

BUDGET OVERVIEW

Overview

2002 General Government Operating Budget

A primary goal in developing the 2002 General Government Operating Budget is securing the Municipality's long-term fiscal future. As reflected in this proposed budget, the two objectives important to achieving this primary goal are:

- Attaining a spending level that can be supported by future recurring revenues;
- Providing citizens information by which they can evaluate the value of public dollars being spent.

Achieving Budget Stability

In 2001, more than 95 percent of the Municipality's revenues are categorized as "recurring." This means these revenues are likely to be received each year. However, the reliable availability of the other 5 percent is significantly less certain. This category of revenue is called "applied fund balance." This is the portion of funds unspent at the end of one year that is available to be used to pay the following year's spending.

During the last ten years, the amount of fund balance applied each year has fluctuated widely, from a low of \$5.7 million in 1995 to a high of \$20.2 million in 2000. For 2001, municipal spending relied on \$11 million in fund balance. For 2002, the Administration estimates that \$2.3 million¹ in fund balance from the five major funds will be available to support general government operating budget spending.

While this fund balance amount may seem small, the fact is that it props up spending to a level that cannot be reliably sustained by recurring revenues. This is a troublesome practice that routinely requires spending reductions in the fall, when the initial budget is proposed and approved, followed by spending increases in the spring, when the available fund balance is formally determined.

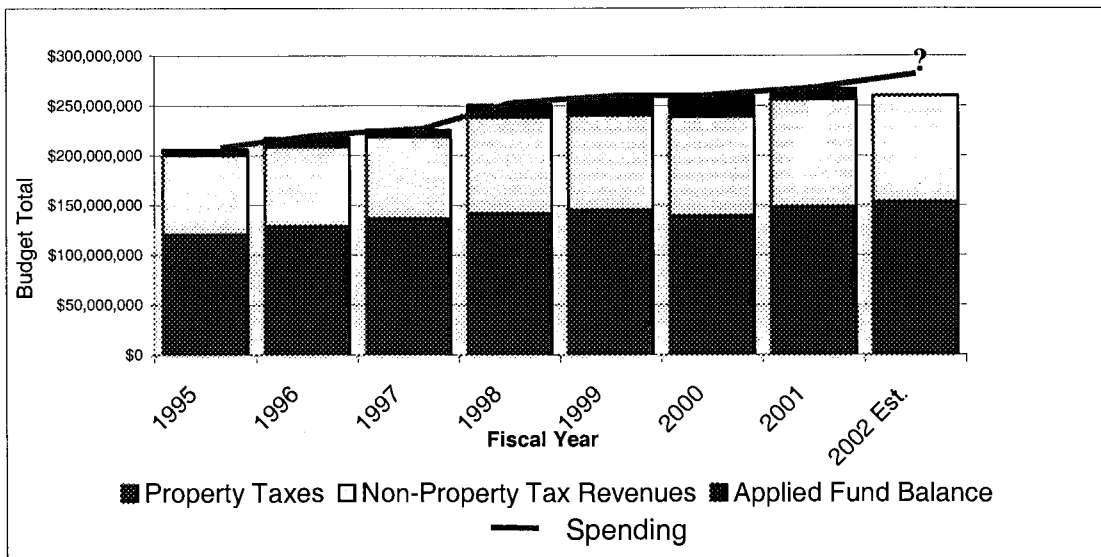
Chart No. 1 illustrates the amount of fund balance spent in recent years. It also illustrates that the majority of the Municipal budget's revenue comes from property taxes. The annual increase in the amount of all taxes² (not just property taxes) is limited by a charter amendment approved by voters in 1983. This provision limits the amount that taxes can increase³ from one year to the next. While the result of this limit is much more predictability in the amount of tax revenue that can be collected each year, the limit also plays a significant role in controlling the amount of revenue that is available to support increased annual spending.

¹ The 2002 proposed budget includes an additional \$1.8 million is being applied from the Equipment Maintenance Fund (Fund 601).

² In addition to property taxes, the Municipality collects the following taxes that are subject to the Tax Limit: Auto Tax, Aircraft Tax, Tobacco Tax, and Motor Vehicle Rental Tax. The Municipality also collects a Hotel/Motel Bed Tax that is not subject to the Tax Limit.

