous two fiscal years. Therefore, other methods were employed to estimate the City's Sales Tax revenue.

For FY 2023, staff revisited the prior model, while incorporating two additional models that used the same thought process. These models are as follows:

Model #1: Price per barrel of ANS crude compared to annual sales tax collections – model used prior to FY 2021 to demonstrate a correlation between historical information (i.e., FY 2021 average price per barrel of ANS crude oil compared to FY 2021 actual sales tax collections). This information is then extrapolated to project sales tax revenue for the subsequent year.

Model #2: Projected price per barrel of ANS crude compared to annual sales tax collections – a slight variation to previous model, using projected ANS crude oil per barrel price from prior year's Fall Revenue Book to historical sales tax (i.e., projected FY 2021 price per barrel of ANS Crude, from 2020 Fall Revenue Book, was compared to actual sales tax collections for FY 2021). This information is then extrapolated to project sales tax revenue for the subsequent year.

Model #3: Raw seafood tax collections compared to annual sales tax collections – Given the historical significance of the fishing industry to the City of Unalaska, this methodology was included in an effort to establish a relationship between historical raw seafood tax collections and sales tax collections (i.e., FY 2021 raw fish tax collections compared to FY 2021 sales tax collections).

Data for each model above was entered into Microsoft Excel in order to calculate a correlation coefficient over a 10-year period. Briefly, a correlation coefficient indicates that a relationship between two sets of data may or may not exist. That relationship ranges

from -1 (inverse relationship) to +1 (positive relationship). The closer the coefficient is to 1 or -1 the stronger the relationship. A coefficient at or near zero indicates there is not a relationship between the data sets. An amount in excess of 0.8 demonstrates a strong or very strong relationship between the data sets. It is important to note that while a correlation coefficient may exceed 0.8, therefore demonstrating a strong relationship, it does not explain cause and effect. In essence, two sets of data may have a strong relationship to each other but that relationship may not represent a cause and effect. However, as noted above, it is believed that each model used includes data that appear to be closely connected.

Results – Method #2 calculated a correlation coefficient of 0.869, indicating the strongest relationship of the three methods tested. Method #1 was close behind at 0.844 while Method #3 indicated almost no relationship with a correlation coefficient of 0.055. Since Method #2 indicated the strongest correlation, a 10-year average factor (sales tax collected divided by per barrel price of ANS crude) was calculated and then multiplied by the estimated price per barrel of ANS crude for FY 2023. The resulting amount of \$12,392,523 was compared to historical data for reasonableness and then adjusted by 2/3 to properly reflect the General Fund portion (2%) of total sales tax collected. The remaining 1/3 will be budgeted for the 1% Sales Tax Fund. The calculated projected sales tax amount of \$8,533,585 was further evaluated and reduced by 10% to account for the amount of economic uncertainty going forward, yielding a General Fund budget amount of \$7,650,000.

Raw Seafood Tax - \$3,400,000

The amount proposed represents an \$800,000 or nearly 20% reduction from the FY 2022 budget amount. As of December 31, 2021, the City has recorded \$2,922,643, or 86% of FY 2022 budget (\$4,200,000). The fiscal year 2023 estimate is based on two components:

- 2022 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 2022 to the 2023 fishing season. Since October 2021, 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 developed a projection of \$3,690,418 for FY 2023; however, given the current industry challenges, we determined that a conservative approach was necessary, and discounted the projection by 8% to arrive at a budget amount of \$3,400,000.

Alaska Fisheries Business Tax – \$3,770,000

The amount proposed represents a \$470,000, or 14% increase from the FY 2022 budget amount (\$3,300,000). As of December 31, 2021, the City has recorded \$3,775,900, or 114% of FY 2022 budget (\$3,300,000).

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 2023 budget. The FY 2023 budgeted amount was calculated using calendar year 2021 shore value information reported to the City monthly by local processors. The FY 2023 estimate includes shore value to the City through November 30, 2021 as it is not expected that December 2021 will provide much additional value.

In an effort to determine the reliability of the information provided by the local processors, staff evaluated six years (2015 to 2020) of historical shore value data reported to the City, comparing expected amounts to actual amounts received. In five of the six years evaluated, the City received in excess of 100% of the expected amount. The remaining year provided just under 90% of the expected amount. Therefore, staff determined that the historical information could be relied upon, with a fairly high degree of certainty.

Through November 30, 2021, total shore value reported to the City of Unalaska related to the calendar year 2021 fishery was \$264,753,219. Using that shore value amount, the City is projected to receive approximately \$3,970,000 in fiscal year 2023, which was reduced by 5% to account for any uncertainty.

Alaska Fisheries Resource Landing Tax - \$4,500,000

The amount proposed represents a \$600,000 or 15% increase from the FY 2022 budget amount (\$3,900,000). As of December 31, 2021, the City has recorded \$4,549,661, or 117% of FY 2022 budget.

The estimate for Alaska Fisheries Resource Landing Tax is based on total catch amounts reported by the NPFMC through November 6, 2021 and the State price book, last published in 2020. 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.

Historically, the amount paid to the City has been between 75% and 80% of projection, which will be the same approach used for FY 2023. Using data defined above, staff projected Alaska Fisheries Resource Landing Tax to be \$5,773,256, which was discounted 22% to arrive at a budget estimate of \$4,500,000.

Supplemental Tables & Graphs

In addition to the above analysis, the following tables and graphs have been provided:

1. **Total General Fund Revenue Budget to Actual – FY 2012 to FY 2021:** An historical overview of how the City’s General Fund revenue has fluctuated over the last 10 years along with a comparison to budgeted amounts.
2. **Total General Fund Revenue Budget to Actual – FY 2012 to FY 2021 (excluding investment activity):** Same as above, removing investment activity as it significantly skewed results in FY 2019 and FY 2020.
3. **Revenue Percentage: FY 2016, FY 2021, 10-Year Average, FY 2023:** This table and graph provides two historical dates in time (5-year difference), 10-year average and projected FY 2023 revenue projections.
4. **Annual Revenue Compared to Average – FY 2012 to FY 2023:** These graphs provide a snapshot for each major revenue source and can help identify trends compared to averages for the last 10 fiscal years.
5. **Sales Tax Budget to Actual – FY 2012 to FY 2021:** Graph provides a snapshot with respect to budget to actual amounts from FY 2012 to FY 2021.
6. **Historical Sales Tax Collections vs. Price of Oil:** Graphs provide a visual representation of how the 55-gallon barrel price of Alaska North Slope crude has moved, in comparison with City of Unalaska Sales Tax Collections over last 10 years and over last 20 years
7. **Enterprise Fund Charges for Services FY2012 to FY2023:** Table displays annual Charges for Services amounts recorded for each Enterprise Fund; amounts include those based on the annually approved fee schedule.

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 2023. 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 2022. 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: I thank our Interim Finance Director, staff and our fisheries consultant for taking a deep dive into our revenue projections.



FY23 REVENUE PROJECTIONS - GENERAL FUND

1

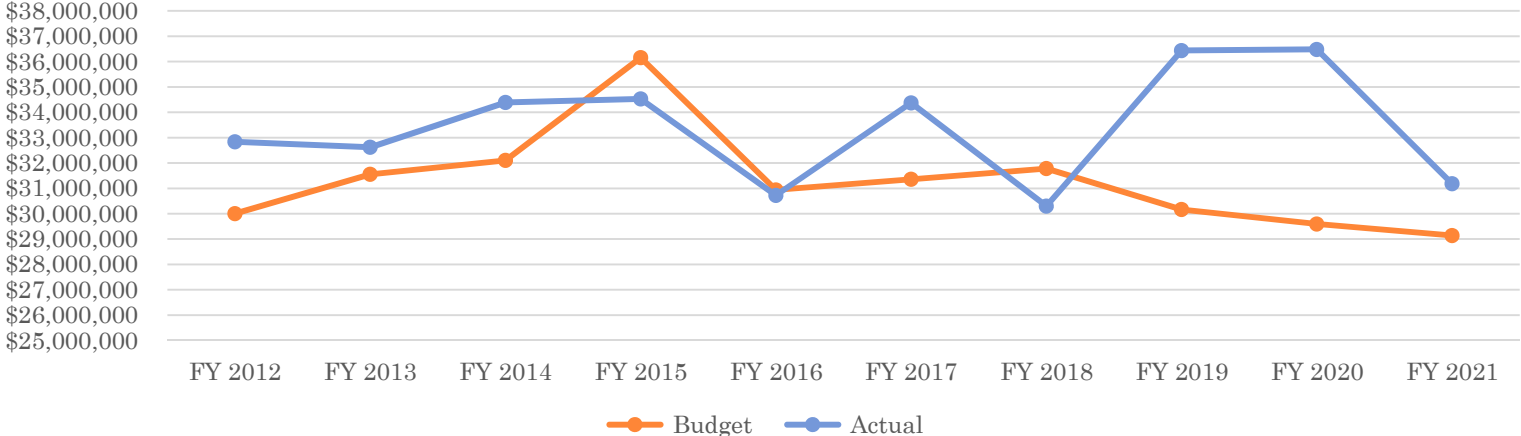
PURPOSE OF GENERAL FUND REVENUE PROJECTIONS

- 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

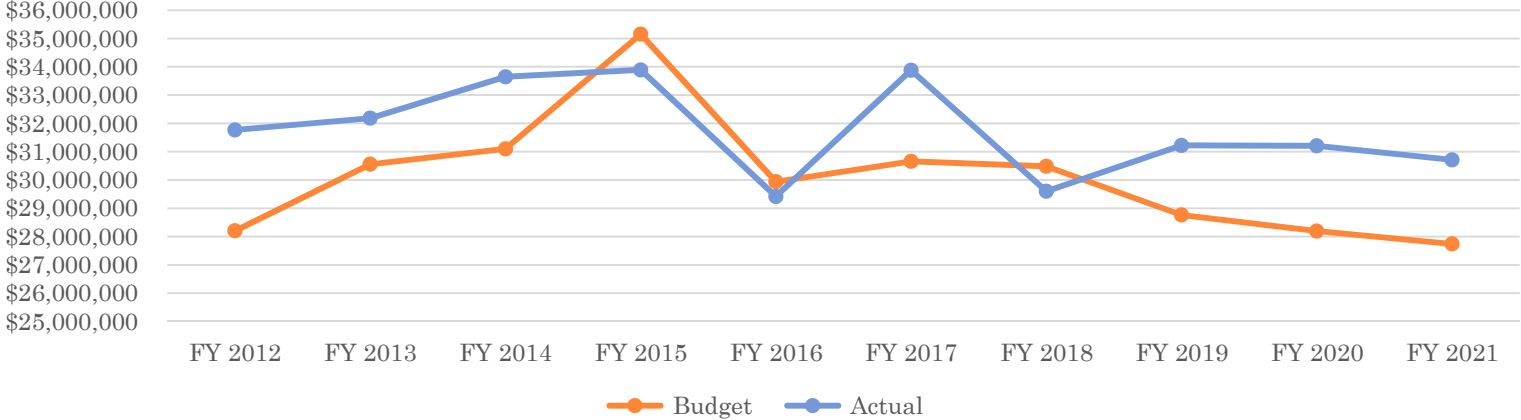
GENERAL FUND REVENUE BUDGET TO ACTUAL

- From FY 2012 to FY 2021, actual revenue exceeded annual budget seven times
- For entire 10 year period, revenue has exceeded budget by:
 - \$21,000,000, investments included (106.74% of budget)
 - \$16,700,000, investments excluded (105.56%)

