

Budget Advisory Commission
Report to the Anchorage Assembly

2013 Proposed General Government Operating Budget

November 2012

**BAC Report to the Anchorage Assembly
2013 General Government Operating Budget**

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Introduction

Pursuant to Municipal Code, the Budget Advisory Commission may participate with the Assembly and the Mayor in the review of the municipal budget and make annual reports, on the municipal budget, before its adoption by the Assembly.

In addition to this annual report, and included herein, the Budget Advisory Commission issued two white paper responses to address issues concerning public safety. While this report does not discuss all municipal departments, it does give recommendations to increase efficiency, reduce costs, and draw attention to areas of potential improvement or concern.

The 2013 operating budget initially had a budget gap of \$30 million, approximately \$16 million, of which, was directly related to increased labor costs. One factor that is driving the cost of labor up is the high cost of healthcare. The municipality currently offers over 40 different options for healthcare plans, which make the cost of administration unnecessarily high. It is the recommendation of this commission that the municipality make a priority to narrow the number of plans to increase the efficiency of plan administration and this will result in savings.

Furthermore, it is apparent that the increasing cost of labor is outpacing the tax cap. The voters are going to find themselves in the position of choosing between raising the tax cap to pay for the increasing labor costs or choosing to cut jobs. There needs to be a fundamental change in either the way the city budgets (i.e. do not accept contracts that will create expenditures that outpace projected revenues) or a change in the labor contracts to bring the costs down.

To give taxpayers an accurate picture of their return on investment, the municipality should benchmark cost and performance metrics against a large sample of similar cities much like the ASD does with the Council of Great City Schools. For example, not only will this benchmarking help determine if Anchorage is paying labor costs comparable to similar markets, but it will also give taxpayers real data that they can use to determine if it is a cost they are comfortable paying.

Ultimately, the largest challenge facing the municipality in the next couple of years will be finding a collaborative path forward to ensure city services can be preserved within the limits of the tax cap.

Amy Demboski
Chairman

Jim Bailey
Commissioner

Al Tamagni, Sr.
Commissioner

Andy Clary
Vice-Chairman

Shirley Nelson
Commissioner

Liz Vazquez
Commissioner

Bob Griffin
Secretary

Joe Riggs
Commissioner

Bill Webb
Commissioner

Community Development

Commissioners Amy Demboski and Andy Clary met with Jerry Weaver, Sharon Walsh, and Linda Brooks. Following this page are the questions submitted by the BAC and the department's answers.

BAC Recommendations

After meeting with the department, the BAC is confident that the department will be able to function within the proposed budget. This department does appear to have a sizable workload, but it appears to be manageable within the proposed budget. There are some areas where the city could realize additional efficiency gains.

First, the current online system, while time intensive upon data entry, has revealed benefits further in the permitting process. The department believes that further efficiencies could be gained if the plan review module was added to this system. The department estimates that this module would cost approximately \$300,000. We concur that there are benefits that could be realized by fully utilizing the system and purchasing the additional module; it is the recommendation of the BAC that this appropriation be actively pursued.

Second, it appears that this department is able to function at current levels, but the emphasis the department has on staffing, relates to when employees are absent. While it is true organizations do not function at peak performance when staff are absent from the workplace, it is the BAC's opinion that this department is sufficiently staffed at this time, and we concur with the staffing recommendations in the proposed 2013 budget.

Lastly, the discussion regarding the deletion of the associate planner position and the impact on wetland permitting was discussed during our meeting. During the interview, and in the department's written response, the department outlined their plan to disperse the work among other planners. When asked what the impact of this position being eliminated would be, they indicated that current permits take one to two days, and that may be increased to two to three days. It should also be noted that this position often helps at the counter; therefore, their sole purpose is not wetlands permitting. Furthermore, the department has raised the issue that if this position is eliminated that there might be a possibility that the Corp of Engineers could revoke the authority of the Municipality to issue these types of permits. When questioned further, the department had no specific information, nor could they point to any conversations with the federal government that indicate this will happen. It appears this is hypothetical at best and is not driven by data or reliable information.

Amy Demboski
Chairman

Andy Clary
Vice-Chairman

1. Fund 181 is proposed to be funded this year, but it is estimated to run an \$800K deficit. How long do you anticipate this fund will run a deficit and what options do you believe exist to mitigate or eliminate this potential recurring deficit?

Construction activity is increasing with more revenues flowing into fund 181. Community Development's operating budget for 2012 in fund 181 may possibly end with a positive (not negative) balance this year. As of mid-October, revenues exceed expenditures by \$475,207. In contrast, at the end of October, expenditures exceeded revenues by \$126,898 in 2011, by \$283,547 in 2010, and by \$217,538 in 2009.

Large new projects in particular boost revenues, and the applications for the new UAA Sports Arena and the Sam's Club on Muldoon have been largest in 2012. Although not nearly as large, we still are expecting development applications for two new stores in Anchorage to be submitted in 2012: Cabela's and Natural Pantry. We also anticipate receiving a couple of applications for new restaurants before year end.

Thus, revenues for fund 181 have been doing well in 2012. We are still concerned, however, about preventing the deficit in the fund from growing larger. The deficit in the fund at the end of 2011 was (\$2,770,000.) However, even if revenues continue to increase modestly, the revenue gains will likely be offset by increases in labor contracts and non-labor costs (e.g. fuel) in 2013. Given the desire not to increase the deficit in the 181 fund, the known labor contract increases and the rising costs of non-labor items, the department proposed increasing building fees by 5% for the 2013 budget. However, the Administration decided not to include any inflation adjustments to building fees in either proposed budgets A or B for 2013.

2. What opportunities do you feel exist in which your department's function could be combined with another department (i.e. permitting and inspection)?

Prior to the 2010 re-organization, there were five directors, one each for Traffic, Planning, Development Services, Facilities & Maintenance, and Project Management & Engineering. There was also one executive director when the Office of Community Planning and Development existed but that position was eliminated with the reorganization as being largely unnecessary. Now there are only two directors: Director of Public Works and Director of Community Development. Thus, there has already been a tremendous amount of consolidation.

Public Works and Community Development each have a distinct and separate purpose: Public Works supervises construction and maintenance of municipal facilities and infrastructure while Community Development primarily focuses on the planning and construction of projects brought forth by private businesses and individuals, and the transportation network connecting all parts of the community (AMATS). Since the reorganization, the AMATS function has continued to work seamlessly and a true synergy has grown between the various work groups serving private sector planning, development and construction.

There has been speculation that efficiencies would somehow be increased if all inspectors were centralized in one department. This belief is based on the idea that the inspectors can be interchangeably sent from one project or work type to another, i.e., public to private project, large capital project to small-scale right of way inspection, etc. The fact is that the duties of a Public Works inspector are completely different from those of a Private Development, a Right-of-Way, Land-Use, or a Building inspector. The Public Works inspectors primarily work on large capital projects and are exclusively attached to one or at most two projects during the course of the season. They are full-time on those jobs, as the Municipality's (the ultimate owner of the project) agent and representative. In contrast, Private Development, Right-of-Way, Land-Use and Building Inspectors must respond daily to a myriad of calls covering a variety of projects, issues, and complaints. At any given time, their customer may be a contractor, a developer, a business or home owner – all working on individual private projects and land use problems.

Given the diverse missions of the two departments, the present organizational structure is working well in the Public Works and Community Development Departments

3. Considering Anchorage is a fully planned out city, what would the impacts be if we reduced the Planning Department?

Community planning is reiterative process required by Alaska state law. Alaska statutes state that a first or second class borough shall provide for planning, platting, and land use regulation on an area-wide basis. State law requires preparation of a comprehensive plan and tasks each borough assembly with, after receiving the recommendations of the planning commission, periodically undertaking an overall review of the comprehensive plan and updating the plan as necessary.

The Municipality of Anchorage has three comprehensive plans: one for the Anchorage Bowl area, another for Chugiak/Eagle River/Eklutna, and a third for Turnagain Arm. Comprehensive plans contain:

- (1) statements of policies, goals, and standards;
- (2) a land use plan;
- (3) a community facilities plan;
- (4) a transportation plan; and
- (5) recommendations for implementation of the comprehensive plan.

Although the Bowl Area is mostly built-out, Chugiak/Eagle River/Eklutna and the Turnagain Arm areas contain lots of undeveloped land. However, even areas that are mostly built out still require planning. Planning is a technical and political process concerned with land use control and orderly development processes, addressing how a community will look, grow, and change over time. The planning process helps to balance pressures and challenges of growth with residents' desires for parks and open space, commute times for work, shopping and schools, adequate infrastructure and community facilities.

As population increases, there will be pressure for higher housing densities and for re-development of existing properties. Property owners will continue to be concerned with their property values and how a new owner next door will be able to re-develop his or her property. Also, community needs change not simply as a result of population changes but also as technology changes. No one knew a few

decades ago that there would be a need to construct cellular communication towers or to re-open roadways to install fiber optic cables underneath them.

Community planning also serves economic goals. Old businesses may close and new businesses open, and transportation systems and utilities need to be available to make it practical for new types of businesses to open here. Planning also helps local officials to ensure that the community remains a place where residents rate the quality of life as high, making it a desirable place for companies and their employees to be located here.

4. What is the status of the online systems that were implemented last year, and are those systems meeting expectations? What has the impact been as it relates to turnaround time for most permits, licenses, and plan reviews?

The Hansen permit management system is fully functional for contractor licensing, permit application intake and issuance, plan review, and inspections (including the Selectron mobile inspection module). All elevator inspections and permit renewals are also being handled by this system. Permittees can view their plan review and inspection comments on-line through a temporary dynamic portal. The only portion that is yet to go-live is the permanent dynamic portal which, in addition to allowing viewing of comments, will also allow some applicants – those with simple mechanical and electrical projects – to apply, pay for, and print out their permits in one web-based session. This feature is in final testing stages and we are about to set up appointments with select mechanical and electrical contractors who have volunteered to be the first to try out the new process. These constitute a fair volume of our daily permit activity so we expect this will free up our permit technicians to a certain degree. Once this system is fully operational we plan to add other simple permits (e.g. re-roofs, demolition) to the apply/pay/print process, depending on the availability of IT resources.

For standard building permit applications, Initial intake actually takes more time with the Hansen system, but once an application is submitted, permit coordination is more efficient and information can be retrieved more quickly. The contractor licensing module is working very well. The Selectron inspector mobile solution has experienced some problems with wireless and server connections, but these are being worked out with better connection software. The beauty of the Selectron system is that inspectors can enter comments into the system directly from the jobsite. Contractors can then see the inspection comments in real time, which does help work progress.

5. Explain the impacts of the third party plan review, which the assembly recently passed, as it relates to staffing, department function, and possible cost/savings.

We will not be able to fully assess these impacts until the process has been in place for a period of time because the impacts will entirely depend on how many applicants take advantage of the process. To date we have received one single-family home application and one deck application under the new ordinance procedures. While our plan reviewers will not spend time on these applications (other than a cursory check for completeness), we anticipate additional time will be spent by our inspectors because 3rd party reviewers will not necessarily interpret the code in the same, i.e., consistent, way as the

department reviewers. Thus, the inspectors will need to preview the plans more carefully than those they know have been through a department review. Additionally, when there is a dispute about whether or not a structure is being built to code, the inspector will have to coordinate with the reviewing professionals, who may not be as readily available as our in-house plan review staff. This may disrupt the inspection process and delay other projects, but only time will tell.

6. What challenges do you anticipate next year? How are you planning to deal with those challenges?

Vacancy Factor

Staffing reductions are a key concern and challenge. However, we first want to explain how it is becoming more challenging to cope with the vacancy factor. Community Development with 99 full-time employees was assigned a vacancy factor of \$621,758 for 2012, and presumably the same vacancy factor will be assigned to the department for 2013. Under the proposed 2013 budget, the department will have 93 full time employees, and achieving the same vacancy savings of \$621,758 with 93, instead of 99, employees will be harder. Even at current staffing levels, it is difficult to achieve vacancy savings of \$621,758. Essentially, what the department has to do is hold open whichever positions become vacant by employees either leaving for new jobs or retiring. Even if an employee who departed was in a very critical position, the department has almost no choice but to keep the vacancy open and not fill it. Our vacancy factor essentially requires the department to have almost 6 of our 93 employees gone for almost the entire year to have salary and benefit cost savings on the scale of \$621,758.

