



GUIDE TO THE OPERATING BUDGET

I. INTRODUCTION

Why This Guide?

The purpose of this guide is to explain Anchorage's operating budget process and how to read the forms contained in the budget document. Budgets are often complex and confusing to the person who does not deal with them regularly. The terminology is foreign to most people and the various schedules are not always easily understood. It is hoped that this guide will help you understand the information, so you can make informed decisions regarding the operating budget.

How to Use This Guide

This guide is organized into four main sections:

- Section I, Introduction, explains the purpose of this guide.
- Section II, General Budget Principles, outlines the Municipality's major governing budget policies. These include the service area concept, balanced budget, tax limitation and appropriation guidelines. (There is a Glossary of Terms at the end of this guide.)
- Section III, How a Budget is Prepared and Compiled, explains the budgeting process used by general government departments.
- Section IV, How to Use the Budget Document, leads the reader step-by-step through the forms in the budget document. The interrelationships of the various forms are explained.

II. GENERAL BUDGET PRINCIPLES

The Budget as a Financial and Program Plan

The operating budget outlines the financial and program plan for the fiscal year (budget year) for the Municipality of Anchorage. It summarizes planned operating expenditures and revenues for each department/agency (excluding the Public Utilities) and explains what will be accomplished with the funds.

Preparation of the next year's budget begins each spring. The most current information on prices, population trends and public wants and needs is used. However, changes in the economy and community priorities sometimes require changing the planned Municipal programs during the budget cycle, as well as after the budget is approved in November.

Service Areas and Funds

The Municipality operates under a service area concept, which means that residents of particular areas have voted on whether to receive and to pay taxes for a particular service from the Municipality. By law, some services must be offered on an areawide basis. These include education, health and environmental protection, social services, animal control, library, museum, mass transit, emergency medical services, planning and zoning, property appraisal and tax collection. Other services require a specific vote of the people in each area -- these include road maintenance, fire and police protection and parks and recreation. There are currently 34 different service areas in the Municipality.

Service area expenditures and revenues are budgeted in unique funds. A fund is an accounting entity that isolates the expenses and revenues of a particular program or service -- somewhat like a separate checking account. Only expenses and revenues that pertain to the unique service area are reflected in that particular fund. In addition to the areawide fund, some of the major service areas/funds are:

- Police and Fire - The service area for police covers most of the Municipality except for Girdwood and Turnagain Arm. There are separate fire service areas for Anchorage, Chugiak, and Girdwood.
- Roads and Drainage - There are 26 separate funds for budgeting the various roads and drainage service areas. Four have full maintenance and construction authority: Anchorage Roads and Drainage Service Area (ARDSA), Eagle River Rural Road Service Area (ERRRSA), Glen Alps Service Area and Girdwood Valley Service Area. Others are called Limited Road Service Areas (LRSA).
- Parks and Recreation - There are separate service areas for Parks and Recreation in Anchorage, Eagle River/Chugiak, and Girdwood.

There are also a number of separate funds for particular program operations (equipment maintenance, Heritage Land Bank) or particular expenses (self-insurance).

Balanced Budget Concept

The general government operating budget for the Municipality is a balanced budget. This means that sufficient revenues must be available to pay for the planned expenditures. Revenue sources include fees for services, State and Federal shared revenues, property taxes and other local revenues such as interest earnings, assessments, licenses and permit fees. One of the most critical tasks in preparing the budget is the estimation of future revenues, since expenses that can be budgeted are dependent on the amount of revenue available.

Taxes and Mill Levies

Property taxes are an ad valorem tax, which means taxpayers pay a flat rate per dollar value of taxable property they own. The flat rate, called a mill levy or mill rate, is \$1.00 of tax per \$1,000 of assessed value. If you are taxed 4 mills for education and your house is assessed at \$100,000, you pay \$4 per \$1,000 of assessed value, or \$400 in taxes.

Tax Limitation

In October 1983, the voters of Anchorage passed an amendment to the charter known as the tax limitation. The measure limits the taxes the Municipality can levy (with certain exceptions) to the amount levied in the previous year; increased by annual inflation and five-year average population growth. The limit does not apply to taxes required to fund additional voter-approved services.

