

MUNICIPALITY OF ANCHORAGE

ANCHORAGE ASSEMBLY

Minutes for Special Meeting of May 20, 1999

1. CALL TO ORDER:

The meeting was convened at 12:25 p.m. by Assembly Chairman George Wuerch in the Mayor's Conference Room, 632 West 6th Avenue, Anchorage, Alaska.

2. ROLL CALL:

Present: Dan Sullivan, Allan Tesche, Melinda Taylor, George Wuerch, Kevin Meyer, Anna Fairclough, Dick Tremaine, Fay Von Gemmingen, Pat Abney.
Absent: Dan Kendall (excused), Cheryl Clementson (excused.)

3. CONTINUED PUBLIC HEARINGS:

Mr. Sullivan moved, to combine the public hearings for items 3.A and B,
seconded by Ms. Taylor, AR 99-75 and AO 99-63.
and it passed without
objection,

- A. Resolution No. AR 99-75, a resolution of the Municipality of Anchorage providing for a **revision of the 1999 General Government Operating Budget**, Office of Management and Budget.
1. Assembly Memorandum No. AM 332-99.
 2. Assembly Memorandum No. AM 479-99. (**LAI D ON THE TABLE**)
(CARRIED OVER FROM 4-27-99 AND 5-11-99)
- B. Ordinance No. AO 99-63, an ordinance **setting the rate of tax levy and levying taxes** for the Municipality of Anchorage Areawide General Purposes including municipal schools and all services of the Municipality for the Municipal Tax Year 1999, Office of Management and Budget.
1. Assembly Memorandum No. AM 331-99.
 2. Ordinance No. AO 99-63(S), an ordinance setting the rate of tax levy and levying taxes for the Municipality of Anchorage Areawide General Purposes including municipal schools and all services of the Municipality for the Municipal Tax Year 1999, Office of Management and Budget. (**LAI D ON THE TABLE**)
 3. Assembly Memorandum No. AM 480-99.
(CARRIED OVER FROM 4-27-99 AND 5-11-99)

Chairman Wuerch opened the public hearing for AR 99-75 and AO 99-63 and asked if anyone wished to speak. There was no one, and he closed the public hearing.

Mr. Meyer moved, to approve AR 99-75.
seconded by Mr. Sullivan,

Gene Dusek of the Office of Management and Budget discussed the technical aspects of implementation of the Mayor's plan to address cuts to Municipal revenue sharing by the State Legislature. He outlined the figures in AM 479-99, accompanying AR 99-75. Mr. Dusek explained the Mayor had anticipated a large reduction in property taxes, but as a result of the reduction in State revenue sharing, property taxes would only be reduced by about \$39,000. The budget would be about \$3.5 million under the tax cap. Although department heads have been requested to reduce their budgets, necessary cuts will not appear in the 1st quarter budget revisions; more time is needed to identify where those cuts should be made and the tax impact. The current proposal is to remove \$1.7 million from fund balance, and work for the remainder of the year on a reduced budget. By the time the Assembly approves the 2000 budget in November, it will be easier to determine the source of the additional savings. He explained there is no substitute version for the budget revision document, because there are no revisions required at this time.

In response to Mr. Meyer, Mayor Mystrom said a hiring freeze would be considered by individual department heads. Each director has the challenge to reduce spending for this year by four percent; some will choose to freeze hiring, some may lay off employees and some may choose another approach. The problem with a general hiring freeze is that some departments have very few people, and a freeze might drastically affect the performance of that department.

In response to Mr. Meyer, Mr. Dusek said last year, the budget was almost \$5 million under the tax cap. The year before it was probably about \$4 million under the cap. He said the proposed reductions would temporarily put the fund balance below the desired level. However, by the time the books are closed at year-end, the budget reductions from this year would replace those funds. The intent was to return the fund balance back to its original level by the end of the year. He did not believe the temporary reduction in the fund balance would affect Anchorage's bond rating, because there is a plan to restore it. Mr. Dusek said he would be uncomfortable with removing more than the proposed amount from fund balance in order to fund some of the Assembly's proposed budget amendments. He said although additional savings were anticipated, it is not known at this point which funds will be affected. He explained there are many unknown factors, and a safety margin would be prudent.