Note that departments used to have more flexibility in coving the assigned vacancy factor, as personnel budgets used to be built funding each position for a full 2080 hours (52 weeks/year x 40 hours/week = 2080) plus 10 days of leave for each employee. For the 2012 budget, OMB changed budgeting practices and no longer added the 10 days of leave for each employee. Rather, OMB added some amounts based on union-wide averages to cover leave cash-out costs. For a department like Community Development, however, that is staffed with many professionals and skilled journeymen, union-wide averages may not reflect our actual turnover rates – since turnover is higher in lower level, lower paying positions. This change in budgeting practices makes it a tough struggle to meet our labor budget, and forces us to hold positions much longer than we want to do. Furthermore, it serves as a sort of catch-22, in that any position kept open for a long period of time (to try and stay within our labor budget) can become targeted for elimination simply on the basis that it had been vacant for several months.

Impact of Staffing Reductions on Workloads

Staffing reductions without corresponding reductions in workloads are challenging. Indeed, almost every municipal department has over-spent its overtime budget for 2012, given a number of large projects underway with fewer employees to do the work.

The proposed 2013 budget eliminates a planner position in each of Community Development's three planning sections: Long Range Planning, Current Planning, and Transportation Planning. The department will also lose for 2013 a junior administrative officer position, a land use enforcement officer, and a planning supervisor and GIS (E911) addressing technician in our Land Use Review &

Addressing group. Combining the latest proposed reductions with other reductions that have occurred in recent years mean that staffing reductions since 2009 stand at 36% for Long Range Planning, 37.5% for Transportation Planning, 50% for Land Use Review & Addressing, and 25% in Land Use Enforcement.

Impact on Planning

Long Range Planning staff has done most of the work on the Title 21 Project. Staffing in Long Range Planning was at 11 FTEs at the beginning of 2009 and will be at 7 FTEs (with 5 of the 7 being planners) with the proposed elimination of an associate planner position for 2013. Thus, staffing has been reduced 36% since 2009 for this group. The reduction in staffing has, and will continue to, impact the ability of the group to timely complete projects.

Requests and workloads have been increasing. About two years ago, Long Range Planning was given the responsibility for the Municipality's historic preservation program and for providing staff support to the Historic Preservation Commission, an active commission that meets monthly and generates significant work assignments for staff follow-up. Interest in historical preservation efforts is increasing in part due to Anchorage's upcoming centennial celebration.

The Knik Arm Crossing (KAC) Memorandum of Understanding has tasked Long Range with completing all 4 studies that originally were expected to be divided up between the Planning Department and the Department of Neighborhoods. The KAC plans will require continued follow up by MOA to ensure that KAC project impacts are mitigated as planned.

There will also be a significant amount of work following the adoption of Title 21. This includes: editing, printing and posting Title 21 to include all the amendments adopted by the Assembly; incorporating all the ordinances that have been adopted by the Assembly to date, since the provisionally adopted version of Title 21 in 2006; updating the Land Use Plan Map, developing the 3 Downtown Districts, developing the Airport District and running these through the public review and approval process; completing a user's guide to assist and educate the public on Title 21; and being on call to the front counter to help explain the new code to the public. There is also the matter of Chapter 10, a new chapter to Title 21 for the Chugiak Eagle River area, being reviewed and adopted by the Assembly.

Long Range Planning staff also will continue to provide staff support to the Geotechnical Advisory Committee and the Watershed & Natural Resources Advisory Committee, both of which meet monthly. Additionally, Long Range Planning continues to receive requests for neighborhood or district plans from neighborhoods and communities as well. Mountain View is interested in a Neighborhood Plan. The Girdwood Board of Supervisors is requesting an update of their comprehensive plan. Many comprehensive plan elements are out-of-date and long overdue for revision, such as the Spenard Commercial District Development Strategy, the Areawide Trails Plan, and the parks plan for the Chugiak-Eagle River area. Additionally, Anchorage 2020 is due for a 10-year review.

A major new project for 2013 will be the Update to the U-Med District Plan. Mayor Sullivan supported the medical and educational institutions in the U-Med District in their pursuit of funding from the Legislature for an update to the U-Med District. The Alaska Legislature did appropriate funding for the

U-Med District Plan, so Long Range Planning now must proceed to work on that project too. Also, while the West Anchorage Plan has been completed, the East Anchorage Plan is underway and will take another year to complete.

Long Range Planning staff will also be shouldering part of the AMATS workload, since the proposed 2013 budget eliminates a transportation planner position. Elimination of that position does not eliminate work to be completed, so work that that transportation planner position used to perform will have to be parceled out to other planners. Re-allocating out these tasks will be essential to keep AMATS projects on schedule and to ensure that AMATS grant funds are fully expended. *(Note too that elimination of the transportation planner means that the transportation planning section has been reduced from 4.8 FTEs in 2009 down to 3 FTEs for 2013.)*

The proposed elimination of an associate planner position for Long Range Planning in 2013 budget will cause more work shifts. The associate planner position works on wetlands, issues wetlands permits and prepares the environmental review for proposed subdivisions, road projects, and other land use applications. This position is also called up to the public counter frequently to explain environmental regulations and their applicability to various projects. This work will need to be divided out to remaining planners. The Corps of Engineers has authorized the Municipality of Anchorage to issue some types of wetlands permits. The Corps of Engineers could revoke this authority, and if that happened then applicants who normally work with the Municipality to obtain these permits would instead have to apply directly to the Corps of Engineers, increasing their project development time and costs. Work on analyzing wetlands to be added to the HLB wetlands bank will be slowed or stopped altogether. This will reduce revenue to the MOA due to the loss in sales of available wetland credits. The implementation of the Wetlands Management Plan update will be severely constrained due to diminished staffing levels. Girdwood Area Plan Update will also be delayed yet again due to lack of staff resources.

Current Planning will also lose a planner position for 2013, reducing the number of planners in that group from six to five. Current Planning is the group that prepares platting and zoning case reports and staffs the following boards and commissions:

- Planning and Zoning Commission
- Platting Board
- Zoning Board of Examiners and Appeals
- Urban Design Commission

These boards and commissions meet at night with meetings sometimes going as late as midnight. With five planners, the department will be able to process most cases on-time, but where the department will struggle is when a planner is out on vacation and especially if another planner ends up being ill at the same time. The most difficult coverage time is when an employee is out for a major illness, to recover from surgery, or to care for another critically ill family member.

Impact on Land Use Review & Addressing

The Land Use Review & Addressing Unit used to reside in the Planning Division but now is assigned to the Development Services Division. At the start of 2009, this group had 8 FTEs. Budget cuts starting in 2009 have reduced this group to 6 FTEs, and the elimination of a planning supervisor for this group as well as the GIS technician position for 2013 will bring it down to 4 FTEs: a 50% reduction to staffing.

This group presently has two GIS positions that perform addressing work, and this latest reduction eliminates one of the two. Note that these GIS positions are dedicated positions for addressing work and are not related to the GIS group that moved to the IT Department several years ago and their work is totally separate from what the new GIS positions in Public Works would do. The GIS position eliminated oversees the municipal GIS address database for use in the Anchorage E911 system, supplying the master street address guide daily update to police, fire, utility companies, post office, and other interested parties. This position also serves as the primary point of contact for researching and resolving address conflicts and errors discovered in the municipal E911 database. The remaining GIS position, the municipal addressor, would take on these duties if this GIS position is eliminated, since keeping addressing information updated for the E911 system is a very high priority. The remaining position would also continue to maintain MOA's addressing GIS layers and databases, assign addresses to new construction, record new street names after verifying proposed street names are not duplicated elsewhere, review plats for addressing issues, and research problem addresses. However, tasks will have to be prioritized. The higher priorities to maintain GIS addressing data layers and to prepare daily E911 addressing updates could sometimes delay the assignment of addresses to new construction. There also may be little or no progress made on identifying and working with residents and municipal officials to eliminate duplicate street names (i.e., a street in Eagle River may have the same name as a street in Girdwood.)

Impact on Land Use Enforcement

Another group that has felt significant impacts is Land Use Enforcement whose officers investigate land use code complaints (junk cars, encroachments on required set-backs, zoning violations such as operating a business out a home where not allowed, etc.) Often these complaints are from neighbors who think another neighbor's property is unsightly and are the sorts of things that citizens complain about to the Mayor's Office and to Assembly members. Last year, one of eight officer positions was eliminated. The 2013 budget eliminates another officer, meaning that a group that had eight officers is down to six officers for 2013: a 25% reduction. Eliminating officers means remaining officers have larger territories to cover and larger caseloads.

Fire

Commissioners Bob Griffin, Shirley Nelson and Amy Demboski met with fire Chief Bushue and Aleshia Todd. Below is a summary of the interview.

The Fire Department is an effectively managed department. Despite a significant decrease in the rate of growth of the annual fire budget, the city maintains a very high "Class 2" ISO rating on a scale of 1 to 10. According to the Fire Chief, our current ISO rating puts us in the top 10% of fire departments for communities our size.

- * The Fire Chief seemed confident that manning was currently adequate, though he was concerned that the proposed 2013 budget staffing could have a negative effect on the current ISO rating. He was also convinced that current staffing would allow a reasonable financial balance between paying overtime cost and the cost of hiring and training new staff members to accomplish required tasks. Overtime at the fire department for 2012 is currently running about 8% of straight-time (well below the historical average of 14%). An overtime rate, lower than the historical average, is anticipated to continue under the 2013 budget constraints.
- * One of the main budget concerns of the Fire Chief was the "lack of control of the budget". Discretionary portion of the budget has been decreasing as percentage of the overall fire budget, leaving the fire department administration less capability to adapt to budget contingencies.
- * The rapidly expanding Police and Fire Retirement contributions experienced by the fire department is the main one of the lead cost drivers for overall budget increase. Excluding that increase in cost, funds budgeted for emergency operations actually declines about \$1.9 million year-over-year in the original proposed budget.
- * According to fire department administration healthcare costs over the last few years and that was one of their major cost challenges. In discussions with Captain Rod Harris, representing the IAFF bargaining unit, it was felt that some of the healthcare costs could be mitigated by reducing the healthcare options from seven choices to two or three. The fire department administration agreed in principle that some cost could be saved by streamlining the choices, but were unable to make an assessment of how significant those savings might be.
- * Of the fire apparatus that were slated for periodic equipment closures under one of the budget scenarios, the Station 11 ladder truck was the higher priority to keep in service to avoid service gaps. The ladder truck has many capabilities beyond the ladder. It provides an important "utility" function to responding to incidents such as Glenn Highway traffic accidents. More importantly, the manpower deficit as a result of having that company offline in Eagle River is problematic because the manpower that is lost can't be quickly overlapped from other Anchorage fire stations.

- * In a brief discussion of the collective bargaining agreement requirement to have four firefighters on an engine, the Fire Chief indicated that "four pack" companies were 30% more efficient but there are no regulatory requirements that would keep them from operating as three-man crews.
- * As with many other MOA departments, the fire department also expressed frustration with inability of Kronos to function to its anticipated capability.
- * The Chief would not take a position on one side or the other relating to this issue, just to say that it is done in other places and that would be a decision made elsewhere.

BAC Observations

A look-back to 2002 has the fire department with virtually the same budgeted staffing in the 2013 proposed budget. In 2002 the fire department accounted for 15.1% (\$40.8 million) of the MOA budget. In the 2013 budget the fire department consumes 19.2% (\$94.0 million) of the budget.