Total Revenue Budget to Actual - FY 2012 to FY 2021



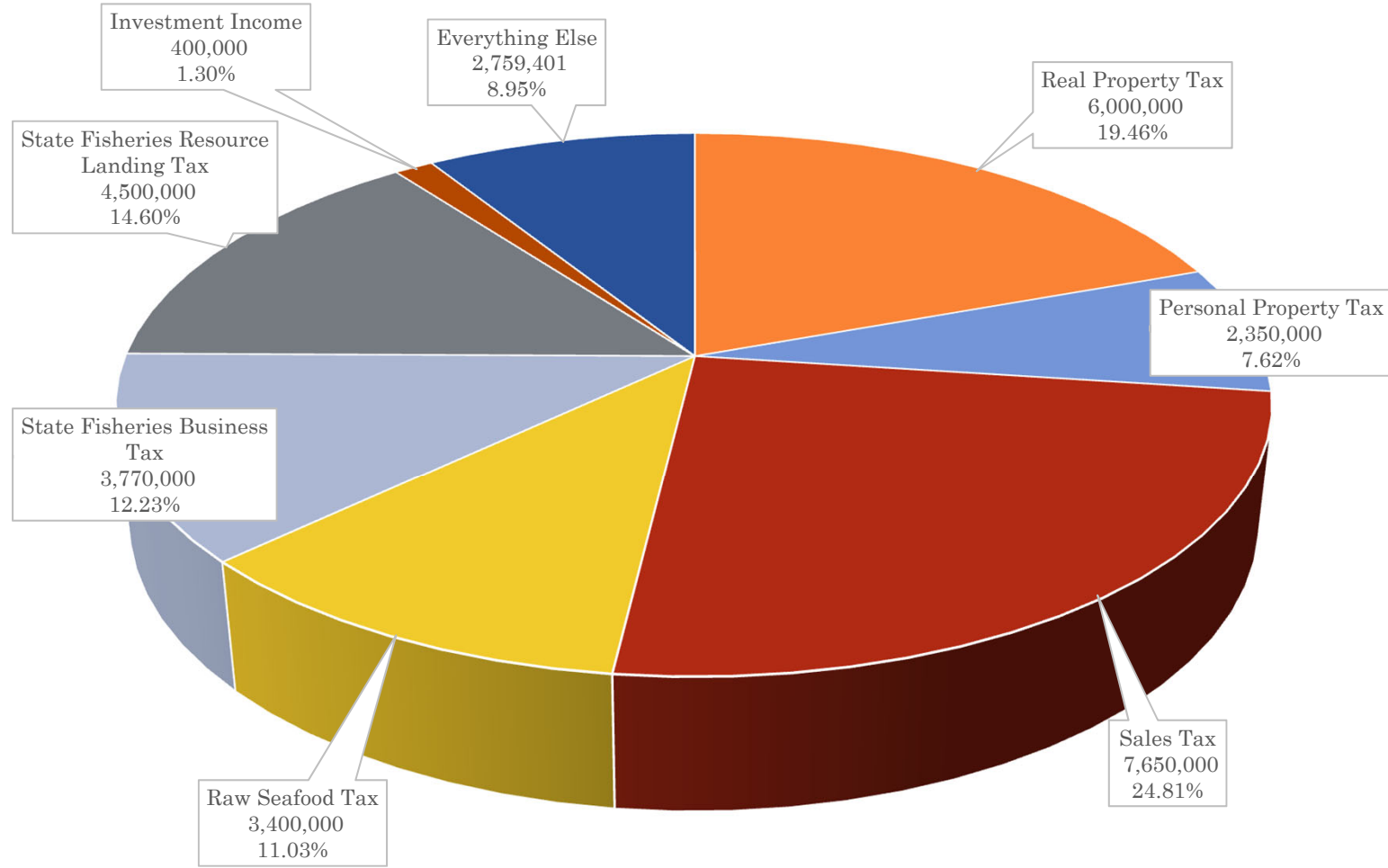
Revenue Budget to Actual - FY 2012 to FY 2021 (exluding investments)



FY 2023 GENERAL FUND PROJECTION

Real Property Tax	\$6,000,000
Personal Property Tax	2,350,000
Sales Tax	7,650,000
Raw Seafood Tax	3,400,000
State Fisheries Business Tax	3,770,000
State Fisheries Resource Landing Tax	4,500,000
Investment Income	400,000
Everything Else	<u>2,759,401</u>
Total	\$30,829,401

FY 2023 General Fund Revenue



- Real Property Tax
- Personal Property Tax
- Sales Tax
- Raw Seafood Tax
- State Fisheries Business Tax
- State Fisheries Resource Landing Tax
- Investment Income
- Everything Else

MAJOR REVENUE SOURCES

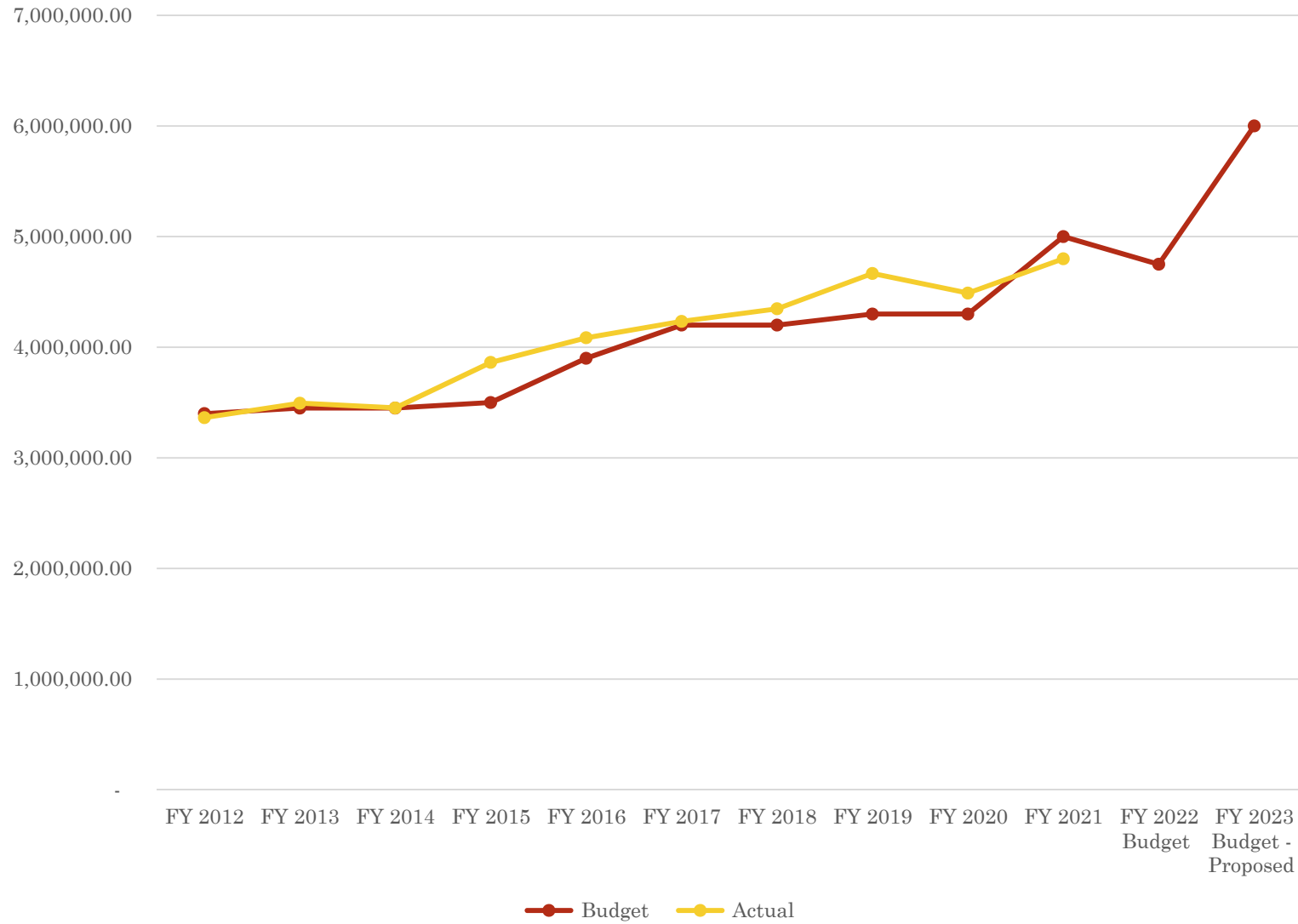
- Real Property Tax
- Personal Property Tax
- Sales Tax
- Raw Seafood Tax
- Alaska Fisheries Business Tax
- Alaska Fisheries Resource Landing Tax

- Over last 10 fiscal years, these taxes have comprised 83.09% of General Fund revenues
- For FY 2023, estimated to account for 89.75% of General Fund revenues

MAJOR REVENUE SOURCE – REAL PROPERTY TAX

- Mill Rate – 10.5
- Last adjustment – 2009 (reduction from 11.79 mills)
- Since FY 2012: Average of 12.22% of GF Revenue
- General upward trend during that time
- FY 2022 budget – \$4,750,000 (16.32% of GF Rev)
- FY 2023 budget – \$6,000,000 (19.46%)