In response to Ms. Von Gemmingen, Thomas Wilson of the Budget Advisory Commission addressed the Assembly. He explained the Commission recommended taxing to the limit of the tax cap. He said in light of continuing reductions in State revenue sharing, the Commission recommended a review of the policy regarding the tax cap. If residents are taxed to the cap this year, it will result in a much better chance of addressing any shortfalls next year. Without taxing to the cap this year, the ability to raise taxes next year will be lost. The Commission felt this was a fiscally reasonable approach to this situation, although they felt the Mayor's approach was also reasonable. Mr. Wilson said one difficulty with the Mayor's proposal was the question of whether enough savings could be realized this year to recreate the current fund balance cushion which is being used now to fund the budget.

In response to Chairman Wuerch, Mr. Wilson explained another Commission recommendation to examine alternative sources of revenue. He recalled a work session several months ago where about 15 alternate revenue sources were identified. He said one option was to initiate a rental car fee. He suggested that list of revenue sources be reviewed in another work session to include the new Assembly members.

In response to Ms. Fairclough, Mr. Wilson said Anchorage's visitors taxes, including rental cars and bed taxes, are among the lowest in the nation.

In response to Ms. Fairclough, Municipal Attorney Mary Hughes said it was possible for the State and the Municipality to implement taxes on tourist-related services.

Ms. Fairclough suggested pursuing retail sales at Municipal facilities and other options to increase revenues.

Ms. Abney expressed concern about the Fire Department (AFD) and felt it was in need of upgrades. She was concerned about proposed cuts to the AFD budget.

In response to Mr. Tremaine, Mayor Mystrom explained the tax cap formula. It is based on the increase in population, added to the total value of new construction, added to the consumer price index. The purpose of the tax cap was to ensure taxes do not increase faster than the formula items.

In response to Mr. Tesche, Mayor Mystrom said the administration has reviewed the 1st quarter budget revisions to ensure they are necessary.

Municipal Manager George Vakalis added the budget was increased a substantial amount because of the animal control contract. Another factor was requirements of the U.S. Environmental Protection Agency's National Pollutant Discharge Elimination System (NPDES) permit. Without spending a certain amount of money to mitigate water problems, Anchorage would be out of compliance and could face fines. There was a shortfall of revenues at the Museum, as a result of a tour company that removed the Museum from its schedule. There was no way to avoid cuts and reduced hours of operation without the budget revision. This would be a bad time of year to reduce hours, because it is the beginning of tourist season.

Mr. Tesche questioned whether following the Budget Advisory Commission's recommendation to tax to the limit of the tax cap might send the wrong message to State Legislators, and perhaps encourage them to increase cuts to Municipal revenue sharing.

Mayor Mystrom felt he could not predict the Legislator's actions. He appreciated the Budget Advisory Commissions thoughtful proposal. He felt it would be fair to pursue some of its recommendations, in conjunction with other ideas. He said he has received some criticism for not taxing to the limit. His explained he did not view the tax cap as a target, but as a ceiling. His goal was to operate the city as prudently and efficiently as possible. He felt it would be prudent to pursue suggestions about additional revenue sources, including alternative tax sources. In Anchorage there is an extraordinarily disproportionate amount of taxes borne by property owners.

Mr. Tesche moved,
seconded by Mr. Sullivan,
and it passed without
objection,

to amend AR 99-75 in the accompanying memorandum, AM 332-99, attachment C, Health and Human Services Department computer upgrades, to alter the direct costs to \$52,000.

Mr. Tesche moved,
seconded by Mr. Sullivan,
and it passed without
objection,

to amend AR 99-75 in the accompanying memorandum, AM 332-99, attachment C, Cultural & Recreational Services Department Museum marketing campaign, to alter the direct costs to \$10,000.

Mr. Tesche moved,
seconded by Mr. Sullivan,
and it passed without
objection,

to amend AR 99-75 in the accompanying memorandum, AM 332-99, attachment C, Cultural & Recreational Services Department Museum marketing campaign, to alter the direct costs to \$10,000.

Mr. Meyer moved,
seconded by Mr. Tesche,

to amend AR 99-75 to add \$95,000 to the Health and Human Services Department to supplement the FY2000 Human Services Matching Grant to the Anchorage Neighborhood Health Center for the Dental Services Program.

In response to Mr. Meyer, Jeff Gross, CEO of the Anchorage Neighborhood Health Center, addressed the Assembly. Mr. Gross asked the Assembly to continue support for the dental program. He explained theirs was the only dental facility in the State of Alaska that provides dental care on a subsidized basis. Approximately 40 percent of their services were provided on a subsidized basis to people who would otherwise not be able to afford dental care. Mr. Gross pointed out the Center is a non-profit agency, and has no ability to raise revenues or assess taxes. In light of the budget problems facing the Municipality, he offered to accept an amount four percent lower than requested, the same reduction the Mayor has directed

for Municipal departments. He stressed without the grant, thousands of people would be denied health and dental care; the Center has been providing its services for many years. He explained normally, the Center participated in the regular Municipal grant cycle; because he was the new director and unfamiliar with the process, their funding was temporarily in jeopardy.