Though the fire department has not added more staff with increases in population over the last several years, the call volumes appear to be at manageable levels for the current staffing and response times have not been negatively impacted. In the Budget Advisory Commission Comparison groups of 28 other cities, Anchorage has a fairly "average" sized fire department but significantly more expensive fire department, per unit of labor.

Refer to Exhibit B for AFD executive summary.

BAC Recommendations

Refer to Exhibit A for combined public safety recommendations.

Health and Human Services

Commissioner Joe Riggs met with Janet Vietemeyer of Health and Human Services. Below are a list of questions that were asked and the responses.

1. *What return on investment are taxpayers getting for their tax dollars?*

117 active positions; 58% grant funded, 42% operating

2. *What are some unmet needs of this Department?*

Fiscal & Deputy Director

3. *What does not fit the mission statement of each Department?*

Supervisory time pulled away for daily minutia.

4. *What are the highest priorities?*

- a. Staying fiscally compliant.
- b. Improving ASP to reduce APD/AFD costs.
- c. Staying up on ACA and it's affects on our clinic.
- d. Homelessness and related issues

5. *What are the lowest priorities?*

Kronos, SAP

6. *What response from the public do you anticipate regarding the proposed budget?*

Senior centers if Anchor Rides are cut (in the A budget; not proposed in the B budget).

7. *Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?*

- a. Food Inspector tests will be online.
- b. Improved billing revenue with position to follow up on 3rd party insurance.

8. *In the absence of union contracts, what opportunities exist for managed competition of services?*

We've always been a collaborative dept.

9. *What has been the historical turnover (three or five year average) of this Department? How long do vacant positions remain open? Is the pool from which supervisors are currently hiring adequately qualified?*

Very low turnover. Lower positions fill except for part-time or no insurance positions. Higher positions mostly recruited from outside.

10. *Are there any duties you perform that are also performed in another department?*

Code enforcement could overlap. i.e., odor or noise complaints.

11. *Are there any services that could be eliminated, that the private sector could assume, without public contribution? (Not out sourcing)*

We do public health not primary care.
Government should be in enforcement.

Cemetery by Presidential Order.
CCA to AK Family Services.

12. *Since we spoke last year, what has changed? Has there been any progress on items discussed then?*
CCA, I/M, lots of talk of ANHC (clinics, WIC)

BAC observations and recommendations:

Youth Court:

When asked how the Youth Court would be affected by a \$200,000 cut to the budget, the reply was that the department's only involvement with the Youth Court was to administer the grant(s).

This department's responsibilities span a wide array of services including child care licensing, public health, the Anchorage cemetery, domestic violence prevention, and environmental services.

Several areas of this department could be administered by the State. However the question of local control and enforcement is raised with this scenario. Child care licensing, emergency preparedness, public health, and environmental services all have a strong argument for maintaining local control. The Department and the State both recognize this and work together to reimburse the Department with State funding.

With almost 60% of the Department's budget being grant funded, it would seem that the tax payers are getting a fair return on investment. However, the department has two major concerns with this reliance on grant funding. First, high labor costs are making the department less competitive for grant awards. Second, fiscal compliance and appropriate grant administration are critical to maintain these grants and to avoid a refund situation.

The new Director, having been in the position for only a number of months and having a background in human resources, has prioritized the second concern. Her request is that the open Deputy Director position be filled by someone with strong fiscal knowledge and experience in administering complex grants.

Other than difficulty in recruiting qualified nurses, there is little turnover of positions in this department. However, the history of this department having multiple sections being cut has created a culture of fear that "my section is next to go". The result is that it's getting more difficult to fill positions when they do open and moral is suffering department wide.

The department is attempting to further cut costs by leveraging technology and increase revenue by staffing a position to collect fees from third party insurance.

The BAC has three recommendations for this department:

1. the department should place a higher priority on their Kronos & SAP implementation;
2. review the opportunity to use an outside grant administrator; and
3. investigate the opportunity to outsource billing to the private sector.

Joe Riggs
Commissioner

Internal Audit

Commissioner Bill Webb met with Peter Raiskums, Director, and Michael Chadwick, Principal Auditor, on October 8, 2012. The Budget Advisory Commission's list of general questions for each Department was made available in advance of the meeting and all questions were discussed at the meeting. The questions and answers are listed below.

1. *What return on investment are taxpayers getting for their tax dollars?*

The public benefits from our audits and special studies because of the savings realized and in many cases the compliance with grants and other monetary allotments.

2. *What are some unmet needs of this Department?*

Internal Audit has not had a capital budget allotment for several years. Computers are outdated and in need of replacement (6 laptops).

3. *What does not fit the mission statement of each Department?*

Nothing. Everything we are now doing is part of our mission.

4. *What are the highest priorities?*

Our annual audit and project plan is our main priority. We normally complete twelve to fifteen audits/projects per year.

5. *What are the lowest priorities?*

By use of our annual plan we screen out low priority items.

6. *What response from the public do you anticipate regarding the proposed budget?*

Not applicable to Internal Audit, little public contact or exposure.

7. *Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?*

Addition of an ASD auditor should amount to efficiencies and savings. We often pay our way with reimbursables.

8. *In the absence of union contracts, what opportunities exist for managed competition of services?*

Not applicable to Internal Audit

9. *What has been the historical turnover (three or five year average) of this Department? How long do vacant positions remain open? Is the pool from which supervisors are currently hiring adequately qualified?*

Very low turnover and very competent, experienced, and dedicated staff. However, Internal Audit is concerned with the Muni's Human Resources deficiencies. Request to fill one position was made in January and the job remains open. Part of the problem seems to be the introduction and use of Kronos software and the extra time needed just to pay people. Kronos pays to closest 1/10th of an hour and creates overtime that is not approved or justified; much time is spent correcting this. Internal Audit is concerned that SAP software is soon to be implemented before most in the workforce have learned Kronos. They suggest a review of Kronos at this stage be conducted to ensure it is actually a cost saver instead of a cost generator.

10. *Are there any duties you perform that are also performed in another department?*

No

11. *Are there any services that could be eliminated, that the private sector could assume, without public contribution? (Not out sourcing)*

No. Occasionally need outside assistance but it is extremely expensive when compared to in-house rates.

12. *Since we spoke last year, what has changed? Has there been any progress on items discussed then?*

Budget Advisory Commission has not visited with Internal Audit for many years.

BAC Recommendations

The department's staff consists of 5 full-time auditors (including director) and one part-time audit technician. I was very impressed by Peter and Michael's knowledge and positive attitudes. My own experiences with internal auditors have always resulted in substantial savings. I read through several of their reports and was most impressed with them as to ease of understanding and potential savings if recommendations are followed. If anything, we should utilize Internal Audit more. Adding to their staff will most likely result in much larger reductions of costs than the increased expenses that are made; providing audit recommendations are followed.

Bill Webb
Commissioner

Information Technology

Review:

Commissioner Andy Clary met with Lance Ahern, Director of Information Technology on October 4th and 9th. Below are the list of questions and response.

Questions and Answers:

1. *What return on investment are taxpayers getting for their tax dollars in this department?*
Director Ahern outlined several initiatives that the department is either currently undertaking or plans to start during 2013. The majority of these initiatives focus on consolidation of systems which will result in reduced operating and support costs.
 - Implementing an enterprise consolidation of many major systems.
 - \$4M capital project to consolidate back office systems. For example, reducing the number of content management systems from 5 to 1 and reducing the number of asset management systems from 18 to 2 or 3.
 - Consolidating all Oracle systems.
 - Consolidating all LaserFiche systems.
 - Merging the AWWU network into the MOA / ML&P network.
 - Planning enterprise wide IP addressing across the municipality, the enterprises and ASD.
 - Combined telephony contract, including wire-line, wireless, data and value added services.

2. *Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?*
First, a reduction in the total number of IT positions across the municipality. It has been a 2-year project. IT staff in departments have consolidated into ITD, as recommended in the Excipio report, with reclassification into needed Project Management and Business Analyst positions. As IT staff from APD, Fire, and the utilities merge into ITD, savings will continue to be achieved. Next, consolidating multiple licensing agreements across departments and business units with the same software vendor(s) into a single agreement has and will continue to result in a lower total software cost. Classifying represented IT positions currently at APD to be non-represented is expected to be finalized over the next year.

3. *Are there any duties you perform that are also performed in another department?*
There has been a consistent effort to identify phantom IT staff in other department and reclassify those positions as IT, cleaning up some of those duties. As an example, Public Works put a request in this budget for GIS data entry staff to manage their own data. Instead of ITD doing their data entry, ITD will simply provide the platform and Public Works will manage their own data.

Another function ITD is currently performing that consumes time, but not on a permanent basis is the staffing of functional roles for the Kronos and SAP implementation projects.

4. *Are there any services that could be eliminated, that the private sector could assume, without public contribution? (Not out sourcing)*

Strategically, ITD realizes that any system that is currently sitting on a muni server could be hosted in the cloud and consumed as a service. GIS and Exchange were listed as two examples of systems that are being investigated for transition to cloud based infrastructure.

5. *In the absence of union contracts, what opportunities exist for managed competition of services?*

Increased outsourced project management, moving key technical roles to vendors because of other project work going on, and contracting with HP to make stress testing available as a network service.

6. *What are the highest priorities?*

- Successful delivery of SAP and an updated Kronos on Jan 1
- IT organizational consolidation
- Enterprise back office consolidation next year
- GIS Cloud implementation
- Starting CAMA replacement summer 2013
- Upgrade City View in 2013
- Publishing open data and evaluating 311 service for Anchorage

7. *What are the lowest priorities?*

Dealing with the challenges of integrating IT from other departments consumes much valuable time and staff effort that could be spent on other project work.

8. *What are expectations the public has of IT?*

To be able to consume IT services wherever you are (smartphones). The 311 Initiative is a central funnel for all requests from the public. Apps such as SeeClickFix are tools that are available now.

9. *What response from the public do you anticipate regarding the proposed budget?*

Not much, some may say there is no real hit to the IT budget this year.

10. *What are some unmet needs of this department?*

- Possibly a change in priorities.
- Addition of missing skills.
- Security
- Specific network management tools
- Long term IT implementations plans for Public Safety, Public Works
- If more resources were available, current projects would go faster

11. *Have the SAP & Kronos implementations increased personnel costs in the short term? What are the projected long-term savings?*

While IT has seen operational cost impacts during the transition to SAP & Kronos, Kronos is already delivering operating savings to the business. With further automation in 2013 after SAP go-live, and later after additional integration of APD and AFD, full operating savings will be achieved. Certain positions have already been cut due to the Kronos implementation. The total effort required to implement SAP was underestimated. An additional \$2.9M was needed and has already been approved by the Assembly to finish the implementation. There will be a significant audit after the project is complete in order to identify what the true, total cost was and what long-term savings were realized.

12. *What has been the response of municipal departments and staff to the SAP and Kronos implementations?*

Staff sometimes confuses the two together. Business processes have changed and change is always hard. The software is just a tool. Often, the real efficiencies have been gained through more streamlined business processes. Part of the purpose was to help identify compliance with CBAs. Many things were identified that were not in compliance. As a result, Kronos, which started out as a \$457k project ended up costing \$1.1M.

13. *Has ITD been able to create centers of excellence for certain technologies?*

None were scheduled for the past year. Scheduled for next year are Oracle, SAP, and an Enterprise Content Management system that may be close to complete in 2012, ahead of schedule. All of them will go through same steering committee process all other projects do.

14. *What is the status of overall business continuity planning?*

Within the scope of SAP/Kronos projects, BCP was a component. Already reduced from four data centers to two. Need to setup geographic load balancing between both sites.

15. *Have you been able to engage the public at all to get their feedback on ITD? What is the status of the Open Data/311 work?*

Worked with AEDC on the first hackathon, have received requests for data sets and several service requests with muni.org. Based on this initial work, MOA is working with local developers and AWWU to create an Adopt-a-Hydrant program in 2012.

