



TRANSPORTATION INFRASTRUCTURE

—

June 22, 2021



AGENDA

- Purpose
- Background
- Projects
- Funding Options

■ BACKGROUND

- Public Outreach via Online Survey
 - Transportation Advisory Board
 - Local Road Service Area Advisory ("Big" Board)
 - Planning Commission
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- Focus for boards and commission was on the project list ONLY and did not include discussions on funding mechanisms
 - List includes roads, pathways, and transit for consideration

TIMELINE

- February: Strategic planning discussion on roads
- June 22: Discuss and receive direction for preparing legislation
- June 23 - July 9: Staff develop legislation
- July 20: Legislation introduced for public hearing
- August 3: Public hearing
- August 17: Assembly meeting for continuance
- August 27: Ballot deadline

WHAT WE NEED

1. Size of project package (e.g. \$60M, etc.) and projects to be included
2. How do we fund it (debt, sales tax, excise tax, etc.)?



PROJECT DISCUSSION

See project list and
map handouts

Brad Sworts, Public Works



FUNDING OPTIONS

Nick Spiropoulos,
Borough Attorney

Cheyenne Heindel,
Finance Director

■ EXCISE TAX OPTIONS

A legislated tax on specific goods or services such as fuel and tobacco. These taxes can be approved by the Assembly and do not require voter approval.

01 FUEL

One cent per gallon yields between \$200,000 and \$800,000 annually (e.g. \$.05 tax per gallon could provide between \$1 million and \$4 million annually). Tax would be collected on distributors. Anchorage currently has \$.10 per gallon tax. Borough does not have a fuel excise tax.

02 SEVERANCE

Severance tax on earth materials. A \$.25 per ton tax on gravel, for example, could generate between \$500,000 and \$1 million annually. Borough does not have a severance tax.

03 TOBACCO

The Borough currently has a \$2.25 per pack tax which collects approximately \$8 million annually.

■ SALES TAX OPTIONS

A tax on the sale of goods and services. These taxes require voter approval.

01 MARIJUANA

The Borough currently has a 5% marijuana sales tax which yields between \$1.2 million and \$1.5 million annually.

02 OVERALL SALES TAX

Based on FY18 estimates, a 1% areawide sales tax could yield approximately \$9 to \$10 million annually. Cities already have a sales tax for their respective jurisdictions. City of Palmer FY19 \$7,423,981; City of Wasilla FY21 \$17,782,760; City of Houston FY20 \$392,000

03 BED

The Borough currently has a 5% bed tax. This tax yielded between \$1.2 million and \$1.4 million annually prior to COVID-19. FY20 tax collected was \$991,427 and the FY21 projection is \$652,500.

■ POTENTIAL OTHER REVENUE OPTIONS

01 RAISE MILL RATE

Raise the Borough mill rate to offset new debt service obligations; 1 mill = approximately \$10 million annually. Annual Debt Service on a \$60 million bond issue is approximately \$4.75 million. This is approximately 0.46 mills.

02 SENIOR/DISABLED VET EXEMPTION

Eliminate a portion of the extra exemption provided by the Borough. The current total of \$68,000 equals about \$4.2 million annually.

03 PERMANENT VEHICLE REGISTRATION

Eliminate permanent registrations (sunset or grandfathered). Working to obtain data from State of Alaska.

■ CURRENT POWERS OF MSB

- Areawide powers = everywhere in MSB, including within cities
- Non-areawide powers = in MSB outside the cities
- Service Area powers = within the geographic limits of the area

This is important because the taxes within each of the above can only be spent on functions of the above

■ AREAWIDE BALLOT QUESTION

- Areawide taxes can pay for areawide projects
- First consideration: List of projects
- Second consideration: Issue Bonds?
- Third consideration: Sales Tax?

■ CONSIDERATIONS

- PROJECTS / BOND AUTHORIZATION / TAX
- Combine question?
- Excise tax (fuel / severance): No voter approval required
Bragg v. MSB (2008)
- Areawide source for projects / bonds

NOTE: with a bond issuance, there must be a capital improvement

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