

# Financial Feasibility of a Yukon Koyukuk Borough *...and more...*

**October 25, 2017**  
**Meeting of**  
**Yukon Koyukuk School District and**  
**Tanana Chiefs Conference**

*presentation by*  
*Sheinberg Associates*



## Tanana Chiefs Conference



**Yukon-Koyukuk School District**  
*Enaa neenyo (I'm glad you came)!*





- Why and What
- Revenue
- Property Tax
- Funding for Schools, the Borough, Communities
- Land Planning, Getting Land, Voting
- Next Steps



## Some of the Questions I'll Address...

1. Can we tax the pipeline without forming a borough?
2. What control will we lose or gain if we form a borough?
3. Who will run the borough?
4. What will change and what will stay the same?
5. How will this impact me? How will this impact TCC, my tribe, my village?
6. How will this impact my land? Could I lose my land?
7. Will this open up land to outsiders?
8. What will the benefits be to me and to my village?
9. What are the risks to me and my village? What could go wrong?
10. Will a borough help with jobs and economic development in my village?
11. How will a borough impact schools?



Answer our Question: Would a borough mean better and more predictable school funding?

We are tired of financial uncertainty.

We want to control our own destiny.

## **Answer: Yes**

More predictable and robust education funding  
to a Yukon-Koyukuk Borough School District

is possible by having *a borough property tax*

and if the borough gives at least half of the  
maximum allowed (“the cap”) to support  
education.

***BUT, it became clear quickly that this was about  
more than just education funding....***

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**A few words about *Assumptions*  
before I get going**

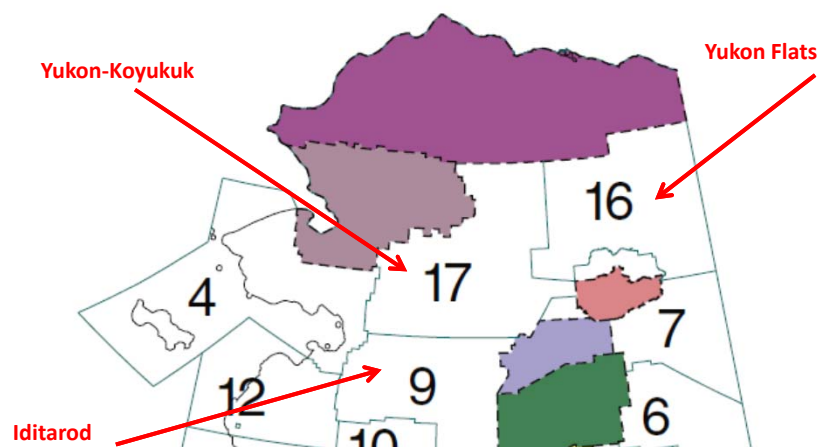
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# What?

