

## *Budget Advisory Commission*

*Jason Bergerson, Chair  
Jim Bailey  
Steve Hartung*

*Tony Cange, Vice Chair  
Janet Brand  
Jim Ricks*

*Heather Ireland, Secretary  
Barbara Baker  
Adam Trombley*

November 10, 2009

Members of the Assembly, Mayor and Municipal Staff,

Today, nothing is more topical than the economy and tax supported public services. These issues will be important for years. The Municipality has the citizen Budget Advisory Commission to assist in some of the procedural issues that will become critical in what may be some of the most fiscally challenging years facing the municipality. Numerous economic forces will require Anchorage to examine its fiscal health and be strategic in its budgeting.

Since its establishment in the Municipal Code, the Budget Advisory Commission has been an effective tool in advising and informing the Administration, the Assembly and public on matters related to the budget. Our current work plan outlines opportunities to assist in better communicating the presentation of the budget and offers ideas to increase public participation. We also relate in summary the key issues that have been raised, in our opinion, during the 2010 Budget Process. We invite you to review this report and its recommendations. The BAC will continue to collaborate with the Administration and the Assembly on matters relating to the budget, including First Quarter Budget revisions.

There continue to be opportunities to improve the process, presentation and public involvement in the development of the annual budget. We again offer our assistance and collaboration in undertaking longer-term projects that will aid in these endeavors.

Sincerely,



Jason Bergerson,  
Chairman

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## **Background**

The Budget Advisory Commission (BAC) is a nine member uncompensated citizen technical advisory commission that was established to provide the administration and Assembly advice regarding the budget and budgeting process. According to chapter 4.50.030 of the Anchorage Municipal Code, the commission is to:

1. Advise the Assembly as to the municipal budget by participating in the review of the budget through Assembly work sessions and other budget related meetings; review quarterly reviews of the budget prior to submission to the Assembly; and make an annual report to the Assembly on the budget before final adoption;
2. Preside over public meetings to solicit public comment or dialogue between the administration and/or Assembly and the public on the municipal budget or program issues;
3. Increase public understanding of and influence on the municipal budget and the budget process; and
4. Undertake special studies and report findings to the administration and Assembly.

The BAC has a history of increasing public involvement and understanding of the budget by critically examining issues related to the budget and the budget process. Most recently the commission examined the opportunities for consolidation between the Municipality of Anchorage and the Anchorage School District, in cooperation with student research conducted by the University of Alaska – Anchorage.

The BAC also released an informational report on the Proposition 9 (The Tax Cap Initiative) discussing the potential shortcomings of the initiative's language and potential implementation issues.

**The current BAC has established a work plan that builds upon past efforts. The 2009 BAC Work Plan and Mayoral Transition Report identified three key areas:**

1. Presentation of Fiscal and Budgetary Materials;
2. Increasing Public Involvement in the Budget Process; and
3. Special Budget and Financial Issues; plus

Recommendations from the Transition Report:

Two committees of the Budget Advisory Commission compiled reports addressing topics that had been identified as areas for improvement in last year's budget process.

The recommendations of the Budget Presentation Subcommittee laid out four phases of improvements as well as some additional comments on biennial budgeting. The biennial budget issues no longer apply.

- Phase 1. Improve Current Budget Presentation – consistency to provide more context

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- Phase 2. OMB adds additional analytic or reconciling items to current budget document
- Phase 3. BAC Neutral page including School District and Enterprise Units
- Phase 4. GFOA Excellence Award

Improvements in the Budget Document will help everyone involved in the process to better understand where the money is meant to go and how it has been used in the past. Improvements in the Budget Process will allow for greater public participation, better questions, and faster answers.

The Public Involvement subcommittee continued with the issue of “process” and looked for opportunities to improve access. Their report lays out several suggestions pertinent to

1. Municipal website
2. Public and Community Council Meetings.

Several methods of bringing the public into the process and including their input have been attempted over the years. Some have been discarded and others haven’t been tried. This report encourages the new administration to revisit all opportunities to improve Public Involvement.

