

December 2, 2002

The Honorable Dick Traini
Chair
Anchorage Assembly
Municipality of Anchorage
P.O. Box 196650
Anchorage, AK 99519-6650

Re: 2003 General Government Operating Budget

Dear Mr. Traini:

§4.50.030 of the Municipal Code requires the Budget Advisory Commission to annually make a report on the Municipal budget to the Assembly before the final adoption of the budget.

As a result of lack of quorum for several of our meetings since the July 16 joint work session with the Assembly, the Budget Advisory Commission, which consists of several competent and incredibly active members of our community, has been unable to investigate as many areas of concern as we had hoped.

The members of the Municipality of Anchorage Budget Advisory Commission, however, would like to share with you some of its observations and comments on the content and process of the 2003 budget.

Investing for Results

The Commission has long been an advocate for performance-based measurements applied to our Municipal programs. We are pleased to see that many meaningful measures are now being used to review the effectiveness of our Municipal-provided services. It is now incumbent on the Administration to continually review these measurements for applicability and refine and update them where appropriate if they are to be a useful tool of management.

Coordinated Financial Reviews

The budget process this year has greatly highlighted the need for more coordination between the Assembly and the BAC.

The Assembly has already indicated that a member of its staff will attend the BAC meetings to allow continual feedback on our review of issues. We suggest that the degree of interaction and cooperation should be even greater.

When the Assembly waits until only a few months before the introduction of the proposed budget to describe Assembly concerns to the BAC, it is difficult to assemble the BAC during the busy summer months. It may be preferable that, as soon as the new fiscal year begins, the respective Chairs of the Assembly, the Assembly Finance Committee and the BAC should meet to discuss a plan of financial review for the upcoming fiscal year. Work sessions for areas of significant fiscal impact may be jointly planned to assure greater participation and a more allocated workload throughout the year. When the BAC is informed more timely and with more time for debate and discussion, we would be able to provide more professional advice to the Assembly.

Some of the topics for ongoing review or anticipated in the future are: 1) use of Sullivan Arena surcharge; 2) elimination of certain Hotel/Motel bed tax exemptions; 3) increase in the motor vehicle tax; 4) sale of municipal utilities.

With the development of a long range plan of review, various departments could be also scheduled to receive a greater level of scrutiny in different years. This might even facilitate the use of independent professional advice on some of the complex issues such as the outsourcing of the Municipality's IT services.

Shared Data

The Assembly's staff often generates during the year numerous reports with fiscal data. Sharing this information with the BAC would allow us to remain well informed on financial matters, assist us greatly in our own reviews and allow us to concentrate on areas not fully investigated.

With your approval, the Chair of the BAC could meet with Ms Gray-Jackson to coordinate this flow of information.

Budget Presentation

It is a constant challenge to develop a budget format that is sufficiently informative and easy to use by the general public as well as adequately detailed for the Assembly's analysis. This has been a concern of both the Assembly and the BAC for several years.

During the current budget process, the Assembly requested a significant amount of information from the Administration in addition to the budget as presented. For the review and enactment of the budget to be thorough and timely, the Administration should early in the year, or as soon as practicable, clearly describe any anticipated changes in the budget format. The Assembly should also introduce its requests for information in a timely manner.

The BAC agrees with the Administration's suggestion that the public should look more to the performance-based measurements than to "dollars spent" to determine the efficiency of our Municipal government. The question remains, however, as to what level of information will enhance understanding of the budget and its process of development and approval.

Continuation of Services

In the past the Budget Advisory Commission has suggested that the Municipality "tax to the cap" in order to provide necessary services. It has also cautioned the Assembly not to suggest additional services with one-time or windfall funding. If a service is to be provided there should be a reasonable expectation of continuity.

Correspondingly the public also has a right to know if any previously provided services are being eliminated. A continuation budget describing service levels maintained, added, eliminated or unfunded is but one tool for analysis of change. The public may applaud elimination of unnecessary services. A continuation budget may help the public to recognize when problems may exist in the ongoing delivery of necessary services.

Caution should be exercised even with the 2003 Operating Budget. Previously, the Municipality has been able to utilize a \$9.4 million dividend from the ATU Trust Fund. The 2003 budget proposed use of \$8.2 million from the fund. With voter approval of annual payments from the fund on an endowment model, and with various decreases in investment values, the 2004 budget may have only \$7 million available from the Fund. Absent any other changes in the costs of services, further reductions in services could occur.

Other Year-to-Year Comparisons

On page 19 of the "Citizen's Guide to the Budget" is a Spending Comparison by Department. It is somewhat confusing when reviewing the level of Difference, 2003 less 2002. There are large differences noted when, in fact, they are only the result of transferring certain functions between Departments, such as certain functions of Development Services to the Office of Planning, Development and Public Works.

It is suggested that the prior year data, in this case the 2002 Revised, be restated as if the transfers had occurred in this earlier period. This would make more informative the amount of Difference.

A Citizen's Guide to the Budget and Other Documents

Cheryl Frasca and OMB are to be commended for their attempt to demystify the budget with financial summaries such as the Guide. Calculation of the Municipal tax cap or how property taxes are determined, for example, while often mentioned in many discussions of the Municipality's finances, is difficult to explain to the general public.

The Municipality, through this guide, the Six Year Fiscal Program, departmental overviews, etc. and on the muni.org website, is continually seeking suggestions for improvement in providing information to the public.

Citizen Involvement

The BAC has been attempting to extend its outreach into the community. This will continue to be a priority for us again this year. One method has been to encourage comments from the Community Councils.

One Council has expressed difficulty in tracking its CIP Priority List provided each year to the Administration after a vote of the Council. When the CIP/CIB is proposed in October, the Council must generally take significant time to investigate the detail of the budget and may still be unsure of a project's inclusion. A suggestion has been made to OMB to develop a mechanism to follow the Council's priorities and present to the Council, concurrent with the Capital Budget, an indication of project placement or its failure to make the municipal-wide priority list.

The BAC will assist OMB with the review of this process in the next budget cycle.

Administration/Assembly Responsibilities

There is a separation of responsibilities and duties between the Administration and the Assembly, a line which may often be indistinct. Many comments from the public have been heard by the BAC questioning whether the Assembly is micromanaging the Municipality.

Regardless of these contentions, we acknowledge the enormity of the expectations and tasks for the Assembly and the Administration and hope that the Budget Advisory Commission can assist in your decision-making.

Cooperation

The Budget Advisory Commission will do its best to provide our best collective professional advice in a manner as independent as possible. We believe that fulfills the spirit of our responsibility and will best serve the Assembly, the Administration and the community.

Sincerely,

Roger Shaw
Chairman

Commission Members:

Allen Bingham
H. Glen Glenzer
Jonathan Lack
Phil Okeson
Ralph Samuels
John Wanamaker
Garret Wong

cc: Mayor George Wuerch