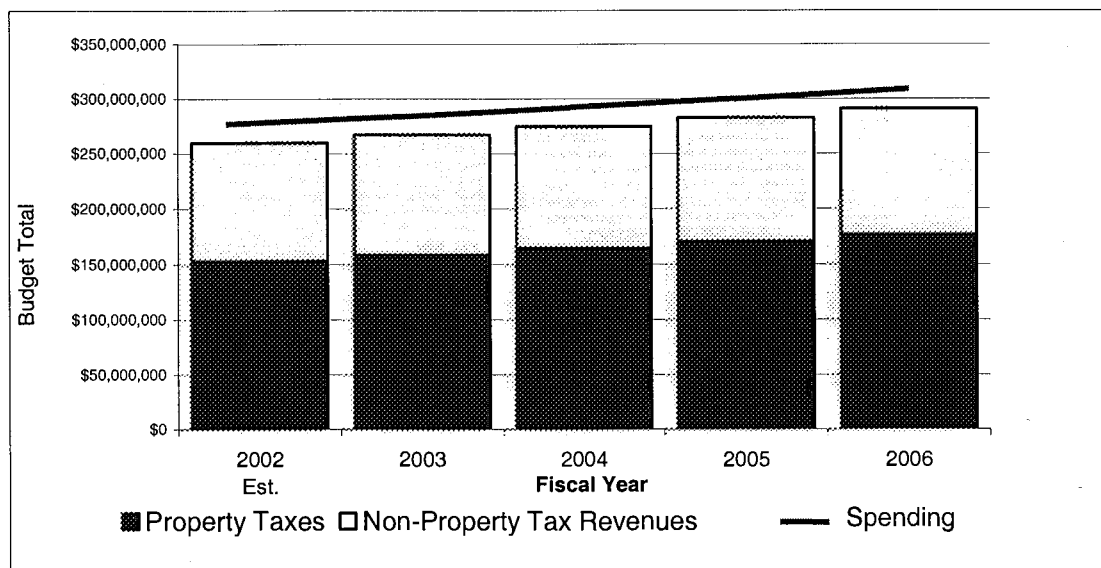
³ Growth permitted under the tax limit comes from inflation, population increase, additional taxes collected from new construction, and taxes required to pay debt service on voter-approved bonds.

Chart 1. Historical Revenues and Spending 1995 to 2002 (estimated)



If the Municipality continues to rely on annual fund balances to supplement a fairly predictable growth in tax revenues, it will face have a systematic gap between revenues and a continuation level of spending. Chart No. 2 illustrates an annual gap of \$20 million⁴ if no corrective measures are taken.

Chart 2. Business-as-Usual: Projected Revenues and Spending 2002 to 2006



To address this problem, the 2002 proposed budget begins the transition to a process in which fund balance would be used to support non-recurring expenses that are one-time in nature. This will contribute greatly to a more stable and predictable budget process.

⁴ Revenue assumptions for future years are 3.6% increase in property taxes (10-year average growth rate); 1.5% increase in other revenues (10-year average). For spending, assumes a 5% annual increase, which would have been the increase between 2001 and a "business-as-usual" continuation level budget.

More importantly, the 2002 budget takes a significant step in reducing spending to a level that primarily can be supported by recurring revenues in the future. This will bring stability to future budget decision-making.

Other 2002 Revenue Changes

Lower interest earnings contributed to a \$4 million drop in expected revenues when compared to 2001. To help make up for this and less available fund balance, the Administration has proposed for Assembly consideration a number of fee and fine changes that will increase recurring, non-tax revenues.

These proposals, which better align cost-causer and cost-payer, will enable many departments to maintain the current level of service in 2002.

The 2002 General Government Operating Budget Book also expands revenue information⁵ available in the budget with the addition of information on the actual amount received in each revenue account in 1999 and 2000.

Spending Pressures

While the health of Alaska's economy enriches the lives of many working Alaskans, it has also made it difficult for the Municipality to maintain its competitiveness in the work place. To hire and retain qualified employees it is necessary for the Municipality to shift resources. To this end, salary and benefit cost increases comprise a major share of the spending pressure on the 2002 operating budget:

- Medical and dental benefit costs for employees increased 23 percent above the 2001 budgeted amount;
- Anchorage Police and Fire will receive a negotiated 2.9 percent salary increase in 2002; and
- Anchorage Municipal Employees Association and non-represented employees will receive a 2.5 percent increase in 2002, which combines with a 4.0 percent increase received in the final quarter of 2001.