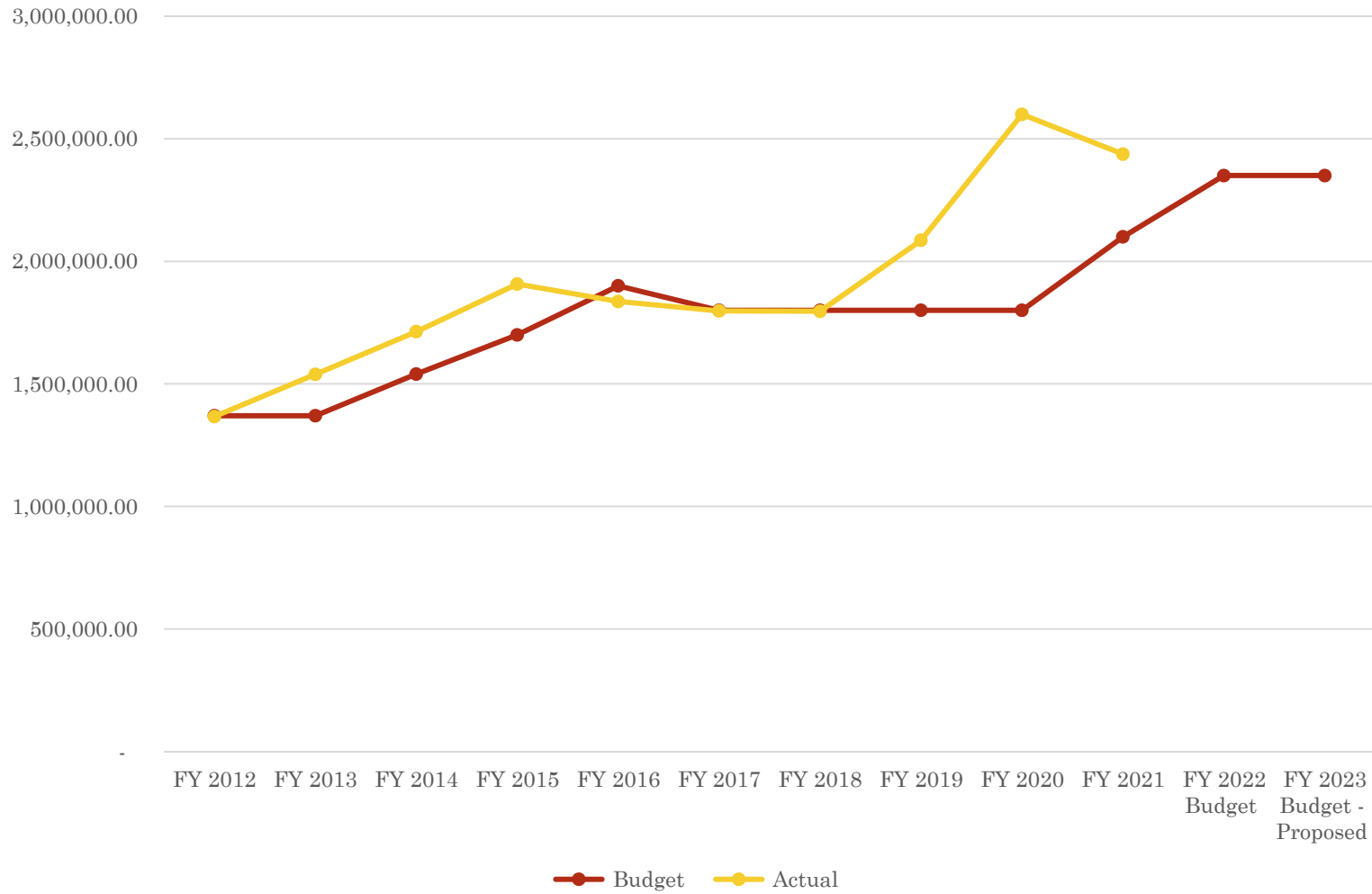
Real Property Tax Budget vs Actual FY2012 - FY2023



MAJOR REVENUE SOURCE – PERSONAL PROPERTY TAX

- Mill Rate – 10.5
- Last adjustment – 2009 (reduction from 11.79 mills)
- Since FY 2012: Average of 5.71% of GF Revenue
- General upward trend during that time
- FY 2022 budget – \$2,350,000 (8.08%)
- FY 2023 budget – \$2,350,000 (7.62%)

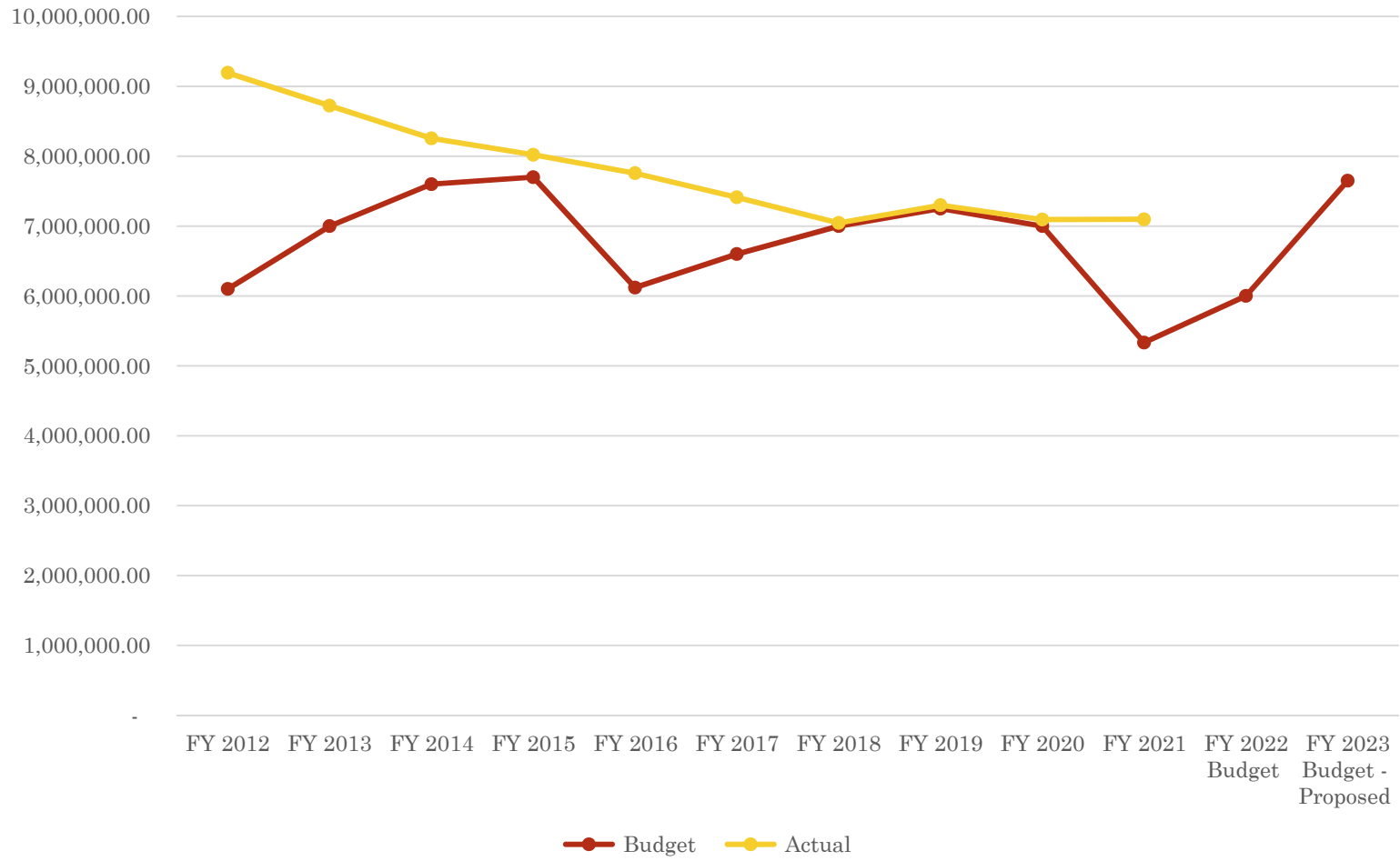
Personal Property Tax Budget vs Actual FY2012 - FY2023