Ed Graves, Dental Director of the Anchorage Neighborhood Health Center, spoke to the needs addressed by the Dental Clinic. He pointed out sick people can be treated at a hospital emergency room, regardless of their ability to pay. People with toothaches can also be treated at a hospital, but will only receive medication, not an extraction. The Clinic provides that service, treating about 105 walk-in emergencies per month. Ninety-five percent of those emergencies involve tooth extraction. At a regular dentist, the average cost for tooth extraction is \$200. For those who cannot pay, the service is free at the Clinic; about 66 percent of the clients pay a charge of \$25. Mr. Graves felt the Clinic addresses an important need in a community of Anchorage's size; in other parts of the country, there are county health clinics that are not available here.

In response to Ms. Abney, Mr. Graves said the Clinic does serve some clients who pay the full price. These patients help provide revenues that keep the Clinic operating.

In response to Mr. Meyer, Mr. Gross said the program does not receive Federal or State funds. The United Way and other private entities help with donations.

Mr. Sullivan moved, to amend the motion to reduce the grant amount by four
seconded by Mr. Meyer, percent to \$91,200.

Ms. Abney spoke against the amendment. She pointed out more people in the coming years may rely on the services provided by the Clinic.

Ms. Fairclough concurred and spoke against the amendment.

Mr. Meyer spoke in opposition. He felt the Clinic was making every effort to raise funds and provided a vital service.

Question was called on Mr. Sullivan's motion to amend and it failed:

AYES: Sullivan.

NAYS: Tesche, Taylor, Wuerch, Meyer, Fairclough, Tremaine, Von Gemmingen, Abney.

Question was called on Mr. Meyer's motion to amend and it passed:

AYES: Sullivan, Tesche, Taylor, Wuerch, Meyer, Fairclough, Tremaine, Von Gemmingen, Abney.

NAYS: None.

Mr. Tesche moved, to amend AR 99-75 to add \$349,150 to the Fire Department
seconded by Mr. Tremaine, for four additional Fire Inspector positions.

Mr. Tesche noted there is a rising concern in the community about the safety of rental units and other commercial buildings in Anchorage. He questioned whether results of an upcoming management audit of the Fire Department (AFD) would be available by the fourth quarter of 1999.

In response, Mr. Vakalis felt the AFD audit would be extensive, and recalled another extensive audit of the Police Department took about six months total time. He pointed out there are two hurdles with the AFD audit. One was identification of funding for the audit, which has yet to be included in any budget, and the other was adequate time to review the audit Request for Proposal (RFP). He felt the beginning of the fourth quarter of 1999 might be a bit early to expect results. He felt a more realistic estimate might be by the time the 2000 budget is finalized. Mr. Vakalis said the Police Department audit cost about \$100,000.

Mr. Tesche wondered if it would be more prudent to include funding for an audit rather than four inspector positions.

Ms. Von Gemmingen pointed out because of several apartment complex fires last fall, there was probably a problem at AFD. However, the problem is not known, so she suggested the idea of a management audit. It is impossible to know the amount of the audit until the RFP process is complete, so the appropriation would be separate at that time, probably coming from fund balance.

Mr. Tremaine spoke in support of the amendment.

Mr. Sullivan pointed out the Fire Chief has recommended against adding personnel at this time because they are using internal resources to accomplish inspections. He did not support the appropriation.

In response to Ms. Taylor, the acting Fire Chief said fire fatalities have averaged about six annually over the past few years. About 60 percent of those fatalities occurred in residential housing.

In response to Mr. Tremaine, the acting Chief pointed out all the fires last winter were intentionally started. The department has started a residential occupancy inspection program with fire personnel. All fire companies have been trained, and the goal is to inspect all residential housing within three years. There is a plan to enhance utilization of existing inspection staff.

Ms. Fairclough said she spoke with people at AFD, and found out the department is getting new software which will allow them to handle inspections with their own resources.

Mr. Tesche pointed out there is a high fire danger in Anchorage. Because of that and safety issues, he felt inspectors were necessary. He noted his intent that the four additional staff would spend most of their time in the field, working with the owners of commercial and residential properties to abate fire hazards.

