

Submitted by: Chair of the Assembly at the  
Request of the Mayor

Prepared by: Dept. of Law

For reading: September 15, 2009

CLERK'S OFFICE

APPROVED

9-12-09

Date:

ANCHORAGE, ALASKA

AO No. 2009-109

1 AN ORDINANCE AMENDING SECTIONS 12.25.020 AND 12.25.040 REGARDING  
2 THE TAX INCREASE LIMITATION, PURSUANT TO PROPOSITION 9  
3 AMENDMENTS TO ANCHORAGE MUNICIPAL CHARTER, SECTION 14.03, AND  
4 IMPLEMENTING THE INCLUSION OF PAYMENTS IN LIEU OF TAXES BY ANY  
5 MUNICIPAL UTILITY, DEPARTMENT, AGENCY, PUBLIC CORPORATION OR  
6 AUTHORITY, IN THE MAXIMUM ATTAINABLE TAX REVENUE AMOUNT, PHASED  
7 OVER A THREE YEAR PERIOD.

8  
9 WHEREAS, on April 7, 2009, the voters approved Proposition 9, an amendment to  
10 Anchorage Municipal Charter section 14.03 regarding the tax increase limitation; and

11  
12 WHEREAS, Proposition 9 provides for the amended tax limitation inclusions to first  
13 be applied in tax year 2010, and phased in with one-third of each year's payments-in-  
14 lieu of taxes, with full application beginning in tax year 2013; and

15  
16 WHEREAS, Anchorage Municipal Code chapter 12.25 requires amendment prior to  
17 implementation of Proposition 9; now, therefore,

18  
19 THE ANCHORAGE ASSEMBLY ORDAINS:

20  
21 **Section 1.** Anchorage Municipal Code section 12.25.020 is amended to read as  
22 follows (*the remainder of the section is not affected and therefore not set out*):

23  
24 **12.25.020 Definitions.**

25  
26 The following words, terms and phrases, when used in this chapter, shall have  
27 the meanings ascribed to them in this section, except where the context  
28 clearly indicates a different meaning:

29  
30 \*\*\* \*\*

31 Percentage increase in the federal consumer price indices (CPI) means the  
32 changes in the annual CPI.

33  
34 \*\*\* \*\*

35 (AO No. 84-208(S-A))

36 Cross references: Definitions and rules of construction generally, § 1.05.020.

37  
38 **Section 2.** Anchorage Municipal Code section 12.25.040 is amended to read as  
39 follows (*the remainder of the section is not affected and therefore not set out*):

40  
41 **12.25.040 Computation of maximum attainable tax revenue amount.**

42  
43 The estimate of maximum attainable tax revenue (next year revenue available)

is computed for the next fiscal year according to the following procedures:

A. Define the tax increase escalation amount, (L):

$$L = (T - d - e) \times (1 + C + P) \text{ where:}$$

1. L is the allowable tax increase due to population and inflation growth factors.
2. T is the total amount of real property[,] and personal property taxes, municipal payments in-lieu of taxes paid or to be paid by any Municipality of Anchorage utility, department, agency, public corporation or authority, (MPILT), auto fees and state and federal payments in lieu of taxes levied in the current fiscal year in current-year dollars.
3. d is the total amount of municipal tax levied in the current fiscal year to fund the cost of judgments entered against the municipality and to pay principal or interest on bonds, including revenue bonds.
4. e is the total amount of municipal tax levied in the current fiscal year to fund the cost of emergency ordinances enacted pursuant to Charter Section 10.03.
5. C is the average percentage increase in the federal consumer price indices [INDEX] (CPI) for the municipality during the preceding five years, [CURRENT FISCAL YEAR] computed according to the following formula:

TABLE INSET:

$\frac{C}{C}$	[	$\frac{C0}{C1}$	$\pm$	$\frac{C1}{C2}$	$\pm$	$\frac{C2}{C3}$	$\pm$	$\frac{C3}{C4}$	$\pm$	$\frac{C4}{C5}$	)	$\pm 5$	]	$\frac{-1}{\text{where:}}$
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- a. C0 is the CPI for the current fiscal year.
- b. C1, C2, C3, C4 and C5 are the consumer price indices in the fiscal year beginning one, two, three, four and five years prior to the current fiscal year.
- c. Where more than one such index is published, that index which best reflects the change in the cost of goods and services in the municipality shall be used.