While the charter amendment limits tax increases, it does not limit expenditures if there are sufficient revenues from other sources to pay for them. However, the Municipal Code does include a spending limitation that restricts expenditure increases to inflation, population and voter/legally mandated services. Both the tax limitation and the spending limitation were effective with the 1984 budget.

Appropriations

Municipal agencies cannot expend funds without an appropriation. An appropriation is a level of funding authorized by the Assembly. The Assembly appropriates the operating budget by each department's direct cost and by each fund's function cost (these terms are explained later). Appropriations for general government operations that have not been spent at the end of one fiscal year do not carry over into the next fiscal year.

III. HOW AN OPERATING BUDGET IS PREPARED AND COMPILED

The budget process begins each spring with a preliminary planning phase. Departments review their programs and responsibilities, assess what is being done during the current year and begin making plans for the next year (the budget year). Some factors considered during this preliminary planning phase are:

- New facilities that will open and require staff, supplies and other operating expenses.
- New responsibilities or programs required by Federal, State or local laws.
- New or changed programs to meet community needs or interests.
- Programs that can be eliminated because they are no longer required or desired.
- Efficiencies that can be achieved through better resource management.

Both the balanced budget concept and the tax limitation necessitate early predictions of both expenditures and revenues. First, the budget staff calculates a continuation level for each department. This is a projection of what it would cost in the budget year to continue existing programs at the same level of activity. Factors that must be considered include union wage agreements and employee benefit costs.

The total of all department continuation levels plus any new facility or program requirements is compared to the allowable budget -- the level of funding that can be supported by anticipated revenues. After adjustments are made to balance expenditures to revenues, each department is given guidance for developing its detailed budget

proposal. Guidance includes general directions regarding cost-saving measures and the addition or elimination of programs.

Development and Review of Budget Proposals

Departments prepare their budgets using zero-base budgeting (ZBB) concepts. ZBB is a planning and budgeting tool which helps departments identify what needs to be done, what resources (personnel, supplies, contracts, etc.) are required to do the job and what the impact would be of not doing the job.

Each budget unit develops one or more service levels -- units of work or an activity. A budget is prepared for each service level, using various budget worksheets to project expenses. If the service level involves work that is supported by fees (such as building inspection or swim fees), the revenues must be estimated as well.

The service levels are then ranked by the department in descending order of priority, considering legal requirements, public needs and the Mayor's goals and objectives. A cumulative cost total is kept of the ranked service levels. A preliminary dollar amount (the funding line) is provided to each department. Those service levels above the funding line become the department's requested budget.

Department budgets are reviewed by the Office of Management and Budget and the Municipal Manager. The Municipal Manager then makes budget recommendations to the Mayor. In some cases, unfunded service levels that the Mayor feels are essential are exchanged for less critical service levels in other departments to keep the overall budget balanced. The amount established for each department is called the direct cost budget.

Intragovernmental Charges

When the departmental direct cost budgets and the total funding level are finalized, the budgets are entered into the Municipal computer and the intragovernmental charges (IGCs) are calculated. These are charges for services provided by one Municipal organization to another. For example, the Facility Management Department maintains all general government buildings. Maintenance costs are budgeted in Facility Management and charged out to the appropriate users. Intragovernmental charges are either allocated (based on standard figures per employee, per square foot, etc.) or non-allocated (based on charges for particular services performed).

By using an intragovernmental charge system, the full cost of a program -- including overhead -- ends up in the budget for the program. As an example, Anchorage Metropolitan Police Service Area taxpayers pay for the whole police program, including the cost of maintaining the police buildings. The intragovernmental charge system allows general government departments/agencies to properly charge Municipal utilities, grants, and capital projects for services provided.

Calculation of Function Cost

After the intragovernmental charges are calculated, the budget is summarized by service area. The service area cost, or function cost, is the direct cost plus intragovernmental charges from others less intragovernmental charges to others.

FOR EXAMPLE:

Direct Cost of the Fund	\$10,000,000
Intragovernmental Charges from Others	1,000,000
Intragovernmental Charges to Others	(2,000,000)
Service Area Function Cost	<u>\$ 9,000,000</u>

All of the function costs for each service area (fund) are totaled. The total becomes the recommended appropriation for that fund.

Preparation of Revenue Budget

The other side of the balanced budget is revenues. Some departments earn **program revenues**, such as bus fares, building permit and inspection fees, swim fees and library fines. The departments estimate these program revenues when they prepare their service levels.