As set forth in the Anchorage Municipal Code 4.50.030, part of the Budget Advisory Commission’s (BAC) mission is to “work to increase public understanding of and influence on the municipal budget and the budget process”. The BAC also compiled a report during the Mayoral transition that identified three primary goals for its’ ongoing work – Presentation, Process and Public Involvement. In this context, the BAC reports to you on both the Main Issues that have been raised and the 2010 Proposed Budget and Process.

## **Main Issues in the 2010 Budget Proposal**

Although there are many issues that could be discussed, the primary discussion points focused on the following, (1) Revenue Sharing and the Tax Cap, (2) Anchorage School District Budget and Funding, (3) Bond Refunding/Refinancing, (4) Service Cuts and (5) Capital Projects. Each is addressed below:

### *Revenue Sharing & Tax Cap*

Commission members did not reach a consensus in this area. Some members were supportive of using State revenue sharing for property tax relief, to allow flexibility and options to meet the fiscal needs of our community – noting that the Mayor and Assembly do not have to tax to the cap if they have disciplined spending. In addition, State revenue is not guaranteed and if it decreases after being used for services, this might force more drastic cuts to services. Some members felt the Proposition 9 passage (a \$5.7 Million impact on the 2010 Budget) was a clear message from voters and that reducing taxation, to some extent under the cap, is necessary. Other BAC members were supportive of the Mayor’s effort to use revenue sharing to pay for services. This would reduce the calculations for the tax cap in 2011, potentially forcing additional future cuts.

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## *Anchorage School District Budget*

The BAC agreed that it is beneficial for the Assembly to give advance guidance on the ASD budget. Generally, the BAC endorses efforts to shift education expenses (such as the School Resource Officers) to the school district and encourages more close scrutiny of the ASD budget on the part of the Assembly.

## *Bond Refunding*

There are short and long term implications to this decision to *defer* debt expense through Bond Refunding. Interest rates are low now, giving the Municipality the opportunity for a one-time refunding and refinancing of debt in 2010. The refunding does not change the operating budget, but does contribute to a lower overall tax bill by lower debt service payments. Some BAC members had reservations about this strategy when we are not taxing to the cap. However, most members felt the benefits outweighed the costs. The public has not shown a great understanding of this issue and could benefit from more media attention or public hearings. Information like that requested by the BAC on the present value calculations associated with the Refunding is extremely helpful in explaining the actual cost of the proposal. The Questions from the BAC and their answers should be posted to the Municipal website and shared with the Assembly.

## *Service Cuts*

There have been lots of public comments with concerns about cuts to libraries, transit, youth programs, and the arts. Some feel that cuts are aimed at those most vulnerable. These human impacts are concerning. Several members have expressed concern that this tact is foolish when we are not taxing to the cap, especially considering that to restore \$1 Million in services costs property owners \$4 per \$100,000 assessed value. There is dispute over what are considered “essential services”. Some favor “core” services for continued funding, while others don’t want to see health and welfare programs targeted for cuts.

The other side of service cuts related to “investments.” Service academies for both police and fire were mentioned as examples of cuts that should be reconsidered and looked at as investments – investments in new staff and reduced overtime as more and more of our police and fire officers prepare to retire.

Future and more public involvement in identifying services desired should be emphasized. Methods to communicate and gather the public’s desires were discussed, to include public meetings, surveys mailed with property tax bills, and web-based surveys would provide opportunities for the Administration and Assembly to have a better sense of the community priorities.

## *Capital Projects*

Safety should be the major factor in prioritizing road projects. Community feedback is critical in this process, as is the Municipality’s responsibility to report the appropriate safety statistics to the public. There is opportunity for better coordination of the various funding sources. As mentioned in another section, improved background information about the

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process (GFOA Excellence Award) would greatly improve the public's understanding of why a particular project has rated differently than a neighborhood or user group may have ranked it. Rolling out the initial CIP priority list to the community councils and public as a whole in March or April versus May would afford everyone more time to participate in the prioritization process before summer. It would also allow OMB to receive comments back sooner and work with PM&E on a final compilation.

## *General comments*

There are some issues that the BAC could work with the administration to better understand and possibly produce a technical report or information document. Program user fees and their relationship to actual program costs may be one example. Program users may need to pay for expenses, and if they don't the public should understand what costs are being subsidized. Furthermore, risk assessment, economic factors, quality of life issues should play into any discussion regarding value and costs of a program.