The result of these spending pressures and reduced revenues discussed previously means that spending reductions are required. But even under the reduced 2002 proposed budget, no employee will lose his or her job.

The Bottom Line When Compared to 2001 Revised Budget

Spending

| | |
|-------------------------------|----------------|
| Overall, it increases: | +\$800,000 |
| Of which: | |
| Department programs/services: | -\$2.7 million |
| Voter-approved debt service: | +\$3.4 million |

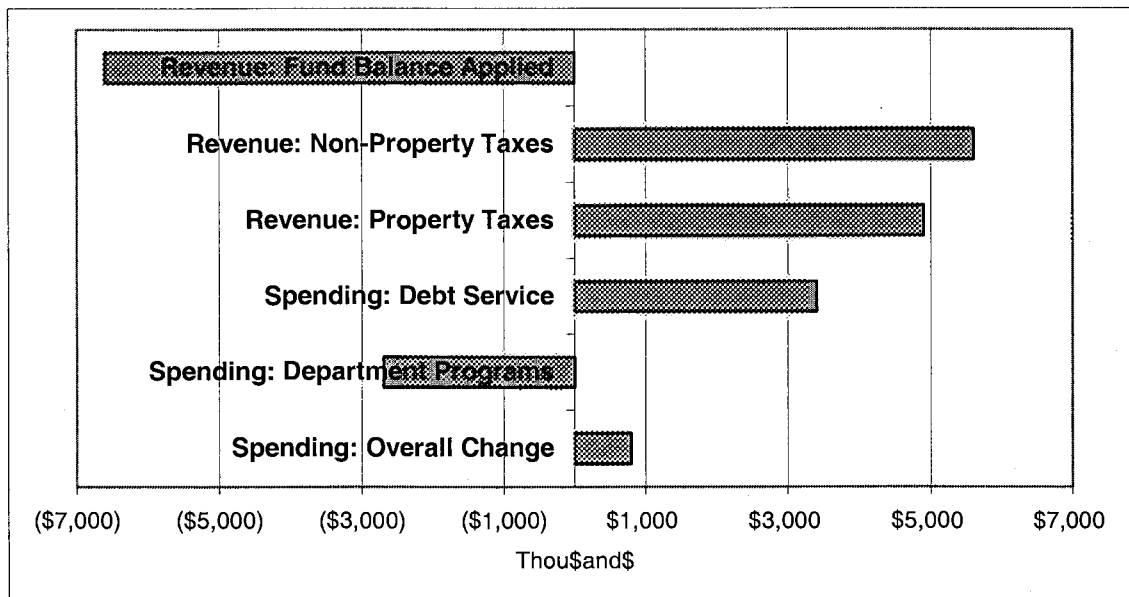
Revenues

| | |
|---|----------------|
| Property tax revenues (taxes to the cap): | +\$4.9 million |
| Non-property tax revenue: | +\$5.6 million |
| Fund balance applied: | -\$6.6 million |

⁵ For comparison details, see Revenue Section of 2002 General Government Operating Budget.