Other revenues are earned or received by the Municipality as a whole. These are **allocated revenues**. Examples are state revenue sharing funds and interest earnings. These revenues are allocated to the various service areas (funds) as the budget is developed. A chart showing the distribution of all revenues is in Section 3, Revenues.

Once the function cost of each service area is calculated and the program and allocated revenues for each fund are estimated, the tax requirement can be calculated. The tax requirement is the function cost less program revenues less allocated revenues less fund balance applied.

CONTINUING WITH THE EXAMPLE ABOVE:

Service Area Function Cost	\$ 9,000,000
Program Revenues	(2,000,000)
Allocated Revenues	(4,500,000)
Fund Balance Applied	(500,000)
Service Area Tax Requirement	<u>\$2,000,000</u>

$$\begin{array}{rclclcl} \text{Service Area} & \div & \text{Service Area} & & & \\ \text{Tax Requirement} & & \text{Assessed Valuation} & \times & 1,000 & = \text{Mill Levy} \\ \\ \$2,000,000 & \div & \$10,000,000,000 & \times & 1,000 & = .20 \text{ mills} \end{array}$$

A summary of mill levies by fund is in the Appendix C.

IV. HOW TO USE THE BUDGET DOCUMENT

The charts presented in the budget document are the product of the steps described in the preceding section. The budget document is organized into four major sections:

- * **Budget Overview:** highlights of the budget.
- * **Revenue:** Two-year Summary of all Revenues; revenue notes; detailed breakdown of all revenues.
- * **Department Detail:** each department's organization chart; the Strategic Framework; a resource plan which summarizes expenditures, revenues, and personnel; a reconciliation which shows the changes from one year to the next; and a program plan for each major activity. For those departments that receive operating grants, a two-year grant comparison is included. This comparison identifies the grants, number of positions and amounts in each grant and the percentage that grants, in total, add to the department's total budget for operations.
- * **Appendices:** detailed comparisons of expenditures, revenues, assessed valuation and mill levies and personnel summary.

V. HOW TO READ THE DEPARTMENT DETAIL SECTION

The Department Detail section is central to the budget presentation. This section draws the most attention from legislators and others who are interested in reviewing the budget at the department level. This portion of the guide will lead the reader step-by-step through the various schedules used for each department and explain the interrelationships that exist between them.

Strategic Framework

New for 2002 is the Strategic Framework which marks the beginning of a department's budget. Each department has begun this first phase of the construction of a results-based performance evaluation program titled **ANCHORAGE: INVESTING FOR RESULTS!** The program has been created for the purpose of communicating to citizens the value or results delivered from spending public money. The Strategic Framework lays the program foundation by establishing a mission, goals, objectives, and appropriate performance measures at the department and division levels that will evolve into a comprehensive strategic plan as the Municipality goes forward into 2002.

The Strategic Framework pages contained in the budget are just a snapshot in time of a program that is continuously being refined as we search for better ways to track and improve the effectiveness and efficiency of services provided.

The first page of the Strategic Framework for most departments and divisions lists **customers served, a mission statement (purpose statement for divisions), goals and objectives**. The intent is to measure the accomplishment of goals and objectives that are focused on outcomes or results valued by the public.

TRAFFIC DEPARTMENT

Strategic Framework

Customers Served:

Traveling public – residents & visitors, Traffic Department Divisions, Anchorage School District, Municipal and State government agencies, community organizations, emergency response agencies, local and out-of-state businesses, development community, non-profits, contractors, other transportation services

Mission:

To promote the safe and efficient movement of all types of vehicular, commuter, freight and pedestrian traffic based on current and future needs, and preserve Municipal government emergency response systems to prevent the loss of life and property.

Goals:

- ☐ To promote safety improvements on residential and urban roadways.

Objectives:

- ☐ Improve the number of motor vehicles driving within the posted speed limit in residential areas to 90%.

The next section begins with a paragraph that explains the challenges present in meeting stated objectives and continues with a listing of the performance measures.

Performance Measures:

Concerns from citizens regarding excessive speeds of vehicles in their neighborhoods predominately during the summer months prompted the use of temporary, removable, rubber speed humps as a traffic calming technique to combat this area-wide problem.