6. P is computed according to the following formula:

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**TABLE INSET:**

P=	[(	P0	+	P1	+	P2	+	P3	+	P4	)	÷5	]	-1, where:
		P1		P2		P3		P4		P5				

- a. P0 is the population of the municipality in the current fiscal year as determined by the state department of community and regional affairs.
  - b. P1, P2, P3, P4 and P5 are the population of the municipality in the fiscal year beginning one, two, three, four and five years prior to the current fiscal year as determined by the state department of community and regional affairs.
- B. Define exclusions in accordance with Charter Section 14.03(b)(2) and the following guidance:**
- 1. Taxes on new construction or property improvements not assessed in the current fiscal year taxed at the same rate as that applied to like properties for the current fiscal year.
  - 2. Taxes required to fund new, additional or expanded services mandated by voter-approved ballot issues, or by property owner petition under Charter Section 9.01(a), where the new, additional or expanded service is provided for the first time in the next fiscal year.
  - 3. Special taxes authorized by voter-approved ballot issues where the special tax is levied for the first time in the next fiscal year. Any increase during the next fiscal year in a special tax subject to a voter-approved maximum rate also is exempt under this subsection.
  - 4. Taxes required during the current fiscal year to fund the cost of judgments entered against the municipality and agreements settling litigation against the municipality, or to pay principal and interest, or secure the payment of principal and interest on bonds, including revenue bonds.
  - 5. Taxes required to fund the cost of an emergency ordinance enacted pursuant to Charter Section 10.03.
  - 6. Taxes required to fund services in special service areas already subject to a maximum mill levy amount if citizen authorization to invoke special levies has been granted.
  - 7. Estimate of next-year non-property taxes and fees.

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2 C. The summation of the amounts defined in subsections A. and B. [OF  
3 THIS SECTION] defines the total tax revenue available for next year's  
4 budget planning and establishes the next fiscal year property tax  
5 required, hence the next year's mill levy.  
6

7 [D. THE FISCAL YEAR 2004 MAXIMUM ATTAINABLE TAX REVENUE CALCULATED  
8 PURSUANT TO AMC 12.25.040 SHALL BE REDUCED BY AN AMOUNT EQUAL TO  
9 THE MUNICIPAL UTILITIES SERVICES ASSESSMENT USED TO CALCULATE THE  
10 2003 MAXIMUM ATTAINABLE TAX REVENUE AMOUNT.

11 E. THE FISCAL YEAR 2004 MAXIMUM ATTAINABLE TAX REVENUE CALCULATED  
12 PURSUANT TO THIS SECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO THE  
13 AMOUNT OF REVENUE ATTRIBUTABLE TO THE LIMITED ROAD SERVICE AREAS IN  
14 THE APPROVED 2004 MUNICIPAL OPERATING BUDGET.

15 F. THE FISCAL YEAR 2004 MAXIMUM ATTAINABLE TAX REVENUE CALCULATED  
16 PURSUANT TO THIS SECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO THE  
17 AMOUNT OF REVENUE ATTRIBUTABLE TO THE CHUGIAK BIRCHWOOD EAGLE  
18 RIVER RURAL ROAD SERVICE AREA IN THE APPROVED 2004 MUNICIPAL  
19 OPERATING BUDGET.

20 G. THE FISCAL YEAR 2004 MAXIMUM ATTAINABLE TAX REVENUE CALCULATED  
21 PURSUANT TO THIS SECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO THE  
22 AMOUNT OF REVENUE ATTRIBUTABLE TO THE EAGLE RIVER-CHUGIAK PARK  
23 AND RECREATIONAL SERVICE AREA IN THE APPROVED 2004 MUNICIPAL  
24 OPERATING BUDGET.