16. *Last year you mentioned building an Enterprise view of IT as top priority. Have you been able to do that?*

Progress was made at the beginning of the year through consistent participation of the IT Advisory Team, but recently, SAP has consumed any resources that were dedicated to that

activity. Overall, heading down that road. A consolidated list of efficiencies already realized was recently documented to the Assembly in a memo dated September 25, 2012.

BAC Recommendation:

Budget-wise, the IT Department will actually see an increase this year of 12% while at the same time reducing 3 positions. The increased costs are primarily due to the launch of SAP. As a result of go-live, 17 positions that, a few years ago, moved from operating cost to capital expense in order to realize a budget savings are now moving back to operating cost. Related, there are 4 CAMA positions moving from operating cost to capital expense to realize \$434k in operational savings this year. Finally, another portion of the increase this year is \$444k in salary & benefit increases for current staff which are all non-represented.

The department is currently consumed with the SAP and Kronos implementations. Most other strategic initiatives have been put on hold until those projects are complete. Although critically important to finish, it will be great when resources are freed up to move on to other pressing priorities.

The greatest challenge to this department remains a relational one. Moving from a de-centralized model to a centralized model continues to be a challenge. Change is hard for everyone and the new strategic alignment requires everyone involved to rethink the way things are done. This requires cooperation and compromise on multiple fronts.

With regard to the overarching strategic goal of creating an enterprise view of IT, it is the opinion of the BAC that the department has done a great job given the current workload of SAP and Kronos. Much consolidation of resources has already taken place whether it be servers or maintenance contracts. And much more along the same line is planned for next year.

This department has performed well under difficult circumstances and continues to be committed to providing essential services in the most efficient manner possible.

Andy Clary
Vice-Chairman

Library

Commissioners Al Tamagni, Sr. and Andy Clary met with Mary Jo Torgeson on November 5, 2012. Below is an outline of the discussion.

1. *What are some of the unmet needs in this department?*

- a. Outreach to home bound
- b. Services to retirement homes
- c. Teach Computer Classes-ages 50-80 needs most help
- d. Low per capita staff
- e. No south side location
- f. No young adult librarian
- g. Planned programs and services to teens
- h. Technology needs
- i. Building Entry: remove stair and second floor entry, consolidate on first floor
- j. Broadband, more computers
- k. Wi-fi has increased speed, but land line has not
- l. Smaller than average materials budget

2. *What is the busiest time for your department?*

Busiest time of the Week is from 1-5pm on Sundays

3. *What efficiencies do you expect in the coming year?*

- a. Moving media department to another floor to reduce a desk
- b. More education on self checkout
- c. Working to develop software so people can self register.

4. *What challenges have you had in the past year? Any ideas to deal with those challenges?*

The labor intensive task of putting items on hold for customers was mentioned and the idea was to implement a fee to encourage people to put items on hold and then never pick them up.

- a. Never initiated the fees
- b. Still Labor intensive
- c. Less revenue from fines
- d. Director believes that fines are too high
- e. Library customers were warned that they may be charged for any books on hold not picked up. Customer did change their behavior accordingly. Will review yearly and assess.

5. *Are there any challenges with employee turnover?*

- a. Yes, part time positions have been an issue.
- b. It is a hard place to work because of under staffing.

6. *Are there any public partnerships of note?*

- a. AEDC Partnership with John Bitner
- b. Makers space. People of like minds come together to create things.

7. *How many items were circulated in 2011?*

1.72 million items were checked out. For each item out, the item had to be touched to be checked in and then shelved. The transaction and items touched ends up almost 5 million.

8. *How many library visits were there in 2011?*

731,000

9. *How many dollars spent on materials per capita?*

\$2.98. In 2007 it was \$3.56 which was low by industry standards.

10. *What is the current staffing?*

They have 79 full time employees (in 2009 they had 89).

BAC Recommendations

1. Network with AARP, Anchor Rides and other related entities to coordinate outreach.
2. Any possible outreach to School Libraries for coordinated services etc., student training. Etc.

Al Tamagni, Sr.
Commissioner

Andy Clary
Vice-Chairman

MUNICIPAL ATTORNEY

Commissioner Joe Riggs met with the Municipal Attorney Dennis Wheeler. Below are a list of questions and answers that were discussed.

1. What return on investment are taxpayers getting for their tax dollars?

The Municipal Attorney's Office has three divisions: Civil, Criminal, and the Administrative Hearing Office (AHO).

The Department as a whole provides legal defense and pursuit of civil claims, legal advice and assistance to departments so they can perform their functions, prosecution of misdemeanor crimes, including OUI (DUI) and domestic violence crimes, and conducts hearings on a variety of administrative matters. In the Civil division, this translates to lower payouts on claims and efficient operations for the departments we advise. On the criminal side, this means a safer community. And, from the AHO we provide a low cost and speedy alternative to court proceedings.

2. What are some unmet needs of this Department?

More training opportunities; travel costs are prohibitive and specialized in-state training for municipal attorneys is inadequate.

3. What does not fit the mission statement of each Department?

Our functions are aligned.

4. What are the highest priorities?

- a. Legal assistance to the Mayor and Assembly.
- b. Prosecution of OUI and domestic violence crimes.
- c. AHO hearings in accordance with code requirements and timeframes.

5. What are the lowest priorities?

Incidental advice to departments.

6. What response from the public do you anticipate regarding the proposed budget?

None.

7. Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?

We are not anticipating achieving any further dramatic efficiencies in the coming year. We have been aggressively cutting our budget and improving our workflow the last 3 years. We have implemented a file tracking system. We have taken in-house workers comp legal work. We have added an employment law position to handle additional work regarding arbitrations and grievances. We have staffed up to manage a large state grant for domestic violence probation monitoring. We have taken on

“bath salts’ and “spice” and school truancy. This next year we will be adjusting to the elimination of positions; that in and of itself will require achieving efficiencies.

8. *In the absence of union contracts, what opportunities exist for managed competition of services?*

None. Prosecution is generally a government function and not appropriate for the private sector. On the Civil side, our attorneys know more and make less than the available attorneys in the private sector. In those areas where we need to hire expertise, we pay twice as much for the work.

9. *What has been the historical turnover (three or five year average) of this Department? How long do vacant positions remain open? Is the pool from which supervisors are currently hiring adequately qualified?*

Civil attorneys – Three retirements in the last 2 years, one voluntary departure.
Prosecutors – Prosecution averages a turnover of 2 attorneys or 13% each year.

Because these are all executive positions, the vacancy timeframes are highly variable and not necessarily indicative of the marketplace. The only hindrance to filling attorney positions has been the low salary compared to the private sector.

Support Staff – We have had some problems finding qualified support staff. We tend to get a large pool of under-qualified people trying to gain entry into government sector employment.

10. *Are there any duties you perform that are also performed in another department?*

No.

11. *Are there any services that could be eliminated, that the private sector could assume, without public contribution? (Not out sourcing)*

No.

BAC observations and recommendations:

Criminal Law:

Staffing is determined by grant(s) status, police staffing levels, and law enforcement priorities.

Prosecutor turnover averages about 13% per year.

Civil Law:

Salary inequities as compared to the private sector may lead to turnover. However, the Department has taken advantage of this fact by increasing the workload done in-house verses outsourced law work which may cost twice as much.

Cost Cutting:

The department has utilized new document tracking technology which has lead to the reduction of support staff.

As stated above, the department has kept legal work in-house verses outsourcing to more expensive private firms.

Recommendations:

The BAC recommends that Internal Audit performs a cost-benefit analysis regarding in-house legal services versus outsourcing this function.

If Internal Audit determines it is a cost benefit to maximize in-house legal then the city should continue to take advantage of salary inequities by keeping legal work in-house.

One unmet need of the Department is cost effective training opportunities. Travel cost is prohibitive and specialized training in Alaska may not be available. If available, taking advantage of online training opportunities may help meet this need.

Joe Riggs
Commissioner

Police

Commissioners Bob Griffin, Bill Webb, and Shirley Nelson met with Chief Mew and Deputy Chief Smith. Below is a summary of the interview.

1. *What return on investment are taxpayers getting for their tax dollars?*

See PVR and UCR reports, attached.

2. *What are some unmet needs of this Department?*

The primary unmet need is staffing, PERF gave us a staffing and deployment model, and we would like very much to implement it. We have additional needs in the HR, IT and Payroll areas, functions that were centralized in order to achieve efficiencies in government, but the fact is that the central departments have not been able to hire the necessary people and so are providing little support. It's not a matter of them not wanting to help us; they simply have been unable to attract the needed talent. Finally, we need to find a permanent way to fund the SART program.

The APD has desired-and really needs- a professional dispatch center manager. This item has been on and off the table, for a variety of reasons, for years. It remains an unmet need.

Projects needing completion are: the outdoor firing range, "next-gen" E-911, replacement CAD and RMS systems, AWARN interoperable radio (and associated ALMR compatibility upgrade), and in-car video. These projects are all somewhere in the funding stream, some at the very beginning (say a line in the CIP) and some are nearing completion.

3. *What does not fit the mission statement of each Department?*

Now that we have gotten out of downtown parking enforcement, there is little we do that falls outside our mission. Perhaps prisoner transport would fit that category, but we are locked into that work as a result of a legal settlement. There is a chance we could soon be forced into regulating most or all Anchorage towing rates. This would be an unintended consequence of an otherwise well-meaning and needed ordinance change pertaining to the problem of "predatory towing." We will be arguing for some (possible any) version of the ordinance that keeps APD out of the rate setting business. Much of our support for special events probably also falls outside our mission-dependending on your point of view-but regardless of that we should be reimbursed for these services. This is not always the case.

4. *What are the highest priorities?*

In terms of crime: sexual assaults, domestic violence, and alcohol related traffic fatalities. In terms of organizational integrity: bolstering public trust through improvement of critical policies, early detection/intervention regarding troubled employees, and more effective public communication strategies.

5. *What are your lowest priorities?*

Prisoner transport, junk vehicles, non-criminal code violations, and special event support.

6. *What response from the public do you anticipate regarding the proposed budget?*

Regarding the A budget: we expect the normally silent majority to be vocally opposed to the resulting reductions in service and threat to public safety and order. We anticipate that the people who despise us will be overjoyed.

Regarding the B budget: we think there will be little public comment about the police department directly, but that people who enjoy the services of the other and harder-hit departments will be quite vocal in opposing the cuts to those departments.

7. *Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?*

The new Early Intervention Program should reduce future costs and distractions associated with employee performance and wellness challenges. We hope that when Kronos gets over its growing pains the anticipated payroll efficiencies will materialize. In-car video should provide us both efficiency and effectiveness improvements. 2-3 years down the road we anticipate great opportunities as we upgrade CAD, RMS, E911, and as we begin new contract negotiations.

8. *In the absence of union contracts, what opportunities exist for managed competition services?*

See pages 23-27, DOJ Study, attached. Full text study available at:

http://www.cops.usdoj.gov/files/ric/publications/e101113406_economic%20impact.pdf

9. *What has been the historical turnover (three or five year average) of this Department? How long do vacant positions remain open? Is the pool from which supervisors are currently hiring adequately qualified?*

The average sworn turnover is 20 per year, and has been so for at least seven years. Since 2008, vacant positions are generally cut from the budget. A notable exception is dispatch; openings there are usually filled within 3 months. We have had a few promotional opportunities, but the pool is nonetheless qualified.

10. *Are there any duties you perform that are also performed in another department?*

In theory, HR, IT, and Payroll, but see question #2, above.

11. *Are there any services that could be eliminated, that the private sector could assume, without public contribution? (Not outsourcing)*

Determining fault in non-injury traffic collisions could be done by insurance companies.

12. *Since we spoke last year, what has changed? Has there been any progress on items discussed then?*

We have successfully gotten out of the downtown parking business; that transition is complete. Kronos progresses. The range of project received minor start-up funding from the state. CAD/RMS/E911 are all in the capital plan. AWARD upgrade is being financed (with repayment anticipated through bond or state legislative appropriation, both of which are in the works). In-car video is fully funded, with an RFP in the works.