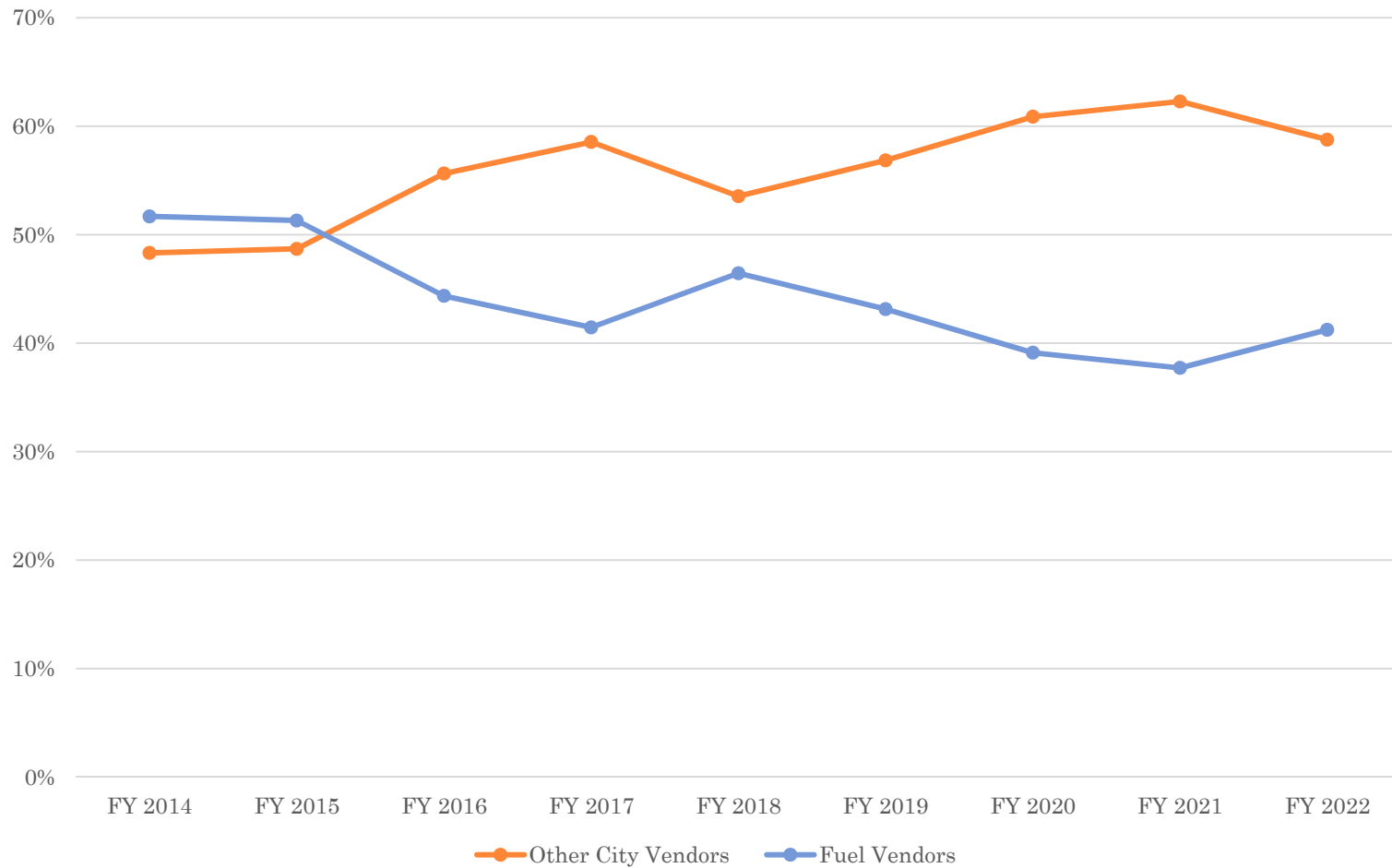
MAJOR REVENUE SOURCE – SALES TAX

- Current Rate – 3%
 - General Fund Portion – 2%
 - 1% Sales Tax Fund – 1%
- Since FY 2012: Average of 23.33% of GF Revenue
- General downward trend during that time
- Strong correlation to Alaska North Slope Crude
- FY 2022 budget – \$6,000,000 (20.62%)
- FY 2023 budget – \$7,650,000 (24.81%)

Sales Tax Budget vs Actual FY2012 - FY2023



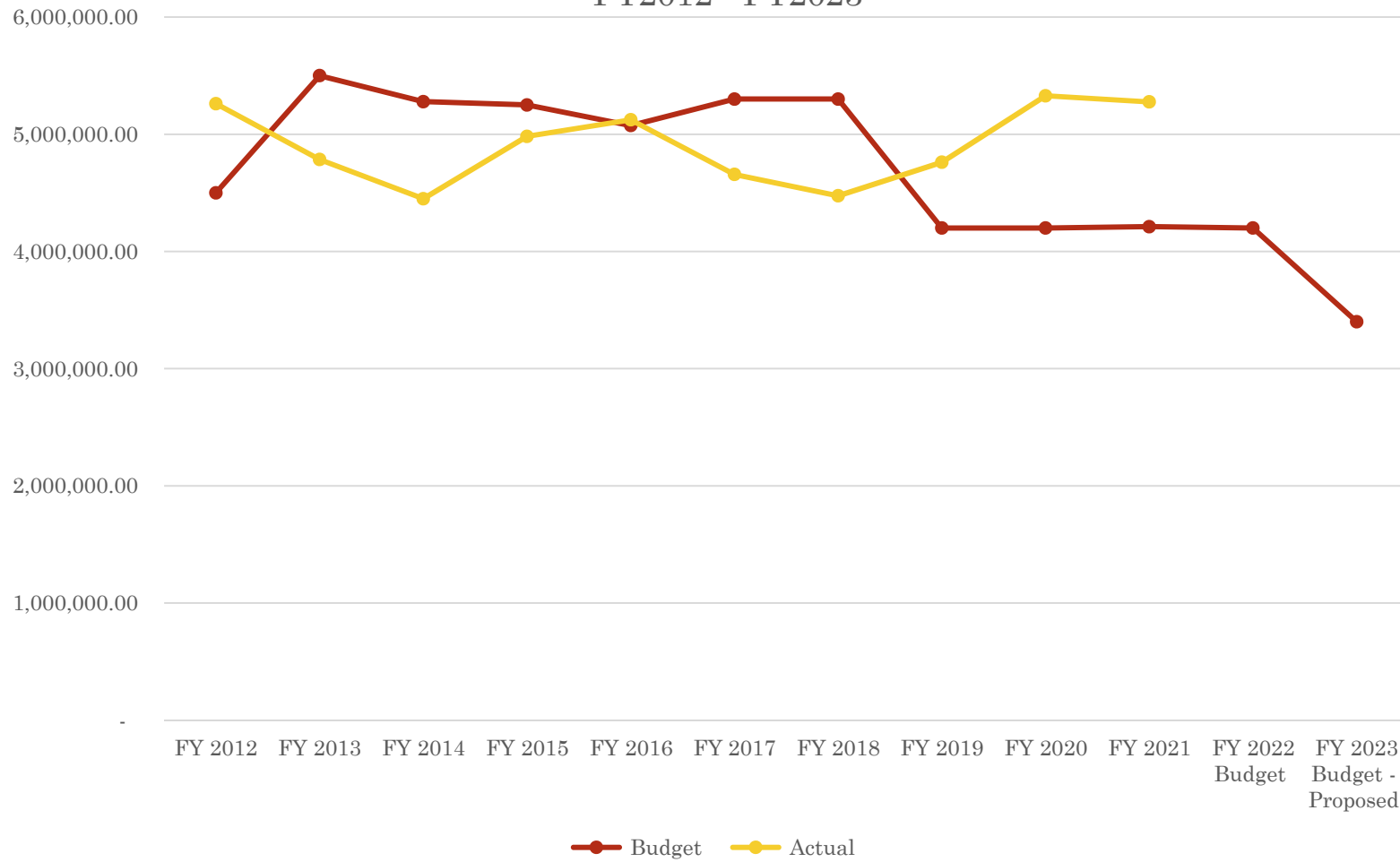
Fuel Sales impact on Sales Tax



MAJOR REVENUE SOURCE – RAW SEAFOOD TAX

- Current Rate – 2%
- Since FY 2012: Average of 14.71% of GF Revenue
- Fairly volatile during that time
- Difficult to forecast
- FY 2022 budget – \$4,200,000 (14.43%)
- FY 2023 budget – \$3,400,000 (11.03%)

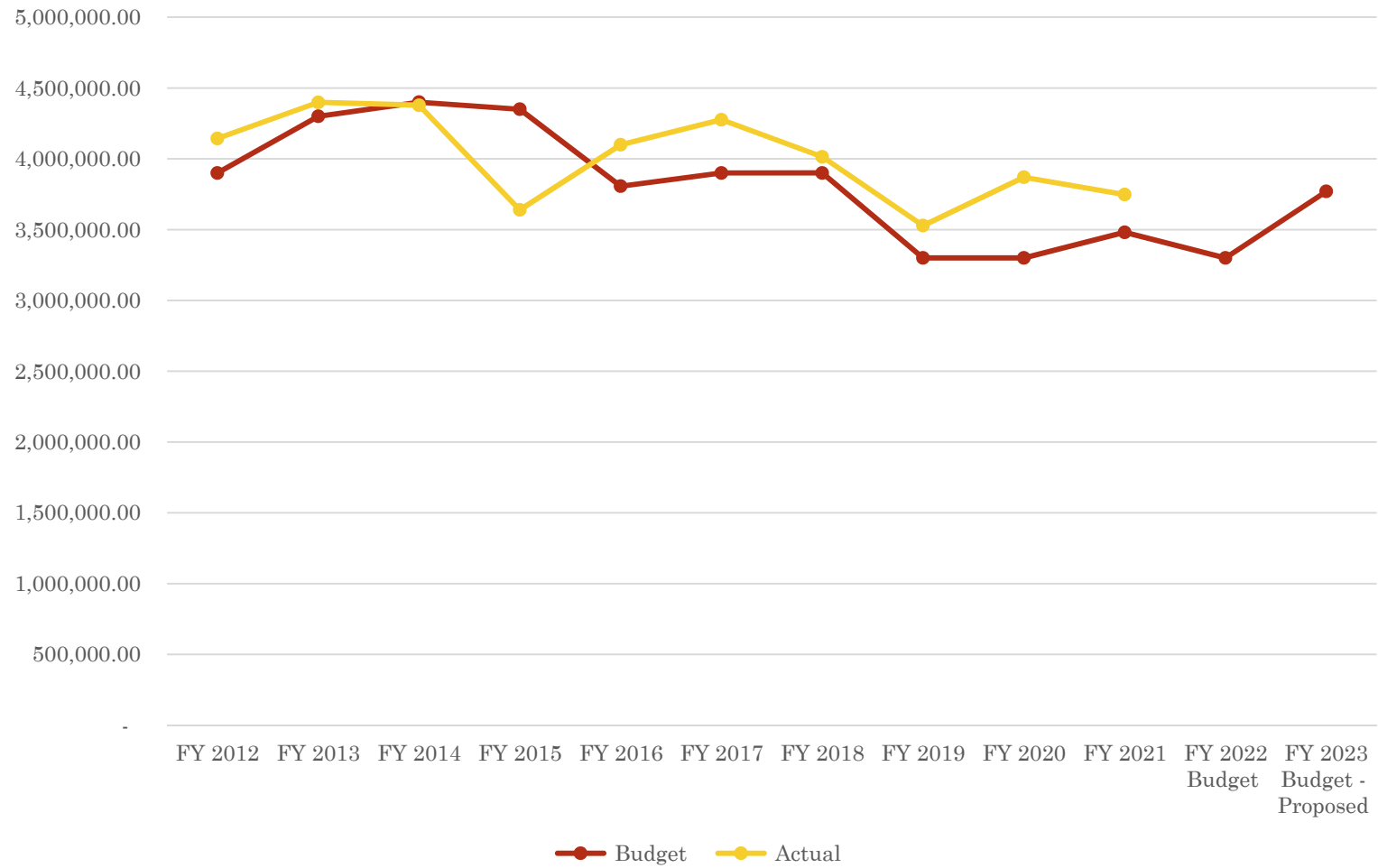
Raw Seafood Tax Budget vs Actual FY2012 - FY2023



MAJOR REVENUE SOURCE – STATE FISHERIES BUSINESS TAX

- Current Rate – 1.5%
- Since FY 2012: Average of 12.01% of GF Revenue
- Fairly straight forward calculation
- Based on prior calendar year fishery data
- FY 2022 budget – \$3,300,000 (11.34%)
- FY 2023 budget – \$3,770,000 (12.23%)