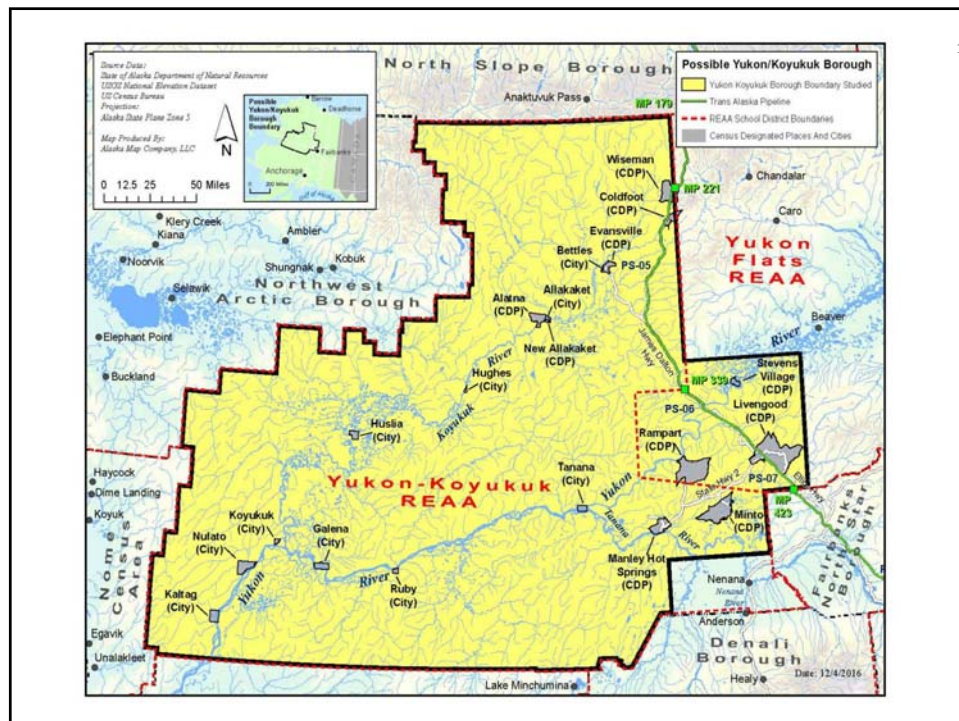
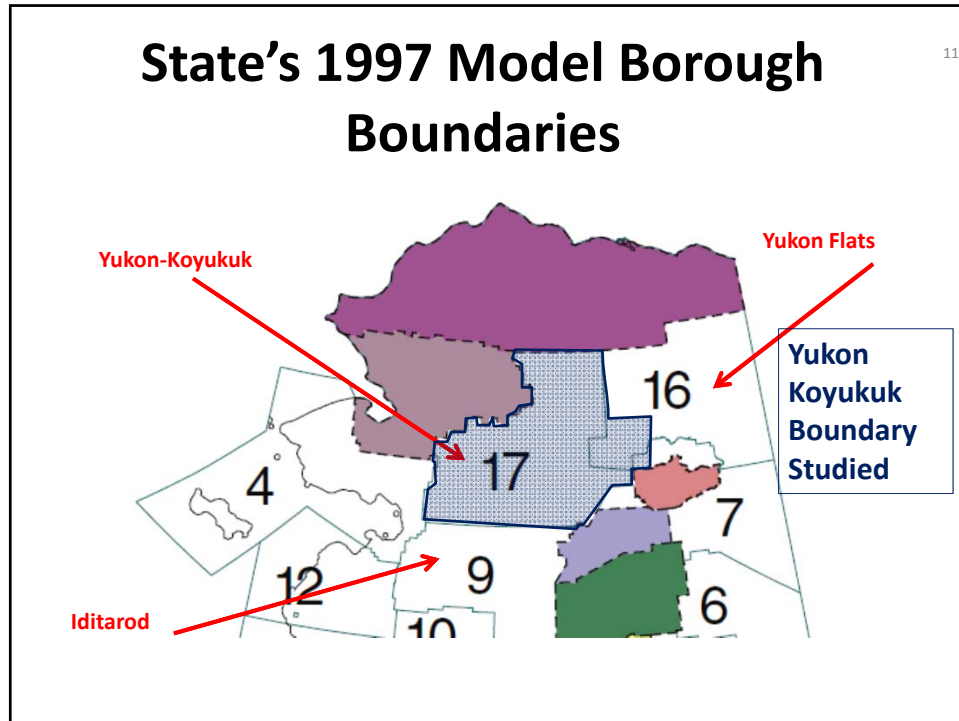
1. What borough boundaries?
2. What would borough do, and not do?

