

SUBJECT: AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY AMENDING MSB 3.04.046 TO PROVIDE THAT THE BOROUGH MANAGER MUST PROPOSE AN ANNUAL BUDGET WITH EDUCATION ANNUAL OPERATING FUNDS SET AT SIXTY PERCENT (60%) OF THE PROPOSED AREAWIDE REAL PROPERTY TAX MILL RATE.

AGENDA OF: August 3, 2021

ASSEMBLY ACTION:

*Defeated with Assemblymembers
McKee & Tew in Support*

MANAGER RECOMMENDATION: Introduce and set for public hearing.

APPROVED BY MICHAEL BROWN, BOROUGH MANAGER:

MB

Route To:	Department/Individual	Initials	Remarks
	Originator	NS	For Mayor Halter and Assemblymember McKee
	Finance Director	<i>YH</i>	<i>For Cheyenne Menden</i>
	Borough Attorney	<i>AB</i>	
	Borough Clerk	<i>MB 7/20/21</i>	<i>MBJ</i>

ATTACHMENT (S): Fiscal Note: YES _____ NO X
Ordinance Serial No. 21-079 (2 pp)

SUMMARY STATEMENT: This ordinance is sponsored by Mayor Halter and Assemblymember McKee to revise MSB 3.04.046.

MSB 3.04.046 was enacted in 2018 and directs that the Borough Manager prepare an annual budget with education annual operating funds provided to the School District at a dollar amount equivalent of 6.30 mill real property tax as of February 1. At the same time, MSB 3.04.076 was enacted to set an areawide real property mill rate cap of 10.50 mills.

The global, national, state, and local financial picture has changed radically since 2018. In the years since the school funding amount and tax cap were passed, the State of Alaska has cut funding for the school bond debt reimbursement program and also limited

the amounts appropriated to pay the Alaska Permanent Fund Dividend. In 2020, the COVID-19 global pandemic also affected the state and local financial situation.

Since MSB 3.04.046 and MSB 3.04.076 were enacted, the Borough Assembly has levied less than a 10.50 mill rate yet appropriated a full 6.30 equivalent dollar amount to the School District.

For Fiscal Year 2022 ("FY22"), the Borough Manager presented an initial budget with an areawide mill rate of 10.00 and which contained the projected dollar equivalent of 6.30 mills (as of February 1) for appropriation to the School District. Over several meetings, the Borough Assembly considered, heard public testimony, debated, amended, and ultimately passed the budget with all FY22 appropriations on May 13, 2021. After all amendments, the areawide mill rate was set at 9.942. In addition, after all final calculations and amendments, the dollar amount appropriated to the School District represents an areawide mill rate of 6.336 mills.

The Borough's areawide real property tax mill rate was decreased between FY21 and FY22 while the contribution to the School District remained a consistent flat 6.3 mill proposal. This resulted in a FY22 budget that had a 1.2% reduction in Borough operations and a 5.67% increase to the School District.

This means that the entire reduction of the overall areawide mill rate impacted the Borough's operational portion of the budget and did not impact the School District's appropriations. Under the current code, the Manager must prepare the budget with an estimated 6.3 mills to be appropriated to the school district and cannot prepare an ordinance with lesser proposal. The current code provisions provide that, if the mill levy is at the areawide cap, the School District would receive exactly 60% of the mill levy.

The proposed ordinance here will revise Borough code to establish the 6.3 mill rate equivalent proposed allocation for the School District as a cap. The proposed ordinance will provide for a proportional reduction anytime the Borough Manager presents a budget with an areawide mill rate of less than 10.5. The proportional reduction will preserve the model that 60% of the revenue from the overall areawide mill rate will be allocated to the School District. The proposed ordinance will also set a minimum allocation of 5.8 mills dollar equivalent to the School District. The following chart illustrates how a budget would be presented under the proposed ordinance:

Manager proposed Areawide mill	Manager proposed allocation to School District dollar amount equivalent mill
10.5	6.30
10.4	6.24
10.3	6.18
10.2	6.12
10.1	6.06
10.0	6.00
9.9	5.94
9.8	5.88
9.7	5.82

RECOMMENDATION OF ADMINISTRATION: Adoption of legislation.

CODE ORDINANCE

Sponsored by: Borough Mayor and
Assemblymember McKee

Introduced: August 3, 2021

Public Hearing:

Action:

**MATANUSKA-SUSITNA BOROUGH
ORDINANCE SERIAL NO. 21-079**

AN ORDINANCE OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY AMENDING MSB 3.04.046 TO PROVIDE THAT THE BOROUGH MANAGER MUST PROPOSE AN ANNUAL BUDGET WITH EDUCATION ANNUAL OPERATING FUNDS SET AT SIXTY PERCENT (60%) OF THE PROPOSED AREAWIDE REAL PROPERTY TAX MILL RATE.

WHEREAS, the intent and rationale of this ordinance are found in the accompanying Informational Memorandum No. 21-159

BE IT ENACTED:

Section 1. Classification. This ordinance is of a general and permanent nature and shall become a part of the Borough Code.

Section 2. Amendment of section. MSB 3.04.046(B) is hereby amended to read as follows:

(B) Education Annual Operating Funds. The manager shall prepare the annual budget with education annual operating funds provided to the school district at dollar amount equivalent of sixty percent of the proposed areawide mill tax levy on the full and true value of the taxable real and personal property for the upcoming fiscal year. However, such equivalent proposed amount will not be less than 5.80 and not more than a 6.30 mill tax levy on the full and true value of the taxable real and personal property for the upcoming fiscal year [AS OF FEBRUARY 1ST].

Section 3. Effective date. This ordinance shall take effect upon adoption.

ADOPTED by the Matanuska-Susitna Borough Assembly this - day of -, 2021.

VERN HALTER, Borough Mayor

ATTEST:

LONNIE R. McKECHNIE, CMC, Borough Clerk
(SEAL)