Mayor Mystrom pointed out many of the recent apartment fires were caused by arson; additional inspectors would not have made a difference in those cases. Fire inspectors do not inspect wild fire hazards. The administration is concerned about wild fire danger, and has been working to mitigate those hazards. They have been coordinating fire fighters from the military and the Matanuska-Susitna Valley, cutting fire breaks on the hillside and have received a grant for mitigation efforts. Additional inspectors are not requested and not needed at this time.

Question was called on Mr. Tesche's motion to amend and it failed:

AYES: Tesche, Taylor, Tremaine, Abney.

NAYS: Sullivan, Wuerch, Meyer, Fairclough, Von Gemmingen.

Mr. Tremaine moved, to amend AR 99-75 to add \$50,000 to the Fire Department
seconded by Ms. Abney, for funding of a Public Awareness Program.
and it was withdrawn,

In response to Mr. Tremaine, Mr. Vakalis explained a \$500,000 Federal Emergency Management Agency (FEMA) grant was received and is being used for fire mitigation efforts. Part of that mitigation is education. The grant proposal included cutting fire breaks and providing an education campaign for homeowners. The grant included \$385,000 for mitigation and education; approximately \$80,000 for seismic mitigation, and \$20,000 for a flood study.

Mr. Tremaine withdrew his motion, with the concurrence of Ms. Abney.

Chairman Wuerch noted AR 99-75 would be amended on page 1 to reflect adjustments as a result of earlier amendments. The new figures should read on page 1: line 22, Health and Human Services - \$558,9000; line 25, Cultural and Recreational Services - (\$300,490); line 31, Subtotal - \$302,010; line 39, 101 Areawide General - \$659,410. On page 2: line 26, Total General Funds - \$1,114,470; line 33, Total All Funds - (\$885,790).

Question was called on the motion to approve AR 99-75 as amended and it passed:

AYES: Sullivan, Tesche, Taylor, Wuerch, Meyer, Fairclough, Tremaine, Von Gemmingen, Abney.

NAYS: None.

Chairman Wuerch announced changes to AO 99-63(S) to reflect the amendments made to AR 99-75. He said on page 3, the adjusted numbers were: line 12, General Government - \$145,436,460; on line 14, \$263,069,833.

Mr. Sullivan moved, to adopt AO 99-63(S) as "amended" by Chairman Wuerch.
seconded by Mr. Meyer,

In response to Ms. Abney, Mr. Dusek explained Limited Road Service Areas are currently taxed to the maximum approved by the member of the service areas. The administration will have to return to the Assembly at a later date with a strategy to react to the reduction in State revenue sharing. The service area boards will either have to decide to apply additional fund balance if they wish to maintain their current budgets, or to reduce their budgets.

In response to Mr. Tesche, Mayor Mystrom said it would be impossible at this point, only hours after learning the amount of State revenue sharing, to determine the specific cuts in specific departments. He explained the only way at this point was to apply fund balance, and commit to reducing spending by four percent. Those reductions will take months to figure out. He said to exempt the Police and Fire departments from the four percent reduction would decimate other departments. He expected that some departments would reduce more than four percent and some would reduce less.

In response to Chairman Wuerch, Mayor Mystrom said he would keep the Assembly informed of developments along the way.

In response to Ms. Von Gemmingen, Ms. Hughes explained the Mower litigation is ongoing. She did not expect the 1999 or 2000 budgets would be affected by the decision, as the Supreme Court may take 18 to 24 months to get to this case.

Mr. Tesche pointed out there is a serious policy issue facing the Assembly. One question is whether to tax to the cap to give more flexibility to future Assemblies who face more revenue sharing cuts. A counter issue is that at some point, alternative revenue sources may have to be considered. He would support the current budget proposal by the administration, provided that the administration and Assembly are willing to actively pursue other sources of revenue. He was concerned that the administration would decide where the four percent cuts are made without input from the Assembly.

Question was called on the motion to adopt AO 99-63(S) as amended and it passed:

AYES: Sullivan, Tesche, Taylor, Wuerch, Meyer, Fairclough, Tremaine, Von Gemmingen, Abney.

NAYS: None.

4. ADJOURNMENT:

Ms. Von Gemmingen moved, to adjourn.
seconded by Mr. Sullivan,
and it passed without
objection,

The meeting adjourned at 3:05 p.m.

Chairman

ATTEST:

Municipal Clerk

Date Minutes Approved: October 26, 1999

VC/db