## State's 1997 Model Borough Boundaries

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BOROUGH	Fairbanks North Star	Denali	Mat-Su	Haines	North Slope	North- west Arctic	Hypothetical Yukon Koyukuk Borough
Type	2 <sup>nd</sup> class	Home Rule	2 <sup>nd</sup> class	Home Rule	Home Rule	Home Rule	?
Strong... **	Mayor	Mayor	Manager	Manager	Mayor	Mayor	?
Pop (2016)	98,957	1,810	102,598	2,466	9,803	7,944	<b>2,565</b>
# cities (1 <sup>st</sup> & 2 <sup>nd</sup> )	2	1	3	0	7	10	<b>10</b>
# CDP or communities	15	4	26	6	2	2	<b>9</b>
# Schools (16-17)	35	4 (1 corr)	47	4	11	13	<b>16 (2 corr)</b>
FY 17 School Enroll (PK- 12)	13,840	879	18,935	269	2,145	2,131	<b>6,172</b>
Sq Mi.Land	7,361	12,750	24,682	2,343	88,817	35,898	<b>64,000</b>

### Assumed Yukon Koyukuk Borough powers + services:

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- 1. Education** *(required)*
- 2. Land planning and regulation**  
*(required)*
- 3. If taxes, tax assessment and  
collection** *(required)*
- 4. Regional economic planning,  
development, advocacy**

## Assumed that Yukon Koyukuk Borough will NOT:

- Road Maintenance, Community Water System, Water & Sewer, Landfill, Police/VPSO, EMS/Fire, Health Services, Environmental Health, Tribal Court... etcetera

### SO:

- Cities and city councils remain same, have same duties (*except education, taxation, planning*)
- Tribes and Tribal Councils remain same, have same duties (*work together on planning*)
- Tribe's government to government relationship with feds not affected (*work together on planning*)
- Community Associations remain same, have same duties
- Federal Subsistence Status not affected (unless now urban)







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With this annual revenue, no tax beyond property tax is needed.

But, there must be a property tax.

**- Provide maximum protection to residents by following North Slope Borough model for property tax exemptions + a “Safety Net”**

- How does it work?
- What would it mean for you?
- How to offer maximum protection to residents



- Property in Alaska is assessed (valued for tax purposes) at fair market value.
- An assessment should be what the property would sell for in the open real estate market.
- The millage rate is the amount of the property tax levy.
- 1 mill =  $1/1000 = 0.001$
- 10 mills =  $10/1000 = 0.01 = 1\%$
- Property tax is calculated by multiplying the value of taxable property by the mill rate.

## Property Tax Exemptions

1. **Age 65+ or disabled veterans** - \$150,000 off value of home (or up to \$300,000)
2. **Everyone** - \$50,000 off value of home
3. **Law enforcement** - \$150,000 off value of home
4. **Totally Exempt:**
  - a) **Low Income persons** living on a property for 10 years
  - b) **Low income housing** built by AHFC or Regional Housing Authority if buyer still paying to housing entity
  - c) **ANCSA Corp land** (undeveloped), **Alaska Native Allotments**, **Alaska Native land in restricted or trust status**,
  - d) **City, borough, tribal, state, and federal land** (unless it is under lease or contract).
  - e) Property for nonprofit **religious, charitable, cemetery, hospital, or educational purposes**
  - f) **And more.....**

**EXAMPLE 1** \$60,000 (house assessment)  
 - \$50,000 (exemption, everyone)  
 \$10,000 (taxable value)



If Property Tax Rate = 10 mills (1%)

Annual property tax would be:  
 $10/1000$  (or 0.01, 1%)  $\times$  \$10,000  
 = \$100

**EXAMPLE 2** \$300,000 (house assessment)  
 - \$50,000 (exemption, everyone)  
 - \$150,000 (exemption, elder)  
 \$100,000 (taxable value)



If Property Tax Rate = 10 mills (1%)

Annual property tax would be:  
 $10/1000$  (or 0.01, 1%)  $\times$  \$100,000  
 = \$1,000

**EXAMPLE 2** \$300,000 (house assessment)  
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If Property Tax Rate = 10 mills (1%)

Annual property tax would be:  
 $10/1000$  (or 0.01, 1%)  $\times$  \$100,000  
**= \$1,000**

**Annual Income for couple is \$42,000**

**QUALIFY for Borough's Low Income  
Property Tax Relief Grant**

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North Slope Borough Examples



