Property taxes for FY12 were $41.86M and increased in FY13 to $44.06M up $2.20M or 5.3%. FY14 projections for property tax revenues are $45.6M a $1.54M or 3.5% increase in property tax revenues. The mill rate in FY14 mill rate is 10.66 mills, an increase of 0.11 mills or 1.04%. The FY13 assessed property value is $4.297B, FY14 assessment is expected to grow to $4.371B. The increase in assessed property value is $74.0M or 1.7%. The FY14 property tax revenue increase is due to a combination of increases in assessed values and the debt mill levy.

For more information regarding property tax revenues, please see section entitled “Property Assessment and Taxation”.

FY08-12 are based on actual collections.
FY13-14 are based on budget projections.
SALES TAX REVENUES

General Sales Tax Revenues for FY12 were $41.63M. FY13 is expected to be $43.40M an increase of $1.77M or 4.2%. This projected revenue increase is due to some anticipated local economic recovery, increase in cruise ship passengers and general inflationary trends. Sales taxes for FY14 are projected to be $44.68M an increase of $1.28M or 2.9%.

Information on each type of sales tax is listed below.

GENERAL SALES TAX

CBJ voters have imposed a general sales tax as allowed by Alaska Statute 29.53.415. The general sales tax is to be collected on all retail sales, rentals (except long-term residential) and services performed within CBJ boundaries, with certain exceptions as listed in Code Section 69.05.040.

PERMANENT SALES TAX

- The permanent area wide sales tax rate is 1%. This funding source is used to support general government operations.

TEMPORARY 1% SALES TAX

- October 1, 2008 – September 30, 2013. This 1% tax was voter approved to fund another multiple project package including a Public Works Consolidated Shop, Areawide Sewer Infrastructure, Airport Renovation, Statter Harbor Boat Launch Ramp and Trailer Parking, Deferred Maintenance on CBJ Buildings and the Local Portion of Debt for Elementary School Renovations.
- October 1, 2013 – September 30, 2018. This 1% tax was voter approved to fund the cost of renovations, construction and capital improvements to the facilities of the CBJ, including the airport terminal, Aurora Harbor, Capital Transit maintenance shop, Eaglecrest Learning Center, Centennial Hall and other parks and recreation facilities.

TEMPORARY 3% SALES TAX

- Effective July 1, 2012, voters approved a continuation of the 3% temporary tax for an additional five years, ending June 30, 2017. The additional tax levy is allocated as follows: 1% to general government operations; 1% to capital improvements; and 1% to the three following areas: emergency budget reserve, capital improvements, and youth activities.

GENERAL SALES TAX

![Graph of sales tax revenues over fiscal years 2008 to 2014](Image)
MAJOR REVENUES

LIQUOR SALES TAX

On January 1, 1985, CBJ voters imposed a 3% tax on the retail sales of alcoholic beverages within CBJ boundaries (CBJ Code 69.05.020). The liquor sales tax is an additional tax on top of the general sales tax, created to generate revenue to provide support to local social service programs.

Liquor Tax Revenues for FY12 were $896K and in FY13 are forecast to increase to $900K up $3.8K or .42%. FY14 projections for liquor tax revenues are $925K up $25K or 2.8% from FY13 projections.

HOTEL-MOTEL ROOM TAX

On January 1, 1981, CBJ voters imposed a tax on transient room rental under CBJ Code 69.07.010 through 69.07.140. The original tax imposed was 3% of gross receipts on room rents to persons occupying rooms for less than 30 days.

Effective January 1, 1985, and 1989, voters approved additional permanent 2% increases in the hotel-motel room tax. This brought the total hotel-motel room tax to 7% of gross room receipts.

Hotel–Motel room tax revenues for FY12 were $1.07M and are forecast to decrease in FY13 to $1.05M a decrease of ($20K) or (1.8%) from FY12 actuals. FY14 projections for Hotel–Motel room tax revenues are $1.07M a $20K or 1.9% increase in room tax revenues from FY13 projections.
**MAJOR REVENUES**

**TOBACCO EXCISE**

Tobacco excise revenues for FY12 were $1.44M and are forecast to decrease in FY13 to $1.40M down ($35K) or (2.5%) from FY12 actuals. FY14 projections for tobacco excise revenues are $1.34M a decrease of ($60K) or (4.3%) from FY13 projections.