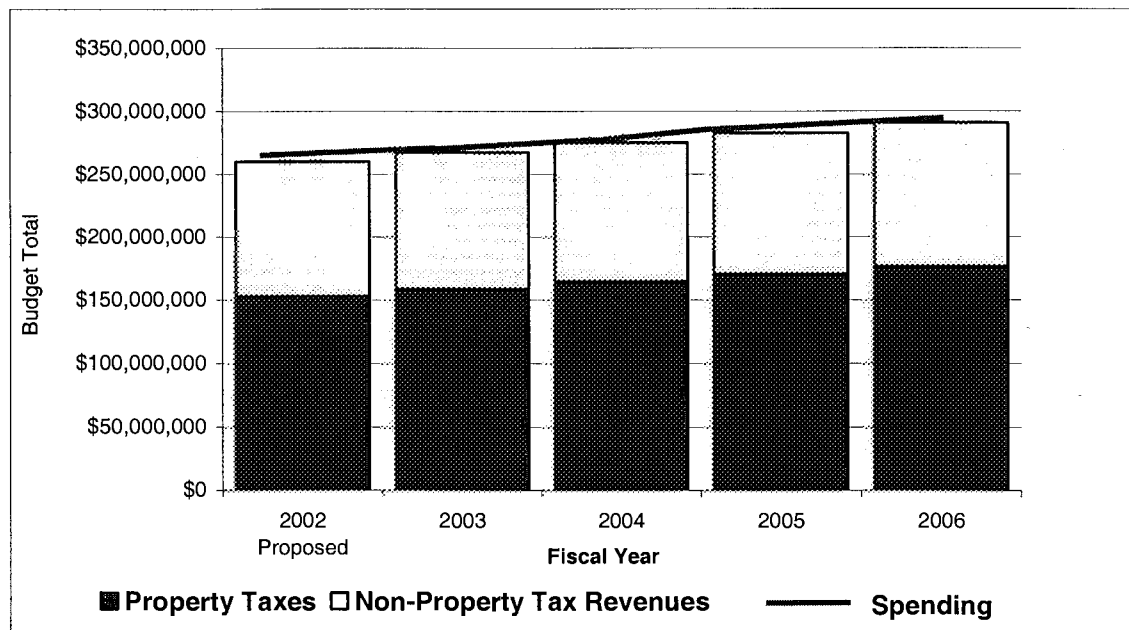
Chart No. 3 summarizes the 2002 changes in spending and revenue when compared to the 2001 Revised Budget.

Chart 3. Change in 2002 Revenues and Spending Compared to 2001



The 2002 budget represents a solid balance of priorities that protect and serve the public and at the same time, as illustrated in Chart No. 4, takes the steps necessary to set the Municipality on a course to long-term fiscal security.

Chart 4. Impact of Controlled Spending⁶ in the Future



⁶ Reflects same revenue assumptions from Chart No. 2, but increases spending at an annual rate of 2.5%.

Investing for Results: Getting Value for Tax Dollars Spent

New for the 2002 operating budget is a strategic framework for each department. This is the first phase of a results-based performance evaluation program entitled “Investing for Results!” The goal of the program is to inform citizens about the value, or results, delivered from spending their tax dollars. The overall framework:

- Describes why a program exists (its mission/purpose);
- Identifies the program’s goals;
- Outlines the steps being taken to achieve the goals (objectives); and
- Specifies the measures being used to track progress in achieving the goals.

This framework is important because it aligns what a program does with why it exists. Too often government programs experience “mission creep” in which they do what they have always done merely because they have always done it.

A strategic framework provides a “reality check” to ensure that a program’s purpose is relevant and then tracks progress in how effective that program is in achieving the intended results.

The framework also includes two types of measures to evaluate how well a program is achieving the desired results:

- Effectiveness measures (progress in attaining a goal);
- Efficiency measure (cost associated with attaining that result).

These frameworks and measures are the first steps in a two-way dialogue with Anchorage citizens about whether the city is doing the right things and how well it is doing them. **“Investing for Results” is about municipal government being accountable to its investors—the taxpayers—and ensuring they are getting a solid return on the investment of their tax dollars.**

Anchorage residents are invited to comment on each program’s framework and measures via the Municipality’s web site at www.muni.org. The handbook and workbook that guided departments through this process, as well as the entire general government operating budget, are available via OMB’s home page on the Municipality’s web site at (www.muni.org/omb/ombhomepage.cfm).

**2002 PROPOSED BUDGET
COMPARED TO 2001 REVISED**

| | 2001 REVISED BUDGET | 2002 PROPOSED BUDGET | 2002 Proposed Budget Compared to 2001 Revised Budget |
|--|------------------------|----------------------------|---|
| EXPENDITURES | | | |
| Departments (Direct Costs) | \$ 232,303,820 | \$ 229,684,270 | \$ (2,619,550) |
| Voter-Approved Debt Service | 34,559,580 | 37,965,160 | 3,405,580 |
| Total | \$ 266,863,400 | \$ 267,649,430 | \$ 786,030 |
| REVENUES | | | |
| Non-Property Taxes: | | | |
| State | \$ 11,733,490 | \$ 12,181,140 | \$ 447,650 |
| Federal | 358,130 | \$ 486,570 | 128,440 |
| Program | 30,667,050 | 35,868,670 | 5,201,620 |
| Taxes, Interest, Other | 48,714,180 | 45,196,780 | (3,517,400) |
| IGC's to Non-General Government (estimate) | 16,242,300 | 16,470,360 | 228,060 |
| Applied Fund Balance | 10,875,990 | 4,230,990 | (6,645,000) |
| Total | \$ 118,591,140 | \$ 114,434,510 | \$ (4,156,630) |
| PROPERTY TAXES | \$ 148,272,260 | \$ 153,214,920 | \$ 4,942,660 |

