


MEMORANDUM

TO: Pete Sprague, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Dale Bagley, Mayor *DLB*

FROM: Scott Holt, Finance Director 

DATE: June 1, 2004

SUBJECT: Updated Impacts on the Proposed Budget

Subsequent to the publishing of the proposed budget and the workshops held on May 18 and 19, 2004, the finance department has obtained some new information, which we believe should be considered in the deliberations and approval of the FY 2005 budget.

We have been notified an agreement has been reached with three very significant taxpayers relative to the assessed values of their properties. Taking into consideration the reduction in values on these properties and also new numbers received from the state on oil and gas properties, the total assessed values projected for the upcoming year will be decreased by \$79,402,896. This will reduce revenue to the general fund for property taxes by \$539,574. As a result the fund balance appropriation would have to be increased by \$539,574 to meet the proposed level of expenditures and resulting in an ending fund balance estimate of \$16,516,240.

The projected impact on revenues to all funds exclusive of the general fund will be \$486,521. This results in a estimated revenue impact decrease of \$1,026,095 over all funds for the upcoming year from property taxes. Currently one major property owner is appealing to the Board of Equalization its value. This appeal will not be heard until July. Depending on the decision of the Equalization Board it also could have a significant impact on the taxes received.

We previously alerted you to the potential impact of HB233 relating to school funding. The bill was passed and the governor has publicly stated he does not oppose the bill. Unless something changes he is expected to sign the bill changing the base student allocation from \$4,169 to \$4,570 or \$407 per student. A proposal is being submitted to the Kenai Peninsula Borough School District Board to include in their FY 2005 budget these additional monies. Based on newly updated student projections, the amount to fully fund the school district to the maximum level, as has been done in the past, will require an additional amount of \$786,032 be appropriated bringing the anticipated ending fund balance for FY 2005 to \$15,730,208 including the property tax adjustments indicated above.

The effect of these significant changes without additional revenues will require the increase in the appropriated fund balance from the proposed \$3,475,625 to \$4,801,431.