Revenues generated from this tax levy are used to fund substance abuse and other social service programs.

![Graph](image1.png)

FY08-12 are based on actual collections. FY13-14 are based on budget projections.

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**PORT DEVELOPMENT FEE**

Port Development Fees’ for FY12 were $2.63M and are forecast to increase in FY13 to $2.84M up $210K or 7.9% from FY12 actuals. FY14 projections for Port Development Fees are $2.93M an increase of $81,000 or 2.8% over FY13 projections.

The proceeds from this fee are to be used to fund capital improvements to the downtown waterfront.

![Graph](image2.png)

FY08-12 are based on actual collections. FY13-14 are based on budget projections.
**MAJOR REVENUES**

**MARINE PASSENGER FEE**

On October 5, 1999, the CBJ voters in a general election adopted an initiative establishing a marine passenger fee. This fee was to become effective February 23, 2000 with no expiration date set.

Marine Passenger Fees’ for FY12 were $4.39M and are forecast to increase in FY13 to $4.74M up $348K or 7.9% from FY12 actuals. FY14 projections are $4.94M an increase of $200K or 4.2% over FY13 projections.

FY08-12 are based on actual collections. FY13-14 are based on budget projections.
**INVESTMENT INTEREST INCOME**

The CBJ receives interest income from Central Treasury Investments, Local Improvement Districts (LID) and various delinquent accounts receivable. Interest income from Central Treasury investments represents the largest interest income source. Investments are made in accordance with CBJ Code 57.25.010 through 57.25.140. Investment selection places security of the principal as the prime objective with liquidity and yield as important secondary considerations.

FY13 the federal funds rate is expected to remain low through FY14 and possibly the middle of FY15. This will continue the low interest rate environment resulting in continued low portfolio yields and earnings for FY13 and FY14.

Interest Income for FY12 was $3.09M and are forecast to increase in FY13 to $3.29M up $200K or 6.5% from FY12 actuals. FY14 projections are $3.35M an increase of $60K or 1.82% over FY13 projections.

**Total Portfolio’s Average Rate of Return:**

A seven-year comparison of CBJ’s average annual investment portfolio yield with the 6 month U.S. Treasury Bill Yield is presented here. Included in this graph are the FY13-14 projections of CBJ’s average annual total return.
Portfolio returns:

Between FY08 and FY12, investments were divided into four portfolios, a short-term portfolio (0-1.5 years), a short-intermediate portfolio (0-5.5 years), an externally managed portfolio (1-10 years), and a long portfolio consisting of index funds. The graph displays the difference in volatility of earnings due to interest rate fluctuations between the internally managed and externally managed portfolios. FY13 and FY14 are projected interest rates.

FY08-12 are based on actual collections. FY13-14 are based on budget projections.
REVENUE FROM STATE SOURCES

COMMUNITY REVENUE SHARING

In March, 2008, the State Legislature adopted legislation to bring some stability to municipal revenue sharing. The adopted legislation changed the name from “Municipal Tax Resource Equalization Assistance and Priority Revenue Sharing for Municipal Services” to “Community Revenue Sharing”. The legislation additionally established a “Community Revenue Sharing Fund” for the purpose of making community revenue sharing payments and a formula to calculate the payments to be distributed to each community. Each fiscal year, the legislature may appropriate to the community revenue sharing fund an amount equal to 20 percent of the money received by the state during the previous calendar year under AS 43.55.011(g) – the Oil and Gas Production Tax. The amount may not exceed (1) $60M; or (2) the amount that, when added to the fund balance on June 30 of the previous fiscal year, equals $180M. The balance in the fund shall be determined on June 30 of each year. If the fund balance is at least $60M, without further appropriation, 1/3 of that amount can be distributed as community revenue sharing payments for the immediately following fiscal year. Otherwise, no payments may be made.