**2002 General Government Operating Budget
DEPARTMENT OPERATING BUDGETS AT A GLANCE**

| Department | 2001 Approved Budget | Revisions (2) | 2001 Revised Budget (2) | One Time/Non- Recurring | Transfers To/From Dept (1) | Salary Cost Changes | Debt Service Increases/ Decreases | Misc. Increase/ Decrease | Budget Changes | Proposed 2002 Budget Total | Debt Service 2001 | Debt Service 2002 |
|------------------------------|----------------------------|-------------------|----------------------------------|-------------------------------|----------------------------------|------------------------|---|--------------------------------|---------------------|----------------------------------|----------------------|----------------------|
| Assembly | 2,121,360 | 191,686 | 2,313,046 | (158,223) | 0 | 40,987 | 0 | 0 | (116,830) | 2,078,980 | 0 | |
| Cultural & Rec Services | 19,801,210 | 718,700 | 20,519,910 | (130,000) | 79,980 | 1,147,030 | 470,830 | (84,970) | (1,449,500) | 20,553,280 | 2,734,230 | 3,205,060 |
| Development Services | 6,478,390 | 400,780 | 6,879,170 | (350,000) | 654,300 | 412,120 | 0 | 0 | (204,140) | 7,391,450 | 0 | |
| Employee Relations | 2,706,460 | 285,100 | 2,991,560 | (5,000) | 73,800 | 97,740 | | 235,890 | (132,200) | 3,261,790 | 0 | |
| Equal Rights | 454,860 | 9,440 | 464,300 | (9,500) | 0 | 35,040 | 0 | 0 | (35,960) | 453,880 | 0 | |
| Facility Management | 20,530,130 | 838,230 | 21,368,360 | (59,000) | (4,790,020) | 137,370 | 0 | (135,210) | (874,300) | 15,647,200 | 0 | |
| Finance | 11,903,990 | 1,413,370 | 13,317,360 | (1,163,000) | (51,800) | 511,400 | 0 | 958,400 | 0 | 13,572,360 | 0 | |
| Fire | 37,461,560 | 1,681,510 | 39,143,070 | (225,950) | 0 | 4,191,020 | 459,620 | 101,730 | (3,646,400) | 40,023,090 | 2,185,480 | 2,281,400 |
| Health & Human Services | 9,871,250 | 449,440 | 10,320,690 | (327,640) | 1,402,160 | 325,930 | (28,270) | 360 | (565,030) | 11,128,200 | 1,590,050 | 1,561,780 |
| Information Technology | 13,036,390 | 170,700 | 13,207,090 | 0 | 64,940 | 469,510 | 0 | 98,790 | (951,650) | 12,888,680 | 81,600 | 81,600 |
| Internal Audit | 321,440 | 0 | 321,440 | 0 | 0 | 15,960 | 0 | 0 | (6,400) | 331,000 | 0 | |
| Mayor | 842,250 | (90) | 842,160 | 0 | 10,114,320 | 116,870 | 6,120 | 500,000 | (654,650) | 10,924,820 | 357,700 | 361,710 |
| Municipal Attorney | 3,648,830 | 172,750 | 3,821,580 | 0 | 0 | 320,470 | 0 | 0 | (80,590) | 4,061,460 | 0 | |
| Municipal Manager | 1,881,170 | 27,320 | 1,908,490 | 0 | (1,908,490) | 0 | 0 | 0 | 0 | 0 | 0 | |
| Non-Departmental | 9,561,790 | 2,429,300 | 11,991,090 | (2,309,300) | (9,681,790) | 0 | 0 | 0 | 0 | 0 | 0 | |
| Planning | 2,606,110 | 449,670 | 3,055,780 | (200,000) | (351,760) | 149,690 | 0 | 0 | (221,360) | 2,432,350 | 0 | |
| Planning, Dev & Public Works | 28,046,400 | 282,420 | 28,328,820 | (177,640) | (27,498,980) | 26,030 | 3,320 | 0 | (19,550) | 662,000 | 27,668,350 | 107,920 |
| Police | 45,453,100 | 70,200 | 45,523,300 | (75,530) | 0 | 1,722,120 | (800) | (125,590) | (2,345,050) | 44,698,450 | 271,840 | 235,510 |
| Project Mgmt & Engineering | 4,640,220 | (540) | 4,639,680 | 0 | 160,070 | 267,250 | 0 | 0 | 0 | 5,067,000 | 0 | |
| Public Transportation | 9,724,800 | 932,930 | 10,657,730 | 0 | 0 | 616,480 | 174,410 | (16,540) | (387,940) | 11,044,140 | 126,520 | 300,930 |
| Purchasing | 954,360 | 195,220 | 1,149,580 | (5,000) | 0 | 100,320 | 0 | 0 | (95,320) | 1,149,580 | 0 | |
| Real Estate | 745,980 | 182,310 | 928,290 | (182,380) | 4,536,830 | 32,780 | 0 | (210,540) | (19,220) | 5,085,760 | 0 | |
| Street Maintenance | 21,393,090 | 1,437,180 | 22,830,270 | (924,000) | 26,788,250 | 345,940 | 2,524,740 | 2,650 | (887,730) | 50,680,120 | 0 | 29,910,850 |
| Traffic | 4,196,010 | (510) | 4,195,500 | 0 | 408,190 | 222,450 | 0 | 0 | (312,300) | 4,513,840 | 0 | |
| Total | 258,381,150 | 12,337,116 | 270,718,266 | (6,302,163) | 0 | 11,304,507 | 3,609,970 | 1,324,970 | (13,006,120) | 267,649,430 | 35,015,770 | 38,046,760 |