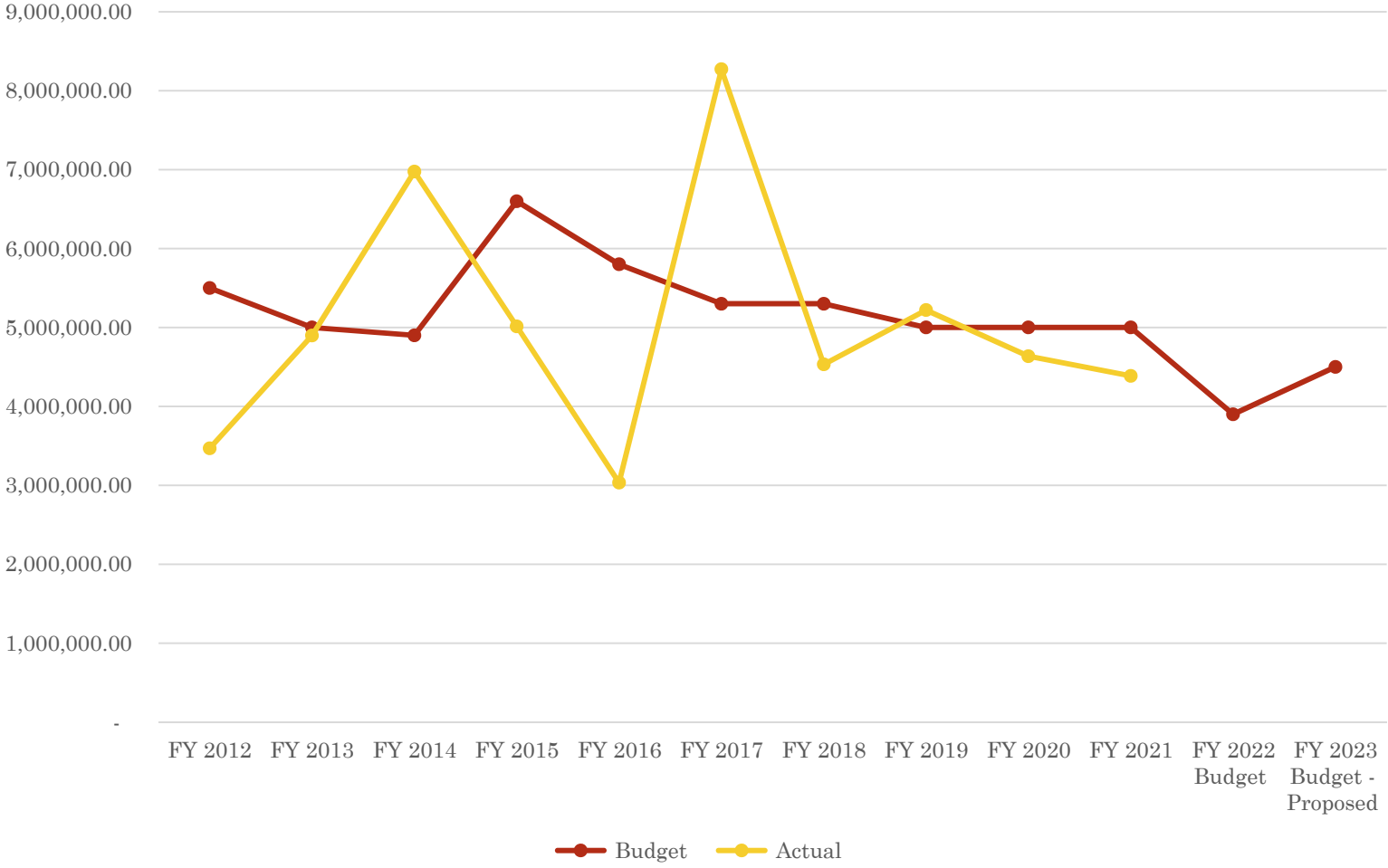
State Fisheries Business Tax Budget vs Actual FY2012 - FY2023



MAJOR REVENUE SOURCE – STATE FISHERIES RESOURCE LANDING TAX

- Current Rate – 1.5%
- Since FY 2012: Average of 15.11% of GF Revenue
- Difficult to predict with accuracy
- Based on:
 - Prior calendar year fishery data reported to the State
 - State published price book
- FY 2022 budget – \$3,900,000 (13.40%)
- FY 2023 budget – \$4,500,000 (14.60%)

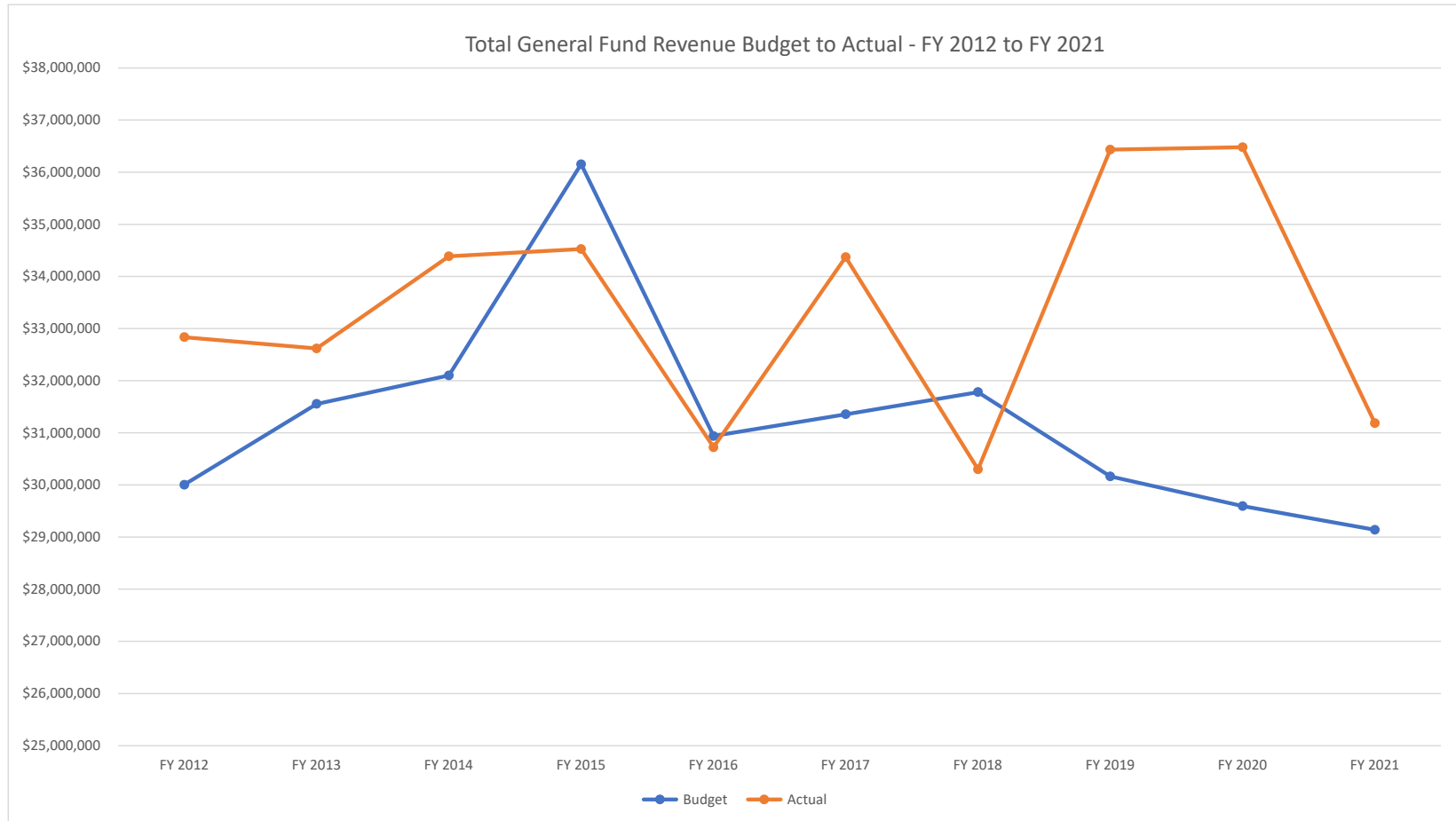
State Fisheries Resource Landing Tax Budget vs Actual FY2012 - FY2023