COMMUNITY REVENUE SHARING PAYMENTS

The basic community revenue sharing payment will be based on the following formula: the amount available for payments in the fund, minus $60M, divided by $60M, plus one, multiplied by $384K. If the amount calculated is less than $220K, the basic amount would be $220K. The basic amount is then prorated, depending on the type of community (e.g. borough, city), to arrive at the final payment amount. If the amount available for distribution exceeds the amount needed to fully fund all the basic community revenue sharing payments, the balance will be distributed on a per capita basis.

Based on the formula, it is estimated that the CBJ will receive $3.39M in FY13 and $2.50M FY14 under this program.

FY08-12 are based on actual revenue collected.
FY13-14 are based on budget projections.
State aid to local school districts is provided in accordance with Alaska Statutes 14.17.400 through 14.17.990. The formula used to calculate state aid for the local school districts has evolved over time, with several components being added, deleted or modified. The current formula adjusts the student count, or average daily membership (ADM), with factors based on school size, district costs, special needs, intensive needs and correspondence studies to provide the total district adjusted ADM. This adjusted ADM is then applied to the base student allocation to arrive at the total basic need for each district. The total basic need is funded by both state and local contributions. This graph represents the state’s contributions, since FY05.

In FY08, funding decreased by $3.28M or 11.3%. This revenue reduction was offset by a special one-time grant from the State, $3.458 million, for general operations. The student count dropped (from 5,149 to 5,064) and the district cost factor was decreased for this one year from 1.04 to 1.005. The base student allocation remained the same at $5,380.

In FY09, foundation funding was increased by ($5.9M or 23%). This is primarily due to an increase in the base student allocation (from $5,380 to $5,480) and an increase in the district cost factor (from 1.005 to 1.075), even though the student count dropped (from 5,064 to 4,962).

In FY10, foundation funding was $35M an increase of ($3.23M or 10.2%). This is, again, primarily due to an increase in the base student allocation (from $5,480 to $5,580) and an increase in the district cost factor (from 1.075 to 1.093), even though the student count dropped (from 4,962 to 4,909).

The FY11 foundation funding was $37.2M an increase of ($2.2M or 6.3%) over FY10. The increases were due to the base student allocation increase (from $5,580 to $5,680) and student count increasing (from 4,909 to 4,977).

The FY12 foundation funding was $36.9M a decrease of ($300K or .8%) over FY11.

FY13 and FY14 foundation funding projections are expected to be $39.4M and $38.3M respectfully. The base student allocation is set at $5,680 for both fiscal periods. The projected student population is expected to be approximately 4,950.
SCHOOL CONSTRUCTION BOND DEBT REIMBURSEMENT

Alaska Statute 14.11.100 provides for state aid to assist in funding the costs of school construction debt incurred by local government units. Originally established to reimburse payments made after July 1, 1975, several changes and modifications have been made to the program over the years, such as extending the deadline for voter authorization of qualifying debt and changing the reimbursable percentage rates.

The actual percentage of reimbursement and the time frame for reimbursement vary under the program depending upon the date the debt or expense was incurred.

State aid received annually by the CBJ is based on reimbursement rates varying between 60% and 100%, subject to proration depending upon annual appropriation levels.

The reimbursements in FY08-FY14 reflects debt issued for the following: TMHS Furniture, Auditorium, Turf Field ($17.1M issued in FY09), Renovations to Harborview and Glacier Valley Elementary Schools ($22.4M issued in FY09), a new Valley Swimming Pool ($662K issued in FY09 and $11.245M issued in FY10), a covered playground for the Dzantik’i Heeni Middle School ($1.17M issued in FY10), the remainder of the Valley Pool ($7.58M issued in FY10 and $5.623M issued in FY11), The Auke Bay School Renovations ($9.8M) FY13, the Auke Bay Heating System ($1.03M) FY13 and the Adair Kennedy Turf Resurfacing ($606K) FY13. CBJ capital projects ($3.06M) FY13.

FY08-12 are based on actual revenue collected.
FY13-14 are based on budget projections.
MAJOR REVENUES

STATE MARINE PASSENGER FEE

The State of Alaska instituted a State marine passenger fee to be collected beginning in 2011. The CBJ will receive $5 per passenger in FY12 of the amount collected by the State.