**NORTH SLOPE BOROUGH  
ADMINISTRATION AND FINANCE**

**ASSESSING DIVISION**  
P.O. BOX 69  
BARROW, AK 99723  
☎ 907/ 852-0355



March 1, 2016

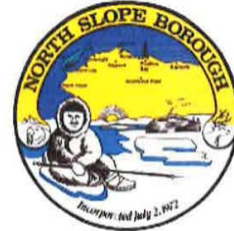
Dear Property Owner,

The State of Alaska and the North Slope Borough have several property exemption categories available to their residents. If you qualify for one or more of the exemptions, the property tax amount due on your home may be reduced every year that you qualify for the exemption (for example: volunteer fire fighter exemption ends when an individual is no longer a volunteer).

Examples of exemptions are as follows:

- Owner Occupied Exemption (Alaska Statutes (AS) § 29.45.050(a), North Slope Borough Municipal Code of Ordinances (NSBMC) § 3.25.070 (A)(1))
- Senior Citizen Exemption(s) (AS § 29.45.030(e), NSBMC § 3.25.060(E), AS § 29.45.050(i), NSBMC § 3.25.070(A)(3))
- Disabled Veteran Exemption (AS § 29.45.030(e), NSBMC § 3.25.070 (A)(3)(b))
- Volunteer Fire Fighter or Volunteer Emergency Medical Services Provider Exemption (AS § 29.45.050(r), NSBMC § 3.25.070 (A)(5))

**NORTH SLOPE BOROUGH**  
DEPARTMENT OF ADMINISTRATION & FINANCE  
P.O. Box 69  
Barrow, Alaska 99723  
Phone: 907-852-0355

**2017 Assessment Notice**

<b>Tax Account Number</b> R-001-341-14	<b>Description of Property Appraised</b> BAN 2 PLAT 82-7 BLK 7 LOT 11 6337		
<b>Tax Bills Will Be Mailed By</b> JUNE 1, 2017	<b>APPRAISED</b> \$377,400	<b>EXEMPTION</b> \$350,000	<b>TAXABLE</b> \$27,400
<b>Tax Payments Are Due On</b> JUNE 30, 2017	<b>Appeal Must Be Received By</b> MARCH 30, 2017	<b>Board of Equalization Date</b> MAY 2, 2017	



## North Slope Borough

Department of Administration and Finance

1274 Agvik Street | P.O. Box 69 | Barrow, Alaska 99723-0069 | (907) 852-2611

### APPLICATION FOR LOW INCOME PROPERTY TAX RELIEF GRANT PROGRAM – PRIMARY RESIDENCE

On March 2, 2010, the North Slope Borough Assembly approved Ordinance 2005-04-05 that established a low income homestead property tax relief program. The purpose of the program is to award grants to qualified applicants for the purpose of paying the applicant's delinquent real property taxes imposed on the applicant's homestead (dwelling occupied as the applicant's principal residence) for any tax year, including accrued penalty and interest on those taxes. These grants shall be awarded only to those in need in accordance with regulations of the Department of Administration and Finance; and shall be applied directly to the delinquent tax account of each qualifying taxpayer, discharging the Borough's tax lien against their home and avoiding foreclosure pursuant to AS 29.45.330.



**Eligibility Requirements:** Tax relief is available ONLY for taxes on a PRINCIPAL RESIDENCE occupied by the owner as his or her home.

Income Levels for Eligibility	
Number of People in Household	Annual Household Income
1	\$33,825
2	\$45,525
3	\$57,225
4	\$68,925
5	\$80,625
6	\$92,325
7	\$104,025
8	\$115,725

*For further information and assistance please contact your local Village Liaison's Office or at the Barrow Assessor's Office.*

Even with these exemptions...  
Highest burden will be on:

- TAPS
- High-end residential homeowners
- People with multiple properties in borough
- Commercial property – store/business owners