13. *After the Rollins case, would the Muni be better off in purchasing a policy instead of self insuring?*

We do not know the answer to that question, as we have no expertise on the topic of insurance. We would refer you to the Risk Management department for a response. We do feel that we have greatly reduced the potential for this kind of misconduct to occur in the future.

BAC Observations

The Anchorage Police Department is an example of an effectively managed municipal department. Despite a significant decrease in the rate of growth of the annual police budget, most crime statistics have revealed a downward trend over the last few years, which is consistent with the general decline in crime nationwide.

The Police Chief seemed confident that manning was adequate, though possibly below optimum levels. He was also confident that current staffing would allow a reasonable financial balance between paying overtime cost and the cost of hiring and training new staff members to accomplish required tasks.

The Police Chief was mildly resistant to the idea of combined 911 dispatch. He was aware that many other cities employ combined 911, but seemed skeptical about overall effectiveness and efficiency increases that could be achieved. He also had concerns about combined 911 contingency operations during irregular operations like natural disasters.

Kronos efficiencies have not yet been realized. However, implementation is slowly improving in the police department. APD staff members, including senior staff, are frequently distracted from their primary duties to attend to Kronos issues.

BAC Recommendations

See Exhibit A for combined public safety recommendations.

Bob Griffin
Commissioner

Shirley Nelson
Commissioner

Bill Webb
Commissioner

Port of Anchorage

Commissioner Shirley Nelson interviewed Stephen with the Port of Anchorage. Below are a list of questions from the BAC and responses from the department.

1. *What are some of the unmet needs of this Department?*
The most important one is acquiring sufficient funding to keep the Port Intermodal Expansion Project moving forward. Secondary to that is executing the master planning effort for which we've set aside funding in FY 2013. It has been 13 years since the Port last did a master plan.
2. *What does not fit the mission statement of each Department?*
Nothing. The mission of the Port is to maintain the Port infrastructure in order to meet the needs of container, petroleum and general cargo marine transportation companies to ensure the timely delivery of consumer goods and commercial cargo. This is the primary focus of all departments.
3. *What are the highest priorities?*
Listed as follows:
 - a. Maintain the Municipal docks and transit yards in a safe and operable condition.
 - b. Execute Port annual Operating and Capital Budgets as programmed.
 - c. Keep the Intermodal Expansion Project progressing forward.
 - d. Respond to all applicable Federal and State grant opportunities.
 - e. Seek new business opportunities where and when appropriate.
 - f. Educate the public to the economic importance of the Port of Anchorage.
4. *What are the lowest priorities?*
Vehicle and equipment replacement.
5. *What response from the public do you anticipate regarding the proposed budget?*
Minimal because, as an enterprise function, we are a revenue generator and we successfully cover all our operating and non-operating expenses; and payroll costs every year. No property tax dollars are ever used to operate the Port. In fact, we pay the Municipality a fee in lieu of taxes to help run city government.
6. *Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?*
The U.S. Army Corps of Engineers has just completed their independent design suitability study of the open-cell sheet pile system. A preliminary presentation was received by the Mayor, Municipal Manager, Port and MARAD leadership on October 2; to be followed by presentations to the Geotechnical Advisory Commission and the Anchorage Assembly on Nov 9. The Municipality of Anchorage and the Port of Anchorage took over project design and construction management on May 31, 2012. This will ensure that, with all future port expansion construction contracts, the Port and Municipality will be named parties in all construction bonding documents, and that the Municipality and Port will have total control over the project going forward.

7. *In the absence of union contracts, what opportunities exist for managed competition of services?*

I don't believe this is applicable to us as an enterprise function.

8. *What has been the historical turnover (three or five year average) of this department? How long do positions remain open? Is the pool from which supervisors are currently hired adequately qualified?*

Incumbents in Executive positions are averaging 7 to 8 years of service. Positions only remain open if we choose to keep them unmanned. Most of our supervisors are executives and, therefore, are only hired if qualified.

9. *Are there any services that could be eliminated, that the private sector could assume, without public contribution? (Not outsourcing)*

No. We are Municipally owned and we operate in a tenant-landlord relationship with the port users. Unless you privatize the Port, this is about as efficient a model as you can have.

BAC Recommendations:

The last master plan was completed in 1998. The port is 50 years old and they have major maintenance issues (beside the troubled expansion project). How do we sustain the existing, while we decide how to integrate the expansion? It is estimated that a new plan will cost \$650,000.

Mr. Ribuffo suggested that "if corrosion were to stop today, we would have 12-15 years of work to keep up the corrosion." Needs now include "\$3 million for pile repair (per year), which does not include storm drains." The Port has received \$48.5 million from the \$50million allotted to the port from the statewide transportation bond of \$453 million.

They are actively looking for a new tenant and negotiating for a new petroleum tenant. Goal: develop Tank Farm 2013 construction; Fuel across dock 2014. This will increase lease revenue first, then fuel across dock.

Port's income was relatively flat this year, with a .2% increase. Ending with the slight increase was attributed mainly to CIRI and Golden Valley Electric, the wind turbines that were stored and then passed through the port to Fire Island, brought in \$40-60k a month for a short time.

The Port has relatively new leadership who are working quickly to get up to speed and assessing their current situation. It is important that attention is focused not only on the Port expansion project, but also on the current maintenance issues at the Port. The BAC recommends that once the current report on the Port is released, and there is complete understanding of the current issues, then attention should focus on a new Master Plan. The focus moving forward should be to develop a plan to sustain the existing port and integrate the port expansion project. The sooner this is accomplished, then the major infrastructure will receive the necessary treatment for the long- term, versus a short-term costly fix or repair.

Shirley Nelson
Commissioner

Public Works

Review:

Commissioners Andy Clary, Jim Bailey, Bill Webb and Bob Griffin met with Ron Thomson, Director of Public Works Department on October 22, 2012 in the Public Works conference room. The following answers were supplied by Mr. Thompson in writing:

1. *What return on investment are taxpayers getting for their tax dollars spent in this department?*

Aside from personnel cost increases, Public Works has been successful in maintaining service levels despite increases in road mileage, sidewalks, traffic signals, street lighting, and new or expanded facilities despite staff reductions and funding decreases for other operating goods and services.

2. *Regardless of funding levels, what efficiencies will your department be able to achieve this year?*

Overtime will continue to be curtailed to emergency or mission critical activities, purchasing multi-purpose equipment & attachments, ensuring all capital/grant funded activities/support is charged to capital/grant funding, new snow dump (Elmore/Dowling) should reduce hauling costs, installing fueling station for Street Maintenance to reduce fuel costs, and eliminating low use vehicles from the fleet and shifting to pool vehicles where applicable.

3. *Are you performing any functions that do not fit the mission statement of the department? If so, is there another department that could perform those duties?*

No, the budget reduction exercises of the past few years have weeded out any activities not essential to our mission.

4. *Have you been able to introduce any managed competition of services within the past year?*

No, other Municipal-wide major software projects and the record snowfall during a year with staff reductions and other budget cuts limited our ability to take on new initiatives during the year.

5. *What are the highest priorities?*

Our highest priorities are activities that maintain public safety in the use of the infrastructure, equipment, capital projects, and facilities under our responsibility. Deferred maintenance is also a big priority. With continued budget cuts preventative and proactive maintenance activities have suffered while responding to problems as they happen have increased.

6. *What are the lowest priorities?*

Our lowest priorities are general administrative activities, i.e. records retention, deferring PC replacements & office machines, career development training, travel, etc.

7. *What response from the public do you anticipate regarding the proposed budget?*

There will likely be concern about maintaining existing service levels despite continued reductions. Continued annual budget reductions have compromised our ability to maintain service levels during periods of extreme weather, equipment failures, staff on leave due to illness/injury/vacations etc. Margins are thin to deal with non-routine situations.

8. *What are some unmet needs of this Department?*

IT support for technology upgrades/implementations, programming, integration of financial system with maintenance management systems.

9. *Has there been any effort made to implement some of the recommendations from the CH2MHill efficiency study?*

Yes, one example is that Public Works met with every department and was able to reduce the total municipal fleet by 15-18 vehicles. The current fleet manager has recommended the city get contracts in place for 2-3 years.

10. *In the proposed 2013 budget, there are 3 new GIS Technician III positions that are funded by bonds and grants, how will those be funded in future years?*

They will continue to be funded by future municipal construction bonds and/or grants.

BAC Recommendation

Public Works, like most departments, has gone through several successive years of budget cuts which have left it a lean organization that is operating right at the line of operational efficiency. Even with the cuts they have experienced, the department is meeting or exceeding expected service levels and has some tremendous success stories regarding efficiencies gained over the past few years.

For example, one cut this year found out of necessity is in the area of street sweeping. Currently, the municipality sweeps Anchorage area streets three times a year, spring, summer and fall. The middle sweep in the summer has historically collected the least amount debris. Instead of sweeping all residential streets where not much debris has accumulated by that time, the department is choosing to only sweep those streets that are necessary, thus producing a savings of \$300k this year.

Another major success story is that of road maintenance. For several years the trend had been to ask the state legislature for about \$5M/yr. for residential resurfacing projects. Last year, an analysis was done to collect a list of high priority road projects for every single legislative district and have each legislator push for the road projects in their area. The project list totaled \$33M and all were funded. To show the legislature that Public Works took these requests seriously, they started work on those projects this construction season and have completed several. Residents in neighborhoods that had long been neglected have taken notice and have spoken up and thanked the department and their legislators.

With regard to road maintenance, the BAC encouraged Public Works to coordinate with the Anchorage School District to develop a formal "Roads and Facilities Condition Index" similar to the Anchorage School District Facilities Condition Index (FCI) for municipal roads and facilities. This would aid in data-driven prioritization of maintenance projects and provide a long-term perspective on how well the municipality is keeping up with deferred maintenance. Using the same methods and standards between the ASD and Muni would be a very useful tool for policy makers to quickly evaluate and prioritize maintenance requirements across both organizations.

Since forming a new department in 2010, Public Works has, for the most part, worked out all of the transitional issues. Communication has improved and the department as a whole is operating more efficiently. Opportunities for further efficiency still do exist, however. One of those opportunities is the area of inspectors. Inspectors exist both in Public Works and in Community Development and certain types of inspectors do overlap, such as those that inspect road projects. If Private Development were to move from Community Development into Public Works, there would be efficiencies to be gained. It is important to note that the Community Development department disagrees, but, we, as the commission, believe it is something worth exploring.

In following up on issues from last year's review, a few personnel issues were mentioned, mostly relating to an overworked Employee Relations department. Those issues have been resolved and the department is well staffed and has no major organizational issues.

Fleet services were an important area of potential savings last year and we were pleased to hear that much progress has been made in this area. Over the past year, fleets have been consolidated by 15-18 vehicles across the municipality. Procedurally, a central manager of the municipal fleet has taken charge and is actively working across departments to make sure fleets are managed wisely. There is still more work to be done, but the results so far sound promising. This is another area of success for the department.

Finally, we all are well aware that last year was a record snowfall that hit Public Works particularly hard. Snow plow operators, snow haulers and dispatchers worked round the clock for weeks on end at a cost that took the department more than \$3M over budget. We were surprised to learn that only \$1.7M of that was repaid and that the department had to find cuts elsewhere to make up the difference. Further investigation revealed that had the Assembly chosen to accept additional revenue sharing, the shortfall would have been addressed.

Public Works is doing quite well, and Mr. Thompson has done a great job under difficult circumstances. We congratulate him and his team on a successful reorganization, dealing with record snowfall and continuing to find more efficient ways of providing a valuable public service.

Andy Clary
Vice-Chairman

Jim Bailey
Commissioner

Bob Griffin
Commissioner

Bill Webb
Commissioner

Purchasing

Review:

Commissioners Andy Clary and Bob Griffin met with Ron Hadden, Purchasing Officer on October 16th. Below are the list of questions and responses.