Revenue Percentage: FY 2016, FY 2021, 10 Year Average, FY 2023

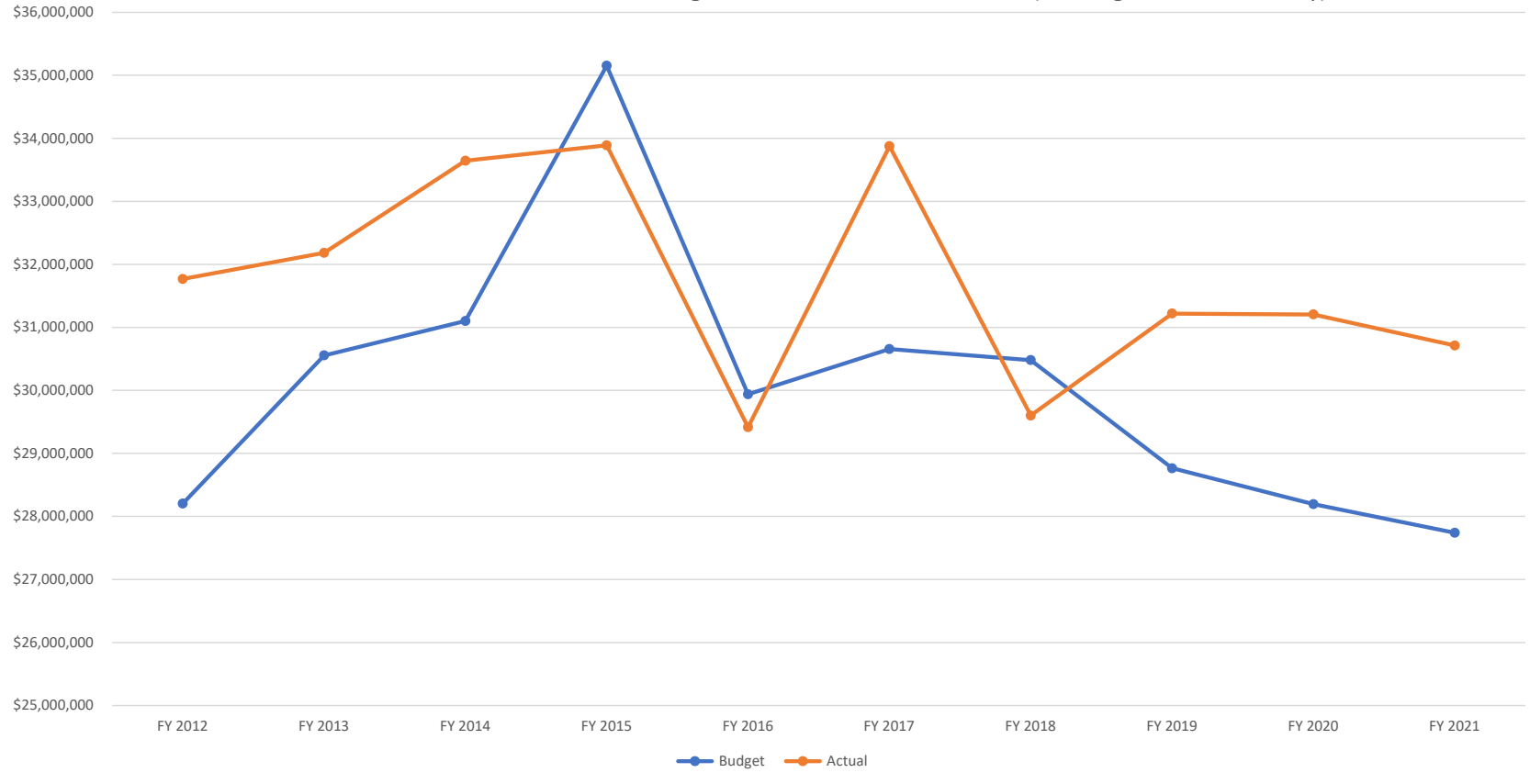


QUESTIONS



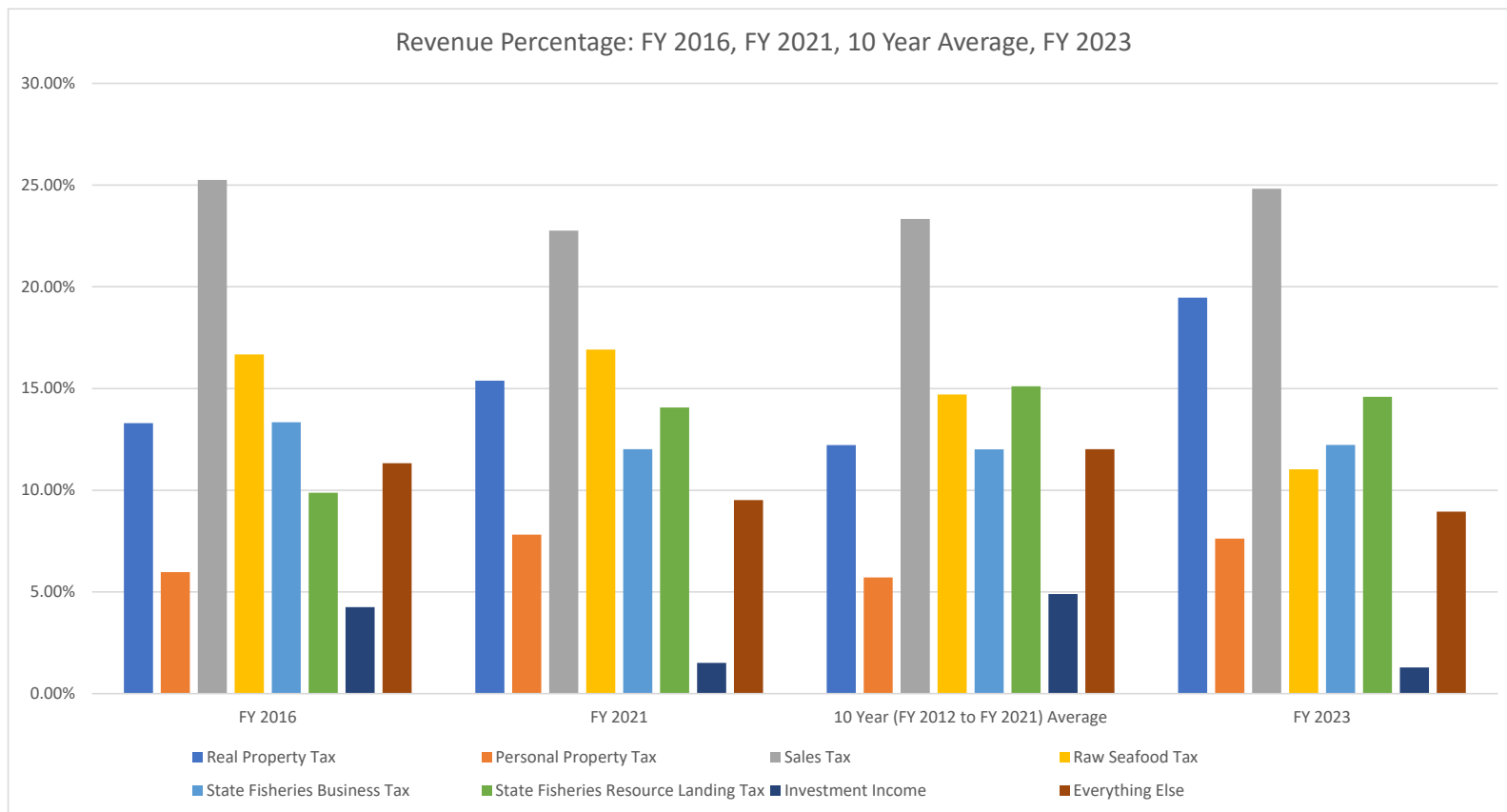
	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Pct</u>
FY 2012	\$ 30,003,700	\$ 32,835,916	\$ 2,832,216	109.44%
FY 2013	31,555,103	32,619,176	1,064,073	103.37%
FY 2014	32,101,456	34,385,794	2,284,338	107.12%
FY 2015	36,153,188	34,525,170	(1,628,018)	95.50%
FY 2016	30,937,803	30,723,626	(214,177)	99.31%
FY 2017	31,357,134	34,371,441	3,014,307	109.61%
FY 2018	31,781,160	30,300,957	(1,480,203)	95.34%
FY 2019	30,164,158	36,433,043	6,268,885	120.78%
FY 2020	29,594,258	36,478,643	6,884,385	123.26%
FY 2021	29,139,571	31,185,491	2,045,920	107.02%
	<u>\$ 312,787,531</u>	<u>\$ 333,859,257</u>	<u>\$ 21,071,726</u>	<u>106.74%</u>

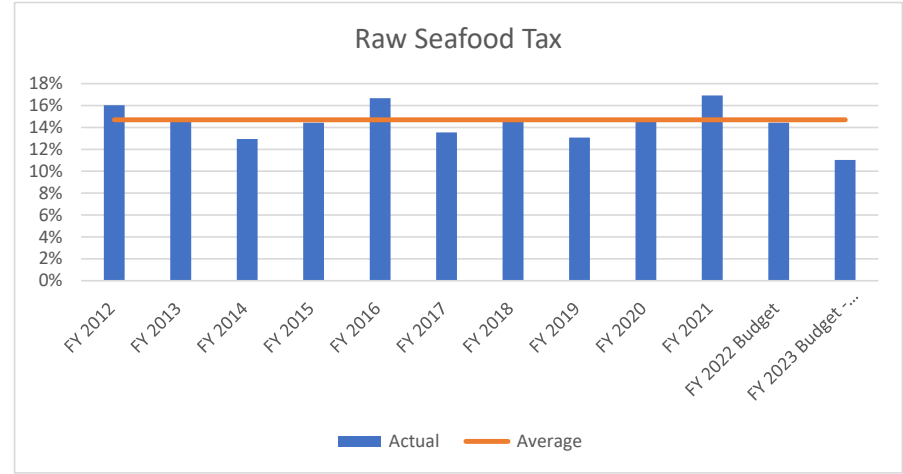
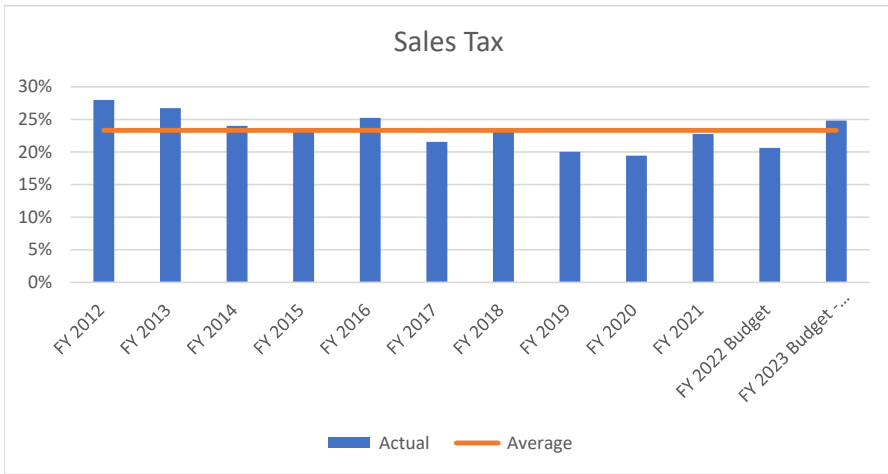
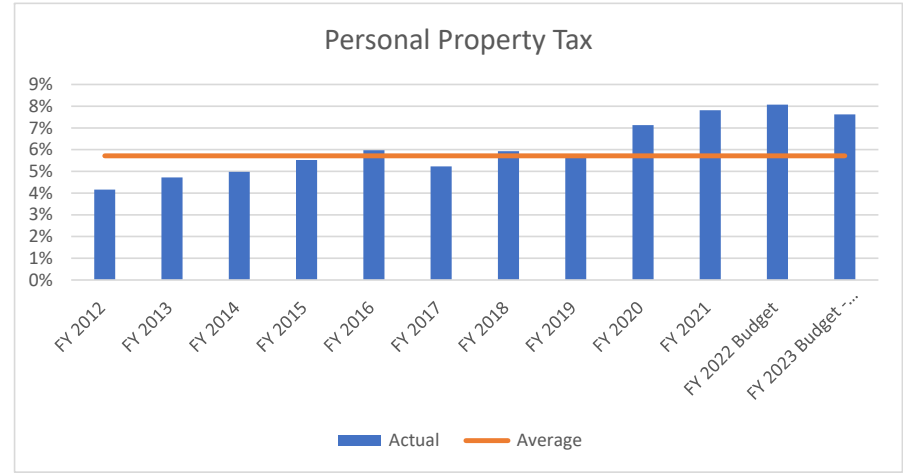
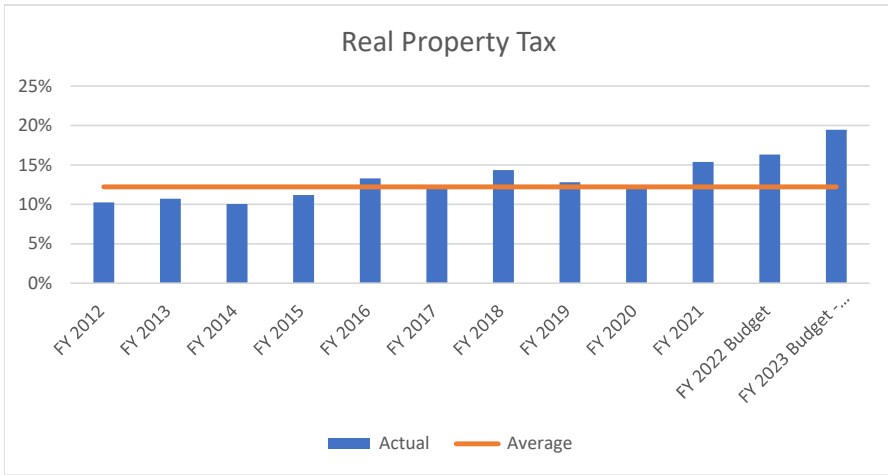
Total General Fund Revenue Budget to Actual - FY 2012 to FY 2021 (excluding investment activity)