## Education Funding

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16 Schools	Total Enrollment Pre K - 12
Rampart School	10
Allakaket School	34
Andrew K. Demoski School, Nulato	42
Ella B. Verneti School, Koyukuk	17
Gladys Dart School, Manley Hot Springs	14
Jimmy Huntington School, Huslia	95
Johnny Oldman School, Hughes	13
Kaltag School	18
Merrelaine A Kangas School, Ruby	34
Minto School	56
Raven Correspondence School, YK REAA	1,287
Galena Interior Learning Academy (GILA)	220
Interior Distance Education of Alaska (IDEA), Galena	4,034
Sidney C. Huntington Elementary, Galena	60
Sidney C. Huntington Jr/Sr High School, Galena	52
Maudrey J Sommer School, Tanana	37
<b>Total students</b>	<b>6,023</b>
<b>Of total, number correspondence students</b>	<b>5,321 (88%)</b>

*Source: Alaska DEED, Enrollment Totals as of Oct 1 each year, by School*

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## Local \$ to City and Borough School Districts....

- If REAA School District, no required community financial contribution to schools
- If City or Borough School District, must give a minimum to schools equal to 2.65 mill (0.00265) of assessed value of property in municipality

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**Borough required to give  
about \$4.2 million to schools.**

**Borough needs to give about  
\$7 million to start exceeding  
pre-borough funding to  
schools.**

**Bottom Line: School Funding**

### School Funding – STATUS QUO (FY 15)

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	ADM	Local	Total State	Fed + Other	TOTAL
Galena	4,126	\$870,750	\$29.4 m	\$5.5 m	<b>\$35.8 m</b>
Tanana	39	\$35,382	\$1.3 m	\$0.4 m	<b>\$1.7 m</b>
Yukon/ Koyukuk REAA	1,456	\$0	\$17.4 m	\$6.2 m	<b>\$23.6 m</b>
Actuals: Region Totals	5,641	\$906,132	\$48.1 m	\$12.1 m	<b>\$61.1 m</b>