Questions and Answers:

1. *How has the staffing situation changed over the past year?*

Last year when we interviewed there were several key positions vacant. The BAC was glad to hear that most of those staffing needs have been filled. A deputy purchasing officer has been hired and will start next month. Also, two buyer positions have been filled over the past year. The department gave up two unfilled positions for 2013, but service levels will remain the same.

2. *Are you doing anything that does not fit your mission statement?*

No

3. *What is the status of the ERP implementation in this department?*

Currently one buyer is full time on ERP implementation. Once implemented, all requisitions will be online, which will improve accuracy and timeliness. Efficiency gains are expected for staff that will free them up to perform more strategic tasks as opposed to only transactional ones.

4. *Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?*

The new ERP system will enable the department to run analysis reports. They will be able to do strategic analysis on ad-hoc purchases across the municipality looking for what is purchased, how much, and whether or not there is there enough to warrant a contract, for instance. The department is also looking for ways to leverage buying power with ASD.

5. *In the absence of union contracts, what opportunities exist for managed competition of services?*

The IBEW agreement which limits who can bid on electrical work in certain departments is still in place. Whenever possible, services are bundled on a competitive contract.

6. *Has purchasing for AWWU remained absorbed into this department?*

Yes. Worked through initial transitions issues. Now providing same or better level of service.

7. *Is there a succession plan for key staff that are close to retirement?*

Yes. The department was very thorough in its search for deputy purchasing officer, and there are a few possible candidates for succession of key positions.

8. *There are still no PVR metrics in the budget. Why?*

The department is still unsure of what metrics would be the most useful. They have some in mind, but are waiting until SAP is implemented to have more data readily available.

One metric mentioned was the fact that 79% of procurement dollars in 2011 were spent in Anchorage.

BAC Recommendation:

Purchasing is one of the smaller departments, budget wise, but delivers an essential service to the municipality. \$1.6M is budgeted for 2013 under both A & B scenarios, a 7% reduction over 2012. The bulk of the reduction stems from eliminating two unfilled positions, a Senior Office assistant and a Buyer I. Management is confident that they will be able to provide the same level of service without those two positions.

We were pleased to find out that the staffing issues from last year have been primarily addressed. Key vacant positions have either been filled or candidates have been identified. It was also good to hear that promotion from within the department is being planned to fill other key positions that will be vacated in the coming years due to retirement.

The ERP implementation is of critical importance to this department and will have a huge impact once completed. Requisitions that are all paper based today will be electronic, thus giving staff more time to perform strategic analysis to move the department forward and find even greater efficiencies. One important piece that needs to be developed is a metric to measure efficiency; one measure could be to evaluate the amount purchased by the cost and use that as one piece of data to track efficiency. Whatever method is used, it is important that a model to measure efficiency is developed.

It is still the position of the BAC that In order to provide a more competitive contracting environment the requirement that electrical contractors for certain departments must have a letter of assent with the IBEW should be reviewed. The elimination of such a requirement would allow more contractors, and thus, more competition for those contracts resulting in a more value for municipal procurement dollars.

Purchasing seems to be doing a fine job and delivering a high level of service to the municipality. With the completion of the SAP implementation, even greater efficiencies will be realized.

Andy Clary
Vice-Chairman

Bob Griffin
Commissioner

Transportation

Review:

Commissioners Al Tamagni, Sr. and Bob Griffin submitted the following questions and received the answers in writing from Lance Wilber, Director Public Transportation. Below are the list of questions and responses.

1. *What are some of the unmet needs of this Department?*
 - a. Ridership and operating cost are on the rise. The Department is seeking support from the Administration and Assembly for a fare increase to support the rising cost related to fuel.
 - b. There continues to be an unmet need for public transit service on several selected routes for more frequent service (route 45 and 75).
 - c. The ParaTransit System (AnchorRIDES) is valuable, but this federal mandate continues to strain local funding.

2. *What does not fit the mission statement of the each Department?*

Our mission is to connect our community with safe, reliable transportation emphasizing customer service while providing economic, social and environmental benefits. There is nothing extra we do, but there are still things we would like to be able to do.

3. *What are the highest priorities? They remain the same as last year which are:*
 - a. on-time performance;
 - b. a safe and comfortable trip;
 - c. quality customer service and communications;
 - d. maintaining cost;
 - e. attracting new and “choice” riders;
 - f. succession planning across the department;
 - g. enhance safety and security of customers on the bus and at bus stops; and
 - h. promote and support the State’s direction to fund public transportation.

4. *What are the lowest priorities?*

The least productive routes; not to be confused with least important route or service, would be our lowest priorities. All our service is important; particularly to those working two jobs, students and large segments of the community that do not own a vehicle, 40-60% of residents in some of our neighborhoods in north Anchorage rely heavily on public transportation to get to work, shop, medical and personal appointments because they do not own a car.

5. *What response from the public do you anticipate regarding the proposed cuts?*
 - a. Plan A, if accepted will be very traumatic to riders, employers, retailers and I would not be surprised if there was huge outcry from seniors, youth, persons with disabilities and some employers would rely on our service to maintain an employable workforce. Under Plan B, I suspect there will be an overall appreciation that transit service will be maintained to its 2012 service. During the Public Hearing on Oct 16 and 30, all positive testimony to support Plan B.

- b. The Administration is also proposing a fare increase, and with a few exceptions, the department has not heard a lot of push-back to the modest increases being proposed in fare prices and structure.
6. *Regardless of funding levels, what efficiencies will your department be able to achieve in the next year?*
- Savings in utility costs; in 2012, we installed a new roof on the maintenance shop, improved the ventilation and we are taking steps to change the heating in early 2013 using federal dollars we received through competitive process. Also, we installed new fare boxes in 2012 that we expect to gain insight towards efficiencies in our daily service and revenue collections. I'm still concerned these savings could be consumed with the ever increase in fuel which is a significant portion of our supply budget.
7. *In the absence of union contracts. What opportunities exist for managed competition of services?*
- People Mover is responsible for 3 types of public transportation services (the fixed route People Mover buses, the AnchorRIDES/ ParaTransit service and the Share-a-ride /vanpool program.) The AnchorRIDES and Vanpool program are contracted out, as are most of our marketing and advertising.
8. *What has been the historical turnover (three or five year average) of Public Transportation? How long do vacant positions remain open? Is the pool from which supervisors are currently hiring adequately qualified?*
- Our turnover rate is low across the Department, with the continued exception of bus drivers. I estimate 30% of drivers have been hired since 2009 (within the last 3 years); and also estimate about 45% have been hired since 2007 (within the last 5 years). Our standards for hiring drivers are high and the tolerance for non-performance is low. Hiring drivers has become even more rigorous and selective in the past year. Good, safe, driving is important and can be taught, enhanced and perfected. The department is also looking for those individuals with exceptional customer service skills, which is more difficult to teach. As well as the recognition that it's a privilege to work for the people mover system. Quality applicants are often difficult to find. The remainder of the department is relatively stable.
9. *Are there any services that could be eliminated, that the private sector could assume, without public contribution? (Not out sourcing)*

None?

BAC Recommendation:

None at this time.

Al Tamagni, Sr.
Commissioner

Bob Griffin
Commissioner

Anchorage Budget Advisory Commission (BAC) Whitepaper

Public Safety Recommendations

Statistics indicate that the Anchorage police and fire departments are examples of effective organizations. Our crime statistics are fairly good and mostly improving for a city our size, and our fire department has earned an above average rating from the Insurance Service Office (ISO). That said, our public safety workforce is getting smaller, Anchorage taxpayers are generally paying more for public safety and our costs are growing faster than other similar cities.

Public Safety -- Shrinking in size; not in cost

While the Anchorage population has grown by more than 30,000 since 2002, the number of budgeted staff for 2013 (in both the police and fire departments) will be less than the 2002 budget. The rapid increase in the total per unit cost of labor for public safety has necessitated a smaller public safety workforce to meet tax cap constraints. Without significant changes, that trend will continue, to the detriment of all city services.

The police budget in 2002 was \$45.8 million (16.9% of total budget) with 518 budgeted positions. The proposed 2013 police budget is \$94.0 million (21.0% of total budget) with 494 budgeted positions. In 2002 the fire budget was \$40.8 million (15.1% of total budget). The 2013 proposed fire budget is \$86.1 million (19.2% of total budget) with three fewer staff positions than the 382 staff positions in 2002.

For simplicity of comparison, this whitepaper uses only budgeted staff positions. It's important to note that it has been the practice in some previous municipal administrations that budget staff positions and actual filled staff

positions could be significantly different. In the past, unfilled staff positions could account for nearly 10% of total staff positions in some departments. This understaffing practice allowed resources intended for labor to be allocated to fund balance and later reallocated for non-labor reasons. The BAC credits the current administration for adding clarity and transparency to the budget process by sharply curtailing the understaffing practice.

Based on the MOA proposed 2013 budgets, both the police and fire budgets will have increased about 115% per budgeted staff position between the 2002 and 2013. Local Anchorage cumulative inflation was 27.3% between 2002 and 2011 according to the State of Alaska department of Labor and Workforce Development. This rapid divergence in taxpayer cost for public safety relative to inflation is clearly unsustainable.

Small Police Force

The 2013 proposed budget reduces the police department to 494 budgeted positions. That will make the Anchorage Police Department the 3rd smallest police department out of the 29 departments in the BAC comparison group, relative to population, (if the other 28 cities were to remain at their 2012 staffing levels). Under the proposed budget, Anchorage will have about 600 citizens per police employee, or about 16 police employees per 10,000 citizens. The only two cities in the BAC comparison group that would have smaller police forces per capita are Lincoln Nebraska and Anaheim California. Both of these communities are similar in population to Anchorage, though the

physical size of their police jurisdictions are 1/22nd and 1/40th the size of the Municipality of Anchorage, respectively. In addition, Lincoln and Anaheim have a significant manpower advantage because of the mutual support which they can count on from surrounding sheriff's departments that are not available in Anchorage.

Law enforcement will always be a manpower intensive task, even with productivity increases from new technology and techniques. There is also some evidence that larger police forces may not always directly correlate to proportionally lower crime rates. Many variables beyond the number of police on the street impact a communities' crime statistics and every community has a different optimum number of police officers that balances the needs of public safety with efficiency. That said, a 2010 study (Guffey et al) from National University indicates that at proposed police staffing levels, Anchorage may be near the lower limit of manning levels that could result in higher crime rates.

Despite being one of the smallest police departments in the BAC comparison group, the APD budget is slightly above average in per capita cost in the comparison group. In the category of budget per employee, Anchorage was 5th highest out of the 29 cities in 2012. The reduction to 494 budgeted positions for APD in the 2013 budget, will likely result in a ranking nearer to the top of the most expensive police departments per employee and per capita.

Expensive Fire Department

Though the Anchorage Fire Department is about average in manpower size based on the

BAC comparison group of 29 cities, it has earned an above average ISO rating of Class 2. Unfortunately, the Anchorage taxpayer cost of fire protection per capita is significantly higher than several cities with the same ISO rating. Anchorage has fourth highest fire budget per capita in the 2012 BAC comparison group and the second highest budget per employee out of the 29 cities. The only city with a higher fire budget per employee in the comparison group was the city of Stockton California. Stockton is currently in bankruptcy. One of the specific reasons for the Stockton bankruptcy cited by a July 11, 2012 Reuters' article was overly generous compensation for public safety workers.

Anchorage does have some unique challenges that drive our costs higher -- such as a very large geographic response area, the challenge of fighting fires in extreme cold temperatures, no privatized EMS and no private ambulance services. Though many of the communities listed in the comparison group have challenges that Anchorage doesn't bear; like large percentages of older buildings that have a higher risk of structure fire because they were constructed prior to modern fire codes. Seven of the 29 cities in the comparison group also operate very expensive fire boats along with their fleets of ground apparatus.

Avoiding Public Safety Decline

Since public safety services have expanded from 32% of the municipal budget in 2002, to 41% in 2013, the options to avoid a decline in public safety services for Anchorage are limited without dramatically impacting all other municipal services.