We anticipate a measurable decrease in number of vehicles exceeding the posted speed limit due to the utilization of this technique. The actual program cost per speed hump will be based on internal labor costs, funding allocations, and rising external market prices. Accommodating the rising demand for speed humps in many residential areas may present a challenge due to the limited number of resources mainly due to the newness of the program. (i.e., number of speed humps, manpower, overall funding).

Measures:

- ☐ Average % of motor vehicles driving at or below the posted speed limit after the installation of temporary speed humps
- ☐ Total Program cost per speed hump

The following section lists categories of major services provided (core services) which, in the division frameworks, is followed by specific services delivered (direct services) in support of the major department functions.

Services Provided

Core Services:

- ☐ Transportation improvements and regulatory guidelines for roadways, sidewalks and bike paths
- ☐ Traffic control design, installation, operation and maintenance
- ☐ Municipal general government and public safety communications and electronic equipment management
- ☐ Coordination and improvement of multi-modal transportation systems

The final part of the Strategic Framework, titled the **Performance Measures Dictionary**, offers insight into how each measure is defined and carried out.

Performance Measures Dictionary

Department: Traffic Department

Measure Title: Average % of motor vehicles driving at or below the posted speed limit after the installation of speed humps

Type: Effectiveness

Goal Supported: To promote safety improvements on residential and urban roadways.

Definition: This measure reports the percentage of motor vehicles driving at or below the posted speed due to the implementation of the Speed Hump Program on designated residential roadways. It measures the effectiveness of this particular traffic calming device in an effort to reach our 90% compliance objective.

Method: The calculation is performed by dividing the difference between the average vehicle speed before speed hump installation minus the average vehicle speed after speed hump implementation by the average vehicle speed before speed hump implementation.

Frequency: The measurement will be performed during the summer months.

Measured By: The Safety Division will compile field data collected by Signal Division engineering technicians. Results will be emailed to the Traffic Department administrative officer to be tracked in an Excel spreadsheet report.

Reporting: The Administration Division will create and maintain a seasonal report in Excel that will display the information numerically and graphically.

Used By: The Department Director will use the report to measure the effectiveness of this particular traffic calming technique in improving neighborhood traffic safety. This report will be presented to the Administration and various community organizations.

Resource Plan

The Resource Plan gives the **operating costs** and **personnel resources** for each division. It adds debt service and the intragovernmental charges received from other departments, then subtracts charges to be made to other departments. This figure equals the department's **function cost**. Any program revenues budgeted by the department are subtracted to get the **net program** costs of the department. For departments with operating grants, a summary of grants activity is then presented.

The lower half of the resource Plan shows, by division, the breakout of the budget by **expense category** -- personal services, supplies, other services, debt service and capital outlay.

2002 Resource Plan

Department: Traffic

Division	Financial Summary		Personnel Summary							
	2001	2002	2001 Revised				2002 Proposed			
	Revised	Proposed	FT	PT	Temp	Total	FT	PT	Temp	Total
Administration	220,200	311,030	3			3	4			4
Transportation Planning		365,650	5			5	5			5
Communications	1,044,720	1,002,470	11			11	10			10
Paint and Signs	934,180	778,980	7			5	12	7		7
Safety and Signals	1,996,400	1,115,220	14			1	15	14		14
Signal Operations		940,490	9	1		10	9			9
Operating Cost	4,195,500	4,513,840	49	1	6	56	49	0	0	49
Add Debt Service	0	0								
Direct Organization Cost	4,195,500	4,513,840								
Charges From/(To) Others	(906,690)	(1,410,270)								
Function Cost	3,288,810	3,103,570								
Less Program Revenues	(1,120,050)	(1,050,000)								
Net Program Cost	2,168,760	2,053,570								

2002 Resource Costs by Category

Division	Personal Services	Supplies	Other Services	Capital Outlay	Total Direct Cost
Administration	284,480	6,500	17,630	6,900	315,510
Transportation Planning	374,150				374,150
Communications	982,000	69,140	29,760	6,000	1,086,900
Paint and Signs	637,000	151,220	5,300		793,520
Safety and Signals	1,072,010	27,860	20,600	11,320	1,131,790
Signal Operations	874,200	60,130	19,660	3,000	956,990
Operating Cost	4,223,840	314,850	92,950	27,220	4,658,860
Less Vacancy Factor	(145,020)				(145,020)
Add Debt Service					0
Total Direct Organization Cost	4,078,820	314,850	92,950	27,220	4,513,840

Department Reconciliation

The Department Reconciliation shows how the department's budget differs from the current year to the budget year. **Program changes** are noted with their associated funding and staffing levels.