(1) **Transfers To/From Department:** The 2002 budget reflects transfers between departments to better align programs to achieve efficiencies and savings. Programmatic transfers between departments include:

-- **Cultural & Recreational Services:** Two architect positions transferred to Project Management & Engineering.

-- **Facility Management:** Leases transferred to Real Estate. Golf Course Operation Contribution transferred to Cultural & Recreational Services. Fleet Administrator transferred to Information Technology. Miscellaneous transfers to Cultural & Recreational Services: PAC insurance; Egan Center insurance; Contracted Facilities (IGC's only); Sullivan Arena insurance, rentals, etc.

-- **Finance:** Foreclosure costs transferred to Real Estate.

-- **Municipal Manager:** Budget transferred to the Office of the Mayor.

-- **Planning:** Transportation Planning transferred to Traffic Department.

-- **Non-Departmental:** Transferred to the Office of the Mayor, Employee Relations and Health & Human Services. See respective department reconciliations for details.

-- **Office of Planning, Development & Public Works:** Roads & Drainage Debt Service transferred to the Street Maintenance Department.

-- **Street Maintenance:** Right-of-Way transferred to Development Services.

(2) Includes \$3,068,836 in additional spending approved outside of first quarter budget amendment process through May 31, 2001.

2002 Proposed General Government Operating Budget

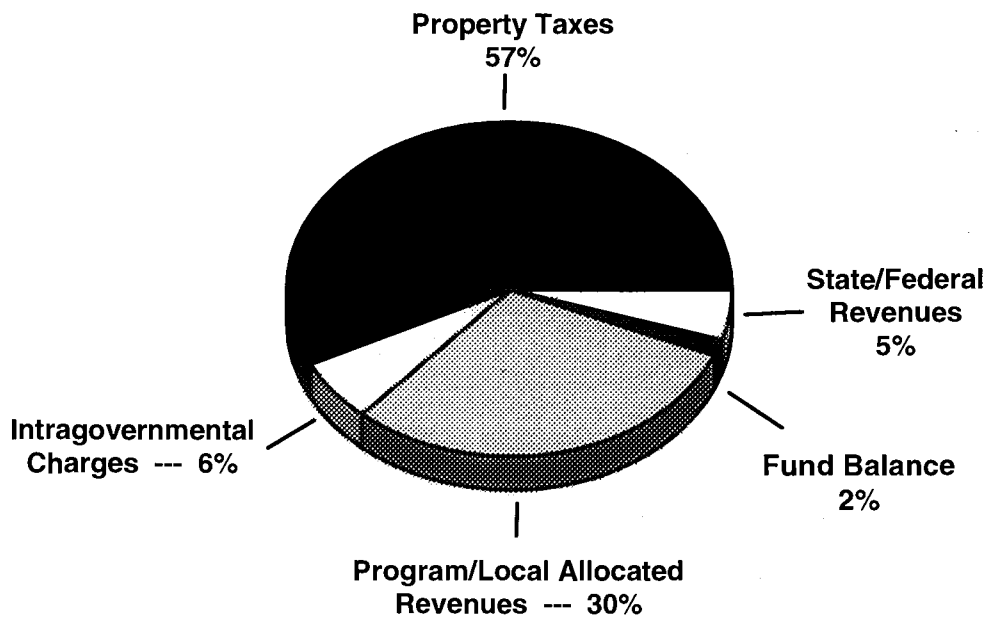
PERSONNEL SUMMARY

| Department | 2001 Revised Budget | | | | 2002 Proposed Budget | | | | Net Change in Positions |
|---|---------------------|------------|------------|--------------|----------------------|------------|------------|--------------|-------------------------------|
| | FT | PT | Temp | Total | FT | PT | Temp | Total | Total |