One option is to allow public safety to continue to consume a larger portion of the budget at

the expense of other city services. This option would include continued, significant reductions in many popular city services that have already seen their share of revenues decline.

A second option would be to increase overall revenues to keep pace with increasing program cost. This would involve a voter approved change to the municipal charter that would allow new revenues above the tax cap. Given that the Tax Foundation has recently determined that local property taxes in Anchorage are among the highest in the US for owner occupied properties, it seems unlikely that voters would approve such a charter change.

A third option would be to curb the rate of increase in the overall cost of public safety budgets. Since approximately 73% of the public safety budget is personnel costs, this would require a significant reduction in the growth of overall labor costs and increases in labor productivity to achieve.

Conclusion

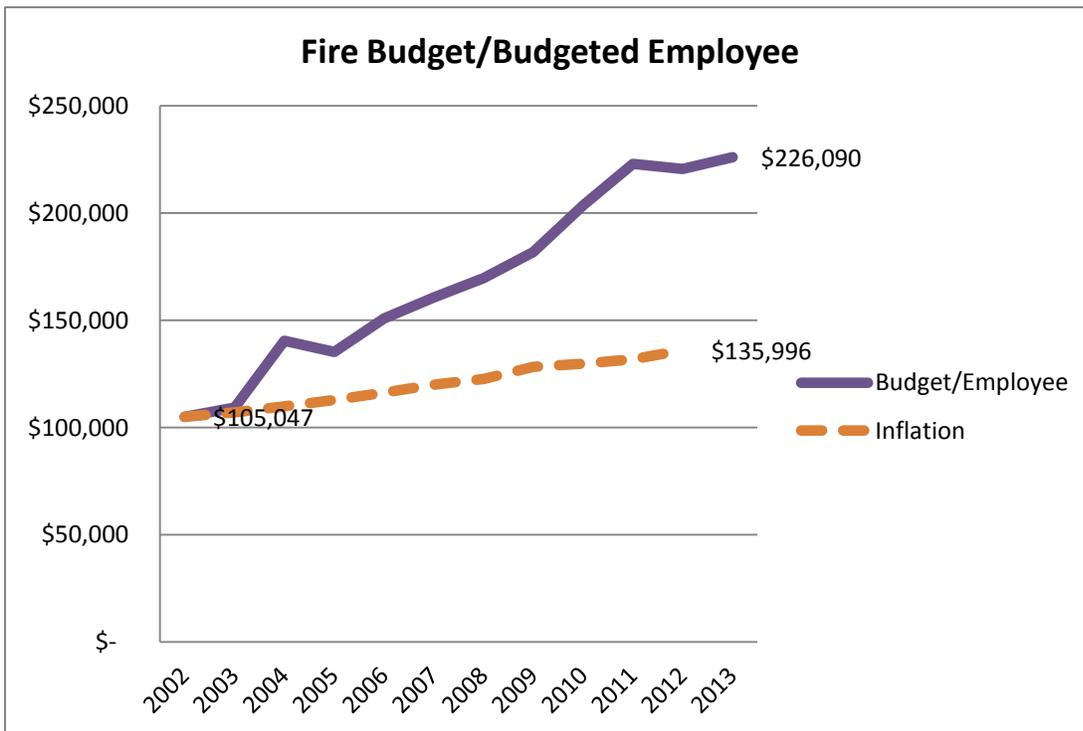
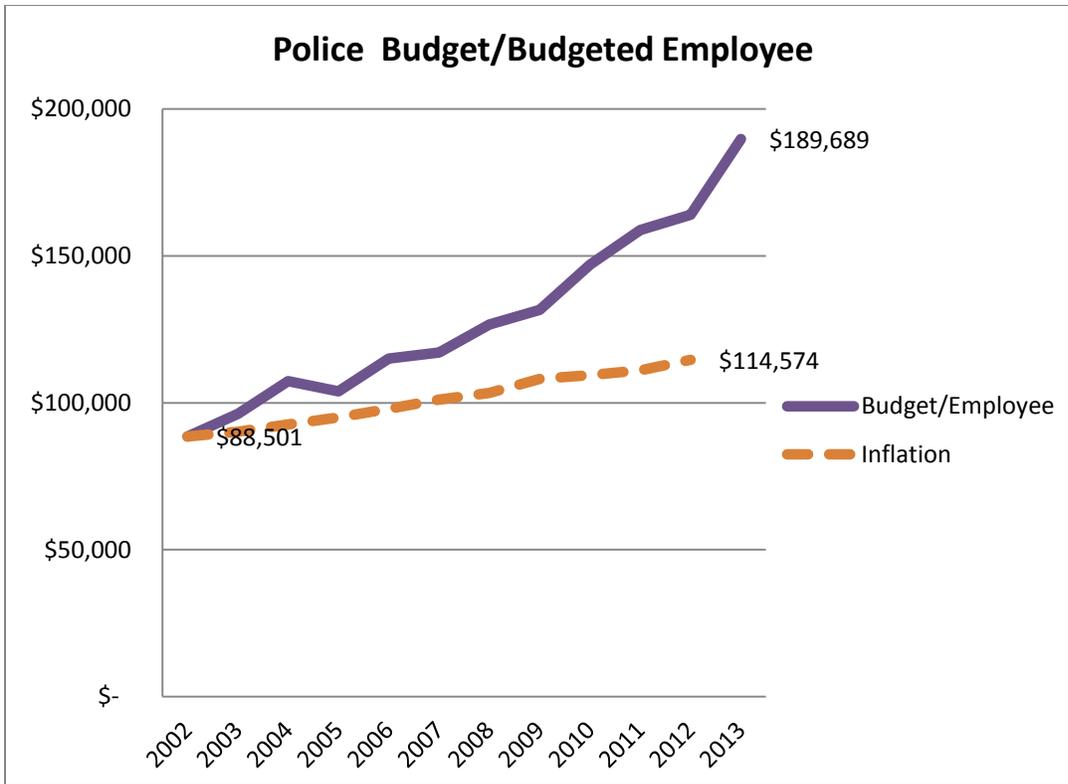
Meeting the budget challenges that face our community will likely require a balanced combination of reducing or eliminating some non-core municipal functions along with the reduction in growth of core service budgets. With our current revenue constraints, failure to act will result in progressively smaller police and fire departments that will be consuming a larger portion of the municipal budget. At some point, that trend will have a negative impact on the MOA's ability to deliver all public services, including public safety.

All municipal workers deserve fair compensation and work rules for their labor. All taxpayers deserve public services consistent in

cost and quality that can be expected in other similar communities without contributing an ever increasing portion of their income to receive those services. Striking a balance that satisfies both of these important needs must also be sustainable in the long-term.

Recommendations for future public safety efficiency improvements:

1. Focus labor negotiations on a pattern bargaining approach, comparing total cost of labor including productivity with a large sample size of similar communities to ensure taxpayers are paying fair market value for high quality employees.
2. Evaluate consolidated or privatized 911 dispatch services for potential efficiency increases.
3. Evaluate private sector EMS services for potential efficiency increases.
4. Evaluate labor contracts for opportunities for increased labor productivity to mitigate reductions in direct labor compensation.
5. Evaluate standardizing healthcare plans for multiple bargaining units for potential efficiency increases.
6. A state legislative priority for the municipality should be initiated to change state law allowing non-sworn personnel or contractors to accomplish lower skill tasks, such as directing traffic at sporting events and construction sites to increase productive police focus on more critical tasks.



Note: Comparison cities chosen on three criteria:

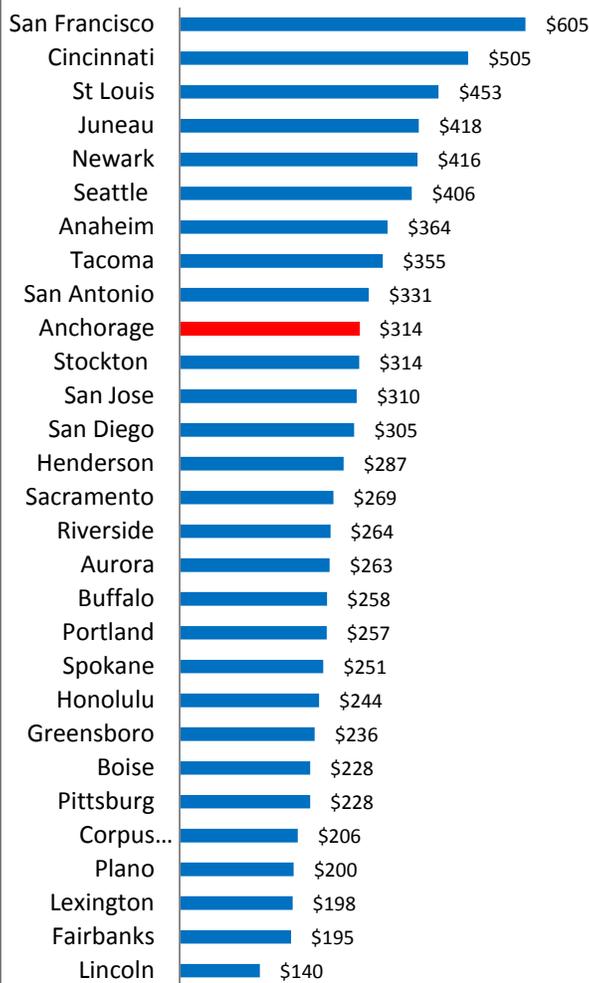
1. Cities similar in population to Anchorage (14 each): Greensboro NC, Buffalo NY, Cincinnati OH, Newark NJ, St Paul MN, St Louis MO, Lexington KY, Pittsburg PA, Henderson NV, Riverside CA, Plano TX, Anaheim CA, Corpus Cristi TX and Lincoln NE, and Stockton CA

2. Sample of West Coast cities over 200,000: (12 Each) Seattle, Tacoma, Spokane, Portland, Boise, San Jose, Sacramento, San Francisco, San Diego, Honolulu, San Antonio and Aurora

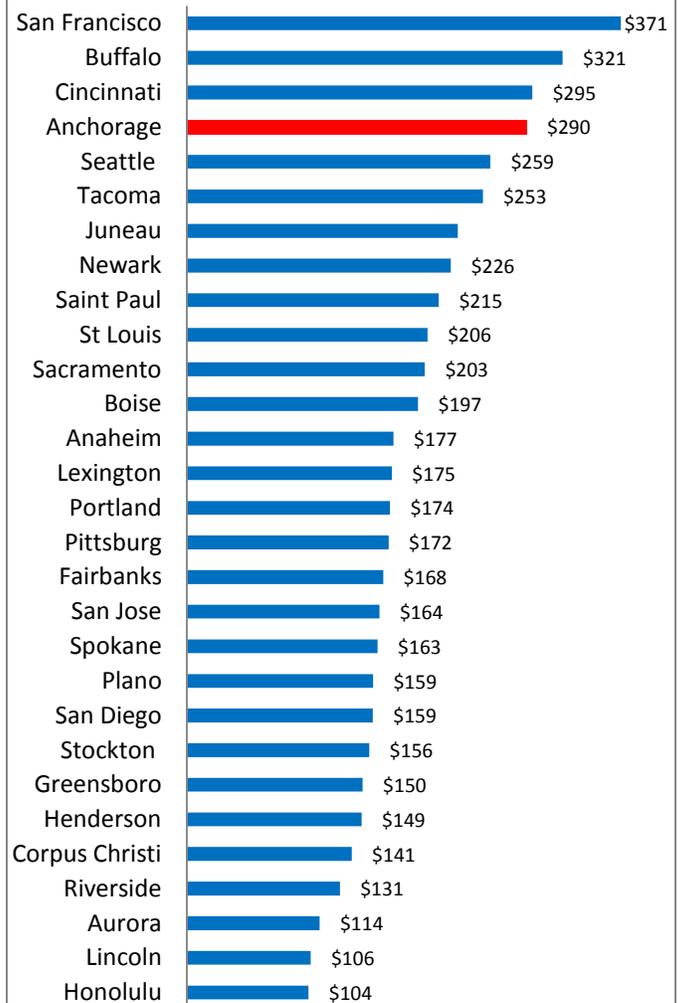
3. The next two largest cities in Alaska: Fairbanks and Juneau

Comparison city data is based on published 2012 city police and fire budgets and number of overall budgeted police and fire staff positions and Jul 2011 US Census Bureau population data.