RECONCILIATION FROM 2001 REVISED BUDGET TO 2002 PROPOSED BUDGET				
DEPARTMENT: TRAFFIC				
	<u>DIRECT COSTS</u>	<u>POSITIONS</u>		
		FT	PT	T
2001 REVISED BUDGET:	\$ 4,195,500	44	1	6
2001 ONE-TIME REQUIREMENTS:				
- None				
CHANGES FOR CONTINUATION OF EXISTING PROGRAMS IN 2002:				
- Salaries and benefits adjustment for continuing employees	137,830			
- AMEA/Non-rep wage increase	84,620			
TRANSFERS (TO)/FROM OTHER AGENCIES:				
- From Planning Department: Salaries, benefits, vacancy factor for Transportation Planning	351,760	5		
- From Office of Planning, Development and Public Works: Salaries, benefits, and vacancy factor for administrative position	56,430	1		
MISCELLANEOUS INCREASES (DECREASES):				
- None				
2002 PROGRAMMATIC BUDGET CHANGES:				
- Adjust projected salaries savings based on historical experience	\$ (68,270)			
- Delete vacant part-time position that provides signal maintenance inspection to construction projects	(55,300)		(1)	
- Delete vacant temporary positions that support 18% of the paint and sign program	(172,690)			(5)
- Delete vacant temporary position that provides 1% of the safety and signals program support	(16,040)			(1)
2002 PROPOSED BUDGET:	<u>\$ 4,513,840</u>	<u>50</u>	<u>0</u>	<u>0</u>

Program Plans

Separate Program Plans describe the resource requirements for each major program in the department. For 2002, the form has changed to show only the current and budget year personnel **positions** and total **direct costs**. The performance objectives and work measures (now performance measures) are represented in the Strategic Framework.

2002 PROGRAM PLAN

DEPARTMENT: TRAFFIC

DIVISION: TRAFFIC ADMIN

PROGRAM: Administration

PURPOSE:

To promote and ensure the safe and efficient movement of vehicle and pedestrian traffic, and to enhance the viability of neighborhoods through professional management and support to individuals and community groups in the developing of residential traffic and safety improvements.

2001 PERFORMANCES:

See Strategic Framework

2002 PERFORMANCE OBJECTIVES:

See Strategic Framework

RESOURCES:

	2000 REVISED			2001 REVISED			2002 BUDGET		
	FT	PT	T	FT	PT	T	FT	PT	T
PERSONNEL:	3	0	0	3	0	0	4	0	0
PERSONAL SERVICES	\$	184,960		\$	189,170		\$	280,000	
SUPPLIES		6,500			6,500			6,500	
OTHER SERVICES		16,670			16,670			17,630	
CAPITAL OUTLAY		7,860			7,860			6,900	
TOTAL DIRECT COST:	\$	215,990		\$	220,200		\$	311,030	
PROGRAM REVENUES:	\$	32,000		\$	32,000		\$	16,000	

WORK MEASURES:

See Strategic Framework

0

0

0

14 SERVICE LEVELS ARE FUNDED FOR THE DEPARTMENT. THIS PROGRAM HAS LEVELS:

1

HOW TO USE THE APPENDICES

The Appendices contain summaries of expenditures, revenues, assessed valuation and mill levies. The following describes what can be found in the Appendices and how they relate to the rest of the operating budget document:

- A. **Direct Cost by Expenditure Type:** The budget is summarized by department and expense category. This ties in to the Resource Plan totals for each department. The total direct cost for each department is the department appropriation.
- B. **Function Cost Comparison by Fund:** Compares function costs (direct costs with intragovernmental charge additions and subtractions) by fund with current year.
- C. **Mill Levy Comparisons by Fund:** Compares mill levies by fund (service area) with the approved mill levies for the current year, excluding the Anchorage School District (ASD).
- D. **Mill Levy Comparison by Taxing District:** Compares each taxing district's mill levy with its current year approved mill levy, excluding ASD.
- E. **Mill Levy Trends:** Shows the ten-year mill levy trend by taxing district, excluding ASD.
- F. **Preliminary Property Tax:** Shows, for each \$100,000 assessed valuation, what residents pay for each of the services they receive, including ASD.
- G. **Applied Fund Balance Summary:** Compares the amount of any fund balance to be appropriated to offset function costs with that for the current year.
- H. **Personnel Benefit Rates:** These rates are used in developing the operating budget and cover the Municipality's share of retirement, social security, medical, dental and life insurance, accrued leave and long-term disability benefits.
- I. **Debt Service Summary by Program:** Provides detailed information regarding the outstanding debt and the principal and interest payments for the budget year.
- J. **Tax Limit Calculation:** Presents the tax limitation calculation, as required in Section 14.03 of the Municipal Charter. Property taxes required cannot exceed the property taxes allowed, as calculated in this schedule.

GLOSSARY OF TERMS

Ad Valorem Tax	A tax based on value. Property taxes in the Municipality are an ad valorem tax. Taxpayers pay a set rate per dollar of assessed value of taxable property.
Allocated Revenues	Revenues received or earned by the Municipality which are not attributed to a particular department, program or service. Examples are state revenue sharing and interest earned on cash investments. These revenues are distributed to funds (service areas), but not to particular programs. The method of allocation varies, depending on the type of revenue.
Allowed Budget	Amount the total budget can be without exceeding the tax limitation. Calculated by adding the amount of taxes allowed under the tax limitation and other anticipated revenues (programs and allocated revenues and intragovernmental charges to non-tax-supported units such as grants and utilities).
Appropriation	An authorization by the Assembly to make expenditures. The Assembly makes appropriations in the operating budget for each department's direct cost and each fund's function cost. Appropriations lapse at the end of the fiscal year.
Areawide Services	Services provided throughout the entire Municipality. Examples are education, planning and zoning, library, health and transit.
Assessed Valuation	The value of real estate and other taxable property established by the Municipality as a basis for levying taxes. By State law, all taxable property must be assessed annually at 100% of market value.
Average Mill Rate	<p>The average tax rate (mill levy) computed by:</p> $\frac{\text{Total Property Tax Required}}{\text{Total Areawide Assessed Valuation}} \times 1,000 = \text{Average Mill Rate}$
Balanced Budget	A budget in which sufficient revenues are available to fund anticipated expenditures.
Budget Unit	An organization level for which a budget is prepared. This is usually a division or section, depending on the organizational structure of the particular department.

Charter	The governing document that created the Municipality of Anchorage as a home rule government. The charter was adopted in 1975 and may be amended only by a majority of those voting on the approved amendment.
Code	The laws that interpret and implement the Municipal charter. The code is adopted and may be revised by ordinance approved by at least six members of the Assembly.
Continuation Level	Projection of what it would cost in the budget year to continue existing programs and services at the same level of activity.
Debt Service	Principal and interest payments on debt incurred (bonds sold) by the Municipality.
Direct Costs	Salaries and other personnel expenses, supplies, contracts and other purchased services, debt service, machinery and other capital expenses. The Assembly appropriates a department's direct costs for the fiscal year.
Expense	General government expenses include salaries, wages, supplies, contracts, debt service, and purchases of machinery and equipment.
Fiscal Year	An accounting term for the budget year. The fiscal year of the Municipality is January through December 31.
Function Cost	<p>The appropriation level for funds (or service areas). Function cost is calculated as follows:</p> $\begin{array}{rcccl} \text{Direct} & + & \text{Intragovernmental} & - & \text{Intragovernmental} & = & \text{Function} \\ \text{Cost} & & \text{Charges From} & & \text{Charges to Others} & & \text{Cost} \\ & & \text{Others} & & & & \end{array}$ <p>The function cost of a particular fund is the sum of the function costs of all budget units assigned to the fund. The Assembly appropriates a fund's function costs for the fiscal year.</p>
Fund	An accounting entity designed to isolate the expenses and revenues of a particular program or service. Funds are classified according to type: general, enterprise, debt service, etc. The expenses and revenues are accounted for according to generally accepted accounting principles. Each service area established in the Municipality is assigned a unique fund number and title.
Intragovernmental Charge	The charge for a service which one budget unit (servicer) provides to another (requester). Charges to other budget units are counted as revenues; charges from others are counted as expenses.
Mandated Increase	Budget increase required to meet Federal, State, or Municipal legally mandated services or programs.