The Inter-Government Services (IGC) policy is another example of long-term practice that may not be entirely understood. The use of internal services should be more clearly documented and may be used in the future to help define the other changes in the budget. Some of these elements could be addressed through the GFOA reporting. The other item that could fall out of this study would be a better understanding of all services that could be grouped in the category generally called "Managed Competition".

## *Managed Competition*

Managed Competition is a priority of the administration. Due to limited time for the new Administration, this issue has really not been address in the 2010 budget process. In the future, the BAC could be used to compile or assess the opportunities for managed competition, assuming some resources are made available.

## **Broader Issues**

As a Technical versus Adjudicatory Commission, the Budget Advisory Commission has a broad focus. Past reports have reflected the struggle to balance small issues against policy decisions. We need to know the details associated with the budget but generally provide comments on just "the big picture" issues. Public participation in our own meetings is limited to OMB staff and the Assembly's Budget and Finance Committee chair. It has not been, nor will it probably ever really be practical to duplicate the budget hearing process solely for our benefit. Accordingly, we offer recommendations to improve the process and presentation of the budget.

## **Public Involvement.**

In our May 17, 2009 transition report the BAC urged the new administration to take a more active role in soliciting feedback from the public, as well as informing the citizens of Anchorage about the Municipal Budget and the process that goes into creating such an important document. We acknowledge that the new administration has made an effort to improve the public ability to comment on fiscal matters as evident by the use of the Tax Savers website, the holding of a Town Hall meeting, and attendance at select community council meetings. The Assembly also held two

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public hearings on the budget, as mandated by Municipal Code. However, several opportunities still remain, either unexplored or underutilized at this time. The use of Web-based feedback can be improved. Tax Savers appeared to be more like the Hansen system for filing complaints, in its method of collecting comments, as opposed to offering information for analysis. Several survey instruments are available that could provide such an opportunity, and the BAC could be a group that could work with the administration to design such a system to use year round for collecting feedback and posting ongoing budgetary and performance-measured information about the Municipality. Although some community councils were visited, most were not, and a great opportunity continues to exist for increasing the use of this community resource. The meetings are publicly posted and contact information is available to get on the agenda at any active council.

## **The Budget Process.**

The members of the BAC have an extremely limited ability to interact with the departments during the budget work sessions and hearings. The Administration has been helpful and attentive in answering written questions from the BAC members, but this process is slow and does not allow for follow-up. Instead of duplicating the budget work sessions for the benefit of the Budget Advisory Commission, and incurring the added cost of staffing such an endeavor, it would be very helpful to allow BAC members to ask questions with the Assembly members. If the Assembly Chair is concerned about time, members could be recognized for short periods, just as other Assembly members currently are when time is an issue.

## **Presentation and Format of Information.**

One of the Transition Report concerns expressed by the BAC related to the lack of internal consistency in the Budget documents - these recommendations called for more consistency in the use of totals and subtotals in the budget documents so that a reader can relate the various tables and graphs to one another. This is of value both to a novice user and also makes irritating arithmetic errors less likely. The new administration's Budget documents have improved in this area.

The BAC is very supportive of the administration's efforts to work toward attaining Government Finance Officers Association (GFOA) certification of the Budget Document. The GFOA has established standards or guidelines for municipalities to follow when producing their budget documents that help the public and governing bodies to better understand what is proposed and what has happened historically. Many municipal budgets across the country and across the state strive to meet the GFOA standards for excellence. Anchorage should try to develop a budget that meets those standards. However, meeting those standards is more than a presentational issue. Those standards are essentially the old requirement to get partial credit by "showing your work" – and require demonstrating and documenting the process and substantive policy choices that went into creating the budget. It appears that in some cases, that work may currently be performed in an informal manner and substantive process changes would be required to produce the required GFOA documentation. The efforts of the OMB office to establish measurable outcomes or standards are in line with the GFOA. Once performance levels are documented and standards are identified, the public will have a metric available to compare performance both fiscally and performance wise.