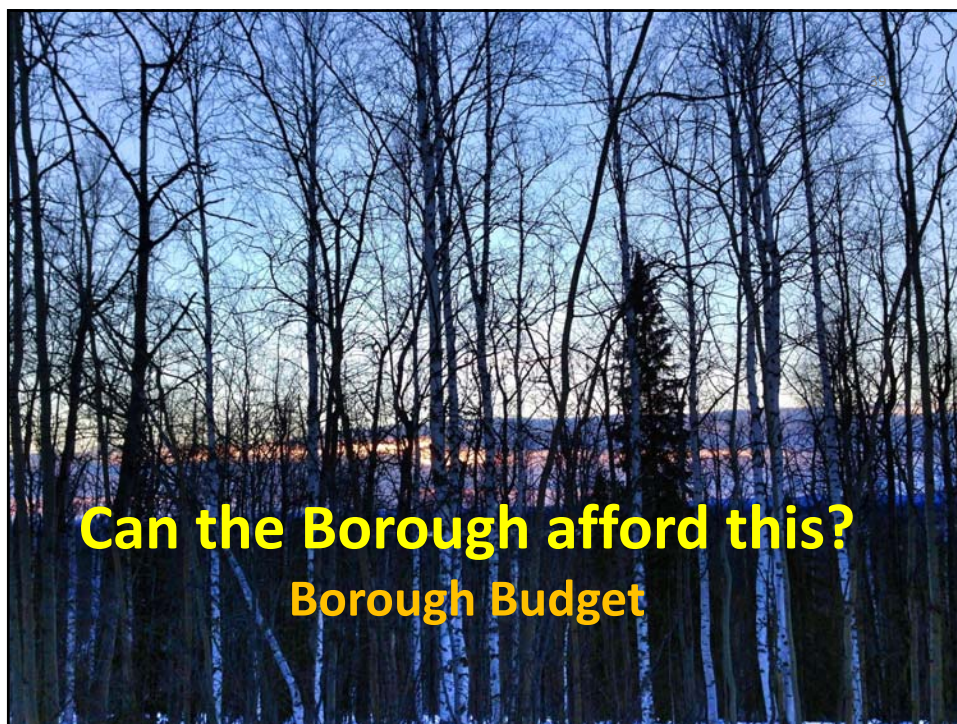


### If boro gives \$7 million or Halfway to the “Cap”

	ADM	Local	Total State	Fed + Other	TOTAL
Galena	4,126	\$870,750	\$29.4 m	\$5.5 m	\$35.8 m
Tanana	39	\$35,382	\$1.3 m	\$0.4 m	\$1.7 m
Yukon/ Koyukuk REAA	1,456	\$0	\$17.4 m	\$6.2 m	\$23.6 m
Actuals: Region Totals	5,641	\$906,100	\$48.1 m	\$12.1 m	\$61.1 m
If Boro		\$7.0 m	\$42.9 m	\$12.1 m	\$62.0 m
DIFF		\$6.1 m	-\$5.8 m	\$0	\$871,000

### If boro gives the Maximum or “Cap” of \$13.3 million

	ADM	Local	Total State	Fed + Other	TOTAL
Galena	4,126	\$870,750	\$29.4 m	\$5.5 m	\$35.8 m
Tanana	39	\$35,382	\$1.3 m	\$0.4 m	\$1.7 m
Yukon/ Koyukuk REAA	1,456	\$0	\$17.4 m	\$6.2 m	\$23.6 m
Actuals: Region Totals	5,641	\$906,132	\$48.1 m	\$12.1 m	\$61.1 m
If Boro		\$13.3 m	\$43.2 m	\$12.1 m	\$68.7 m
DIFF		\$12.4 m	-\$4.9 m	\$0	\$7.5 m



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Estimated Locally Assessed Value of Property		\$99.1 million
Estimated Value of Pipeline in the Borough		\$1.4 billion
Total, Locally Assessed Value		\$1.5 billion
at this Mill Rate....	Estm Annual Property Tax Revenue to Y-K Borough	
5.3	\$8.2 million	
6.0	\$9.2 million	
7.0	\$10.8 million	
8.0	\$12.3 million	
9.0	\$13.8 million	
<b>10.0</b>	<b>\$15.4 million</b>	
13.456 (like Fairbanks NSB)	\$20.7 million	
18.50 (like North Slope)	\$28.5 million	
20.0 (like City of Valdez)	\$30.8 million	

## **Example Annual Yukon Koyukuk Borough Budget**

### **REVENUE - \$16.7 million**

- \$15.4 million, from 10 mill property tax
- \$1.3 million, from state + feds

### **EXPENSES - \$10 million**

- For Education: \$7 million
- To Communities: \$1.6 million
- Borough operating: \$1.4 million

### **SURPLUS - \$6.7 million**


- Borough PFD Fund, bond/debt service, more for schools or community CIP...

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## **Bonds (*Loans*)** *a development tool used by municipalities & others*

**for School Improvements,  
Economic Development Projects**


*via the Alaska Municipal Bond Bank Authority*



City of Unalaska School Construction



City of Seward Boat Harbor Float System



Kodiak Island Borough  
High School Replacement



City & Borough of Sitka,  
Hydroelectric Expansion

**Recent  
Alaska  
Bond  
Bank  
Projects**

For example:  
Northwest Arctic Borough...

Bond Amount	Year
\$13,040,000	2005
\$6,525,000	2005
\$5,675,000	2007
\$1,505,000	2010
\$1,795,000	2010
\$13,635,000	2011
\$5,980,000	2011
\$3,535,000	2014
\$8,670,000	2015
\$4,445,000	2016
<b>TOTAL \$64,805,000</b>	

## For example: Northwest Arctic Borough...

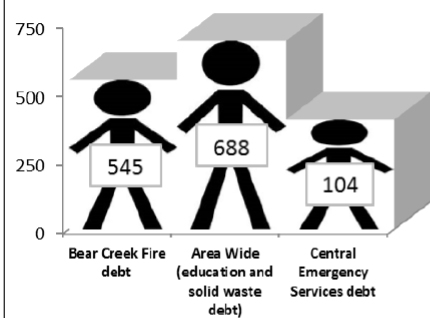
They budget \$6 million/year for bond payments