| Assembly | 26 | 0 | 0 | 26 | 24 | 0 | 0 | 24 | (2) |
| Cultural and Recreational Services | 169 | 128 | 145 | 442 | 162 | 118 | 124 | 404 | (38) |
| Development Services | 88 | 3 | 1 | 92 | 94 | 5 | 2 | 101 | 9 |
| Employee Relations | 27 | 1 | 0 | 28 | 27 | 1 | 0 | 28 | 0 |
| Equal Rights Commission | 6 | 0 | 0 | 6 | 6 | 0 | 0 | 6 | 0 |
| Facility Management | 80 | 1 | 7 | 88 | 79 | 1 | 5 | 85 | (3) |
| Finance | 104 | 2 | 0 | 106 | 106 | 0 | 0 | 106 | 0 |
| Fire | 382 | 1 | 0 | 383 | 381 | 1 | 0 | 382 | (1) |
| Health and Human Services | 64 | 11 | 1 | 76 | 63 | 11 | 1 | 75 | (1) |
| Information Technology | 80 | 1 | 0 | 81 | 80 | 0 | 0 | 80 | (1) |
| Internal Audit | 4 | 1 | 0 | 5 | 4 | 1 | 0 | 5 | 0 |
| Mayor * | 9 | 0 | 0 | 9 | 27 | 3 | 0 | 30 | 21 |
| Municipal Attorney | 53 | 0 | 0 | 53 | 52 | 0 | 0 | 52 | (1) |
| Municipal Manager * | 19 | 3 | 0 | 22 | 0 | 0 | 0 | 0 | (22) |
| Planning ** | 32 | 1 | 2 | 35 | 27 | 1 | 0 | 28 | (7) |
| Planning, Development & Public Works | 6 | 0 | 0 | 6 | 4 | 0 | 0 | 4 | (2) |
| Police | 518 | 0 | 0 | 518 | 518 | 0 | 0 | 518 | 0 |
| Project Management & Engineering | 50 | 0 | 4 | 54 | 52 | 0 | 4 | 56 | 2 |
| Public Transportation | 120 | 16 | 0 | 136 | 126 | 0 | 0 | 126 | (10) |
| Purchasing | 15 | 0 | 0 | 15 | 14 | 0 | 0 | 14 | (1) |
| Real Estate | 6 | 1 | 0 | 7 | 6 | 1 | 0 | 7 | 0 |
| Street Maintenance | 134 | 8 | 43 | 185 | 127 | 6 | 26 | 159 | (26) |
| Traffic ** | 44 | 1 | 6 | 51 | 50 | 0 | 0 | 50 | (1) |
| Total | 2,036 | 179 | 209 | 2,424 | 2,029 | 149 | 162 | 2,340 | (84) |

* The Municipal Manager's Department has been incorporated into the Mayor's Department.

** The Transportation Planning Division, in Planning Department, has been transferred to Traffic Department.

WHERE THE MONEY COMES FROM . . .



. . . WHERE IT GOES