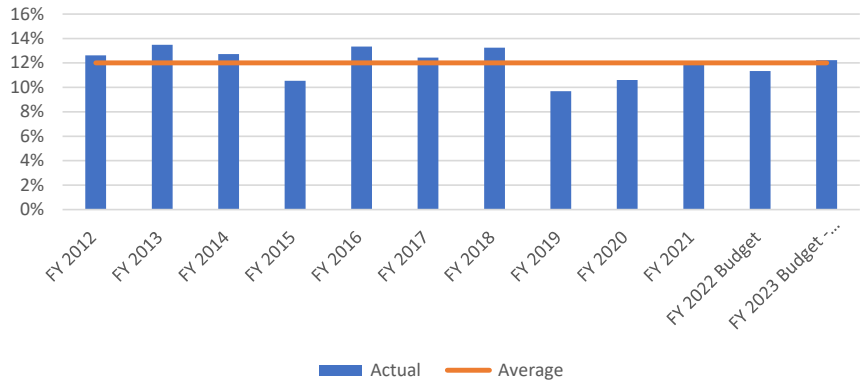
	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>Pct</u>
FY 2012	\$ 28,203,700	\$ 31,768,621	\$ 3,564,921	112.64%
FY 2013	30,555,103	32,183,163	1,628,060	105.33%
FY 2014	31,101,456	33,644,122	2,542,666	108.18%
FY 2015	35,153,188	33,889,330	(1,263,858)	96.40%
FY 2016	29,937,803	29,416,486	(521,317)	98.26%
FY 2017	30,657,134	33,876,612	3,219,478	110.50%
FY 2018	30,481,160	29,600,912	(880,248)	97.11%
FY 2019	28,764,158	31,219,577	2,455,419	108.54%
FY 2020	28,194,258	31,205,816	3,011,558	110.68%
FY 2021	<u>27,739,571</u>	<u>30,712,238</u>	<u>2,972,667</u>	110.72%
	<u>\$ 300,787,531</u>	<u>\$ 317,516,877</u>	<u>\$ 16,729,346</u>	105.56%

	10 Year (FY 2012 to FY 2021) Average			
	FY 2016	FY 2021	2021) Average	FY 2023
Real Property Tax	13.30%	15.39%	12.22%	19.46%
Personal Property Tax	5.98%	7.82%	5.71%	7.62%
Sales Tax	25.25%	22.76%	23.33%	24.81%
Raw Seafood Tax	16.68%	16.92%	14.71%	11.03%
State Fisheries Business Tax	13.34%	12.02%	12.01%	12.23%
State Fisheries Resource Landing Tax	9.88%	14.07%	15.11%	14.60%
Investment Income	4.25%	1.52%	4.89%	1.30%
Everything Else	11.33%	9.52%	12.02%	8.95%