25 H. THE FISCAL YEAR 2005 MAXIMUM ATTAINABLE TAX REVENUE CALCULATED  
26 PURSUANT TO THIS SECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO THE  
27 AMOUNT OF REVENUE ATTRIBUTABLE TO THE CHUGIAK FIRE SERVICE AREA IN  
28 THE APPROVED 2005 MUNICIPAL OPERATING BUDGET.

29 I. THE FISCAL YEAR 2005 MAXIMUM ATTAINABLE TAX REVENUE CALCULATED  
30 PURSUANT TO THIS SECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO THE  
31 AMOUNT OF REVENUE ATTRIBUTABLE TO THE GIRDWOOD VALLEY SERVICE  
32 AREA IN THE APPROVED 2005 MUNICIPAL OPERATING BUDGET.

33 J. THE FISCAL YEAR 2005 MAXIMUM ATTAINABLE TAX REVENUE CALCULATED  
34 PURSUANT TO THIS SECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO THE  
35 AMOUNT OF REVENUE ATTRIBUTABLE TO THE EAGLE RIVER STREET LIGHT  
36 SERVICE AREA IN THE APPROVED 2005 MUNICIPAL OPERATING BUDGET.]  
37

38 (AO No. 84-208(S-A); AO No. 2003-160, §§ 2, 3, 1-1-04; AO No. 2003-161, §  
39 1, 12-16-03; AO No. 2003-164, § 1, 12-16-03; AO No. 2004-22, § 1, 2-3-04;  
40 AO No. 2005-47, § 1, 4-19-05; AO No. 2005-48, § 1, 4-19-05; AO No. 2005-  
41 49, § 1, 4-19-05)  
42


43 **Section 3.** The implementation of Proposition 9, adding all payments in-lieu of  
44 taxes paid or to be paid by any Municipality of Anchorage utility, department, agency,  
45 public corporation or authority (PILT) to the tax increase limitation, shall be phased in  
46 over a three year period, and memorialized in an editor's note, as follows:  
47

48 a. For fiscal year 2010, one-third of PILT shall be included in the  
49 computation under section 12.25.040 A.2.;

- 1  
2           b. For fiscal year 2011, two-thirds of PILT shall be included in the  
3 computation under section 12.25.040 A.2.; and  
4  
5           c. For fiscal year 2012 and thereafter, all of PILT shall be included in the  
6 computation under section 12.25.040 A.2.  
7

8 **Section 4.** This ordinance shall be effective on January 1, 2010, except as  
9 otherwise provided in Section 3 above.

10  
11  
12 PASSED AND APPROVED by the Anchorage Assembly this 29<sup>th</sup> day of  
13 September, 2009.

14  
15   
16 Chair of the Assembly

17 ATTEST:

18   
19

20 Municipal Clerk

**MUNICIPALITY OF ANCHORAGE**  
**Summary of Economic Effects -- General Government**

AO Number: 2009-109

Title: **AN ORDINANCE AMENDING SECTION 12.25.040 REGARDING THE TAX INCREASE LIMITATION, PURSUANT TO PROPOSITION 9 AMENDMENTS TO ANCHORAGE MUNICIPAL CHARTER, SECTION 14.03, AND IMPLEMENTING THE INCLUSION OF PAYMENTS IN LIEU OF TAXES BY ANY MUNICIPAL UTILITY, DEPARTMENT, AGENCY, PUBLIC CORPORATION OR AUTHORITY, IN THE MAXIMUM ATTAINABLE TAX REVENUE AMOUNT, PHASED OVER A THREE YEAR PERIOD.**

Sponsor: **MAYOR**  
 Preparing Agency: Office of Management & Budget  
 Others Impacted:

<b>CHANGES IN EXPENDITURES AND REVENUES:</b>		(In Thousands of Dollars)				
	FY10	FY11	FY12	FY13	FY14	
<b>Operating Expenditures</b>						
1000 Personal Services						
2000 Non-Labor						
3900 Contributions						
4000 Debt Service						
<b>TOTAL DIRECT COSTS:</b>	\$ -	\$ -	\$ -	\$ -	\$ -	
Add: 6000 Charges from Others						
Less: 7000 Charges to Others						
<b>FUNCTION COST:</b>	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>REVENUES:</b>	\$ (4,942,184)	\$ (10,285,929)	\$ (15,642,576)	\$ (15,386,680)	\$ (16,110,861)	

**CAPITAL:**

**POSITIONS: FT/PT and Temp**

**PUBLIC SECTOR ECONOMIC EFFECTS:**

Proposition 9 returns MUSA/MESA payments so they again are subject to the Tax Limitation and phases in this change over 3 years. It also changes the inflation adjustment permitted under the limit to a five-year average of the CPI-Anchorage instead of the annual change.

The above estimate distributes the FY 2009 budgeted \$16.1 million in MUSA/MESA payments over three years. It then adjusts each year's amount by a five-year average inflationary adjustment that assumes 3% inflation in each out-year.

The result is a reduction in the revenues to municipal government with a corresponding increase in savings to taxpayers.

**PRIVATE SECTOR ECONOMIC EFFECTS:**

The private sector will save a corresponding amount in property taxes because pursuant to the structure of the Tax Limitation, every dollar paid in MUSA/MESA will supplant a dollar in property taxes that otherwise could have been collected.

Prepared by: Cheryl Frasca, Director  
 Office of Management & Budget

Telephone: 343-6783

# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY MEMORANDUM

No. AM 510-2009

Meeting Date: September 15, 2009

1 **From: MAYOR**

2  
3 **Subject: AN ORDINANCE AMENDING SECTIONS 12.25.020 AND 12.25.040**  
4 **REGARDING THE TAX INCREASE LIMITATION, PURSUANT TO**  
5 **PROPOSITION 9 AMENDMENTS TO ANCHORAGE MUNICIPAL**  
6 **CHARTER, SECTION 14.03, AND IMPLEMENTING THE**  
7 **INCLUSION OF PAYMENTS IN LIEU OF TAXES BY ANY**  
8 **MUNICIPAL UTILITY, DEPARTMENT, AGENCY, PUBLIC**  
9 **CORPORATION OR AUTHORITY, IN THE MAXIMUM ATTAINABLE**  
10 **TAX REVENUE AMOUNT, PHASED IN OVER A THREE YEAR**  
11 **PERIOD.**

12  
13 This ordinance amends Anchorage Municipal Code sections 12.25.020 and  
14 12.25.040 to implement Proposition 9, approved by the voters in April 2009.

15  
16 Proposition 9 amended two provisions of the Anchorage Municipal Charter:

- 17  
18 1. Payments in-lieu of taxes (PILT) by a municipal entity are subject to the  
19 Charter's Tax Limitation; and  
20  
21 2. A five-year average change in the Consumer Price Index – Anchorage is to  
22 be used to calculate the annual increase in the Tax Limitation.

23  
24 A PILT is paid by municipal-owned utilities (Municipal Light & Power, Anchorage  
25 Water & Wastewater Utility, Solid Waste Disposal Utility and Refuse Collection  
26 Utility) and enterprises (Port of Anchorage, Merrill Field, Anchorage Community  
27 Development Authority). These payments are based on the idea that if these  
28 utilities were in private ownership, these businesses would pay property taxes to the  
29 Municipality for the public benefits they receive (i.e. roads, public safety, etc.).  
30 These payments include a "Municipal Utilities Services Assessment" or MUSA and  
31 "Municipal Enterprise Services Assessment" or MESA.

32  
33 From 1984 to 2003, MUSA and MESA payments were subject to the Tax Limitation.  
34 From a taxpayer point of view, these payments reduced dollar-for-dollar the amount  
35 of property taxes that could be collected.

36  
37 Then, in 2003, the Assembly approved AO 2003-160, making two substantive  
38 changes:

- 39  
40 1. The ordinance changed the basis for calculating MUSA; and  
41 2. The ordinance moved MUSA payments outside of the Tax Limitation.