State Marine Passenger Fees’ for FY12 were $4.10M and are forecast to increase in FY13 to $4.15M up $54K or 1.3% from FY12 actuals. FY14 projections are $4.48M an increase of $327K or 7.9% over FY13 projections.

FY13-14 are based on budget projections.
**MAJOR REVENUES**

**REVENUE FROM FEDERAL SOURCES**

*Revenues from Federal Sources* in FY12 were $8.76M and are forecast to decrease in FY13 to $7.47M down ($1.28M) or (14.7%). FY14 projections are $5.58M a decrease of ($1.89M) or (25.3%) over FY13 projections.

**FEDERAL PAYMENTS IN LIEU OF TAXES (PILT)**

The Federal Payment-in-Lieu-of-Taxes Act of 1976 was enacted to compensate local governments for lost taxes on land held by the federal government. The federal government would provide payments in lieu of taxes on federally owned land within the local government's administrative boundaries.

The payment-in-lieu-of-taxes is calculated by multiplying all lands within the boundaries by cents per acre (cents determined by federal law annually) and deducting payments received under other federal programs (e.g. National Forest Timber Receipts). Local governments are currently guaranteed a minimum of at least $0.29 per acre for all lands within the administrative boundaries. If 100% funding is not available to carry out the program, the funds are distributed on a prorated basis.

CBJ’s PILT payments vary from year to year depending on variables such as cents per acre, population, the amount of National Forest Timber Receipts received in prior year and the federal proration factor due to the annual appropriation level.

PILT revenues have increased in the years FY08 through FY12 due to the adoption of the 2008 Federal Stimulus Program. This program increased the prorated funding from 64% to 100% for these 5 years. Of the funding increase shown for FY09, $560K of the increase was due to receiving the FY08 increase so late that it was recorded as revenue in FY09.

FY08-12 are based on actual revenues collected. FY13-14 are based on budgeted projections.

PILT revenue FY12 was $1.79M. For FY13 it’s expected to be $1.2M a decrease of ($594K) or (33.11%) due to the reduction of the proration factor from 100% to 70%, reflecting the expiration of the 2008 Federal Stimulus Program in FY12. No revenue is projected for FY14 as the program has not been reauthorized.
**MAJOR REVENUES**

**SECURE RURAL SCHOOLS/ROADS**

Under the National Forest Management Act and the Acts of May 23, 1908 and March 1, 1911, state governments received 25% of national forest receipts from national forest land within the administrative boundaries of the state. In accordance with the provisions of the AS 41.15.180, the CBJ received a prorated share of the total receipts received by the State from timber production user fees and purchase credits in the Tongass National Forest.

The CBJ’s share was based on Tongass National Forest acreage within the City and Borough boundaries. Income from the National Forest Receipts varied widely from year to year. This variation in annual income was due primarily to the health of the timber economy in the Tongass.

In January 2000, a federal bill, The Secure Rural Schools and Community Self-Determination Act of 2000, was passed into law. The primary purpose of the new law was to stabilize education and road maintenance funding through predictable payments. Each State is to receive an amount based on the average of the three highest 25% payments (under the original program) made to that State for the fiscal years 1986 through 1999. The State will distribute the payment among all eligible boroughs in accordance with the Act of May 23, 1909 (16 U.S.C. 500) and section 13 of the Act of March 1, 1911 (36 Stat. 963; 16 U.S.C. 500).

Under this new program, each payment is to be allocated between Public Schools/Roads and Title III projects. The School/Road funds must be expended on the operation, maintenance, repair, or construction of public schools and roads. The Title III funds must be used for a specific approved purpose, one of which is for search, rescue and emergency services on federal lands.

This program was to remain in effect for six federal fiscal years 2001 through 2006 (CBJ’s fiscal years 2002 through 2007). The program received a one-time extension for FY08. This funding program was again extended for 4 additional years with the adoption of the 2008 Federal Stimulus Bill. The Federal Stimulus Bill funding will be reduced by 10% each year for the years FY10-FY12. It is anticipated that this program will not be extended after FY12.

Public School/Roads revenue FY12 was $761K. For FY13 it’s expected to be $772K an increase of $11K or 1.41%. No revenue is projected for FY14.

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FY08-12 are based on actual revenue collected. FY13-14 are based on budget projections.