Annual debt service requirements to maturity for the general obligation bonds are as follows:

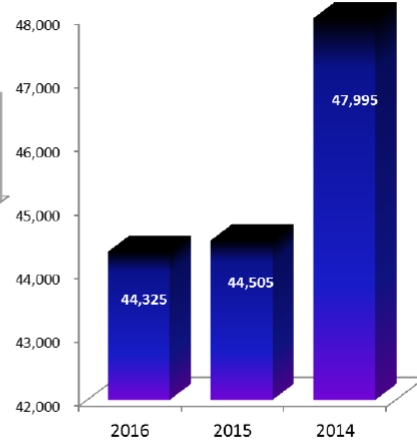
Fiscal Year:	General Obligation Bonds		
	Principal	Interest	Total
2016	\$ 4,370,000	\$ 1,899,409	\$ 6,269,409
2017	4,585,000	1,534,122	6,119,122
2018	4,770,000	1,331,412	6,101,412
2019	4,995,000	1,110,440	6,105,440
2020	5,210,000	891,565	6,101,565
2021-2025	13,925,000	1,720,366	15,645,366
2026-2030	1,510,000	220,445	1,730,445
	<b>\$ 39,365,000</b>	<b>\$ 8,707,759</b>	<b>\$ 48,072,759</b>

## Example from Kenai Peninsula Borough

Outstanding debt per capita FY2016



Total Outstanding debt \*



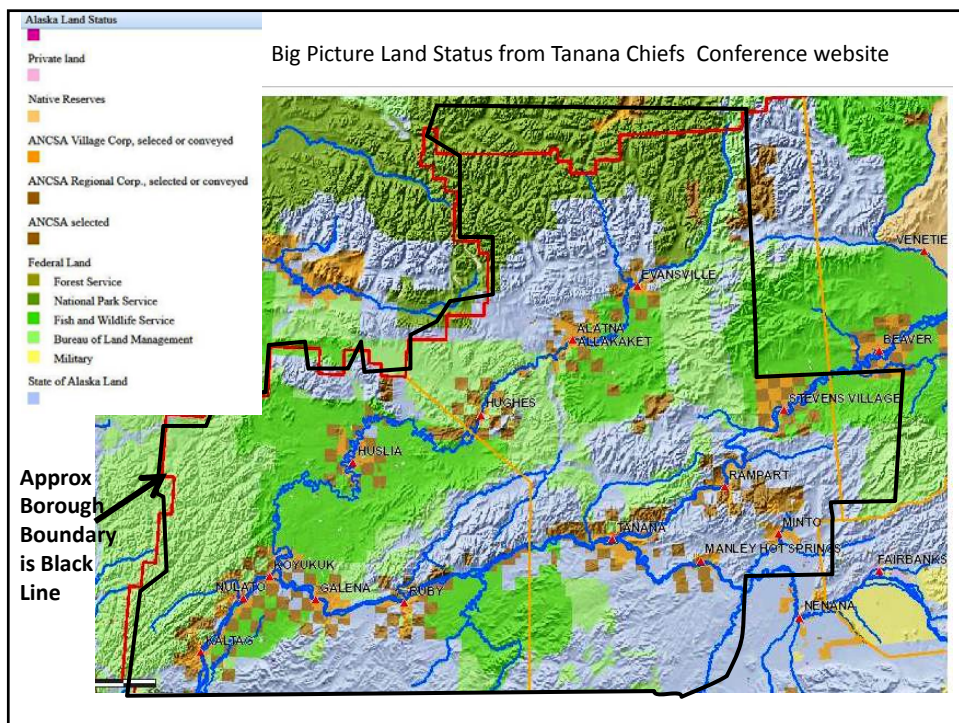
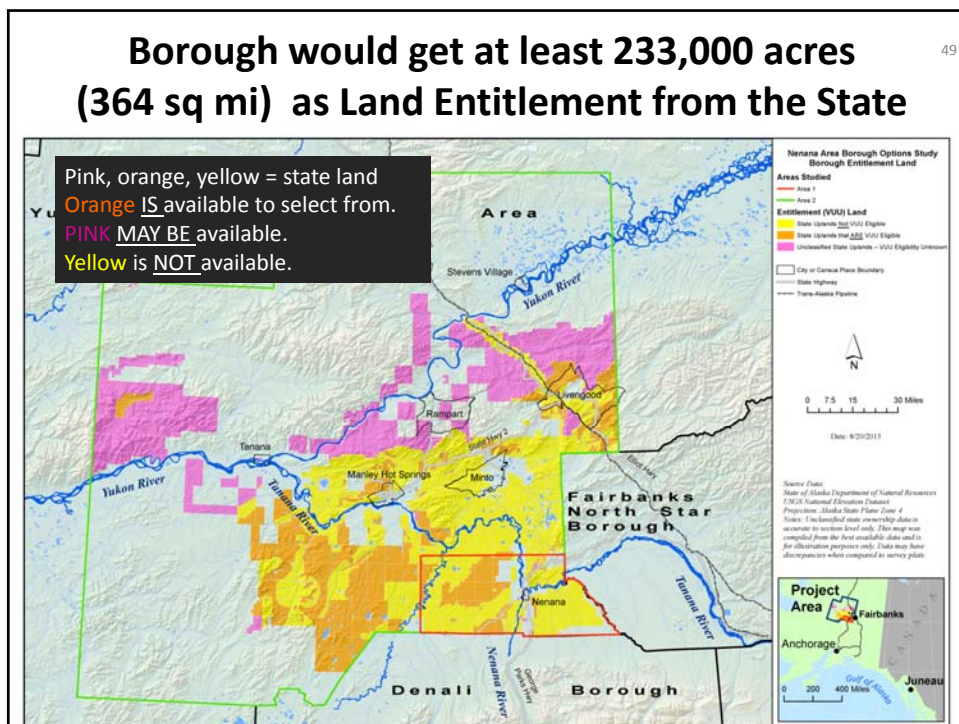
\* Amounts are expressed in thousands





