

BUDGET ADVISORY COMMISSION
Municipality of Anchorage
Office of Management and Budget
PO Box 196650
Anchorage, AK 99519-6650

November 13, 2002

Hon. Dick Traini, Chair
Anchorage Municipal Assembly

Re: 2002 Municipal Operating Budget

Dear Mr. Traini:

The Budget Advisory Commission (BAC) is encouraged by the new directions being pursued by both the Assembly and the Administration. Since our July 10 working session with the Assembly, the BAC has pursued more in-depth understanding of the issues raised by both the Assembly and the Administration.

We laud the Administration's program "Investing for Results". We have previously encouraged the development of effective performance measures as a basic component of budgeting. Performance measures, when properly developed, can measure the effectiveness of a program and be utilized as a tool for determining whether resources are properly allocated.

Our intention is to closely monitor the further development of performance measures over the course of the next several years, and seek greater public participation in establishing priorities.

The suggested use of an endowment approach to the ATU Trust Fund offers another new approach to the effective use of budget reserves, an innovation we also applaud.

The Assembly asked us to explore the issue of lapsed personnel and vacancy factors. We hope the attached analysis is useful.

The issues of fund balances and bond ratings are still under review by our Commission and others.

The BAC continues to recommend taxing to the cap, considering the existing need for services provided by the Municipal government.

We believe that fund balances ought not to be considered a sustainable source of funding normal operating expenses of government. Fund balances may be appropriate for one-

time expenditures, but we believe that most citizens have a reasonable expectation of continuing government services from sustainable sources of income.

The BAC intends to pursue an independent annual work plan approach for the many on-going issues of concern to us all. Among our continuing reviews are:

- Impact fee analysis vis-a-vis the 2020 Comprehensive Plan;
- MISD excess capacity;
- Synchronizing fiscal year ends and budget cycles with ASD;
- Privatization of MOA utilities; and
- On-going analysis/comparison of budgeted revenues to actual revenues.

Permit processing is a matter of internal management coordination and offers the potential for both budgetary savings and improved customer satisfaction. The BAC supports the Assembly's interest in this issue, and urges the Administration to report suggested enhancements, and their budgetary impacts, as soon as practical.

We have also attached a summary of recommendations from the BAC since 1995.

We continue our efforts to complete a compilation of various trend analyses. It will be forwarded to the Assembly as soon as it is available.

The Budget Advisory Commission strives to provide meaningful assistance to the Assembly in its budget deliberations. We are here to serve you and the Municipality to the best of our abilities.

Sincerely,

Jeff Staser, Chairman

Personnel Vacancy Factor

Assemblyman Alan Tesche asked the Budget Advisory Commission to review the use of vacancy factor in the budgeting of personnel costs and the misuse of continuing vacant positions as a means of providing a funding source for other uses.

Following is a schedule of certain vacancy factor information. The proposed vacancy factor has been computed from the initial proposed 2002 budget. From statistics provided by OMB, a comparison is made to the historical vacancy factor three-year average for 1998-2000, the 2000 vacancy factor, the 2000 actual personnel costs and the 2001 budgeted net personnel costs.

While we believe this information is helpful for deliberations by the Assembly, we wish to improve next year on this graphic by highlighting anomalies and footnoting significant year-to-year changes such as major wage increases, changes in total personnel positions and other unusual occurrences.

We have not seen the misuse of maintaining vacant positions for other spending purposes. While it could provide a potential one-year surplus to a particular program, such vacancy would increase the vacancy factor to be used for future personnel cost budgeting. To avoid speculation, the current year's vacancy levels by department should be presented to the Assembly by OMB during the budget process.

Should the Assembly have knowledge of any misuse of personnel vacancies, this may be an area for further review by an Internal Auditor, rather than the BAC.

Review of Prior BAC Reports 1995 – 2000

Following is a summary of some of the recommendations or topics from the Budget Advisory Commission since 1995:

Fiscal Year 2000

- ◆ Do not consider any “new” spending beyond what would be in a continuation budget
- ◆ Tax to the cap
- ◆ Restore up to \$8 million of services above the “A” Budget level
- ◆ Maintain the ATU Trust Fund Reserve at a prudent, spend from it sparingly
- ◆ Consider use of the Trust Fund Reserve for defeasance of Parking Authority bonds and ice rink revenue bonds

Fiscal Year 1999

- ◆ Consider certain proposed alternate sources of revenue along with cost reduction and performance measurement
- ◆ Citizen Tax Initiatives
- ◆ Perspectives on Municipal bonding
- ◆ Municipal fund balances are at a proper level
- ◆ Results Based Management
- ◆ Consolidation of services: MOA-ASD, State-MOA, Intra-MOA
- ◆ Budget reformatting

Fiscal Year 1998

- ◆ Property taxpayers are shouldering more and more of the Muni’s burden
- ◆ Spending on new programs needs to be scrutinized
- ◆ Personnel costs are rising
- ◆ When federal grants expire, the Muni must pick up program or personnel costs
- ◆ Develop specific measures to evaluate program outcomes
- ◆ 11 alternate revenue sources to explore
- ◆ Fund balances are being maintained at prudent levels
- ◆ Bonding raises property taxes. Seek property taxpayer relief.
- ◆ Consolidate some MOA and ASD functions

Fiscal Year 1997

- ◆ Develop specific measures to evaluate program outcomes
- ◆ Increase user fees until all programs except social benefactor programs are self-funded.
- ◆ Utilize competitive bidding and outsourcing to reduce costs
- ◆ Consider a sales tax
- ◆ Property taxes increase to cover reductions in State revenue sharing
- ◆ Local program revenues are not increasing
- ◆ Institute/increase visitor taxes
- ◆ Sell ATU
- ◆ Seek additional sources of revenue to help pay for municipal costs
- ◆ Eliminate overtime in the P.E.R.S. retirement calculation formula
- ◆ Consolidate some MOA and ASD functions
- ◆ Reformat the budget

Fiscal Year 1996

- ◆ Utilize competitive bidding and outsourcing to reduce costs (lengthy discussion)
- ◆ Consolidate some MOA and ASD functions
- ◆ Bring wages and benefits in line with those of the private sector
- ◆ Develop specific measures to evaluate program outcomes

Fiscal Year 1995

- ◆ Labor costs are rising too much
 - ◆ Utilize competitive bidding and outsourcing to reduce costs
 - ◆ Eliminate binding arbitration
 - ◆ Allow flexible work rules
 - ◆ Bring wages and benefits in line with those of the private sector
- ◆ Consolidate some MOA and ASD functions
- ◆ Consider gasoline tax after other efficiencies have been achieved
- ◆ Not funding the public safety retirement medical benefit for current active employees is ill advised.
- ◆ Tax to the cap
- ◆ Refine the definition of “charitable organization” to collect revenues from organizations that are not true charities.
- ◆ Utilize Zero-Based budgeting
- ◆ Sell city-owned utilities
- ◆ Sell Heritage Land Bank assets
- ◆ Increase user fees until all programs except social benefactor programs are self-funded.