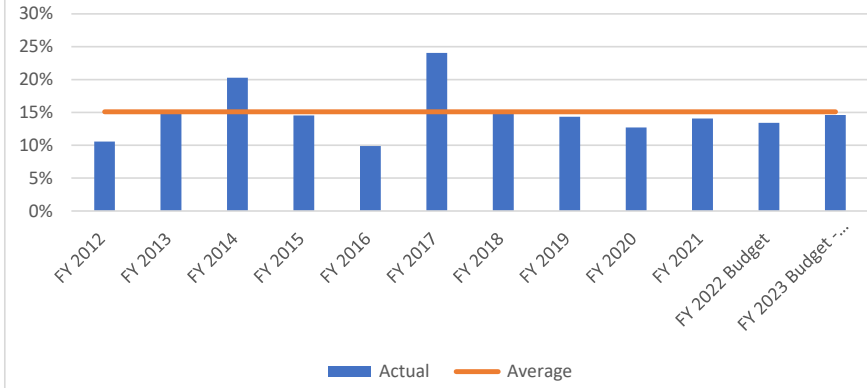




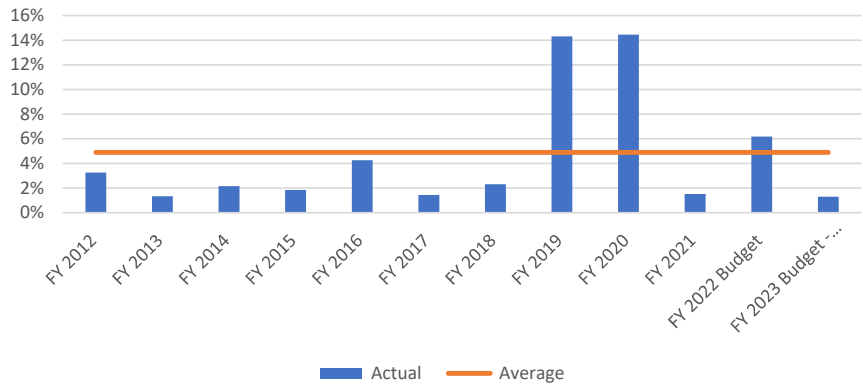
State Fisheries Business Tax



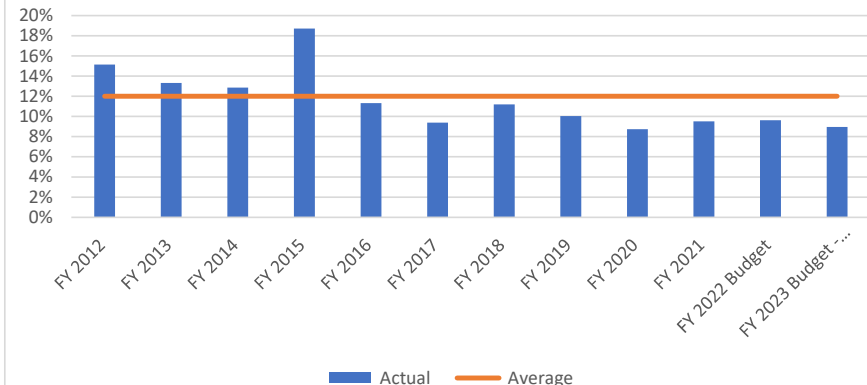
State Fisheries Resource Landing Tax



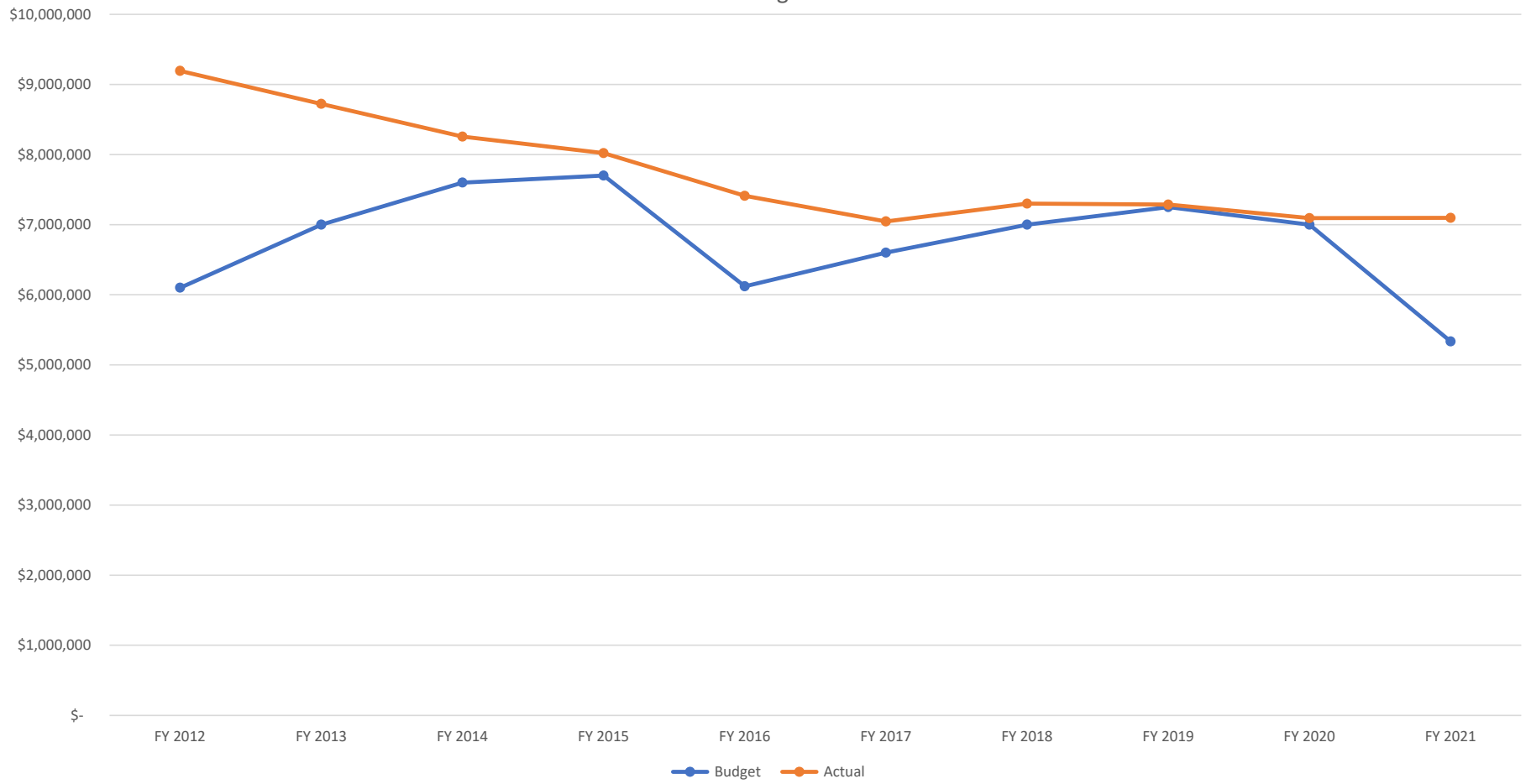
Investment Income



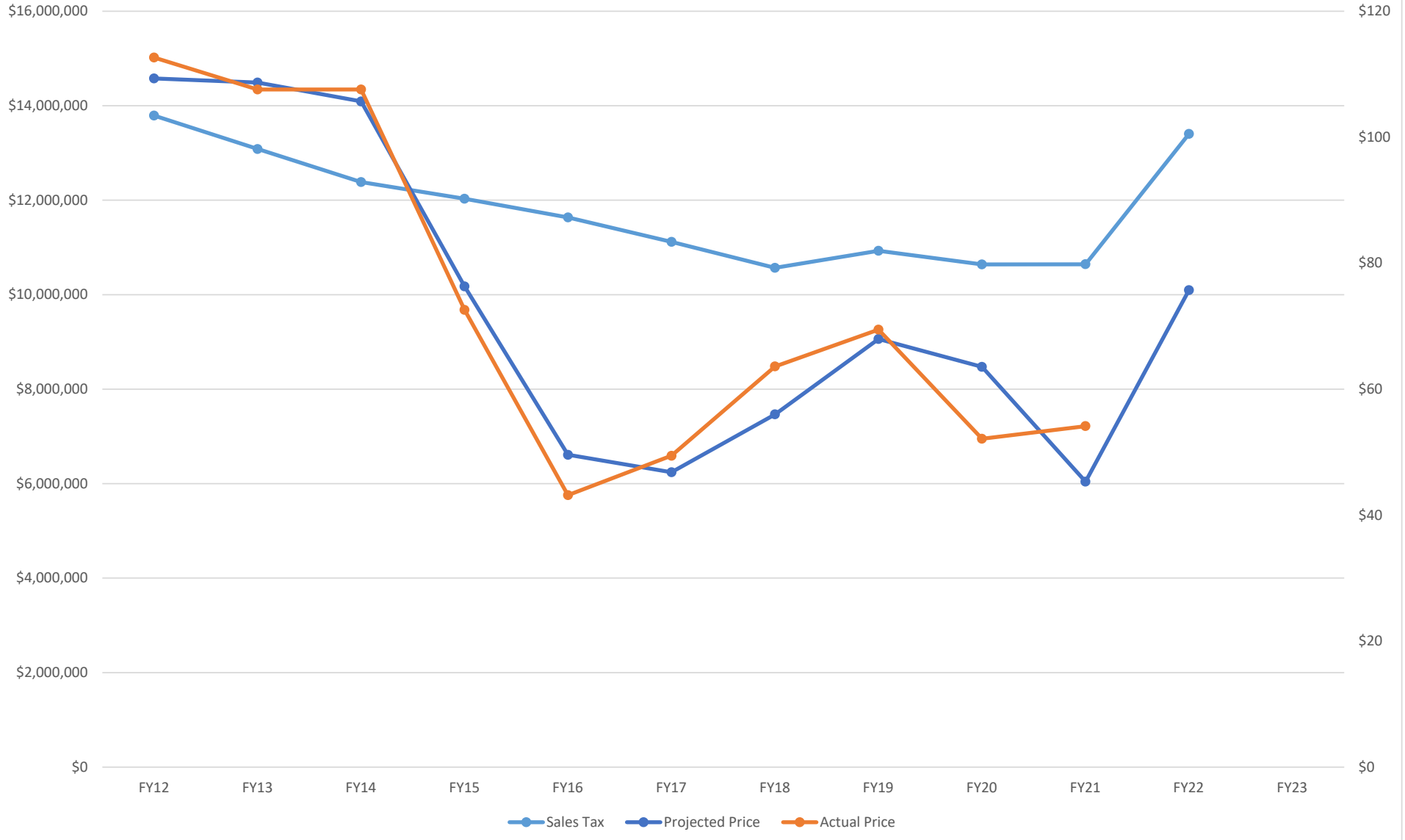
Everything Else



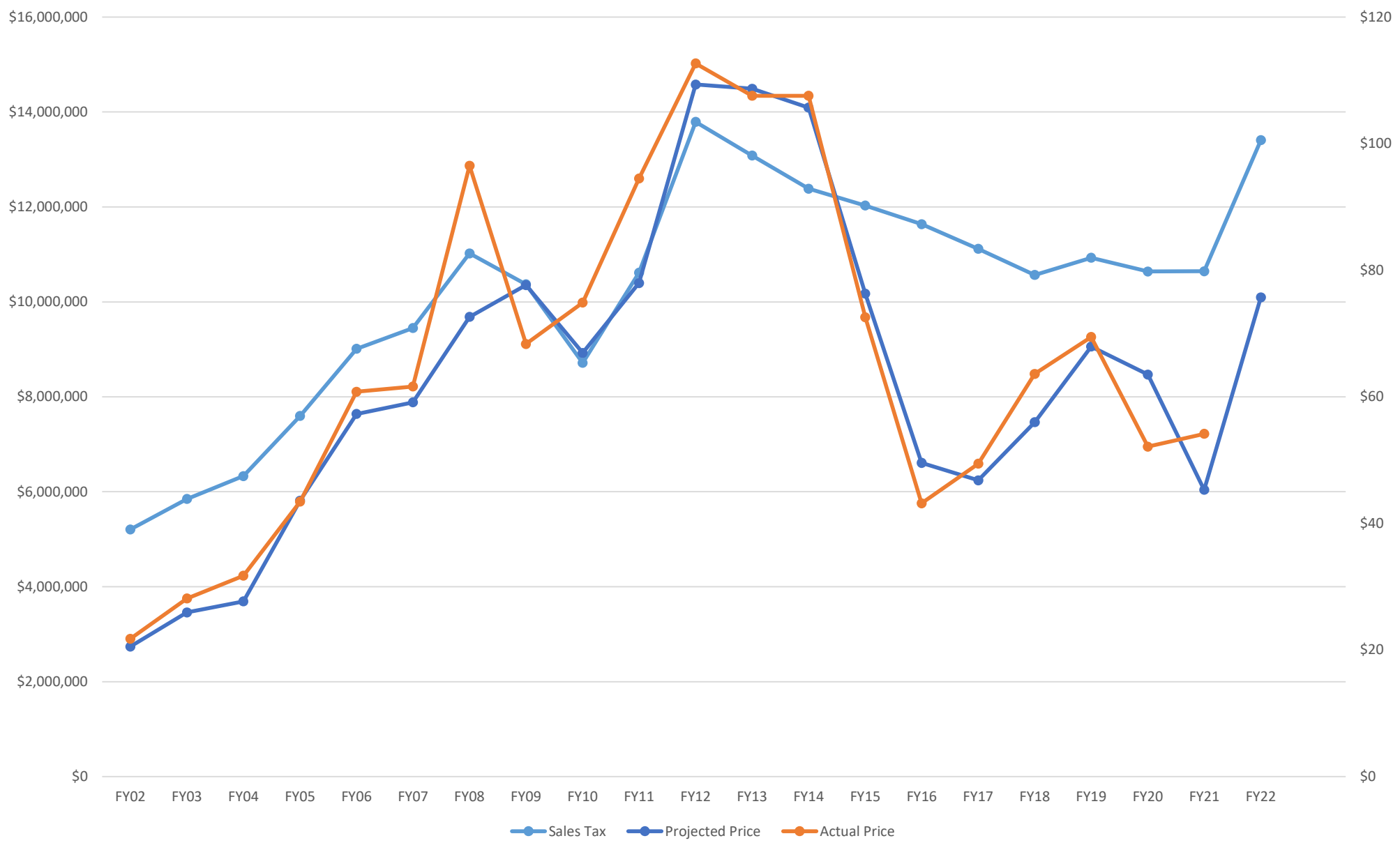
Sales Tax Budget to Actual - FY 2012 to FY 2021



Historical Sales Tax Collection vs. Price of Oil



Historical Sales Tax Collection vs. Price of Oil



Enterprise Fund Charges for Services - FY2012 to FY2023

	<u>FY 2012 Actual</u>	<u>FY 2013 Actual</u>	<u>FY 2014 Actual</u>	<u>FY 2015 Actual</u>	<u>FY 2016 Actual</u>	<u>FY 2017 Actual</u>	<u>FY 2018 Actual</u>
Electric	\$ 18,295,210	\$ 17,389,996	\$ 18,825,315	\$ 16,659,113	\$ 13,527,048	\$ 17,198,440	\$ 18,488,317
Water	2,214,578	2,323,158	2,208,261	2,560,104	2,878,194	2,810,292	2,600,534
Wastewater	1,815,346	1,898,264	2,082,266	2,260,022	2,372,356	2,361,222	2,301,402
Solid Waste	1,555,306	1,630,045	1,817,012	2,196,546	2,654,241	2,275,046	2,273,121
Ports and Harbors	5,458,748	5,784,924	6,426,534	6,538,078	6,633,687	6,639,832	7,114,490
Airport	456,991	472,107	480,846	511,371	572,921	517,530	486,590
Housing	183,681	237,666	244,973	259,217	276,506	236,193	242,325

	<u>FY 2019 Actual</u>	<u>FY 2020 Actual</u>	<u>FY 2021 Actual</u>	<u>FY 2022 Budget</u>	<u>FY 2023 Budget</u>	<u>FY 2022 Actual through 12/31/21</u>
Electric	\$ 18,041,246	\$ 16,488,293	\$ 12,787,747	\$ 11,487,017	\$ 13,236,775	\$ 8,576,526
Water	2,704,109	2,623,908	2,933,144	2,482,312	2,506,500	1,270,043
Wastewater	2,441,712	2,465,586	2,537,520	2,412,344	2,413,525	1,227,000
Solid Waste	2,357,326	2,470,460	2,654,129	2,347,730	2,445,975	1,313,177
Ports and Harbors	6,557,218	6,921,195	6,649,714	8,587,891	8,464,362	4,033,487
Airport	489,482	485,446	481,450	553,500	548,000	234,904
Housing	250,292	234,735	257,616	248,500	248,500	125,075