## Land Entitlement

New Boroughs get 10% of the state land  
in the borough that is classified as  
Vacant Un-appropriated and  
Unreserved (VUU).



## LAST: A few words about Voting for Borough Assembly, Mayor, and School Board

### 3 ways to Vote

- 1. One District - All vote for all, can live anywhere to run.**
- 2. Multiple Districts (all vote for all)**
  - Must live in a certain Residency Area to run for Assembly or School Board seat
  - All vote for all.
- 3. Multiple Districts (only vote for person where you live)**
  - Must live in a certain Residency Area to run for Assembly or School Board seat.
  - Only those living in area vote for that seat. In this case, population in Districts must be equal.

## ONE example

Based on REAA model...

- **Seat I - Allakaket, Bettles, Coldfoot, Evansville, Hughes, Huslia, Utopia Creek, Wiseman**
- **Seat II - Kaltag, Koyukuk, Nulato, Ruby, Galena**
- **Seat III - Rampart, Stevens Village, Livengood, Highway Area, Manley Hot Springs, Minto, Tanana**

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## Next Steps + Timing

**SUMMER/FALL 2017** 1. Talk about it in region

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**WINTER 2017/2018** 2. Make decision on proceeding or not

**WINTER 2018** 3. If proceeding, prepare petition (YKSD, others?)

**SPRING 2018** 4. Submit petition to LBC, monitor, participate

**SPRING 2019** 5. If LBC approves, local vote on borough and elect officials within 60 days

**2019/2020** 6. Year 1 - Get borough up & running

7. Year 2 - Collect tax, school transition

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thank you  
baasee'  
tsin'aen dogedinh  
mahsi' maasee'  
chin'an

Discussion, Questions + Answers...