**Mill Levy or
Mill Rate**

A rate of tax to be assessed on all taxable property. Rates are expressed in terms of \$1 of tax per \$1,000 of assessed value. Mill Levy is computed as follows:

$$\begin{array}{l} \text{Property Tax} \\ \text{Required in a} \\ \text{Service Area} \end{array} \div \begin{array}{l} \text{Total Assessed} \\ \text{Value of Taxable} \\ \text{Property in the} \\ \text{Service Area} \end{array} \times 1,000 = \text{Mill Levy}$$

Net Program Cost

The amount required to support a program that is not completely funded by revenues earned by the program. Net program cost must be funded by allocated revenues or property taxes. It is computed as follows:

$$\begin{array}{l} \text{Direct} + \text{Intragovernmental} - \text{Intragovernmental} - \text{Program} = \text{Net} \\ \text{Cost} \quad \text{Charges From} \quad \text{Charges to Others} \quad \text{Revenues} \quad \text{Program} \\ \quad \quad \quad \text{Others} \quad \quad \quad \quad \quad \quad \text{Costs} \end{array}$$

Program Plan

A description of the work to be performed and resources required for each major type of activity (program).

Program Revenue

Revenues earned by a program, including fees for service, license and permit fees and fines.

Property Tax

Total amount of revenue to be raised by levying taxes on real and personal property. Property tax is computed as follows:

$$\begin{array}{l} \text{Net Program Costs} \\ \text{for all Budget} \\ \text{Units in a} \\ \text{Particular Fund} \end{array} - \begin{array}{l} \text{Allocated Revenues} \\ \text{Assigned to the} \\ \text{Fund and Fund} \\ \text{Balance} \end{array} = \begin{array}{l} \text{Property Tax} \\ \text{Required for} \\ \text{the Fund to} \\ \text{Meet the} \\ \text{Budget} \end{array}$$

Resources

The personnel and financial requirements of each program. Personnel resources are stated in terms of full time, part-time and temporary positions. Financial resources are stated in terms of five major expense categories (personal services, supplies, other services, debt services and capital outlay).

Service Area

A legal entity that funds particular governmental services. Service areas are created, altered or abolished only with the approval of a majority of those voting on the question within the affected area. The services are financed only from taxes on property within the area (after all other revenue sources are applied).

Service Area (Con't)	<p>Areawide services are provided to, and paid for by, taxpayers throughout the Municipality. Other services are limited to smaller geographic areas. Examples of service areas are:</p> <ul style="list-style-type: none"> • Chugiak Fire Service Area • Anchorage Metropolitan Police Service Area • Anchorage Roads and Drainage Service Area • Girdwood Valley Service Area • Glen Alps Limited Road Service Area
Service Level	<p>An amount of work to be accomplished with a given level of resources. Service levels are developed by departments during the zero-base budgeting process to present various incremental levels of work and resources to accomplish a program.</p>
Spending Limitation	<p>Anchorage Municipal Code Section 6.10.037 established a spending limitation on general government tax-supported services. It generally limits per capita expenditure increases to the amount of inflation (as measures by the Anchorage consumer price index) and expenditures required to provide voter and legally mandated services.</p>
Tax Limitation	<p>A charter amendment passed by the voters of Anchorage in October 1983, which sets an upper limit on the amount of taxes the Municipality can levy in any given year. The tax limit is generally based on the amount levied in the previous year, increased by the rate of inflation and the five-year average population growth. Exceptions to the limit are taxes allowed for payment of debt service and judgments against the Municipality and taxes to fund voter-approved services.</p>
Tax Requirement	<p>The amount of property tax allowed and necessary to fund the budget.</p>
Tax-supported	<p>A term used to indicate programs or funds which depend, to some degree, on property taxes as a source of revenue. Those that are not tax-supported earn sufficient program revenues, allocated revenues and/or intragovernmental charge revenues to balance their budgets.</p>
Zero-base Budgeting	<p>A budgeting process that allows for review of varying (ZBB) levels of service at varying levels of resources required. The underlying assumption for a zero-base budget is that existing and new programs should be equally scrutinized and prioritized annually.</p>

This page intentionally left blank