1  
2 The practical effect was MUSA revenue no longer offset property taxes.

3  
4 Beginning January 1, 2010, Proposition 9 provides for all PILT to again be subject to  
5 the Tax Limitation, and phases in this change over three years.

6  
7 Inflation Calculation

8  
9 Since inception, the Tax Limitation calculation has used a one-year change in the  
10 Anchorage Consumer Price Index (CPI) to adjust the overall Limit amount.  
11 Proposition 9 changes the CPI calculation to a five-year average, providing a  
12 gradual impact of this variable each year.

13  
14 In addition, section 12.25.020 is amended to add a definition for the new phrase  
15 '*Percentage increase in the federal consumer price indices (CPI)*'. This definition  
16 clarifies any change in the CPI is included in the calculation of a 5 year average.

17  
18  
19 **THE ADMINISTRATION RECOMMENDS APPROVAL OF AN ORDINANCE**  
20 **AMENDING SECTIONS 12.25.020 AND 12.25.040 REGARDING THE TAX**  
21 **INCREASE LIMITATION, PURSUANT TO PROPOSITION 9 AMENDMENTS TO**  
22 **ANCHORAGE MUNICIPAL CHARTER, SECTION 14.03, AND IMPLEMENTING**  
23 **THE INCLUSION OF PAYMENTS IN LIEU OF TAXES BY ANY MUNICIPAL**  
24 **UTILITY, DEPARTMENT, AGENCY, PUBLIC CORPORATION OR AUTHORITY,**  
25 **IN THE MAXIMUM ATTAINABLE TAX REVENUE AMOUNT, PHASED IN OVER A**  
26 **THREE YEAR PERIOD.**

27  
28 Prepared by: Office of Management & Budget  
29 Approved by: Cheryl Frasca, Director, OMB  
30 Concur: Dennis A. Wheeler, Municipal Attorney  
31 Concur: George J. Vakalis, Municipal Manager  
32 Respectfully submitted: Daniel A. Sullivan, Mayor

33  
34 G:\mat\open matters\Initiative-Tax Cap Charter Amendment\Proposition 9 implementation - rev AM.doc



**Content ID:** 008097

**Type:** Ordinance - AO

AN ORDINANCE AMENDING SECTIONS 12.25.020 AND 12.25.040 REGARDING THE TAX INCREASE LIMITATION, PURSUANT TO PROPOSITION 9 AMENDMENTS TO ANCHORAGE MUNICIPAL CHARTER,

**Title:** SECTION 14.03, AND IMPLEMENTING THE INCLUSION OF PAYMENTS IN LIEU OF TAXES BY ANY MUNICIPAL UTILITY, DEPARTMENT, AGENCY, PUBLIC CORPORATION OR AUTHORITY, IN THE MAXIMUM ATTAINABLE TAX REVENUE AMOUNT, PHASED OVER A THREE YEAR PERIOD.

**Author:** maglaquijp

**Initiating Dept:** OMB

**Date Prepared:** 8/31/09 12:03 PM

**Director Name:** Cheryl Frasca

**Assembly Meeting Date:** 9/15/09

**Public Hearing Date:** 9/29/09

**Public Hearing Date:** 10/13/09

<b>Workflow Name</b>	<b>Action Date</b>	<b>Action</b>	<b>User</b>	<b>Security Group</b>	<b>Content ID</b>
Clerk_Admin_SubWorkflow	9/4/09 3:23 PM	Exit	Joy Maglaqui	Public	008097
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MuniManager_SubWorkflow	9/3/09 3:10 PM	Checkin	Joy Maglaqui	Public	008097
Legal_SubWorkflow	9/3/09 12:23 PM	Approve	Dean Gates	Public	008097
Finance_SubWorkflow	9/3/09 9:30 AM	Approve	Lucinda Mahoney	Public	008097
OMB_SubWorkflow	8/31/09 12:15 PM	Approve	Cheryl Frasca	Public	008097
AllOrdinanceWorkflow	8/31/09 12:10 PM	Checkin	Darlene Alano	Public	008097