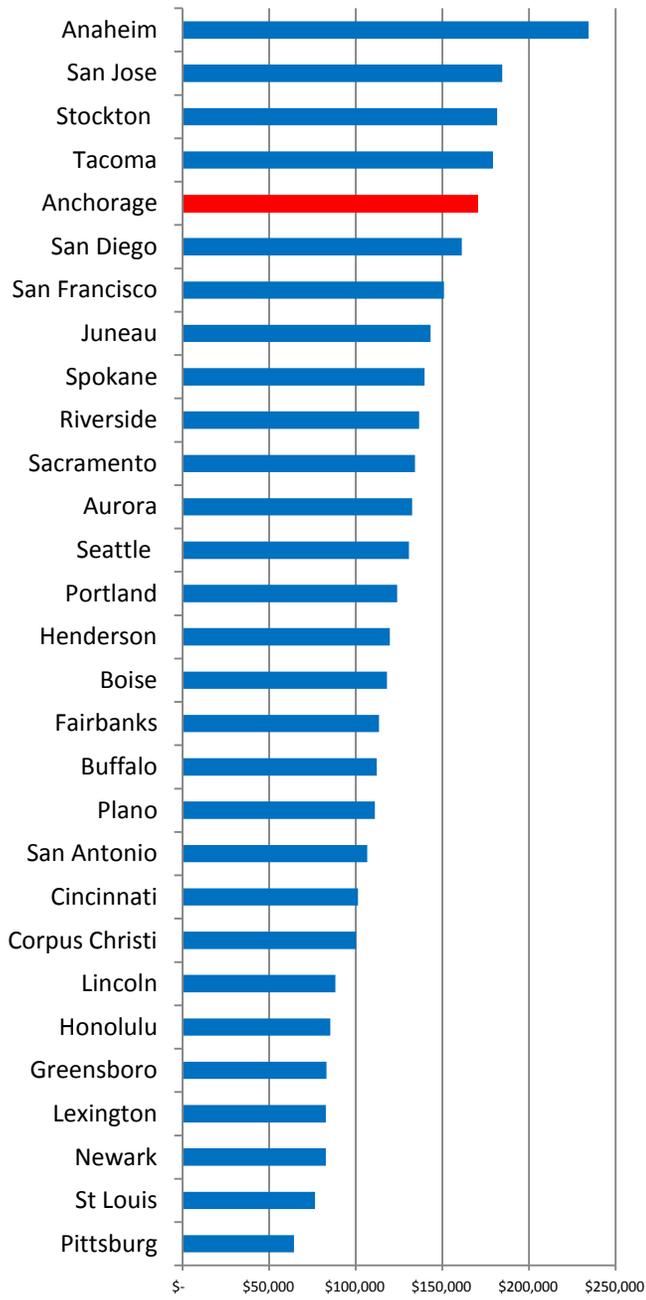
Police Budget/Capita 2012



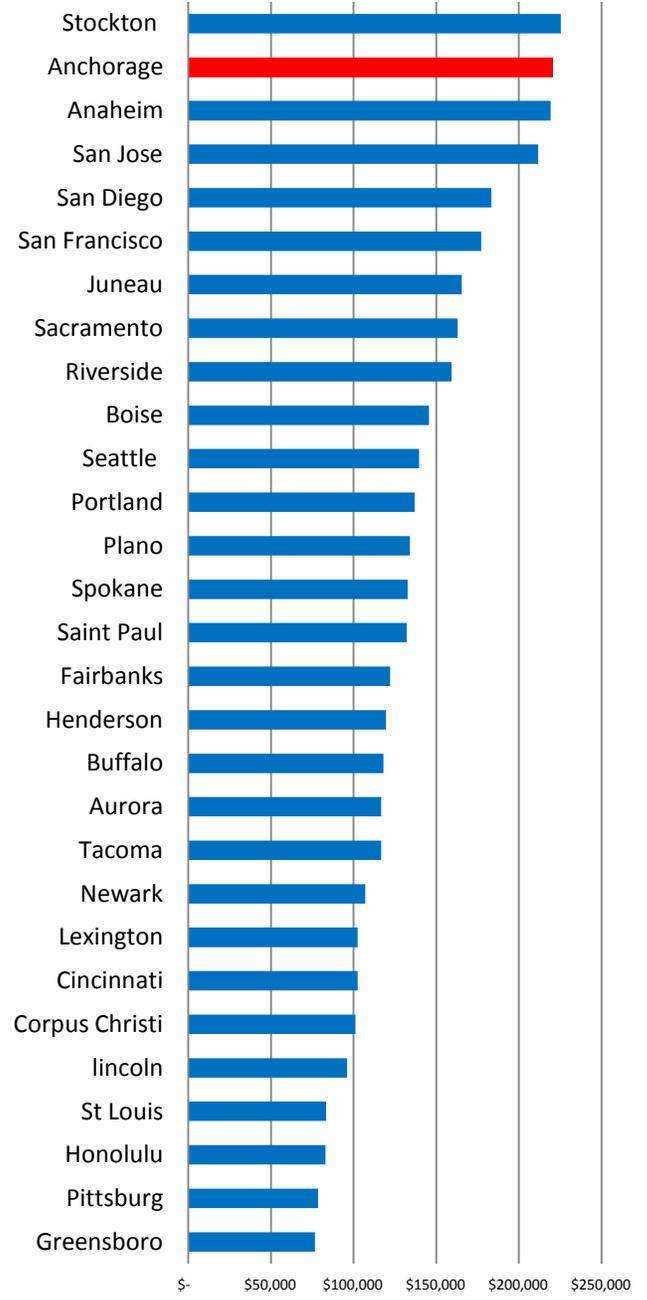
Fire Budget/Capita 2012



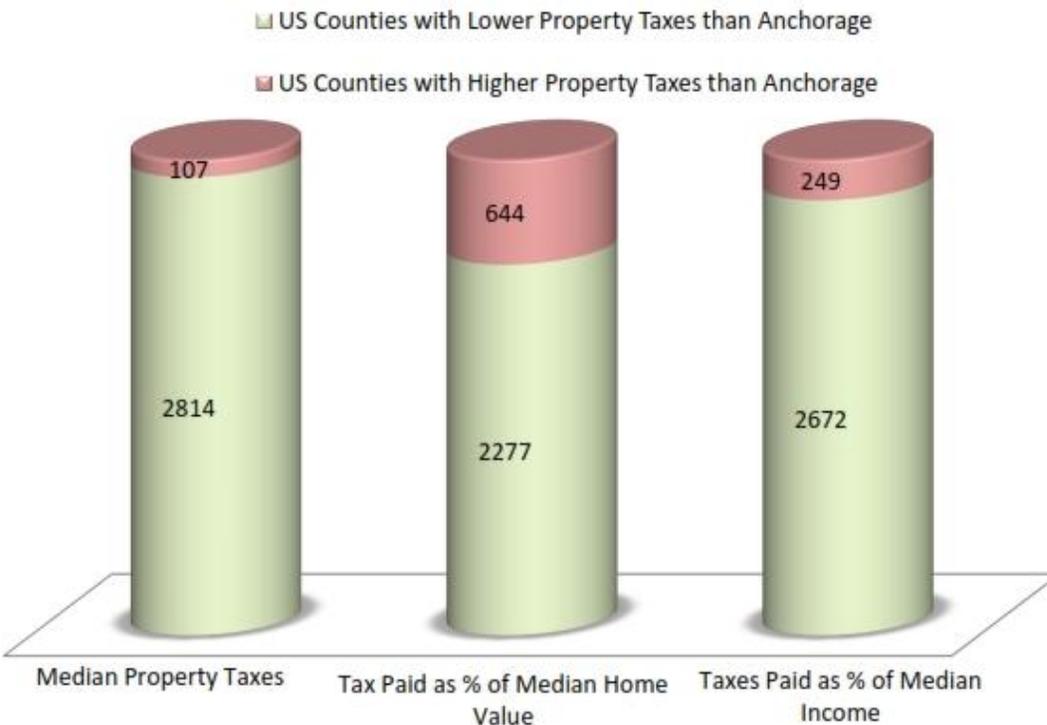
Police Budget/Employee 2012



Fire Budget/ Employee 2012



Anchorage Property Taxes: Among the Highest in the US



2005-2009 Five Year Average. Source: Tax Foundation; based on Census data (American Community Survey). Data refers to median real estate taxes and median value on "owner-occupied housing units," as well as the median household income of units that are owner-occupied.

Note: The Tax Foundation has also noted that Alaskan citizens have long enjoyed the lowest overall tax burden in the US because state revenues generated from resource development per capita are more than double the revenue that any other state collects from traditional sources like income tax and state sales tax.

Some would argue, because oil companies are essentially carrying the burden that is traditionally paid by citizens with sales and income taxes, it's okay for taxpayers to endure higher than average property taxes. Others would argue that the relationship between property taxes and state revenues are unrelated, and to link the two is a little bit like getting charged double for a dessert because someone else paid for the entree.

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<http://labor.alaska.gov/research/col/col.pdf>

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AFD EXECUTIVE SUMMARY
PREPARED BY: THE BUDGET ADVISORY COMMISSION
OCTOBER 2012

The following are the responses from the Budget Advisory Commission (BAC) to four specific questions from the Anchorage Assembly pertaining to the Anchorage Fire Department:

1. **3 vs. 4 man rigs.** The BAC is recommending the Muni seek CBA changes returning to 3 person crews on up to 8 pieces of fire equipment. Although not optimal, staffing standards like two-in/two-out on structure fires can be met with 3 man crews by deploying additional pieces of equipment. There is a possibility that 3 man crews could have a negative impact on the Municipality's very good ISO rating. That said, of the budget changes proposed, we believe this change will have the least impact on public safety.

2. **24-Hour Shifts vs. 8-Hour Shifts.** The BAC finds 8-hour shifts as a non-viable option. Our research has indicated that fire departments in other cities with three daily shifts of eight hours are driven to that practice by high call volumes that make 24-hour shifts impractical. Changing from 24-hour shifts to 8-hour shifts would dramatically increase the number overall firefighters required to provide similar service and has no apparent cost benefits or public safety benefits with our current call volumes.

3. **Why are non-labor cost higher and are there any non-labor savings the BAC can identify.** The primary cost driver for non-labor cost increases are a \$2 million increase in contributions to the police and fire retirement and AWWU water hydrant tariff increases. Excluding the increase in police and fire retirement contributions, the non-labor portion of the fire budget has decreased by over \$400,000 year over year. Given that the fire department management has control over a relatively small portion of the non-labor budget, the BAC has not yet identified additional non-labor cost savings opportunities.

4. **What would be the impact to swift water rescue if Truck 11 is taken out of service?** The consensus seems to be that the optimum number of responders to a complicated swift water rescue is at least 10. Information provided by AFD staff suggests that Station 11 currently meets that standard approximately 75% of the time. Taking Truck 11 out of service would still allow for seven fire personnel (provided Engine 11 was manned with four responders) available to react to a swift water rescue within 4-8 minutes. Situations requiring a complicated swift water rescue with more than seven responders will be increased to 16-22 minutes. Aside from swift water rescue, the overriding concern for the BAC with taking Truck 11 out of service is the loss of capability provided not only by that apparatus, but more importantly by the personnel, which is not easily covered by other stations because of the geographic remoteness of Station 11.

Finally, the consensus of the BAC was that if any rig has to be taken out of service, it should be an apparatus within Anchorage that has other equipment within a 4-5 minute response area.